QUEST HOLDINGS

In quest for more

Well-diversified with an IT tilt – Quest is a tech-oriented holding group active in 5 segments via specialized subsidiaries, most of which are among the leaders in their respective sector. Its portfolio spans across segments such as electronic transactions, courier services, trade of IT products, implementation of ICT projects and operation of renewable parks, namely industries which are quite diverse, thereby mitigating risks from cyclical swings. The profit mix is quite balanced while most segments are in secular growth and are primed to be further propelled by EU funds. Overall, we expect 12% group revenue CAGR through to 2023e mostly underpinned by low teens growth for the courier business (e-Commerce rise, pricing, mix) and IT products (digitization, market share gains) and high single-digit growth for other segments.

Impressive profit compounder; we expect 15% EBIT CAGR in 2020-23e – Quest has been a consistent earnings compounder with a strong execution track record, having delivered >20% EBIT/EBITDA CAGR since 2015. Looking ahead, we expect the pendulum of operating leverage to remain positive, with the 12% 3-year sales CAGR filtering through to a 15% EBIT CAGR (2020-23e) as COVID-related expenses roll-off.

Startling commitment to growth & investments – Quest has spent c€120m over 2015-2020, namely almost 2x the cumulative EBITDA generated during the previous 5 years (2010-2014). Simply put, Quest invested its way to superior growth. The result was even more impressive from a returns' perspective, with the group having grown EBIT by almost €40m over 2015-2020, thereby achieving a 32% operating return (pre-tax) on the aforementioned investment. Given its robust financial position (€10m net cash as of Dec'20, to be further propelled by proceeds from the Cardlink sale), Quest has enough war chest to seek new growth avenues.

Balance sheet optionality – We estimate that a generic acquisition of a target company with €50m revenues and a pre-synergy EBITDA margin in the mid to high-single digits could be c5-8% EPS accretive, corresponding to a value creation near €1-1.2 per share. Alternatively, Quest could deliver additional shareholder value through heftier returns to shareholders. This would be even more so the case after the disposal of Quest's stake in Cardlink (recently agreed with Wordline), with the transaction expected to boost the group's liquidity position by >€90m (in H2'21). The shareholder return track record is solid (70% of cumulative 5-year net profit, further topped up by the return in kind associated with the REIC demerger), testament to mgt's commitment in creating shareholder value.

Valuation – The stock is 60% above pre-COVID levels, yet 2021e EBIT will also be c45% higher than 2019. We believe the current valuation constitutes a compelling risk-reward proposition, as we argue there is substantial latent value to be crystallized over time by rising shareholder returns and/or acquisitions or disposals of stakes in subsidiaries. Our SOTP-based valuation – post the application of a 10% holding discount – yields a baseline value of €18.4 and a €16.8-20.4 indicative range.

Estimates

€ mn	2019	2020	2021e	2022e	2023e
Sales	600.3	721.4	864.7	943.7	1,010.1
EBITDA - adj.	53.4	59.9	70.9	77.3	83.7
Net profit - reported	7.9	16.0	36.8	39.4	43.7
EPS - adj. (EUR)	0.55	0.73	1.03	1.10	1.22
DPS (EUR)	0.14	0.45	0.30	0.33	0.36

Valuation

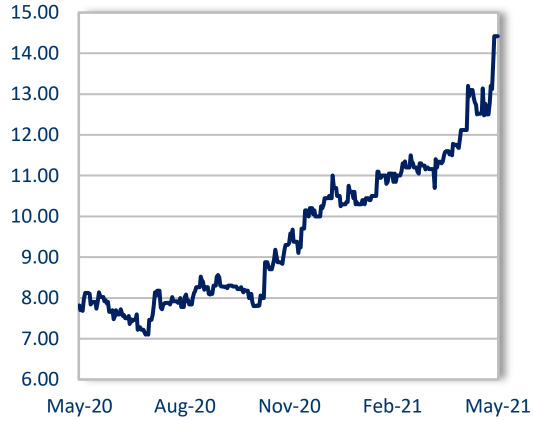
Year to end December	2019	2020	2021e	2022e	2023e
P/E	28.0	18.1	14.0	13.1	11.8
EV/EBITDA	4.6	5.4	8.4	7.5	6.7
EBIT/Interest Expense	6.0	6.4	7.6	8.0	8.4
Dividend Yield	2.3%	5.6%	2.1%	2.3%	2.5%
ROE	5.5%	11.2%	22.1%	19.8%	18.6%

Market Cap (€mn)	**€515.4**
Closing Price (28/05)	**€14.42**

Stock Data

Reuters RIC	IQTr.AT
Bloomberg Code	QUEST GA
52 Week High (adj.)	€14.80
52 Week Low (adj.)	€7.00
Abs. performance (1m)	19.0%
Abs. performance (YTD)	38.0%
Number of shares	35.7mn
Avg Trading Volume (qrt)	€194k
Est. 3yr EPS CAGR	18.5%
Free Float	25%

Quest Share Price



Analysts

Stamatis Draziotis, CFA
Equity Analyst, Head of Research
Tel: +30 210 37 20 259
E-mail: sdraziotis@eurobankequities.gr

Natalia Svyriadi
Equity Analyst
Tel: +30 210 37 20 257
E-mail: nsvyriadi@eurobankequities.gr

Head of Research
Tel: +30 210 37 20 259

Sales
Tel: +30 210 37 20 117

Trading
Tel: +30 210 37 20 168/110

This report was prepared and published in consideration of a fee payable by Quest Holdings.

See Appendix for Analyst Certification and important disclosures.

Contents

Investment Summary

A diversified group with exposure in sectors in secular growth

Quest is a tech-oriented holding group active in 5 segments via specialized subsidiaries, most of which are among the leaders in their respective sector. Its portfolio spans across segments such as electronic transactions (a business which Quest has agreed to sell to Wordline), courier services, trade of IT products, implementation of ICT projects and operation of renewable parks (RES), namely industries which are quite diverse, thereby mitigating risks from cyclical swings. The profit mix is quite balanced, with segmental contribution ranging from 11% (in the case of RES) to 28% (courier) of group EBITDA. In addition, most of Quest's segments have technology affinity, thereby being in secular growth while being primed for further boost from the EU's digital/"green" push. Overall, we forecast revenue CAGR of 12% through to 2023e (following 15% in 2016-20) mostly underpinned by low teens growth for the courier business (e-Commerce rise, pricing, mix) and IT products (market share gains) and high single-digit growth for the other segments (digitalization, share gains).

Solid track record and profit compounder; 15% EBIT CAGR in 2020-23e

Quest has been a consistent earnings compounder with a strong execution track record, having delivered >20% EBIT/EBITDA CAGR since 2015. This is even more impressive when seen under the prism of the tough environment in which the group operated (e.g. multi-year recession in Greece, COVID challenges) and some idiosyncratic hurdles (e.g. profitability debasement of Cardlink due to new agreement with Greek banks). Looking ahead, we expect the pendulum of operating leverage to remain positive, with the 12% 3-year sales CAGR filtering through to a 15% EBIT CAGR through to 2023e. We expect the strongest profit growth to stem from the courier business (e-commerce penetration, price/mix, leverage on rolling-off of COVID-related expenses) and IT services (digitization of public sector and SMEs, growing international business, ICT project boost by the Recovery Fund), with healthy growth also for IT products (share gains for Apple, Xiaomi) and electronic payments (rise in non-cash transactions). We note that Quest will disinvest from its e-payments subsidiary Cardlink having recently sealed a deal with Wordline (transaction to be completed in H2'21).

Startling commitment to growth and investments; accretive M&A deals on the table

Quest's commitment to growth has been startling: the group has spent c€120m over 2015-2020, namely almost 2x the cumulative EBITDA generated during the previous 5 years (2010-2014). Simply put, Quest invested its way to superior growth. The result was even more impressive from a returns' perspective, with the group having grown EBIT by almost €40m over 2015-2020, thereby achieving a 32% operating return (pre-tax) on the aforementioned investment. Quest remains committed to constantly exploring growth opportunities, and the robust financial position (€10m net cash as of end Dec'20) means that it has enough war chest to fund potential M&A opportunities. In fact, the group has already agreed to enter as a strategic investor in the share capital of G.E. Dimitriou SA, a local company which is the exclusive distributor of Toyotomi electrical appliances in Greece (deal still subject to court ratification, since it is predicated on debt restructuring). Irrespective of the conclusion of the transaction, we expect management to continue seeking value-accretive opportunities with potential emphasis on the IT sectors or areas that are "complementary" to Quest's core segments. Indicatively, we estimate that a generic acquisition of a target company with €50m revenues and a pre-synergy EBITDA margin in the mid to high-single digits could be c5-8% EPS accretive, corresponding to a value creation near €1.0-1.2 per share.

Balance sheet optionality leaves scope for further upside

Besides an earnings-accretive acquisition, there is great balance sheet optionality, meaning that Quest could alternatively deliver additional shareholder value through heftier returns to shareholders. This is even more so the case after the disposal of Quest's stake in Cardlink, with the transaction expected to boost the group's liquidity position by >€90m (in H2'21). In any case, Quest has a strong track record of shareholder returns, having paid more than €60m over the last 5 years (70% of cumulative net profit over the period, excl. the return in kind related to the REIC demerger). Our model is predicated on a payout ratio near 30% for 2021-23e, which would be below that in previous years, as we assume the group builds further war chest as it continues its "quest" for growth opportunities.

Valuation still quite compelling

Quest shares have posted a stellar performance more than doubling over the last 2 years, substantially outperforming both Greek non-financials and the ASE index. Although the stock currently stands 60% above its pre-pandemic levels, its profitability is also higher as the group delivered 12% EBITDA growth in 2020 following a 58% increase in 2019. From a valuation perspective, the diverse portfolio of subsidiaries impedes the benchmarking vs a peer group, while the limited forward-looking estimate track record makes any reference to historic valuation rather pointless. That said, we believe the current valuation of c14x 2021e PE and c8.4x 2021e EV/EBITDA constitutes a compelling risk-reward proposition, as we argue there is substantial latent value to be crystallized over time by rising shareholder returns and/or acquisitions or disposals of stakes in subsidiaries. Our valuation is based on a sum-of-the-parts (SOTP) of the 5 core segments comprising the group to which we apply a 10% holding discount, coming up with an indicative baseline fair value per share near €18.4. This effectively values the group at c10.4x 2021e EV/EBITDA, still small discount to the blended peer group. Flexing our WACC and perpetuity growth inputs for the non-RES businesses by 0.5% yields a fair value range between €16.8 and €20.4 per share.

Share price performance and valuation

Price performance

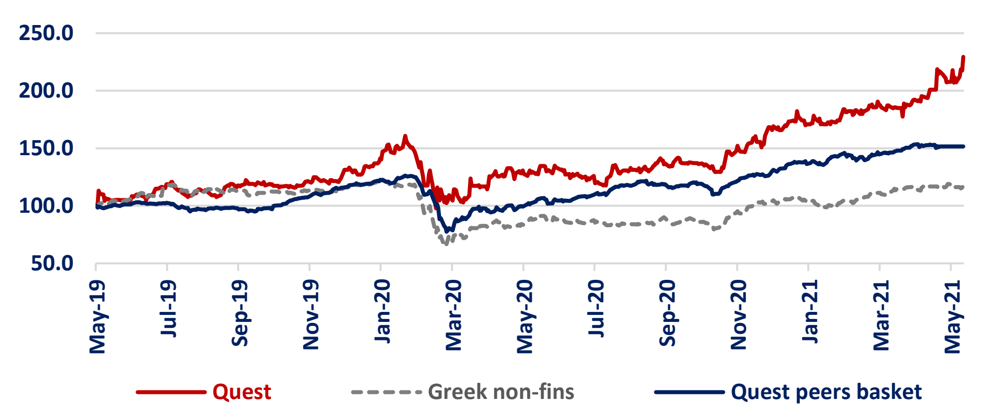
Stock has posted a stellar performance more than doubling in the last 2 years

Quest has posted a stellar performance in the last 2 years, with its price more than doubling since May 2019. Between May'19 and Feb'20 the stock rallied >50% before plunging c30% in the aftermath of the COVID-induced sell-off. The business soon retraced a significant part of these losses and entered on an upward trajectory since November 2020, as the positive vaccine news drove a risk-on reaction. As a result, the stock now stands c60% above its pre-pandemic levels.

… with the shares now c60% above their pre-pandemic levels

In the chart below we contrast Quest's performance against that of other Greek non-financials and a basket of global peers. As far the latter is concerned, due to the broad segment exposure of Quest – with activities spanning from postal services to electronic payments and IT – we have used a variety of peers from all relevant segments (e.g. Deutsche Post, UPS, Fedex, Nexi, Worldline, Sopra Steria, Adesso etc.). As can be seen, Quest has outperformed not only the broad Greek non financials universe (which is trading near pre-COVID levels) but also the broad peer group. Underpinning this performance has certainly been the operating developments, with Quest growing EBITDA by more than 70% over the 2-year period, and the attractive valuation as we discuss below.

24m performance (rebased) – Quest vs Greek non-financials and peer basket

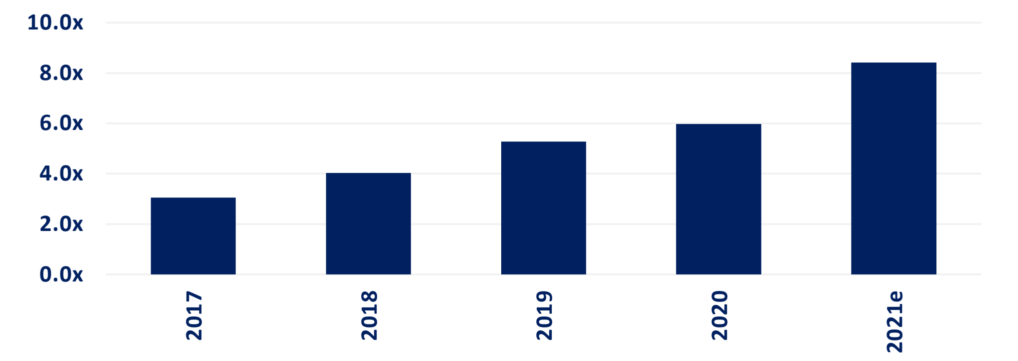


Source: Eurobank Equities Research, Bloomberg.

Low history of valuation reference points due to the lack of coverage; gradual re-rating underpinned by the strong operational execution

From a valuation perspective, there is very limited forward-looking track record since the stock has not been widely covered. Using actual reported EBITDA figures and average market cap data during each year, the stock has traded within a 4x-6x EV/EBITDA range over 2018-2020, indicative of the information gap created by the lack of coverage. The valuation has consistently been on an upward trajectory in recent years, as re-rating has been underpinned by the solid operational execution. The stock has re-rated further this year to >8x on 2021e.

EV/EBITDA valuation - Quest

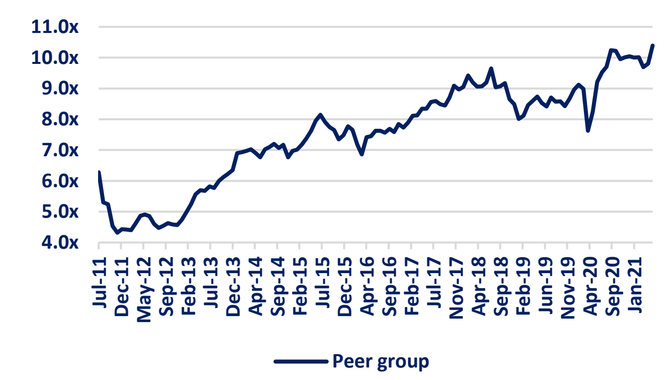


Source: Eurobank Equities Research, Bloomberg.

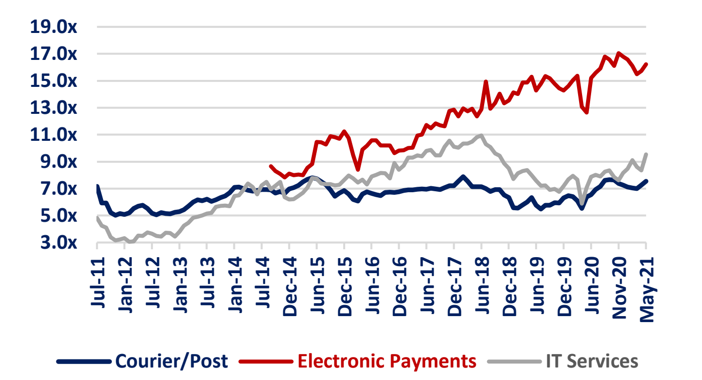
Broad group of peers selected: courier/postal historically valued at 7x EV/EBITDA, ICT-related IT companies at 7-8x, Payment businesses at mid-teen levels recently on account of M&A spate

By comparison, Quest's peers have historically traded at c7.5x EV/EBITDA but have re-rated substantially in the last few years. As we display on the chart on the right-hand side, this has been driven mainly by the re-rating of electronic processing and payment businesses, which have seen valuation levels increase from 8-9x to >15x in recent years, partly on account of M&A (as the sector is in consolidation mode). Postal/courier businesses have traded near 7x EV/EBITDA, having re-rated recently towards a high single digit level. The IT peers we have selected mainly belong to the ICT sector, and have thus traded at c7-8x EV/EBITDA.

Peer group 12m-fwd EV/EBITDA



Peer group 12m-fwd EV/EBITDA by activity



Source: Eurobank Equities Research, Bloomberg

In the table below, we cross-check Quest's current valuation against the aforementioned selected group of peers, namely companies with some degree of product overlap. We caveat though that these are not direct peers, but our analysis is mainly aimed at providing some background on the valuation of a broad set of comparable companies, notwithstanding the differences in the product mix (e.g. courier vs postal companies). As can be seen, Quest's valuation sits at the bottom end of the range on traditional metrics such as PE and EV/EBITDA, while enjoying an equally strong balance sheet and offering similar dividend yield.

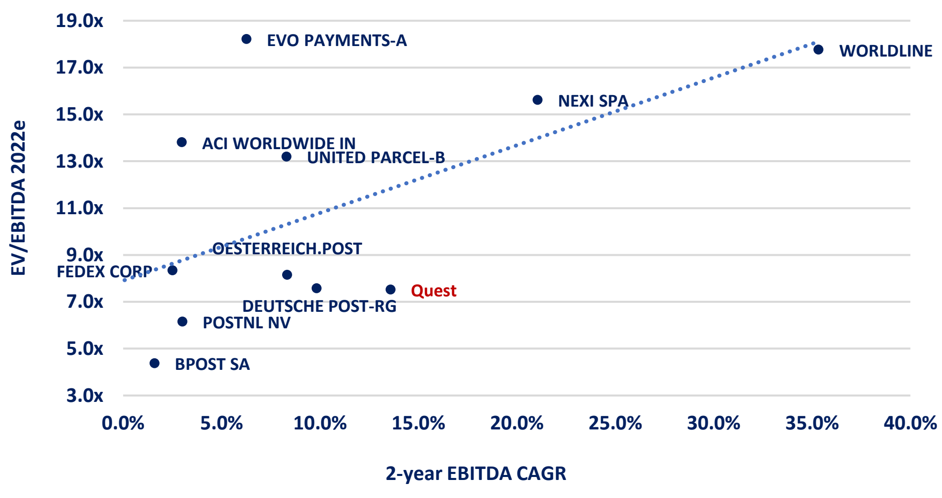
Peer group valuation

Stock	Mkt Cap	PE 2021e	2022e	EV/EBITDA 2021e	2022e	DPS yield 2021e	2022e	Net debt/EBITDA 2021e
DEUTSCHE POST-RG	68,755	16.0x	15.9x	7.6x	7.6x	3%	3%	1.3x
BPOST SA	2,204	10.0x	10.0x	4.4x	4.4x	4%	4%	0.7x
OESTERREICH.POST	2,851	19.0x	19.0x	8.4x	8.2x	5%	4%	0.1x
POSTNL NV	2,472	11.7x	13.0x	5.9x	6.2x	7%	7%	0.7x
ROYAL MAIL	6,768	10.6x	10.3x	4.9x	4.8x	3%	4%	0.3x
UNITED PARCEL-B	152,494	19.6x	18.9x	13.7x	13.2x	2%	2%	0.8x
FEDEX CORP	68,933	15.7x	14.4x	8.9x	8.3x	1%	1%	1.5x
Postal peers		**14.7x**	**14.5x**	**7.7x**	**7.5x**	**4%**	**4%**	**0.8x**
NEXI SPA	10,440	36.1x	31.7x	19.6x	15.6x	0%	0%	2.8x
WORLDLINE	22,093	33.2x	28.0x	20.8x	17.8x	0%	0%	2.1x
EVO PAYMENTS-A	2,006	35.7x	29.5x	21.0x	18.2x	0%	0%	0.9x
ACI WORLDWIDE IN	3,785	20.9x	19.3x	14.9x	13.8x	0%	0%	0.0x
BOTTOMLINE TECH	1,408	30.2x	29.2x	15.9x	14.1x	0%	0%	0.0x
Electronic payments/processing peers		**31.2x**	**27.5x**	**18.5x**	**15.9x**	**0%**	**0%**	**0.0x**
SOPRA STERIA GRO	3,142	14.5x	12.5x	7.6x	7.1x	2%	2%	0.7x
ADESSO SE	826	23.1x	25.6x	11.0x	11.3x	0%	0%	-0.3x
CANCOM AG	1,885	30.4x	25.5x	12.0x	10.3x	1%	2%	-2.1x
NNIT A/S	425	22.0x	17.5x	8.8x	7.9x	3%	3%	1.1x
IT peers		**22.5x**	**20.3x**	**9.8x**	**9.1x**	**2%**	**2%**	**-0.1x**
Blended peer group		**22.2x**	**20.0x**	**11.1x**	**10.0x**	**2%**	**2%**	**0.1x**
Quest	515	14.0x	13.1x	8.4x	7.5x	2%	2%	0.4x*

Source: Eurobank Equities Research, Bloomberg. * Incl. capitalized op. leases

Given that the range of valuation multiples may also reflect differences in companies' growth profile, we have also examined the current valuation of the broad peer group in conjunction with the 2-year profit outlook (average growth 2021-22). As can be seen Quest's growth profile is in fact quite appealing, with EBITDA growth expected in the double-digits. At the same time, the stock is trading at the low end of the range. In that regard, we see plenty of scope for Quest to move up the valuation spectrum as the growth story plays out.

Quest and broad peer group – 2022e valuation vs 2-year expected growth



Source: Eurobank Equities Research, Bloomberg.

Valuation: DCF-based SOTP yields a €600-730m intrinsic value range (€16.8-20.4 per share)

We base our valuation on Quest group on a sum-of-the-parts (SOTP) of the 5 core segments comprising the group, namely ACS (courier), Cardlink (electronic payments), IT services (UniSystems), IT products (InfoQuest, Quest Online, iSquare, iStorm). We run through our segmental DCF assumptions in the next pages, but in brief our model utilizes:

- For the non-RES segments:
  - a blended 8.7% WACC which we believe captures the relative risk profile of the business vis-à-vis the rest of our coverage universe;
  - Sales CAGR of c9% over 2021-2025e, driven by secular drivers (e-Commerce penetration, digitalization) and other factors (share gains in IT segments, cyclical recovery), fading to c3% in the medium term.
  - EBIT CAGR of c13% over 2021-2025e driven by the robust top line growth, operating leverage and the rolling-off of one-off COVID-related expenses, with further underpinning being provided by cyclical acceleration. This would imply c110bps margin expansion vs 2020 levels. We assume medium-term EBIT growth fades to c5%, just a tad above top line growth.
  - We use a LT growth rate of 0.9%, implying reinvestment rate near 25% and incremental ROIC of <4%, justifiable in our view by the technology-dependent nature of most segments.
  - The implied FCF conversion (FCF/EBITDA) in the medium term stands at c60%, a level we consider feasible.
- For the RES segment (see page 33 for details):
  - We value a portfolio of 31MW (28MW as of end 2020), effectively incorporating just 3MW additional capacity.
  - We are using explicit cash flows through 2049, assuming a 27-year average life for Quest's wind and solar installations; taking into account the period in operation, we estimate a remaining life 16-25 years for the group's installed parks;
  - 22 €/MWh feed-in tariff with a 17% load factor;
  - We assume the 3MW additional capacity comprises already operating photovoltaic stations, and in that regard, we have pencilled in capex of €6m for 2021e;
  - 5% WACC, which is line with a 4.0-5.5% discount rate normally used for RES installations across Europe.

Our SOTP is detailed in the table below. Our base case exercise yields a fair equity value near €0.7bn. To this, we apply a 10% holding discount, coming up with an indicative fair value per share near €18.4.

Sum of the parts valuation		
EURm unless otherwise stated		**2021e EBITDA**
ACS	265.0	13.8x
Cardlink	155.0	10.5x
RES	80.9	11.9x
IT Services	117.3	11.1x
IT products	163.5	8.6x
Other	2.3	4.0x
Consolidated EV	**784.0**	**11.1x**
- Net debt, plus net cash	10.2	
- other claims (non-controlling interests, options)	-55.0	
- other claims (operating leases etc)	-23.8	
Total Equity value	**715.4**	
Number of shares (mn)	35.7	
12m fair value - ex div	**20.4 €**	
Assumed holding discount	**10%**	
Fair value	**18.4 €**	

Source: Eurobank Equities Research

A basic sensitivity on a combination of WACC and terminal growth rates for the non-RES segments as a whole is presented at the table below. As can be seen, flexing our WACC and perpetuity growth inputs by 0.5% yields a fair value range between €16.8 and €20.4 per share.

Sensitivity of our calculated group fair value per share to the WACC and LT growth assumptions of non-RES segments						
		WACC				
		9.7%	9.2%	8.7%	8.2%	7.7%
Terminal growth	1.9%	17.6	18.7	20.0	21.4	23.2
	1.4%	17.0	18.0	19.1	20.4	22.0
	0.9%	16.4	17.3	18.4	19.6	20.9
	0.4%	15.9	16.8	17.7	18.8	20.1
	-0.1%	15.5	16.3	17.2	18.2	19.3
Source: Company, Eurobank Equities Research						

In what follows, we lay out the divisional DCFs forming the basis of our PT in more detail.

1. Courier

For ACS, we are utilizing:

- an 8% WACC;
- Sales CAGR of c9% over 2021-2025e, driven by e-commerce and a strengthening of demand from commercial customers as the economy recovers from the pandemic-induced recession. We assume this fades to c3% in the medium term.
- EBIT CAGR of c13% over 2021-2025e on the back of falling cost per shipment, decelerating to c6% in the medium term. The implied FCF conversion (FCF/EBITDA) in the medium term stands at c50%.
- We use a LT growth rate of 1% and reinvestment rate in perpetuity of 7%, implying incremental ROIC of 14%.

Courier business DCF										
EURm unless otherwise stated	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Terminal
NOPAT	13.0	15.7	17.7	19.5	21.1	22.5	24.0	25.5	27.1	27.4
+ D&A	2.5	2.5	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Investment in the business	-24.9	-7.2	-7.5	-7.7	-8.1	-8.3	-24.3	-8.7	-8.9	-4.5
UnFCF	**-9.3**	**11.0**	**12.7**	**14.3**	**15.6**	**16.8**	**2.3**	**19.4**	**20.8**	**25.5**
PV of Sum of UnFCF	70.0									
PV of terminal value	195.0									
Enterprise value	**265.0**									
- Net debt/ + net cash	24.6									
- other claims (non-controlling interests)	0.0									
= Total Equity value	**289.6**									
Number of shares (mn)	35.7									
DCF fair value – year end	**8.1 €**									
Source: Eurobank Equities Research										

2. Cardlink

For Cardlink, although our valuation is based on the agreed transaction with Wordline, we also present our DCF framework for illustrative purposes (as the transaction will not close until H2 2021). For our DCF we are utilizing:

- an 8.3% WACC;
- Sales CAGR of c6% over 2021-2025e, driven by rising electronic payments penetration but capped by the relatively limited opportunity for POS growth. We assume this fades to c4% in the medium term.
  - EBIT CAGR of c20% over 2021-2025e on the back of the lift of the special discount imposed in 2019 in the context of the agreement with the Greek banks. We

assume c9% EBIT CAGR beyond 2025 on positive operating leverage. The implied FCF conversion (FCF/EBITDA) in the medium term stands at c55-60%.

- We use a LT growth rate of 1.5% and reinvestment rate in perpetuity of 5%, implying incremental ROIC of 30%, higher than other segments due to the low capital intensity of the business.

Cardlink business DCF										
EURm unless otherwise stated	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	Terminal
NOPAT	4.9	5.1	5.7	6.0	6.7	7.3	8.0	8.8	9.5	9.7
+ D&A	8.8	8.9	9.1	9.3	9.5	9.7	9.9	10.1	10.3	10.3
Investment in the business	-9.6	-5.6	-5.7	-5.8	-5.9	-6.0	-6.1	-6.2	-6.3	-10.7
UnFCF	**4.0**	**8.4**	**9.1**	**9.5**	**10.2**	**11.0**	**11.8**	**12.6**	**13.4**	**9.3**
PV of Sum of UnFCF	63.4									
PV of terminal value	72.2									
Enterprise value	**135.6**									

Source: Eurobank Equities Research

Our valuation for Cardlink reflects the recent "M&A"

As announced on 28th May, Quest group sealed an agreement with Wordline for the disposal to the latter of its 85% stake in Cardlink. The total EV of the transaction amounts to €155m, translating to c11x 2020 EV/EBITDA. This valuation is in broad sync with the 2-digit multiples paid for the acquisition of other companies in the Payments' space in recent years, as we show later in this report. Taking into account equity claims in the form of call options held by the Cardlink management as part of the past acquisition by Quest, the latter is expected to hold a 65% equity stake at the time of the transaction closing. Its equity stake will thus be valued near €93m.

Against this background, our valuation for Cardlink is laid out in the table below.

Cardlink valuation			
EURm unless otherwise stated	weight	x 2021e EBITDA	EV consolidated
DCF	0%	9.2x	135.6
M&A	100%	13.0x	155.0
Value		**10.5x**	**155.0**
- Net debt			-6.6
- other claims (non-controlling interests)			-55.0
= Total Equity value			**93.4**
Number of shares (mn)			35.7
Value per share			**2.6 €**

Source: Company, Eurobank Equities Research

3. IT Services

For IT Services (UniSystems), we are utilizing:

- a 10.5% WACC;
- Sales CAGR of c8% over 2021-2025e, underpinned by double digit growth in international activities and in the domestic public sector (propelled by digitization and EU funds). We assume this fades to c5% in the medium term.
- EBIT CAGR of c17% over 2021-2025e on the back of positive operating leverage. The implied FCF conversion (FCF/EBITDA) in the medium term stands at c60%.
- We use a LT growth rate of 1% and reinvestment rate in perpetuity of 12%, implying incremental ROIC of 8%.

IT Services business DCF										
EURm unless otherwise stated	**2021e**	**2022e**	**2023e**	**2024e**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**	**Terminal**
NOPAT	5.1	6.2	7.3	8.3	9.3	10.4	11.6	12.8	14.0	14.2
+ D&A	4.0	3.4	3.7	3.9	4.1	4.4	4.6	4.8	5.0	5.0
Investment in the business	-3.0	-3.0	-3.2	-3.4	-3.6	-3.8	-3.9	-4.1	-4.3	-6.7
UnFCF	**6.0**	**6.7**	**7.8**	**8.8**	**9.9**	**11.0**	**12.2**	**13.4**	**14.7**	**12.5**
PV of Sum of UnFCF	58.2									
PV of terminal value	59.0									
Enterprise value	**117.3**									
- Net debt / + net cash	14.4									
- other claims (non-controlling interests)	0.0									
= Total Equity value	**131.7**									
Number of shares (mn)	35.7									
DCF fair value – year end	**3.7 €**									

Source: Eurobank Equities Research

4. IT products

For IT Products (InfoQuest, QuestOnline, iSquare, iStorm), we are utilizing:

- a 9% WACC;
- Sales CAGR of c9% over 2021-2025e, underpinned by market share gains. We assume this fades to c3% in the medium term.
- EBIT CAGR of c8% over 2021-2025e, conservatively assuming mild margin erosion on increasing competition. The implied FCF conversion (FCF/EBITDA) in the medium term stands at c65%.
- We use a LT growth rate of 0.5% and reinvestment rate in perpetuity of 15%, implying minimal incremental ROIC to reflect rising competitive intensity (and distribution agreement risk).

IT products business DCF										
EURm unless otherwise stated	**2021e**	**2022e**	**2023e**	**2024e**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**	**Terminal**
NOPAT	13.6	14.5	15.4	15.8	16.0	15.9	15.7	15.5	15.2	15.3
+ D&A	1.4	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8	1.8
Investment in the business	-5.3	-4.3	-5.1	-2.9	-2.7	-2.8	-2.8	-2.7	-2.8	-4.1
UnFCF	**9.8**	**11.6**	**11.9**	**14.5**	**15.0**	**14.8**	**14.6**	**14.5**	**14.3**	**13.0**
PV of Sum of UnFCF	85.9									
PV of terminal value	77.6									
Enterprise value	**163.5**									
- Net debt / + net cash	9.7									
- other claims (non-controlling interests)	0.0									
= Total Equity value	**173.2**									
Number of shares (mn)	35.7									
DCF fair value – year end	**4.8 €**									

Source: Eurobank Equities Research

5. RES

Using the assumptions laid out previously, we come up with the following DCF for Quest's RES segment, valuing the business at an EV of c€80m, namely c11x EBITDA (fully operational capacity). As explained, we assume no further growth beyond a small portfolio addition in 2021 and no terminal value (i.e. no repowering).

RES Valuation

EURm unless otherwise stated	2021e	2022e	2023e	2024e	2025e		2036e	2037e	2038e		2047e	2048e	2049e
Sales	9.7	10.7	10.7	10.7	10.7	…	10.6	9.9	9.2	…	3.0	2.3	2.2
EBITDA	6.8	7.5	7.5	7.5	7.5		7.5	7.0	6.5		2.1	1.7	1.6
NOPAT	4.2	4.8	4.8	4.8	4.8		4.8	4.4	4.0		0.7	0.4	0.5
+ Depreciation	1.4	1.4	1.4	1.4	1.4		1.4	1.4	1.4		1.3	1.1	1.0
- Capex	-6.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0
WC inflow (outflow)	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0		0.0	0.0	0.0
Unlevered FCF	-0.4	6.2	6.2	6.2	6.2		6.1	5.8	5.4		1.9	1.5	1.5
Capacity in MW	31.2	31.2	31.2	31.2	31.2	…	29.2	27.2	25.2	…	7.2	5.2	10.4
Sum of PV of UnFCF	80.9												
PV of TV	0.0												
EV	**80.9**												
- Net debt	-28.3												
- other claims (non-controlling interests)	0.0												
= Total Equity value	**52.6**												
Number of shares (mn)	35.7												
DCF fair value – year end	**1.5 €**												

Source: Eurobank Equities Research

Strategy and Business model

Segmental and geographic overview

A diversified group of companies with IT "tilt"

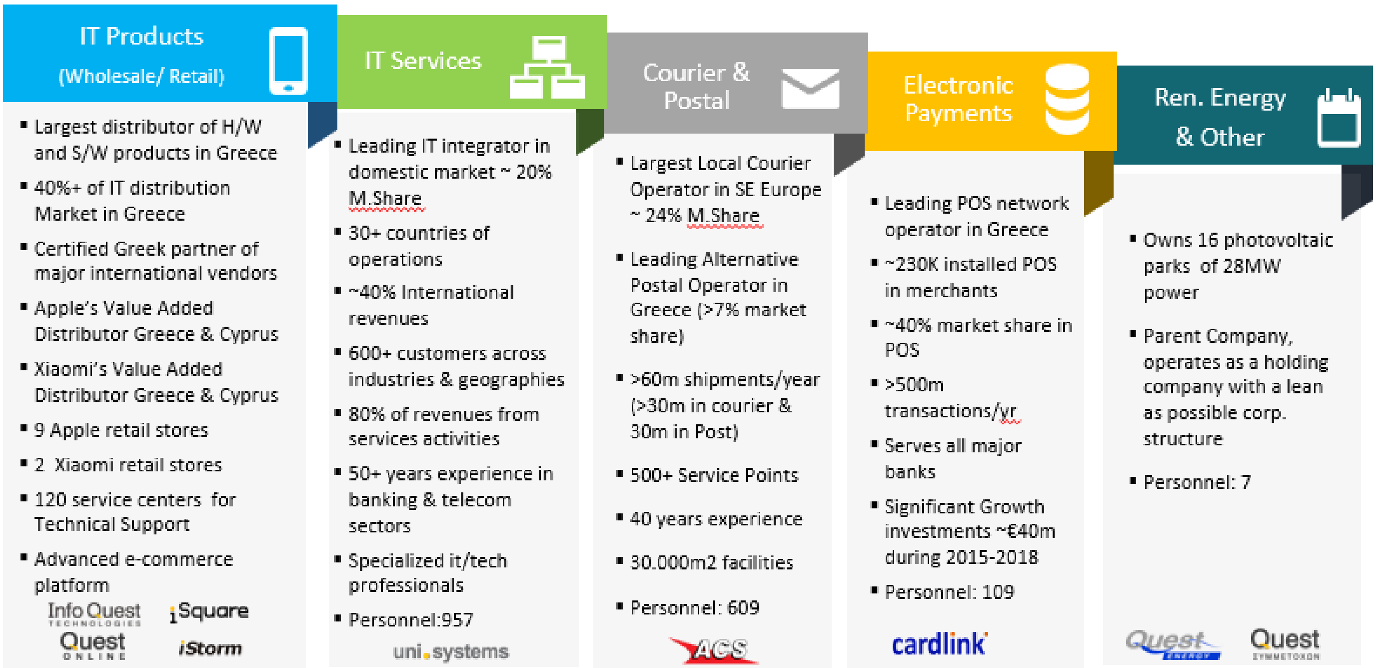
Quest is a tech-oriented holding group active in 5 core segments of the economy via specialized subsidiaries, most of which are among the leaders in their respective sector. The group was established in 1981 and got listed in the ATHEX in 1999.

The segments in which Quest operates are the following:

1) **Trade of IT and communications products** as well as air-conditioning, through the IT subsidiary InfoQuest, through its online retail platform Quest Online and through Apple distributors/resellers iSquare and iStorm;
2) **Design, implementation and support of integrated IT projects** through its IT subsidiary UniSystems;
3) **Management of electronic transactions** through Cardlink;
4) **The provision of courier and mail services** through ACS, and;
5) **The operation of Renewable wind/solar parks** through Quest Energy.

We summarize the structure in the figure below:

Quest group structure

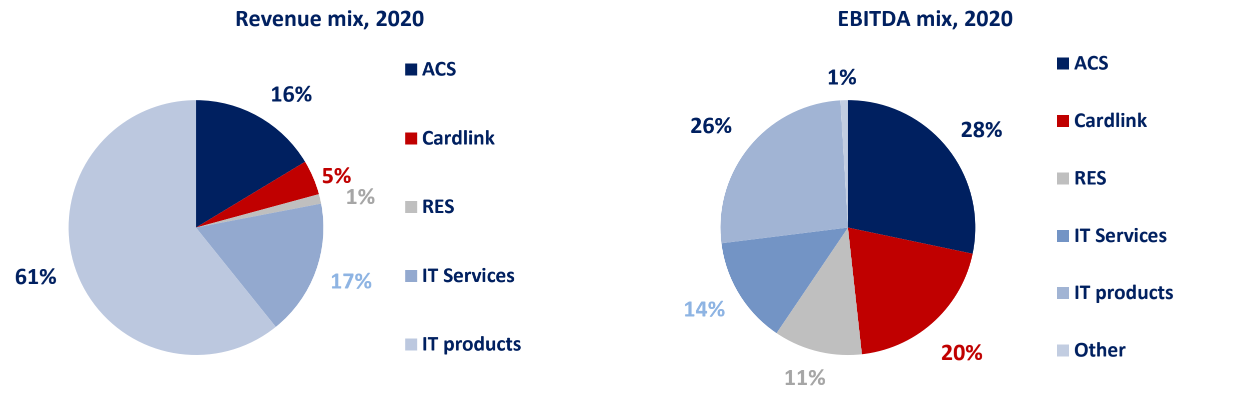


Source: Eurobank Equities Research, Company data

Revenues are skewed to IT segments, but the EBITDA mix is far more balanced across the various subsidiaries

The 5 aforementioned segments have different margin structures, fact which explains differences in their contribution in the revenue and EBITDA mix. IT products (InfoQuest, Quest Online, iSquare and iStorm) are the biggest revenue contributor accounting for more than 60% of the group's sales, but EBITDA margins are in the low single-digits (as most of the revenues stem from wholesale activities). As a result, the IT product segment's contribution in group EBITDA is smaller (at 26%, second EBITDA contributor). The most important EBITDA contributor is the courier business (28% of EBITDA), despite accounting for just 16% of revenues. The third profit contributor is Cardlink, representing 20% of EBITDA despite making up just 4% of revenues. IT services (UniSystems) generate c17% of revenues and 14% of EBITDA (with margins in the mid to high single-digits).

Quest revenue and EBITDA mix, 2020

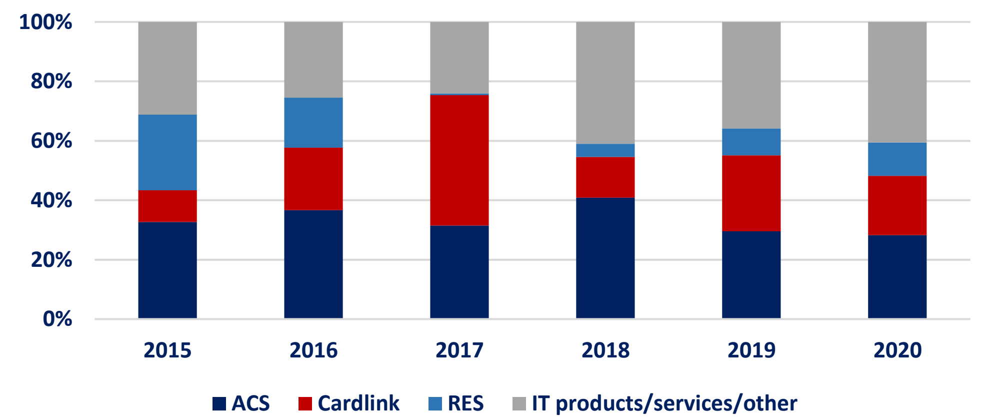


Source: Company, Eurobank Equities Research

Revenues are skewed to IT segments, but the EBITDA mix is far more balanced across the various subsidiaries

In the figure below, we provide a summary of the EBITDA mix over the last 6 years. As can be seen, ACS's contribution has ranged between 28% and c35%, with the exception of 2018 (c41%). Cardlink has showcased the most significant variation, as, due to the new deal agreed with the Greek banks a few years ago, its profitability was "debased" owing to the revenue discounts offered for the period 2018-20 (see pages 22-23 for more detail). The increase in electronic payments' penetration helped the particular segment increase in significance to c20-25% of EBITDA in 2019-20. The IT sector (products and services) has become increasingly important, from 25-30% of group EBITDA in 2015-2017 to 35-40% in 2018-2020, underpinned by ICT projects, digitization, market share gains and the success of Apple/Xiaomi products (Quest's two core vendors).

EBITDA mix 2015-2020

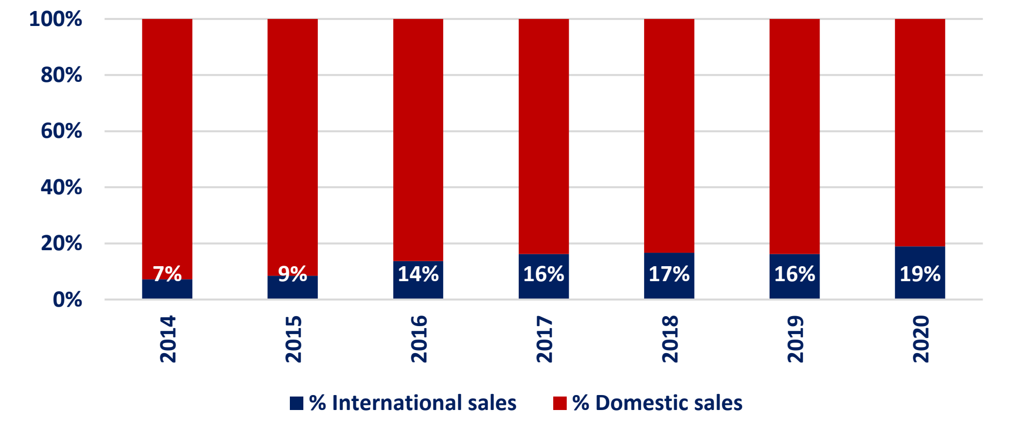


Source: Eurobank Equities Research, Company data

Geographically dependent on Greece but expanding gradually its international footprint

Geographically, the group is mostly exposed to the domestic economy, generating c81% of sales from Greece. Its international business (c19% of sales) mostly relates to ICT projects in the EU (via UniSystems) along with retail/wholesale IT activities in Greece/Cyprus.

Domestic vs international revenues (%)



Source: Eurobank Equities Research, Quest Group.

In the section that follows, we run through the basic details and business model of the group's main subsidiaries. We note that we include in our analysis, and continue to fully consolidate, Cardlink, stressing that the group recently agreed to sell its stake in the particular subsidiary to Wordline (transaction subject to regulatory approvals, to close in H2 2021).

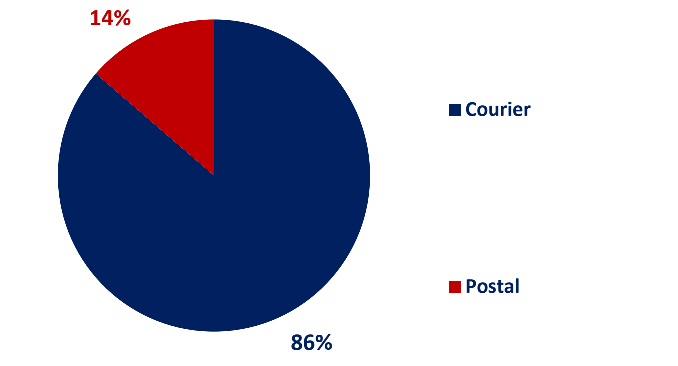
1. Courier Business

No 1 courier operator in Greece

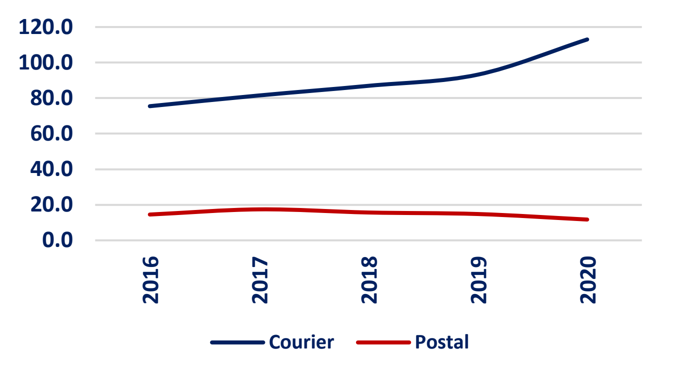
ACS is the largest local courier operator in South Eastern Europe having generated revenues of c€126m in 2020 executing more than 60m shipments during the year. The company operates through sorting hubs of c4K sqm (with an additional 14K hub about to enter in operation in Q4 2021) while having developed a strong delivery center network with more than 500 service points. The ability to deliver packages around the country efficiently via its network of partners (i.e. last mile shipping handled by third parties) is one of ACS's competitive advantages, with the company having around 40 years of experience in the sector.

Naturally, the bulk of revenues are generated from courier services (c85-90%), while the remaining 10-15% stems from letter-type mail (e.g. handling of bills etc.). From a mix perspective, B2B and B2C used to be equally balanced, but, as one would anticipate, the surge in e-commerce has skewed the business more to lower-margin B2C.

ACS revenue mix – Courier vs Postal



ACS revenue breakdown (€m), 2016-2020

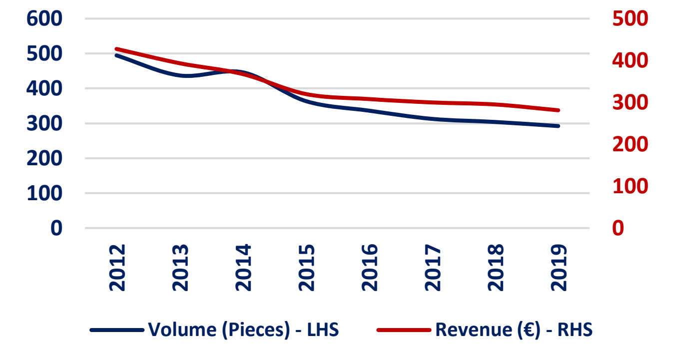


Source: Eurobank Equities Research, Company data.

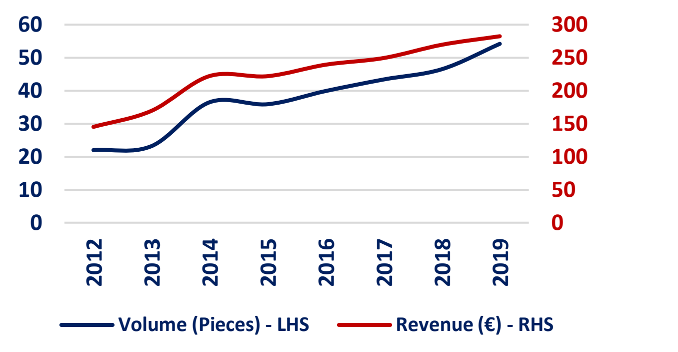
Greek postal market: letters/mail in structural decline, packages in secular growth

Looking at the Greek postal market, this is worth c€560-570m (as of 2019 data) corresponding to shipment volumes of c350m pieces. Approximately 50% revenues are generated by parcels/small packages, with the rest being accounted for by traditional letter mail. The latter is obviously on a declining trajectory due to the proliferation of e-services and digitization. On the contrary, the former is on secular growth due to the boom in e-commerce, a trend which has been further exacerbated in the aftermath of COVID.

Traditional letter mail market (mn pieces and €m)



Parcels and small packages market (mn pieces and €m)

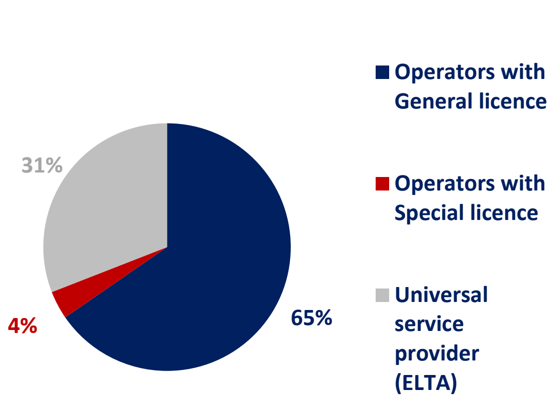


Source: Eurobank Equities Research, EETT.

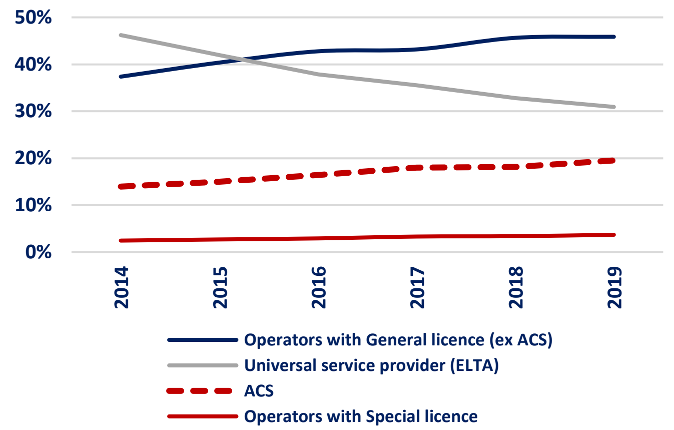
ACS consistently gaining share

From a market structure perspective, the incumbent ELTA (state-controlled) is deemed as a universal services provider (USP) and accounts for c31% of the overall market. There are also companies holding individual licenses (4% market share), who, along with ELTA have undertaken the provision of universal services until 2028. The provision of such services includes the handling of letters, mail, newspapers, books, catalogues and light parcels. The rest of the market (c65%) is accounted for by operators holding a general license (among which ACS). These companies provide courier services, namely express delivery of postal items while offering advanced functionalities such as tracking/tracing of shipments. ACS has consistently increased its share within the overall market (to >20% now), as shown in the chart below.

Total Greek postal/courier market overview



Market share evolution (% of overall Greek postal/courier market)

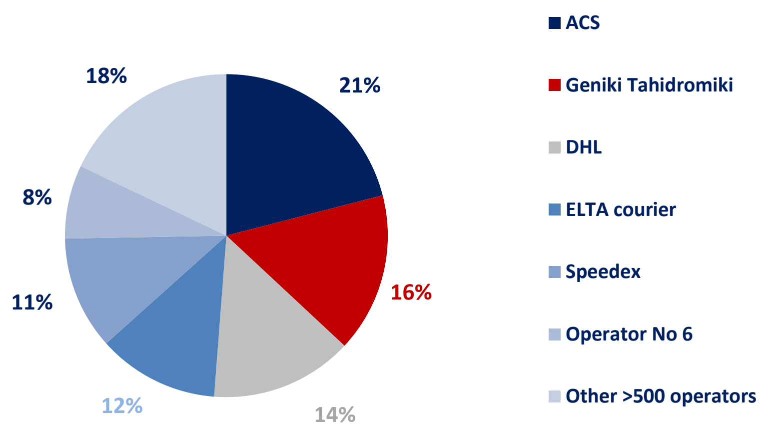


Source: Eurobank Equities Research, EETT.

Courier sector fragmented; ACS No1…

Focusing on the courier services segment in particular (worth c€400m), this looks quite fragmented with more than 500 companies in operation. According to data by EETT, ACS enjoyed the top market share making up c26% of this segment in 2019. The second operator had a 19% share, with the top 6 players commanding an 82% share. The remaining >500 firms accounted for just 18% combined.

Market shares in courier services

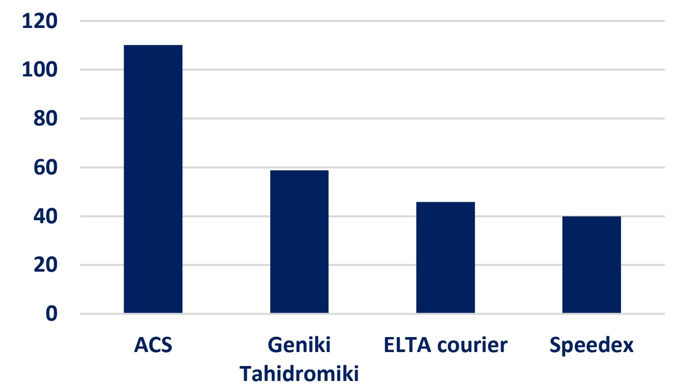


Source: Eurobank Equities Research, EETT.

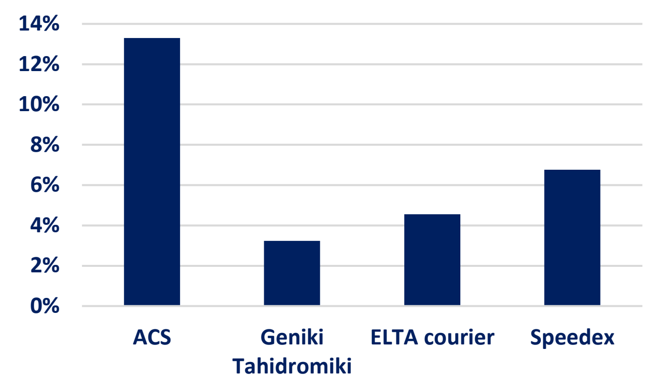
… while enjoying substantially higher margins than competitors

Below we contrast the operating metrics of ACS and 3 of its other major competitors. As can be seen, size clearly matters with ACS being 2x larger than the No2 player while generating 2x the EBITDA margin of the second-best operator.

Greek competitors – Revenues (2019 data), in €m



Greek competitors – EBITDA margins *

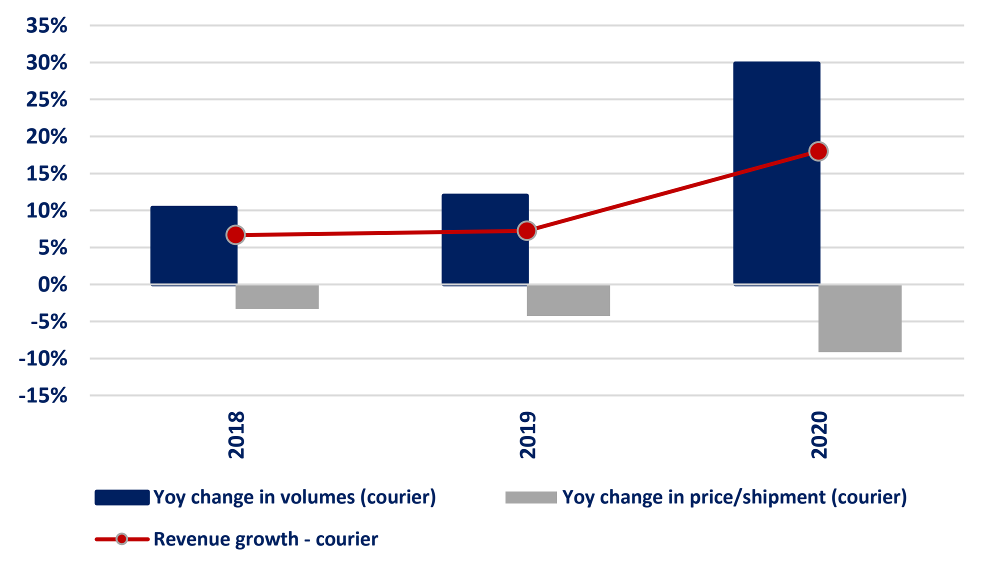


Source: Eurobank Equities Research, EETT, Company data. *Margins are 2020 data for ACS, 2018 for Geniki, 2019 for ELTA and Speedex.

Courier shipment volumes (rather than price) have been underpinning ACS's growth

Looking at the historic operating performance of ACS, one can see that revenues have been growing consistently in the last couple of years, with the company managing to more than offset the structural decline of the postal segment with growth from courier services. Driving top line growth have naturally been volumes, with revenue per package down in the low to mid-single digits in recent years. Overall, ACS has delivered c9% revenue CAGR over 2016-2020.

ACS revenue growth drivers – courier segment

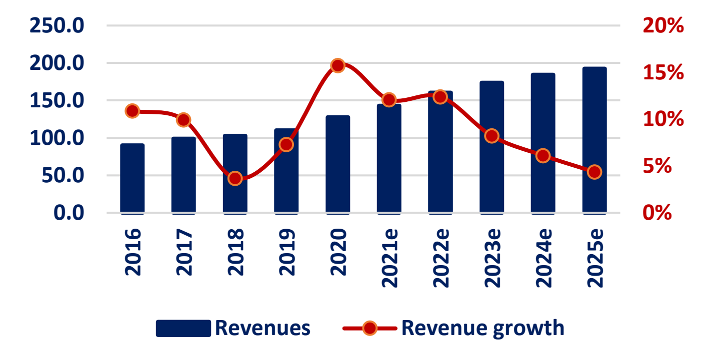


Source: Eurobank Equities Research, Company data

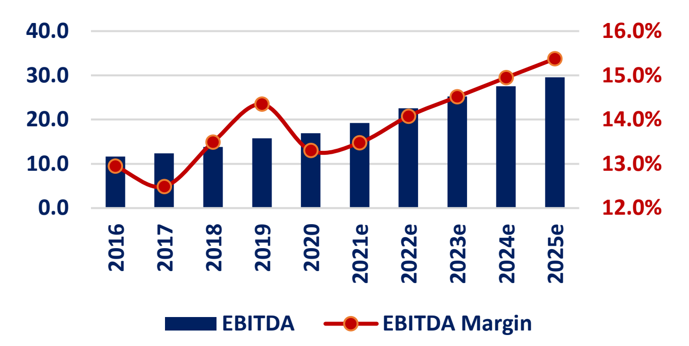
COVID-related expenses diluted performance in 2020; expect margin uptick and solid growth in 2021-22e

On the margin front, EBITDA margins have oscillated between c12.5% and c14.5% of revenues in the last 5 years. The development of a new much more advanced sorting hub has weighed on margins in recent quarters, with COVID-19 also creating additional opex needs (€4.5m in 2020, >3pps headwind on margins), especially given the low visibility regarding consumer demand during the first lockdown.

ACS sales in €m and yoy growth



ACS EBITDA in €m and margin



Source: Eurobank Equities Research, Company data

Looking ahead, the prospects for the particular segment look quite solid. On the top line, we see ongoing strong package growth driven by e-commerce and a strengthening of demand from commercial customers as the economy recovers from the pandemic-induced recession. The latter will also help increase the delivery density, as reflected in the packages per neighborhood, thereby lowering the cost per shipment. We also see an opportunity from price/mix, as new contracts come up for renewal and as B2B ramps up as the economy picks up. With the new hub expected to be operational by Q4 2021, we expect that this significant investment will bear fruit from year 1 and will be reflected in a 60bps margin expansion in 2022 (following a milder 20bps expansion in 2021). Overall, we envisage 9% sales CAGR over 2020-2025e, translating into c12% CAGR at EBITDA level over the same period.

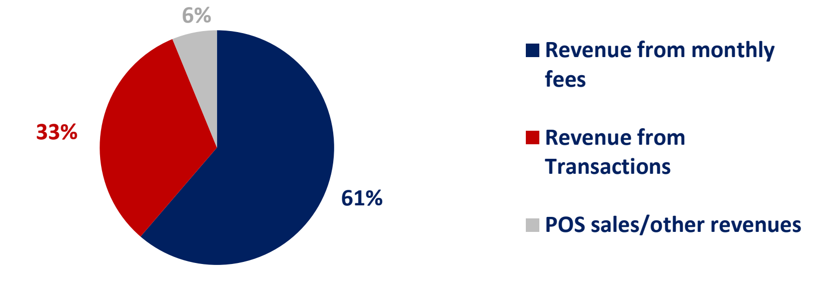
2. Cardlink

Leading POS operator in Greece; Quest recently agreed to dispose its stake to Wordline (transaction to close in H2)

Cardlink is Quest's 85%-owned subsidiary involved in electronic transaction services. The company was initially founded by Alpha Bank and Eurobank and was acquired by Quest in 2015. Note that Quest recently agreed to sell its stake in the particular subsidiary to Wordline for a total consideration (EV) of €155m. With the transaction not expected to close until H2 2021, we still include Cardlink in our consolidated estimates for the group, attaching a value in sync with the agreement sealed.

Cardlink is the leading POS network operator in the country (230-240K POS) having a >30% market share in POS (and an even greater share in transaction value). Cardlink serves all major banks but, as one would have anticipated, its main partners are the two aforementioned institutions. The bulk of Cardlink's revenues stem from monthly fees related to POS (c61%) – namely operation and maintenance – while c32.5% comes from transactions. The remaining revenue contribution relates to other sources such as POS sales. Cardlink also offers value-added products and services such as ordering applications, analytics etc.

Cardlink mix of revenues, 2020

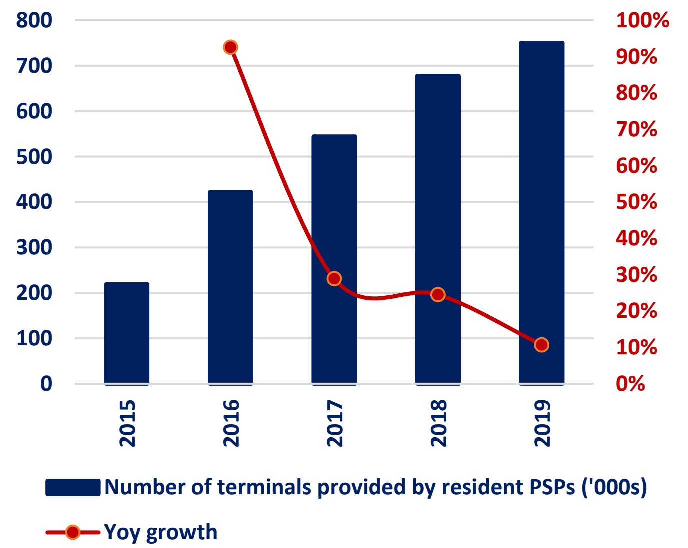


Source: Eurobank Equities Research, Company data.

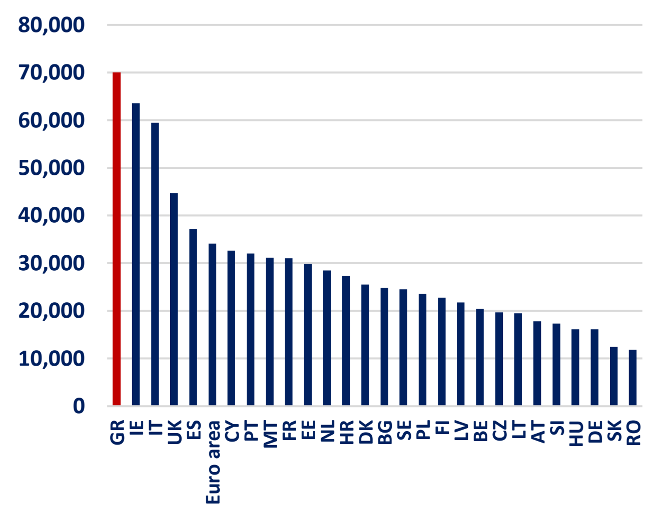
POS growth drove the market until 2018; Greece fully penetrated now in terms of POS

As far as the addressable domestic market is concerned, according to the ECB the number of POS terminals in Greece amounted to 750K in 2019, having increased from 483K in 2015. The implied 36% CAGR over the period has been among the highest in the EU, underpinned by the proliferation of electronic payments and the propagation of plastic money culture in the country in the aftermath of the capital controls (in 2015). That said, from a POS penetration perspective the domestic market seems to have reached a saturation level, taking into account that Greece is now over-penetrated relative to the rest of the EU on a POS per capita basis.

Number of terminals in Greece and yoy growth



Number of POS per mn inhabitants - limited room for further growth in the number of POS

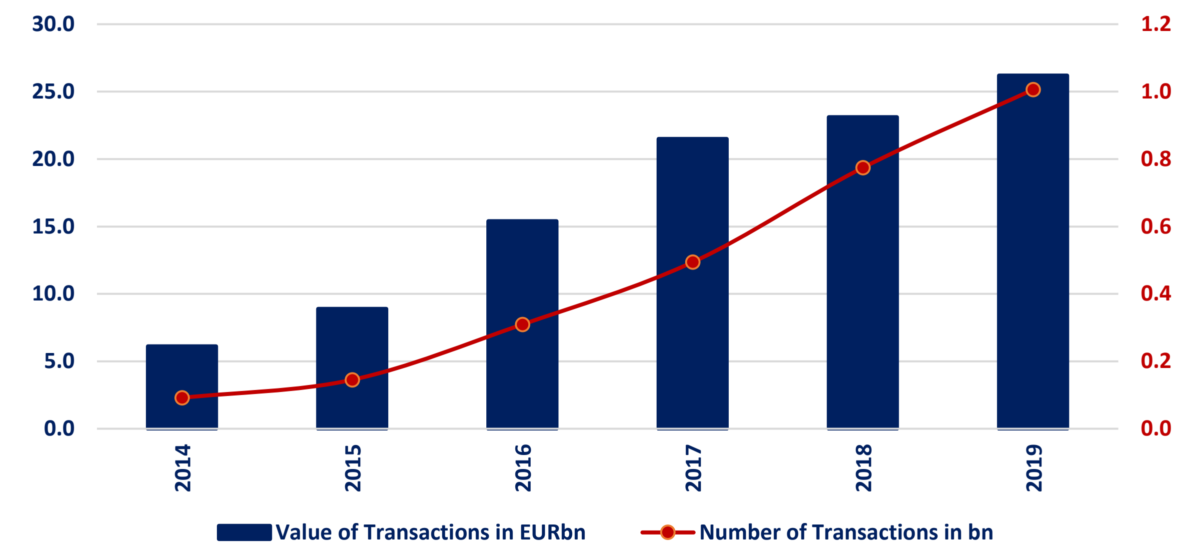


Source: Eurobank Equities Research, ECB

Number of transactions on the rise; implicit value per transaction down

As far as payments are concerned, total POS transactions at terminals in Greece amounted to c1bn in 2019 up from 145m in 2015, translating to a CAGR in excess of 60%. At the same time, the value of transactions increased to €26bn in 2019 from just €8.9bn in 2015 as the prominence of e-payments increased substantially, underpinned by strong fundamentals including digital commerce growth. The implicit value per transaction is on a declining path, as consumers use cards to pay for increasingly smaller tickets.

Value of transactions and number of payments at terminals



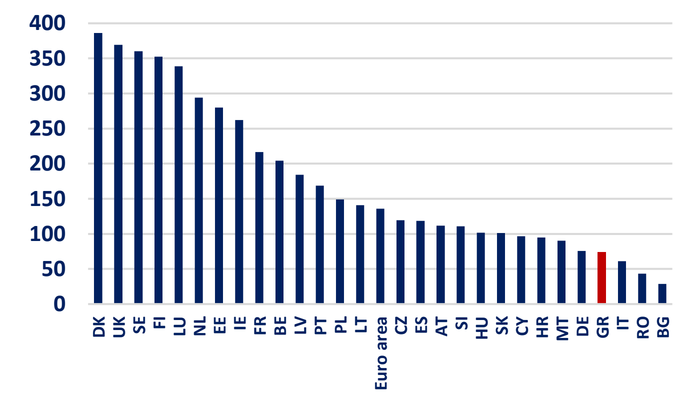
Source: Eurobank Equities Research, ECB.

Plenty of market drivers

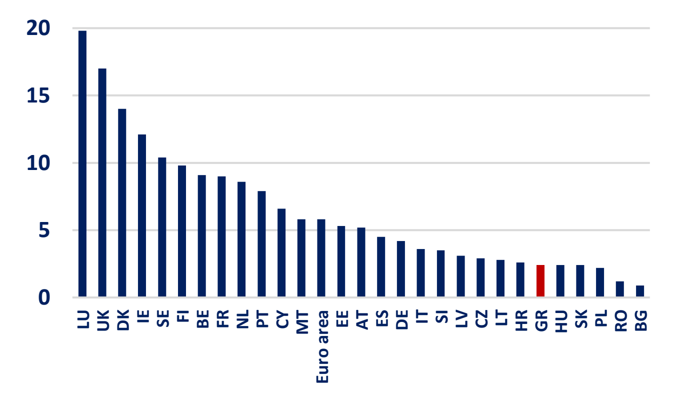
Given the saturation of the Greek market with regard to POS penetration, drivers for growth in the payments' space are volumes (given the continuing shift to electronic transactions), the acceleration of SME digitization (which leads to greater transaction volumes of smaller size) and the differentiation of merchant-services providers' offering through the provision of value-added solutions. In more detail:

- **General shift to electronic transactions**: Cash usage even in mature markets remains high, and in that regard the shift to e-payments has plenty of scope to accelerate in the coming years as digitization gathers pace. COVID-19 acted as a catalyst for an acceleration of this shift and we expect a continuation of the trend. As shown in the chart below, the number of card payments per capita in Greece (and of per capita value) is substantially lower than the EU average, and therefore there is great room for a catch-up.

Number of card payments per capita, 2019



Value of payments per capita (EUR'000s)



Source: Eurobank Equities Research, ECB

- **Transaction growth:** Transaction volume growth does not stem solely from the accelerating cash substitution. It is also driven by the increasing digitization of small businesses (SMEs), a trend which effectively enlarges the addressable market for electronic transaction services companies and increases fee-based revenues. In other words, the higher number of smaller transactions across a greater merchant base is a key avenue of growth.

- **Monthly fees:** The key driver of growth in e-payments is the volume side. On the contrary, there seems to be limited room for inflation with regard to fees tied to the operation and maintenance of POS.

- **Value-added services:** The e-transaction services business model has evolved in recent years from a purely processing and commoditized offering to a more encompassing merchant-services solution. Indicatively, ways with which Cardlink and its peers can deliver more value to merchants are through vertical solutions such as integrated ordering software, analytics, omnichannel reconciliation, enhanced authorization, fraud mitigation solutions etc. The proliferation of e-Commerce has increased – and will most likely continue to do so in the future – merchants' willingness to pay more for demonstrated value through such services.

- **Direct relationships with merchants:** From a distribution perspective, banks traditionally have the direct relationship with merchants, while e-transaction companies have more of a secondary relationship. More recently, there has been a trend of banks offloading their smaller merchant customers to e-transaction companies, with the latter selling directly services such as invoicing to merchants. We expect this trend to continue, especially as the flight to digital for SMEs accelerates.

International merchant services sector in consolidation mode…

The commoditized nature of the merchant services model – at least initially – and the need of players to differentiate themselves by expanding their product offering or by building scale have driven a big M&A wave in the sector in the last 5 years. The spate of acquisitions has enabled companies to enhance their suite of capabilities and to enjoy synergies. Nexi and Wordline have emerged as the two key consolidators in the EU, now accounting for more than 20% of the region's payment market (with the latter still dominated by banks).

In Greece's case, there have been two transactions recently, namely the sale of Piraeus's merchant credit services and POS business to Euronet (March 2021) and, just recently, the agreement between Wordline and Quest for the acquisition by the former of the latter's stake in Cardlink.

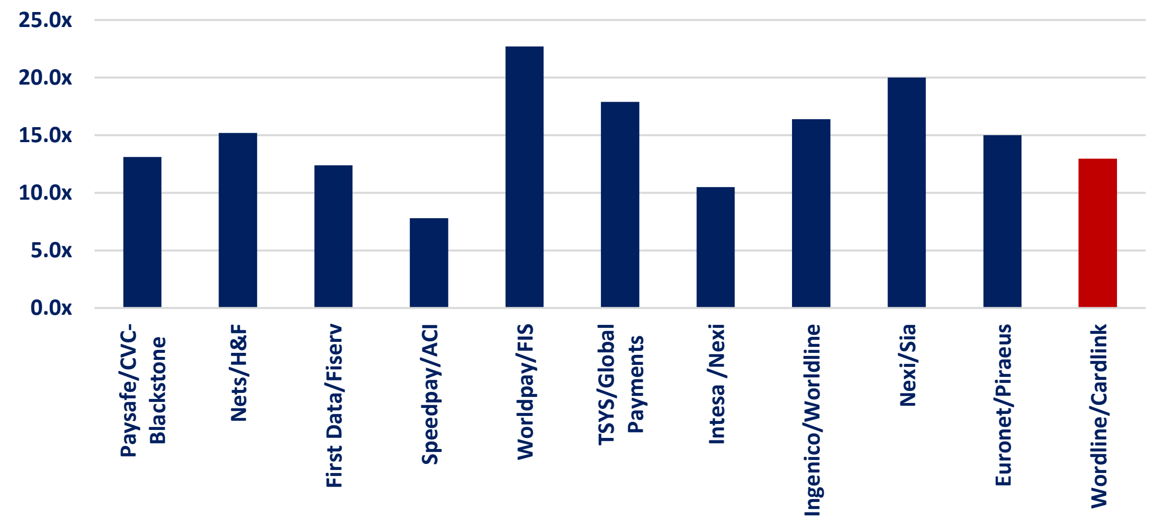
- The Piraeus/Euronet agreement comprised c205K POS at 170K merchants in Greece (namely a 27% POS share on our calculation, using 2019 POS figures). The total consideration for the transaction amounted to €300mn.

- As for Cardlink, the EV of the transaction amounted to €155m, translating to c11x 2020 EV/EBITDA. Taking into account equity claims in the form of call options held by the Cardlink management as part of the past acquisition by Quest, the latter is expected to hold a 65% equity stake at the time of the transaction closing. Its equity stake will thus be valued near €93m.

… with deal multiples in the mid-teens

Below we summarize some of the recent international transactions. As can be seen, the average multiple paid (x EBITDA) has been in the mid-teens on our calculation, in sync with the valuation of the aforementioned 2 Greek deals.

Deals in the Electronic payments space (EV/EBITDA excl. synergies)

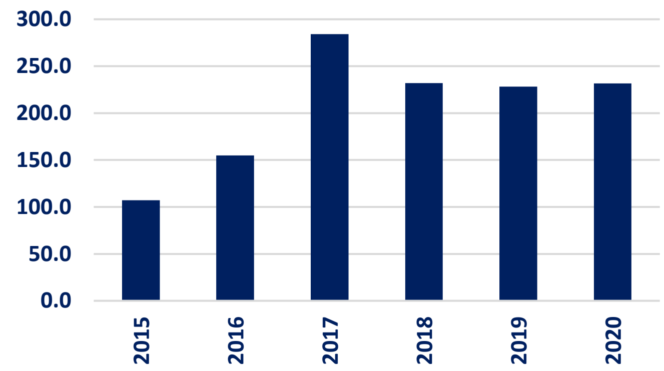


Source: Eurobank Equities Research, Company data, press reports.

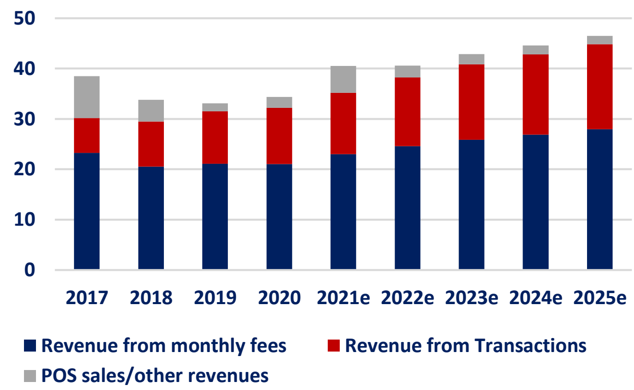
POS network growth drove sales in 2015-2018; future growth to stem from transaction volumes and value-added services

From an operational perspective, Cardlink has seen revenues grow from c€13m in 2015 to €34m in 2020, namely a 21% CAGR. The main driver of growth has obviously been the expansion of the company's POS footprint: installed POS more than doubled during the period, thereby driving a significant increase in revenues from monthly fees. The POS network expansion actually took place in 2015-18 and has stalled since then, given the market saturation (as mentioned above). Revenues from transactions (i.e. based on fees per transaction) have also increased substantially over the period, although they still contribute less than a third of Cardlink's revenues. Looking ahead, we expect the latter to be the key driver of growth underpinned by the increasing use of cards for low-ticket purchases.

Cardlink POS network in '000s



Cardlink revenue mix in €m



Source: Eurobank Equities Research, Company data

Debasement of revenues in 2018, discounts in 2019-20 weighed on performance…

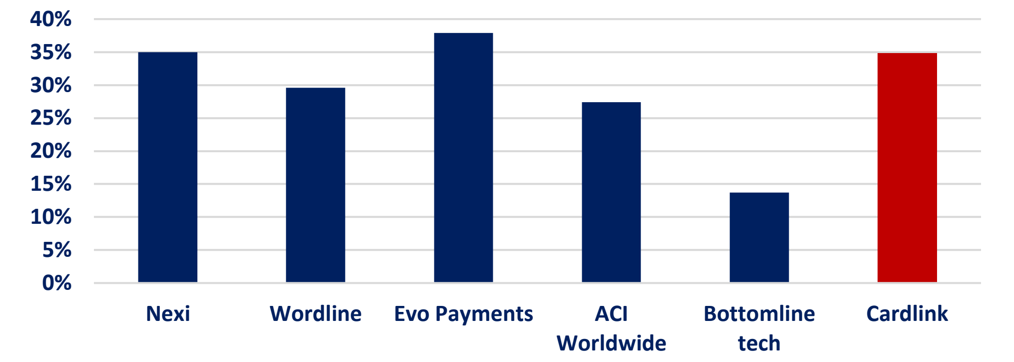
We note that in 2018 there was a "debasement" of revenues as a result of a new agreement signed between the company and Greek banks (€7.5m impact on revenues). The latter provided for the extension of the partnership for another 5 years (2020-2024) along with turnover reductions for 2018-20. In particular, credit invoices totaling €7.5 million were issued in 2018, with the simultaneous reversal of the provision for the payment of additional consideration (namely earnout) to the previous Cardlink shareholders. Effectively, a new agreement was signed envisaging discounts instead of future earnouts.

The overall effect of the aforementioned restructured agreement was €13.4m on 2018 EBITDA, but at PBT level the effect was marginally positive due to the reversal of the earnout provision the company had been booking in previous years.

… but margins bounced back in 2019-20

From a profitability perspective, EBITDA in 2019-20 was rebased to c€12-14m. This translates to a 35-41% margin, which would be in broad sync with that of international peers (despite the latters' larger scale). Note that in 2020 profitability was weighed down by the impact of COVID-19 on transaction volume.

Cardlink margins similar to those of other international peers



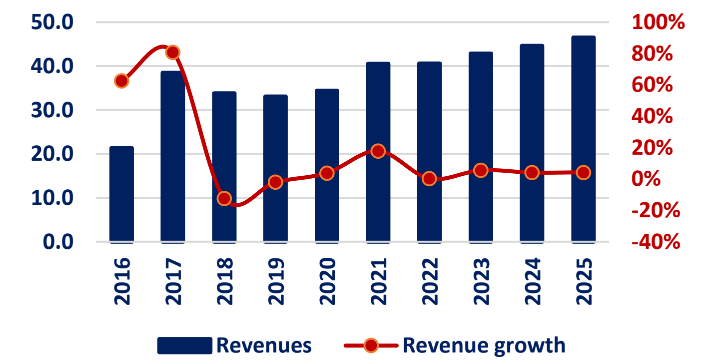
Source: Eurobank Equities Research, Bloomberg.

Expecting high teens growth this year, fading to mid-single digit levels in the medium term

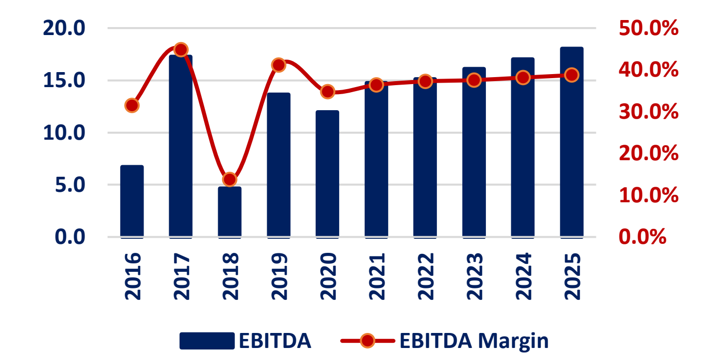
Looking ahead, we expect high teens top line growth this year underpinned by the re-opening of the economy, non-recurring POS sales and ongoing increase in e-payments' penetration. For 2022 we expect flat revenues on tough comps, while anticipating mid-single digit growth thereafter driven by rising transaction volumes and electronic payments' penetration.

On the profit side, we expect strong (>20%) EBITDA growth in 2021 as the impact from discounts provided in 2018-20 rolls off. We model marginal growth in 2022 (tough comp and POS sale base effect) and mid-single digit growth in the medium term. This will bring Cardlink's EBITDA margins to c37-39% in the medium term, lower than in 2019 but still not out of sync with those of international peers.

Cardlink sales in €m and yoy growth



Cardlink EBITDA in €m and margin



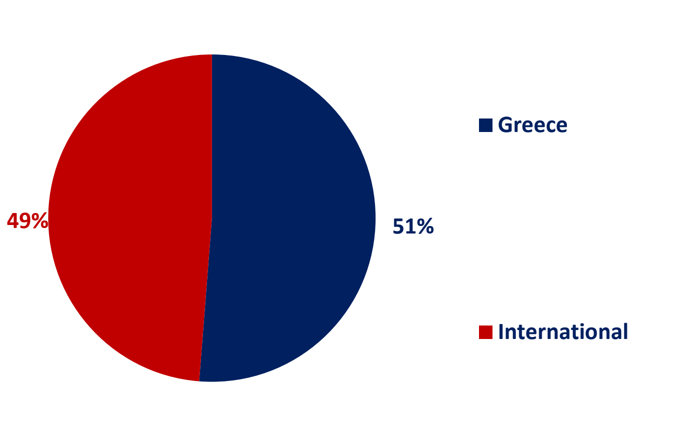
Source: Eurobank Equities Research, Company data

3. IT Services

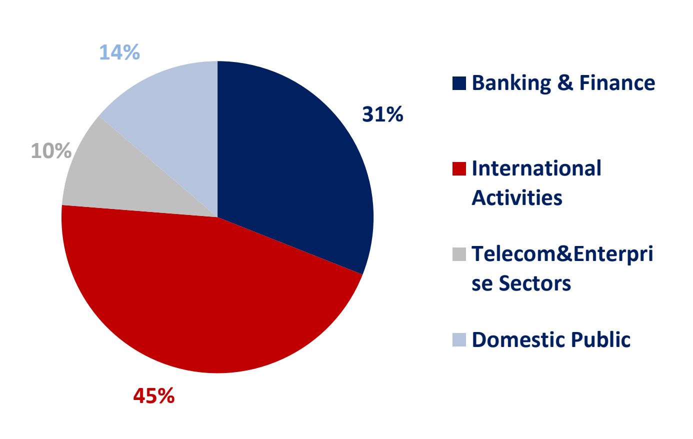
Leading IT integrator in Greece (>20% share), with increasing international exposure

UniSystems is the group's IT services arm, contributing 17% of group sales and 14% of EBITDA. The business has significant international exposure, with foreign revenues (EU) making up c45% of the segment's top line (€61m), mostly through the provision of services to EU institutions. UniSystems is effectively an ICT (information and communications technology) service provider, delivering a range of solutions (e.g. integration services, virtual cloud servers etc.) mostly in the banking and telecom sectors. The Greek State is also among the company's clients, contributing c14% of revenues.

UniSystems Greece vs international mix



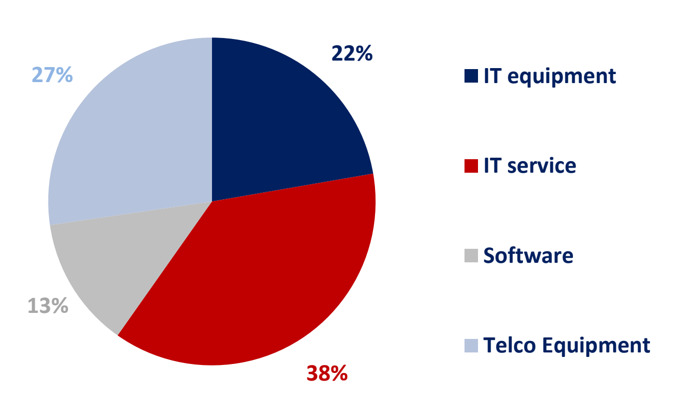
UniSystems revenue mix by activity



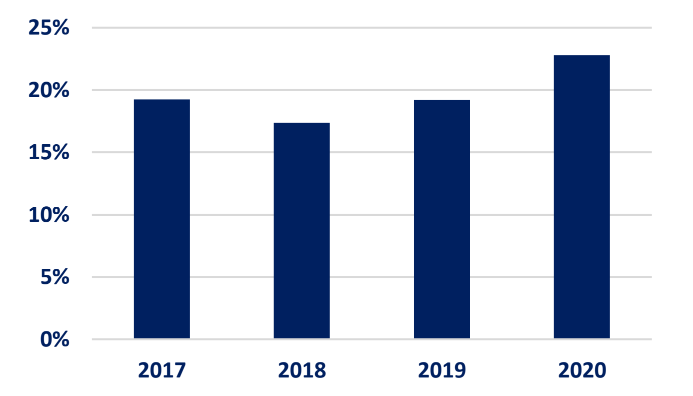
Source: Eurobank Equities Research, Company data

UniSystems's exposure relates mainly to software rather than hardware (just 15%). In that regard, the addressable market in Greece, namely that relating to software, is worth c€320-340m. We thus estimate that the company had a 20% market share in this Greek ICT segment, which ought to have increased to 24% in 2020. Main competitors include among others Intracom Telecom, Intrasoft, Space Hellas, SingularLogic (recently acquired by Space Hellas and Epsilon Net) and OTE.

ICT market breakdown (excl. telecom services)



UniSystems market share in Greek software market



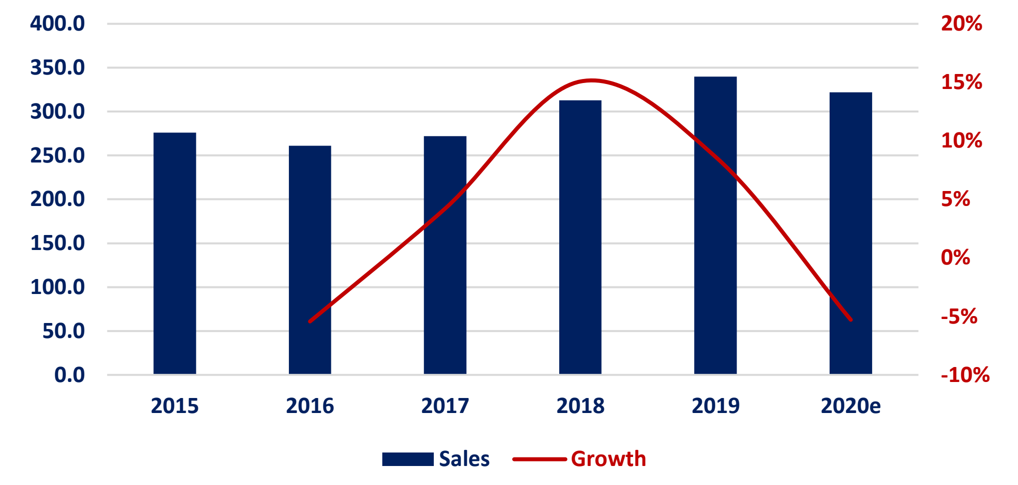
Source: Eurobank Equities Research, SEPE

Solid prospects underpinned by digitization and EU funds

Looking at the performance of the domestic ICT software segment, this posted strong growth rates over 2017-2019, recovering from years of decline due to the Greek recession. According to the Federation of Hellenic Information Technology & Communications (SEPE), the market is likely to have contracted c5% in 2020 and is primed for a small bounce-back in 2021. Looking further out, we believe prospects are even more robust in view of the €2.1bn worth of projects to be financed by the Recovery Fund through to 2026. Although Greek firms will face competition from their foreign peers as well, the revenue opportunity is huge, with a significant number of projects being related to areas where UniSystems has expertise, namely:

- digital transformation of small and medium enterprises via the procurement of cloud and online services;
- upgrading of the digital infrastructure of the Greek Public Administration;
- digitization of urban planning agencies and municipalities;
- upgrade of record keeping systems of courts, digitization of archives, creation of e-registries etc.

Software market in Greece in €m and yoy change

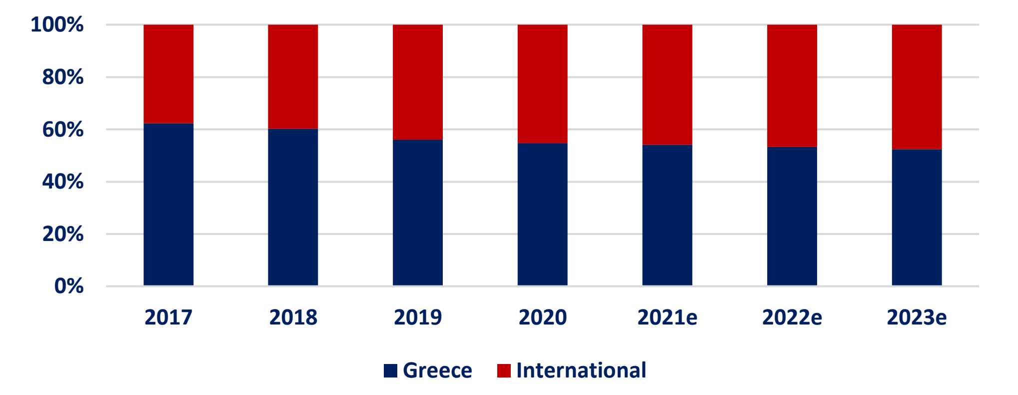


Source: Eurobank Equities Research, SEPE

>€300m project backlog, mostly related to EU projects

As far as the international segment of UniSystems is concerned, this relates mainly to solutions for organizations and institutions of the EU, e.g. the European Commission, medical agencies, ESMA, the European Parliament etc. Quite interestingly, this segment has almost doubled over 2017-2020, now generating nearly €61m vs just €32m in 2017. International operations are only poised to rise in significance, in our view, underpinned by the significant backlog of projects. Indicatively, the total unexecuted value of contracted projects exceeds €300m, most of which relates to EU projects.

UniSystems – rising international exposure



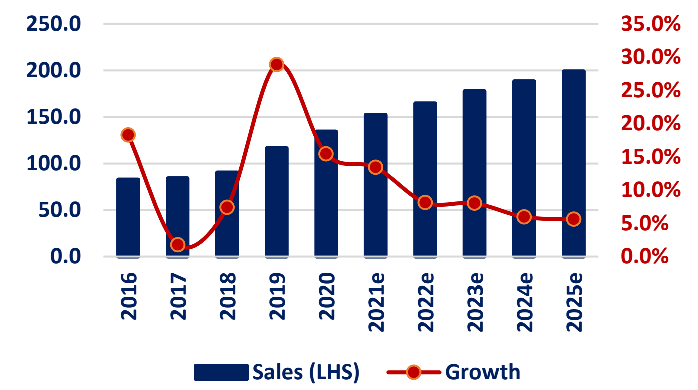
Source: Eurobank Equities Research, Company data

High single digit sales growth anticipated in the coming years, with slightly expanding margins

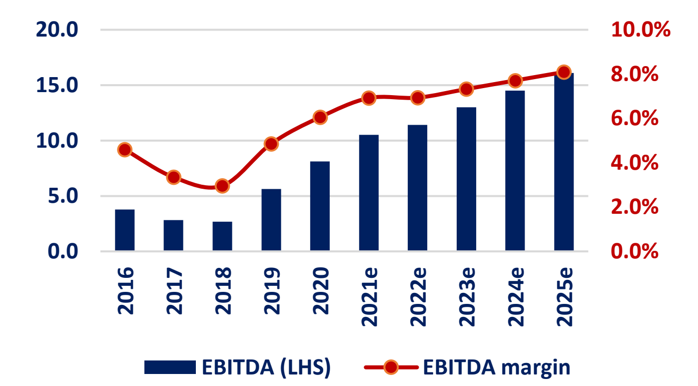
From a historic viewpoint, UniSystems has delivered revenue CAGR of 14% over 2016-2020, quite a solid performance driven by market share gains, expansion of its foreign footprint and market growth (2017-19). From a margin perspective, the business has delivered healthy margin expansion in the last 2 years, after a period of contraction in 2017-18 (mainly due to solution development costs).

In our view UniSystems's long term story still has significant room to play out in terms of top line growth. We expect high single digit revenue CAGR over the next 3 years (2-digit in 2021), underpinned by double digit growth in international activities and in the domestic public sector (propelled by digitization and EU funds). We expect the pendulum of operating leverage to be positive in the medium term, thus envisaging expanding EBITDA margins (from 6.1% in 2020 to >7% post 2023e).

UniSystems sales in €m and yoy growth



UniSystems EBITDA in €m and margin



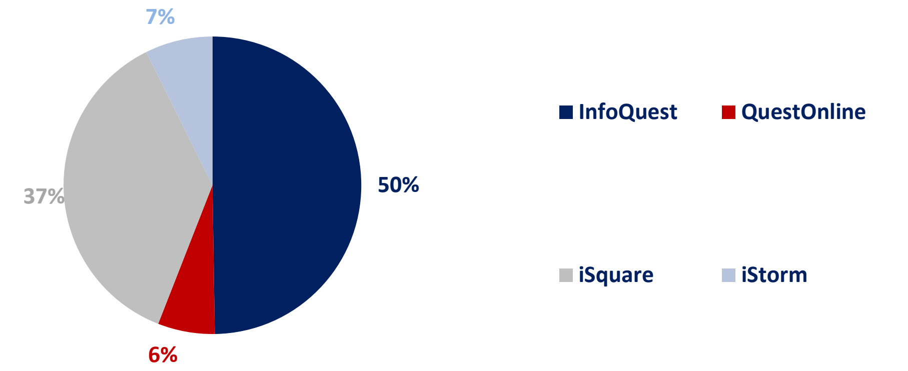
Source: Eurobank Equities Research, Company data

4. IT Products

IT products are Quest's commercial arm, mostly skewed to wholesale

Quest's IT products segment comprises various businesses, namely InfoQuest, iSquare, iStorm and you.gr. Effectively, this segment is Quest's commercial arm and is skewed primarily to wholesale. It accounts for more than 60% of group sales but just 26% of EBITDA. In the figure below, we show how the IT products segment is split in terms of revenue contribution. As can be seen, the two key drivers are InfoQuest and iSquare, accounting for 50%-37% of the segment's revenues respectively, generating sales near €235m and €174m in 2020.

IT product segment – sales mix, 2020



Source: Eurobank Equities Research, Company data

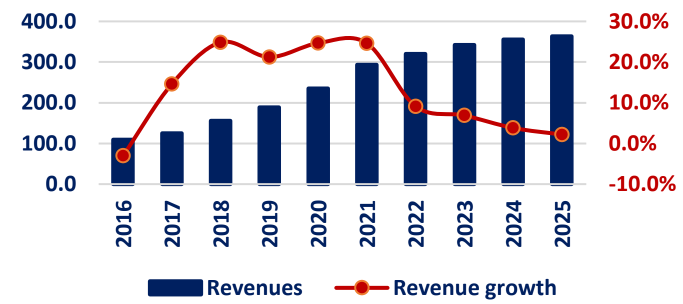
a) InfoQuest

InfoQuest: distribution of products and IT solutions; mainly wholesaler, with a retail arm ("Mi" stores)

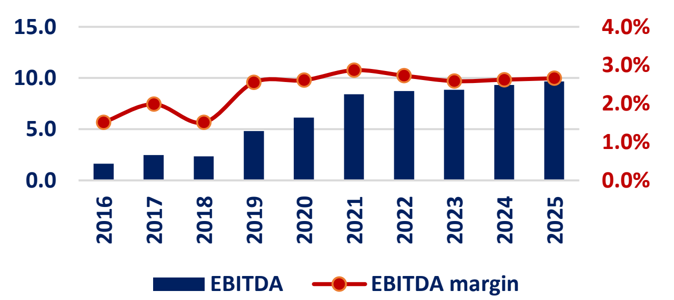
Infoquest is active in the distribution of products and IT solutions. The business is mostly a wholesaler (although it also operates a few retail "Mi" stores), generating revenues mainly through distribution agreements for IT products. It is also a certified partner in Greece of major international vendors such as Microsoft, Cisco etc. In addition, it is the largest certified service center for Apple and Xiaomi products in Greece. Core pillar of growth for the company in recent years has been the exclusive partnership with Xiaomi, with the particular brand having emerged as No 2 in smartphones in the Greek market. Since H2 2019, InfoQuest has also made a move into the clima segment entering into an exclusive distribution agreement with Gree, the largest distributor of consumer and professional air conditioners in the world.

InfoQuest has delivered 16% sales CAGR over 2016-2020, underpinned by expansion of the company's product footprint (e.g. scooters, smart vacuums), new agreements (e.g. Xiaomi) and market share gains. The corresponding €123m incremental sales has translated into c€4m additional EBITDA, as this business has thin margins (c2-3%) by nature. That said, the corresponding increase in profitability is certainly a positive development, further reinforcing Quest group's position in the Greek ICT distribution market (where it has a 40% market share).

InfoQuest sales in €m and yoy growth



InfoQuest EBITDA in €m and margin



Source: Eurobank Equities Research, Company data

Looking ahead, we expect >20% revenue growth in 2021 and high single-digit growth in 2022 as InfoQuest continues to gain market share (Xiaomi distribution) and digitization gathers pace. We conservatively model very low operating leverage beyond 2021, resulting in just a small profitability boost from 2022 onwards.

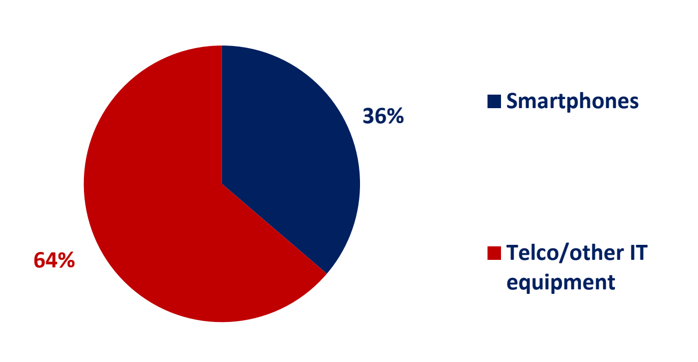
b) iSquare

iSquare: Apple's distributor in Greece and Cyprus

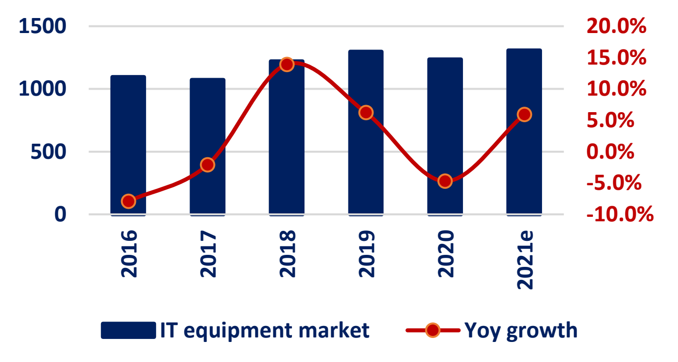
iSquare is effectively Apple's distributor for Greece and Cyprus (since 2009), with its customers being most of the large retail chains. Quest accounts for the vast majority of Apple sales in Greece, namely c70%. The remaining 30% of domestic Apple sales is accounted for by telecom operators (namely SIM-based sales of iPhones/iPads). In Cyprus, Quest has a 100% share in Apple products' distribution.

Driving growth is thus demand for products of the entire Apple ecosystem, the replacement cycle of IT equipment, innovation and increasing adoption of technology. We estimate the total IT and telephony equipment market in Greece at €1.2-1.3bn, with smartphones accounting for more than a third. The overall market has been rather stagnant in recent years, with smartphones on a mildly downward trajectory and tablets in secular decline. On the other hand, PCs have been relatively stable while wearables are on an uptrend.

IT equipment market in Greece



IT equipment market in €m and yoy growth

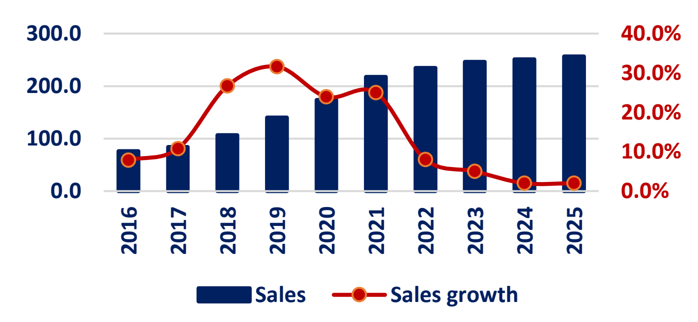


Source: Eurobank Equities Research, SEPE

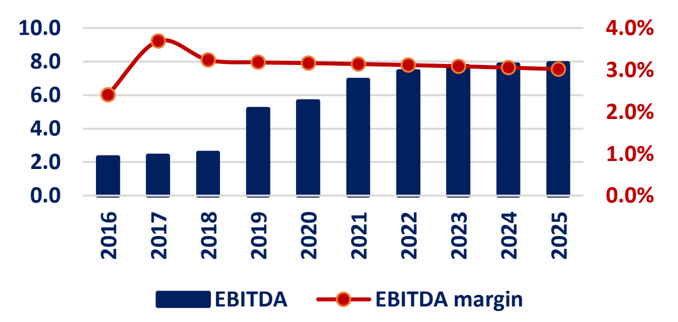
… to benefit from digitization, a state-funded digital push in 2021 and Apple share gains

Against this background, iSquare has delivered c20% revenue CAGR over 2016-2020. The latter has translated into 19% EBITDA CAGR, with EBITDA margins hovering around the 2.5%-3.5% range in most years. In absolute terms, the >€100m incremental sales have generated c€3m additional EBITDA. Looking ahead, digitization is likely to provide an underpinning to the market which is poised to be further propelled in 2021 by the state-subsidized "Digital Care" project (where the govt grants coupons to low-income families for the purchase of IT equipment). Our estimates thus pencil in 25% growth in 2021, fading to 8% in 2022e and 5% in 2023, with EBITDA margins staying in the 3% area.

iSquare revenues in €m and yoy growth



iSquare EBITDA in €m and margin



Source: Eurobank Equities Research, Company data

c) **iStorm**

Apple's premium reseller

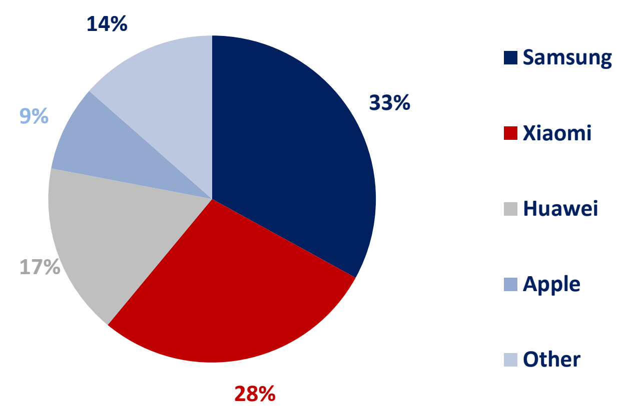
iStorm generates approximately €35m of sales and is Apple's premium reseller via a network of 9 stores (7 in Greece and 2 in Cyprus). It is effectively Quest's main retail distribution network fully dedicated to the Apple ecosystem. Besides high street shops, distribution also takes place via the e-commerce channel.

The addressable market includes mobile phones, tablets, peripherals and accessories and is worth close to c€1.2-1.3bn as mentioned above. Smartphones make up c36% of this, with the rest relating to other IT equipment (e.g. PCs, tablets etc).

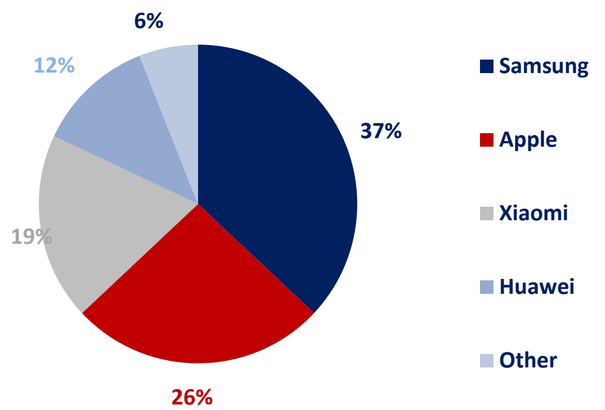
Smartphone market increasingly polarized, with Apple benefiting and continuing to gain market share

From an operational perspective, iStorm's performance largely hinges on the popularity and success of Apple's products. Looking at the smartphone category in particular, Apple continues to gain market share and now accounts for 9% of market volumes (from 7% a year ago). In value terms, Apple is the No2 brand (26% share) behind Samsung (37% share). Xiaomi follows as 3rd player (19% share), having overtaken Huawei which has dropped to c12%. The top 4 players account for a whopping 94% of the market in value terms, with the remaining 6% being rather fragmented and split among many smaller brands.

Smartphone volume shares, 2020e



Smartphone value share, 2020e



Source: Eurobank Equities Research, SEPE, Press reports.

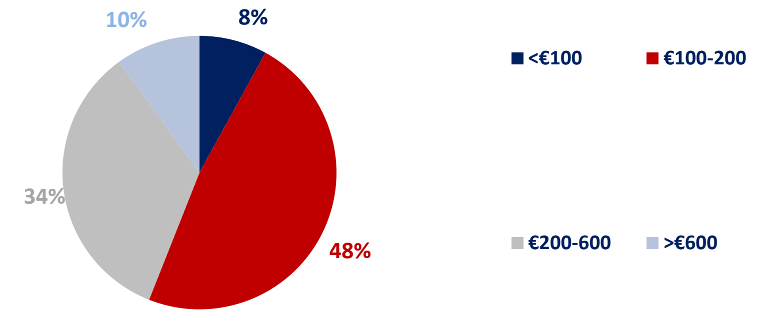
The market share gains of Apple are reflected in the c22% revenue CAGR delivered by iStorm over 2016-2020. Revenues almost tripled over the same period, mostly on account of organic growth but also thanks to network expansion. The latter is likely to continue in the coming years, as iStorm further expands its footprint in order to strengthen its presence in Greece. Of note is that notwithstanding the 4-month lockdown in 2020, iStorm managed to deliver 18% growth during the year, underpinned by the rise in e-Commerce.

Profit-wise, operating margins are naturally low given the low starting point, namely the c15-16% gross margin. As a result, EBITDA margins are in the 7-8% area, with cash EBITDA (after leases) margins being a bit lower, in the mid-single-digits.

Room for upselling in the smartphone category

Looking ahead, drivers of growth are similar to those of iSquare, namely digitization, rising smartphone penetration and upselling to more expensive devices as the economy recovers and disposable income increases. Indicatively, as we show below the smartphone market is still dominated by relatively low-priced devices (<€200), with upscale devices (>€600) making up just 10% of total volume sold. Capacity growth is also important, as each new additional store could add €3-3.5m worth of revenues (c7-8% of total iStorm sales).

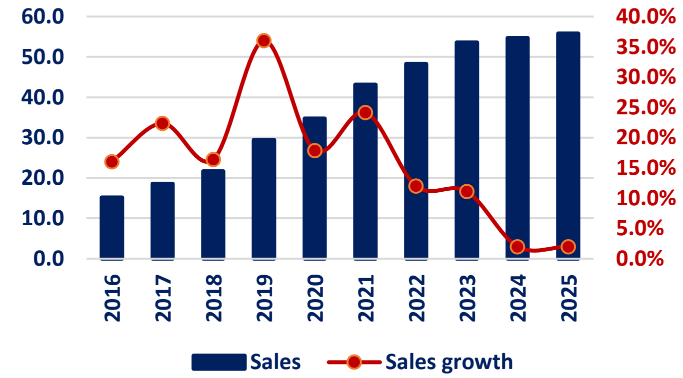
Smartphone sales mix across retail price cohorts



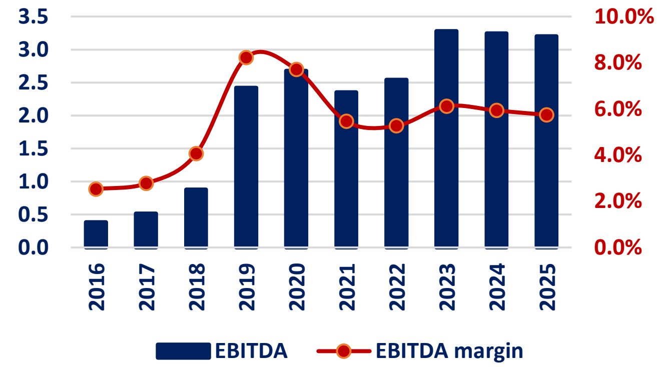
Source: Eurobank Equities Research, Company data, Press reports.

Looking ahead, our model incorporates >20% top line growth in 2021e underpinned by state-support schemes for digitization (which will boost tablet sales as mentioned above), further propelled by capacity expansion (1 store per annum in 2021-22e). On the profit side, though, we have factored in cost deleveraging due to ongoing infrastructure upgrades (CRM) which are likely to require a couple of years until being completed, thereby diluting EBITDA margins in 2021-22e. We expect EBITDA margins in the 6% area beyond 2023-24.

iStorm sales in €m and yoy growth



iStorm EBITDA in €m and margin



Source: Eurobank Equities Research, Company data

d) Quest Online

One of the largest e-tailers in Greece; impressive performance in 2020 underpinned by e-Commerce boom

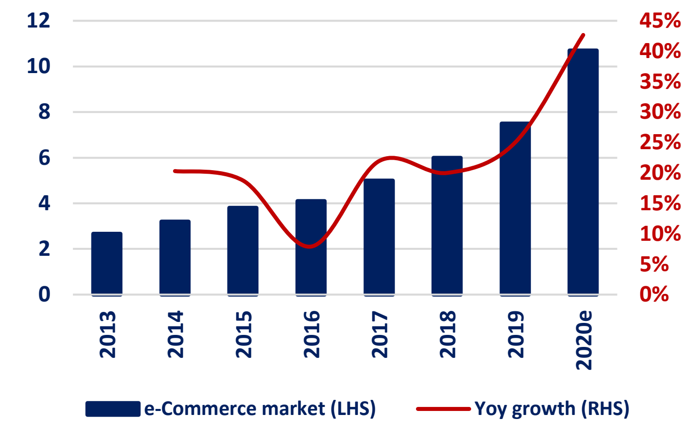
Quest Online is one of the biggest pure e-tailers in Greece, generating revenues of €29m (as of 2020). The company has capitalized on the rising e-Commerce penetration in Greece, especially that related to technology products. The coronavirus pandemic accelerated channel shifts, further boosting the structural trend towards rising online penetration. During 2020, the shift to homeworking and more sales being conducted online underpinned a strong performance for this segment, which saw its revenue base increase by a whopping 40%.

Indicatively, prior to the pandemic, e-commerce penetration in the non-food retail space varied from less than 10% in Southern Europe (including Greece, Spain, Italy) to 20-25% in Central Europe (e,g, Germany, Netherlands) and c30% in the UK. Across the various retail subcategories though penetration varied significantly, with categories such as electronics/electricals and books enjoying the highest penetration rates (up to 50%) followed by apparel/footwear (20-30% in countries such as the UK).

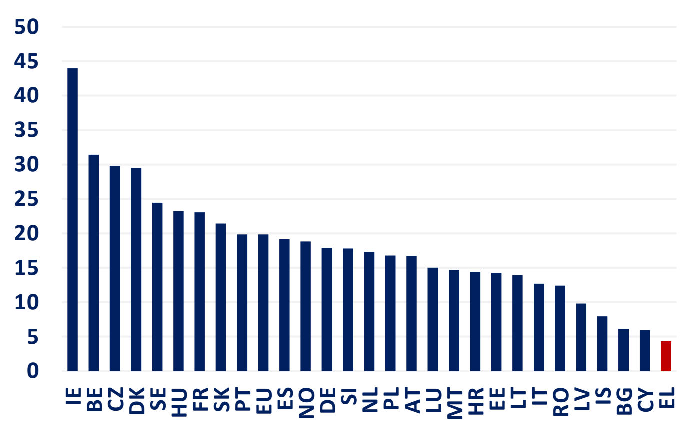
Plenty of scope for e-Commerce penetration growth

In Greece, online penetration remains low. As we show below, e-commerce in Greece exceeded €7bn in 2019, corresponding to a penetration rate near 4%. Since 2013, e-commerce has more than doubled in size, but remains well below the levels of developed Europe, partly due to cultural reasons affecting shopping habits (e.g. propensity to use plastic money). In 2020, e-commerce is likely to have shot up to c€11bn, but still accounting for <7% of GDP. Across the retail subsegments, the most penetrated categories are clothing, accommodation/travel (pre COVID) and electronics, broadly in sync with the experience internationally.

e-Commerce market in Greece in €bn and yoy change



Total electronic sales by enterprises, as a % of their total turnover

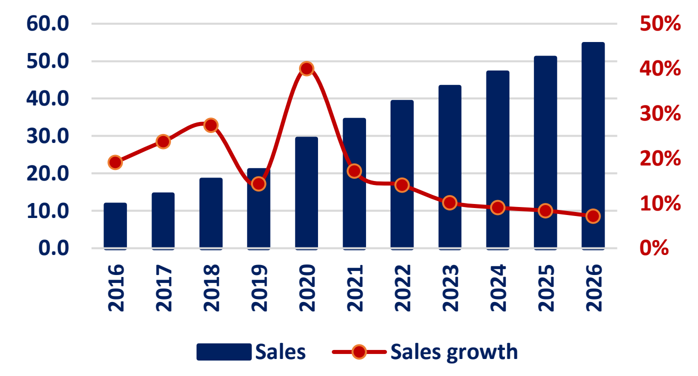


Source: Eurobank Equities Research, Ecommerce Europe, ELSTAT.

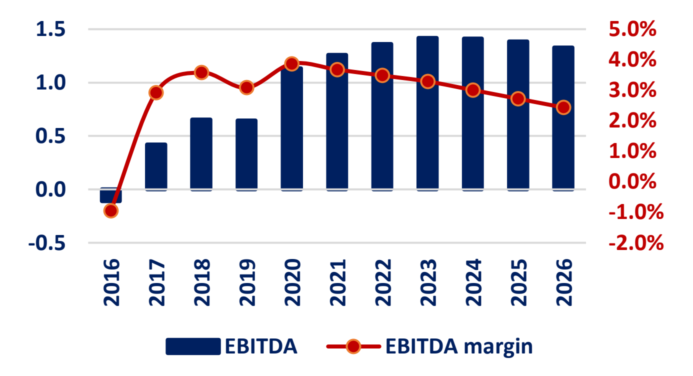
As far as Quest Online's performance is concerned, the business is heavily skewed to technology (c85% of revenues). The company has been expanding its product range to include other items such as fashion and linen. Daily users have surpassed 15K (compared with >80K for the largest e-shop), having grown c8% annually on average since 2017. Quest has also managed to grow average revenue per user by c18% on average over the same period.

Looking ahead, given the secular growth of e-Commerce and Quest's own self-help actions (e.g. development of new applications, loyalty programs etc.), the business is primed for strong double-digit growth over the coming years. The EBITDA margin is likely to stay in the 3-4% area, we believe.

Quest Online sales in €m and yoy growth



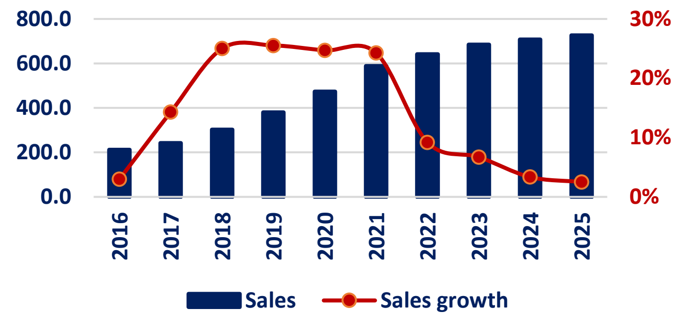
Quest Online EBITDA in €m and margin



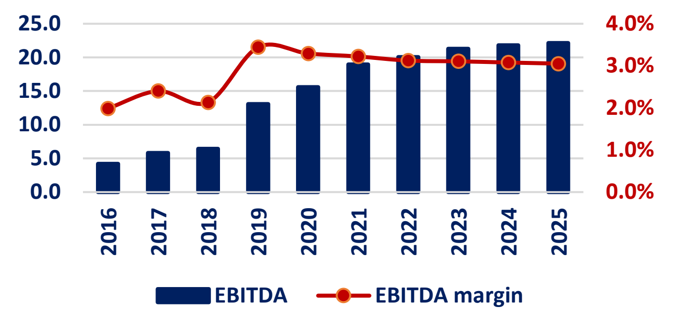
Source: Eurobank Equities Research, Company data

Overall, all the above coalesce into high single-digit revenue CAGR for the whole IT segment of Quest Group (namely InfoQuest, iSquare, iStorm and Online) over 2021-2025e (c9%) and c7% EBITDA growth over the same period. We display this in the table below:

IT products overall sales in €m and yoy growth



IT products overall EBITDA in €m and margin



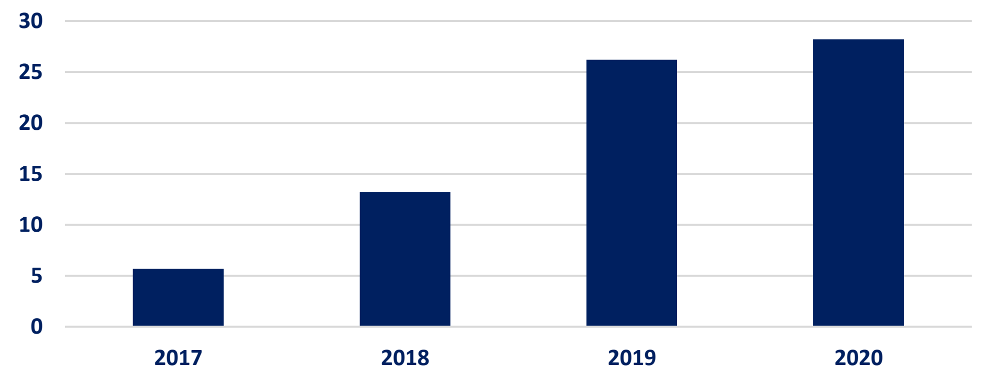
Source: Eurobank Equities Research, Company data

5. Renewables

RES is the least important segment but provides visible cash flows while offering scope for scale-up

On top of its tech-related activities, Quest is also active in renewables through its subsidiary Quest Energy founded as early as 2006. Quest has actually been monitoring closely the performance of its RES assets (which have been formed through acquisitions), something which has even led to disposals of subsidiaries. Indicatively, in 2016 Quest disposed two subsidiaries operating photovoltaic power plants of 17.5MW (for a consideration of €25.4m). In the last 3 years, the RES segment has been scaled up again, with c22.5MW having been added since the end of 2017. As a result, Quest Energy now owns and operates a portfolio of 16 solar parks totalling 28 MW.

Quest Energy | Installed capacity in MW



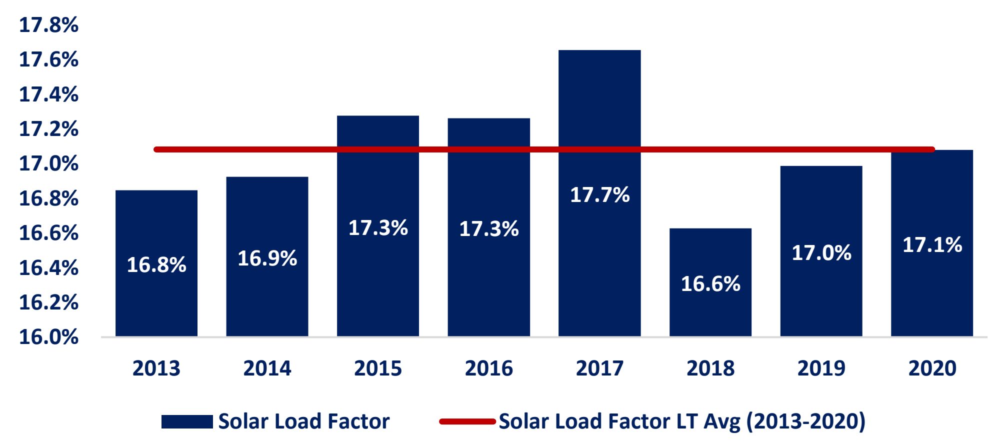
Source: Eurobank Equities Research, Company

The majority of the parks operate under a Feed-in-Tariff regime, which ensures long-term cash-flow visibility. Under this scheme, producers sell electricity to the market operator DAPEEP via a long-term Power Purchase Agreement (PPA) at a guaranteed price (20-27 years, depending on installation date). Reference tariffs reported by relevant authorities (RAE and DAPEEP) imply IRRs in the high-single to low-double-digits for such projects.

We assume just a small capacity addition in 2021 (3MW)

For modeling purposes, we assign value to Quest's current operational capacity incorporating the 28 MW of operating capacity along with just a small (3MW) portfolio addition in 2021 (to 31 MW). We estimate that Quest Energy has a c1% mkt share in terms of solar installations in Greece. We assume no repowering upon the end of the projects' life cycle. We estimate a remaining life between 16 and 25 years for the group's installed parks. With regard to utilization rates, we pencil in a 17% load factor, similar to 2019-20 figures and in line with the long-term average for solar installations in the interconnected system in Greece.

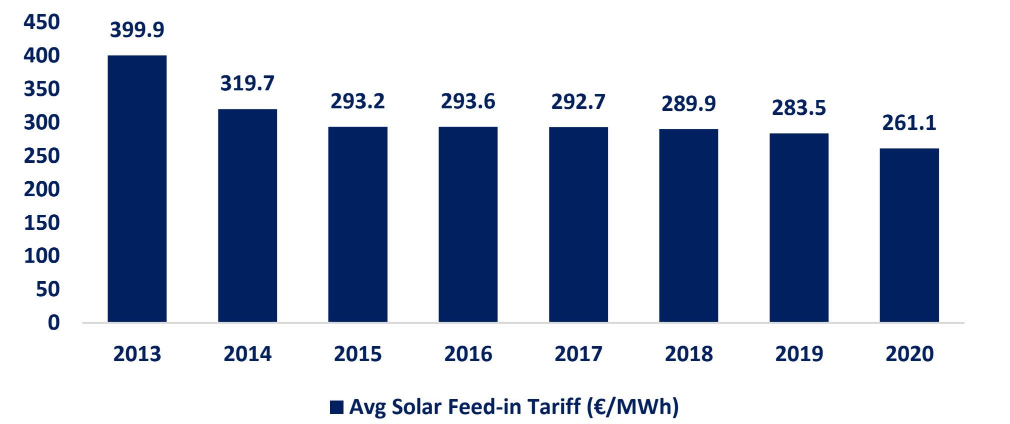
Greek Energy Market | Solar Installations' Utilisation Rates (Interconnected System)



Source: Eurobank Equities Research, DAPEEP

As far as Feed-in Tariffs are concerned, we incorporate a blended sale price of 230 €/MWh, which is broadly in line with tariffs offered to relatively newer solar installations (i.e. post the 2014 "Green Deal" and before the introduction of RES auctions), as is the case for Quest's portfolio.

Greek Energy Market | Solar Installations' Avg Feed-in Tariff (Interconnected System)

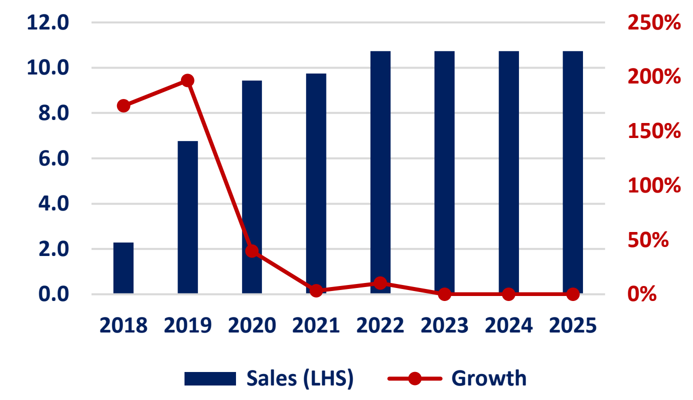


Source: Eurobank Equities Research, DAPEEP

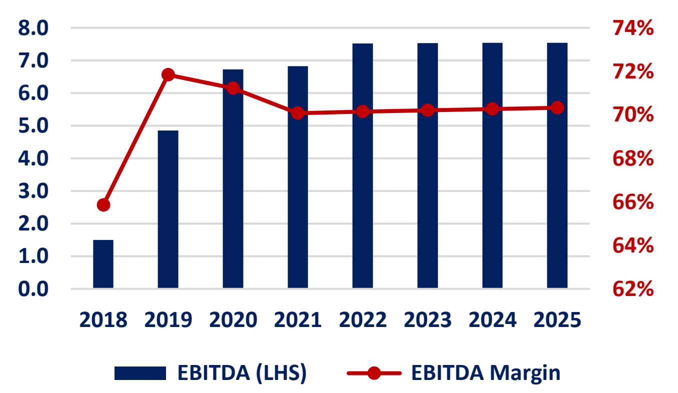
In terms of operating costs, we pencil in a 100k €/MWh cost, which translates to annual EBITDA generation near the €240k per MW mark. This is broadly in-line with the EBITDA generation of the largest solar installation in Greece (at €229k per MW).

Looking ahead, we expect flattish sales and EBITDA generation, as we conservatively model no change in peak capacity levels beyond 2021. Our assumptions translate to annual sales and EBITDA in the range of €11mn and €7.5mn respectively going forward (namely slightly above 2020 levels).

Quest Energy sales in €m and yoy growth



Quest Energy EBITDA in €m and margin



Source: Eurobank Equities Research, Company data

We estimate that each 20MW additional capacity (greenfield investment) would be worth c3% to the market cap

Even though we do not account for new capacity post 2021, we have attempted to assess the value of potential new installations having in mind that the group is in "quest" for growth opportunities. We use the following assumptions:

- installation cost to the tune of €600k per MW;
- increased utilization rates on account of technological advances such as the installation of trackers and/or bifacial panels (19% on avg);
- high price competition (blended tariff of 55 €/MWh);
- the introduction of merchant risk as the market moves away from state-guaranteed PPAs and towards bilateral contracts between market participants.

As we show below, we estimate that an additional 20 MW of solar capacity (namely c€12m of invested capital, assuming a greenfield investment) is worth almost €16mn in terms of enterprise value, translating into an implied EV/IC ratio of 1.3x. On its turn, this would point to an IRR in the high single-digits (c. 8% in the example below), and in Quest's case c3% addition to the market cap.

We summarize our valuation framework in the table below, where we assume a useful life of 30 years and a cost of capital of 5% (in sync with the explicit RES DCF valuation utilized in our model to value Quest's existing portfolio). This WACC level is also consistent with the range of discount rates normally applied for EU RES assets.

Indicative returns from each 20MW solar addition						
Amounts in EURmn unless otherwise stated						
Capacity MW	20					
Capex / kW (€)	600					
Invested capital in €mn	12					
Useful Life (years)	30					
Leverage	60%					
Load factor	19%					
	33					
Cost of capital	5%					
Year		**1.0**	**2.0**	**3.0**	**4.0**	**…**
Pirce (€/MWh)		55	55	54	54	
Revenues (€ m)		1.8	1.8	1.8	1.8	
Opex		-0.5	-0.5	-0.5	-0.5	
EBITDA		**1.3**	**1.3**	**1.3**	**1.3**	
- D&A		-0.4	-0.4	-0.4	-0.4	
EBIT		**0.9**	**0.9**	**0.9**	**0.9**	**…**
Financial expense		-0.3	-0.3	-0.3	-0.3	
PBT		**0.7**	**0.7**	**0.7**	**0.7**	**…**
- Tax		-0.2	-0.2	-0.2	-0.2	
Net profit		**0.5**	**0.5**	**0.5**	**0.5**	**..**
Unlevered FCF	**-12.0**	**1.1**	**1.1**	**1.1**	**1.1**	**…**
PV of unlevered FCF		1.1	1.0	0.9	0.9	
NPV of unlevered FCF (during operational years)		**15.5**				
Project IRR (pre tax)	10%					
Project IRR (post tax)	**7.8%**					
Implied EV/IC	**1.3x**					
IRR - WACC spread (post tax)	**256 bps**					

Source: Eurobank Equities Research

We note that the above modeling framework seems to be in broad sync with the thresholds targeted by top-tier European RES producers in the medium-term and the achieved metrics by the same companies in recent years. In the table below, we display such metrics for EDP (noting though that the latter's business comprises mainly onshore wind rather than solar).

EDP Renewable metrics achieved / targeted	
Metric	
IRR/WACC	1.4x
NPV/Capex	25-30%
IRR-WACC	250 bps

Source: Company data, Eurobank Equities Research

Strategy

Quest Group's operating model is predicated on 4 main pillars, namely:

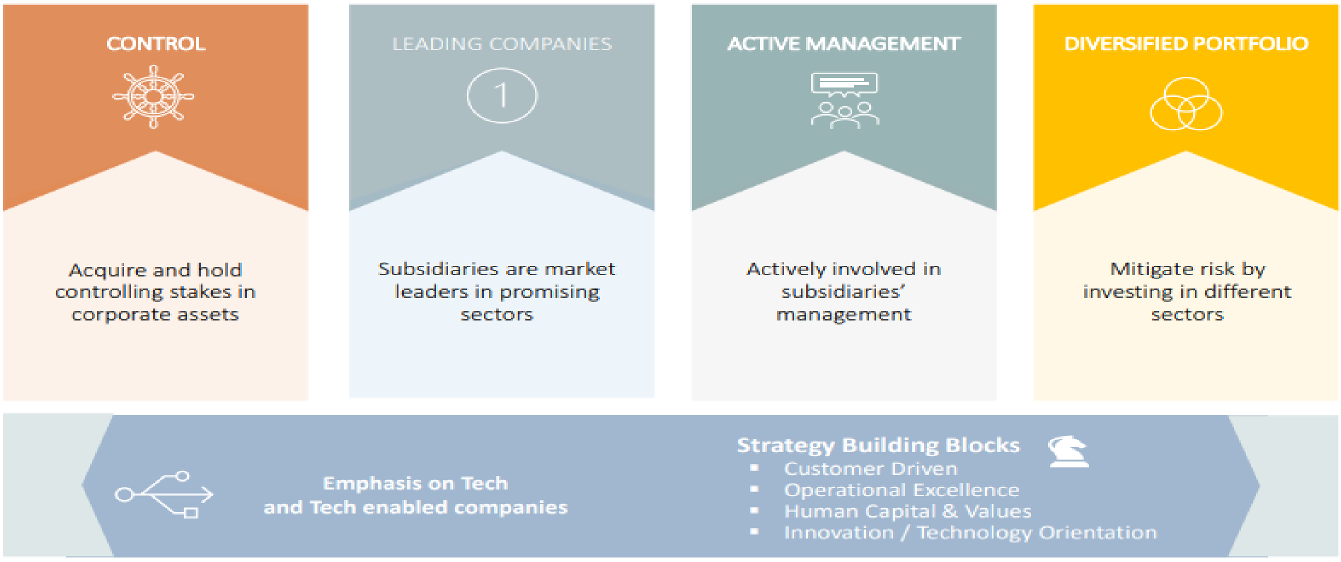
1) Controlling stakes in various assets
Quest has a long history of corporate actions, both as a seller (e.g. disposal of mobile operator Q-Telecom in 2005, sale of RES subsidiaries in 2016, sale of stake in Cardlink to be completed in H2'21) and as a buyer (e.g. acquisition of Cardlink in 2015, RES solar/wind park acquisitions post 2017). It also has a track record of other value-accretive actions such as the REIC demerger in 2016 and the latter's IPO (under the name Briq) in 2017 (via a return in kind to its shareholders). Acquiring and holding controlling stakes in key assets lies at the core of management's strategy, with the latter always exploring its strategic options regarding ways of extracting value from its asset portfolio. In seeking future growth opportunities, the group is mostly focused on technology or tech-enabled assets or companies which offer scope for synergies with Quest's existing portfolio.

2) Leading position in its markets
Most of Quest's subsidiaries have leading market positions in their respective sectors. Indicatively via its IT subsidiaries Quest consists the largest distributor of hardware and software products in Greece, while controlling more than 40% of the ICT distribution market. Its IT services subsidiary UniSystems is a leading IT integrator enjoying a c20% market share. Its courier subsidiary is the largest local courier operator in SE Europe, accounting for more than 20% of the courier services segment in Greece. Its electronic payments arm is also a leading POS network operator, dominating the Greek market with a >30% share in POS.

3) Active Management
Quest group is actively involved in the management of subsidiaries, clearly seeking to exploit any business overlap and to have an overall view of the portfolio so as to achieve operational excellence. Indicatively, the CEO Mr. Georgantzis (group CEO since 2015) is also CEO of ACS (since 2003) and Vice Chairman/executive in most IT subsidiaries. Mr. Bitsakos, Deputy CEO of the group is also Chairman and CEO of Quest Energy and executive in ACS and the IT businesses.

4) Diversified Portfolio
From the description of the various business segments, it becomes apparent that the group is quite diversified in terms of operational exposure. Operational risk is thus mitigated to a great extent, given the different dynamics affecting each of the sectors comprising Quest's portfolio.

Strategy snapshot



Source: Company data

As far as Quest's strategic orientation is concerned, we identify the following key underpinnings of the group's approach:

a) Focus on Growing Areas and Improving Profitability

Quest is focused on segments which are in secular growth (e.g. digitization) and have plenty of scope to be scaled up. Indicatively, back in 2018 the group had set a target for >€600m of revenues, a threshold which it reached in 2019 and surpassed in 2021. Mgt has also expressed its focus on generating profitable growth, as reflected in the guise of improving margins. In the past, it had set a target for EBITDA margins near 9% and pre-tax margins near 5%, which were both levels that were achieved in 2019.

b) Pre-tax returns on equity in the 20s (%)

Pre-tax returns on equity (as defined by the company, namely PBT/Equity) were c10% in 2016. In 2018 this figure improved to 17% and exceeded mgt's target of 20% in 2019. In 2020 this metric increased further to 25%, on the back of improving profitability.

c) Investing in areas with higher returns and growth potential

As we explain later in this report, Quest has spent c€120m over 2015-2020 in order to not only grow the business in the short term but also to pave the way for sustainable growth in the long-run. Areas of investment have included Cardlink's POS network, new infrastructure for the courier business and renewable energy parks. These investments have indeed driven quite good incremental returns: EBIT between 2015 and 2020 has increased by almost €40m, translating into a c32% return (pre-tax) on the aforementioned investment. The group will continue investing in areas with high returns and growth potential.

d) Consistent rewarding of shareholders

The group has a strong track record of shareholder returns, having paid more than €60m over the last 5 years (including a €27m return in kind, in the form of BRIQ REIC shares in 2017). Even excluding the aforementioned extraordinary distribution, Quest has returned €36m over 2016-2020, namely c70% of the net profit generated in the particular period. Our model going forward is predicated on a payout ratio between 25% and 45%, which would be below that in previous years, as we assume the group builds further war chest as it continues its "quest" for growth opportunities. Note however that the recent agreement for a disposal of its stake in Cardlink (equity stake value c€93m) leaves plenty of scope for a special dividend or heftier returns in the future.

e) Enhancing Corporate image and expanding internationally

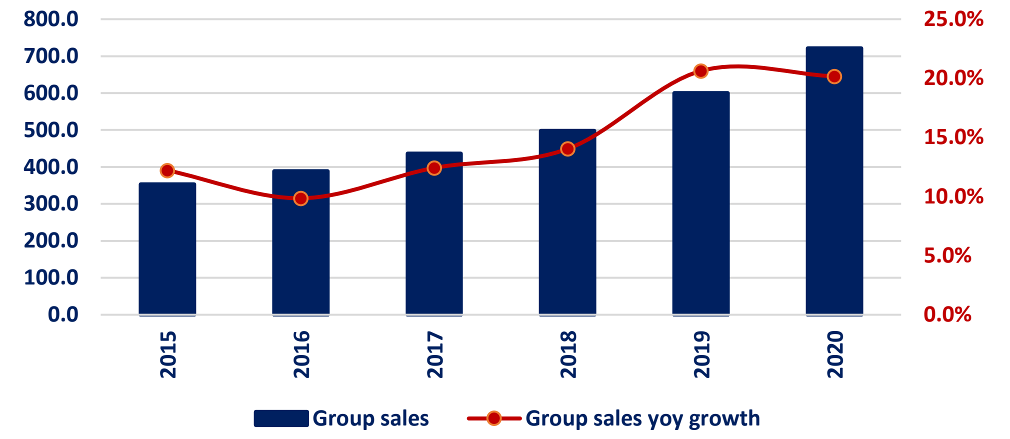
Quest has made quite significant steps in enhancing its corporate image. Indicatively, it has increased the degree of compliance with corporate governance best practices in recent years. It has also been focusing more on CSR initiatives, such as increasing recycling activities, reducing power consumption and carbon emissions and supporting entrepreneurship, innovation and digital transformation. It has also expanded quite substantially its international footprint, with foreign countries now contributing 19% of group revenues from just 7% in 2014.

Top line overview

Impressive 2-digit top line growth track record…

Quest has a solid track record of sustaining strong top line growth. In fact, it has consistently delivered double-digit revenue growth since 2015, quite an impressive track record, testament to the consistency in management's strategy. This is even more important if one considers the background against which this performance has been achieved, namely a multi-year recession in Greece (81% of revenues). In our view, the technology orientation of the group and the diversification across several activities have enabled it to grow sales even during periods of falling disposable income.

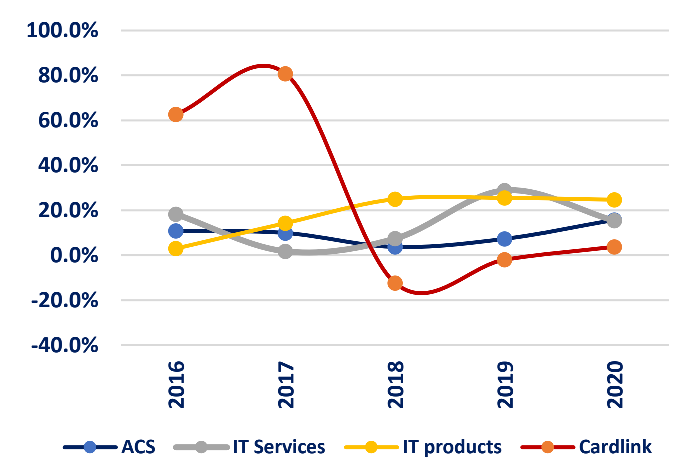
Group sales (€m) and yoy growth



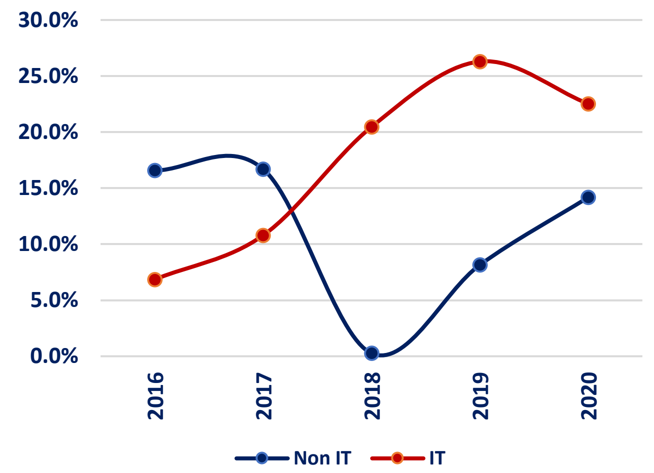
Source: Eurobank Equities Research, Company data

Across the segments, it is interesting that all business lines have enjoyed yoy growth, with the exception of Cardlink (during 2018 and 2019). The latter was weighed down by the renewal of the agreement with Greek banks (revenue discounts for 2018-2020). Overall, the low-margin IT segments (Services and Wholesale/Retail products) have posted very strong double-digit rates since 2017. The higher-margin non-IT segments (effectively Courier, Electronic payments and RES) have also grown strongly, with the exception of 2018 (due to the drag from Cardlink).

Segmental yoy growth rates



Yoy growth rates across the two main segments

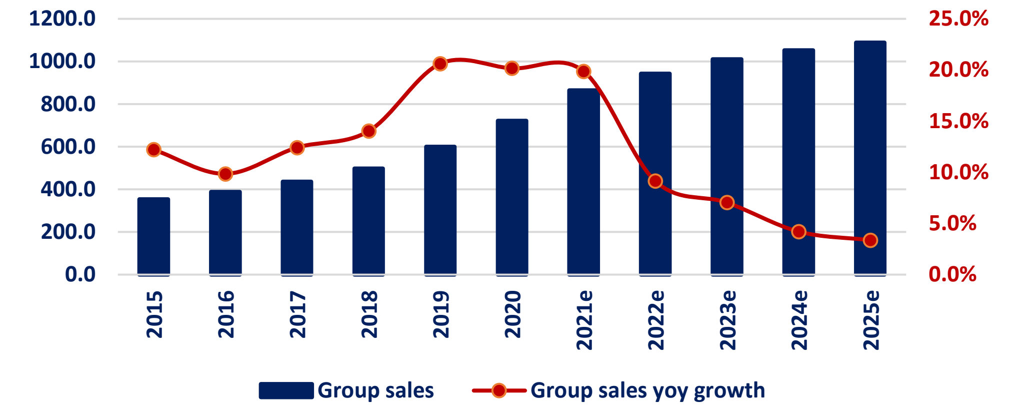


Source: Eurobank Equities Research, Company data

... poised to be sustained in 2021; strong growth to continue in the coming years (we conservatively assume 9% sales CAGR through to 2025)

Looking ahead, our estimates are by no means aggressive in our view, as we envisage c9% revenue CAGR over 2021-25e. We anticipate c20% growth in 2021e underpinned by >20% growth in IT products (digitization, market share gains), low teens growth for the courier business (e-Commerce rise, pricing, mix) and IT services (digitization, Recovery Fund flows) and high-teens growth in Cardlink as explained in the previous sections. Note that we have assumed limited growth for the RES activity, incorporating only a small scaling-up of Quest Energy's capacity (we have assumed 3MW). For 2022e, we expect group top line growth to moderate to c9% (driven by ACS and IT segments), trending down to 7% in 2023e. We conservatively assume 3-4% growth thereafter.

Group sales (€m) and yoy growth

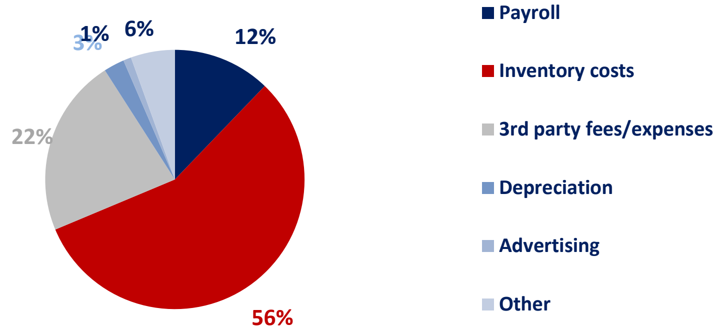


Source: Eurobank Equities Research, Company data

Cost structure and margins

Of the cost base, some 56% relates to inventory costs and another c22% to third party fees. Payroll expenses are also significant making up c12% of total expenses (>€83m). The remaining cost base is a mixture of depreciation/amortization (c3% of costs), advertising (1%) and other expenses (c6%).

Quest cost breakdown (% of costs)



Source: Eurobank Equities Research, Company data

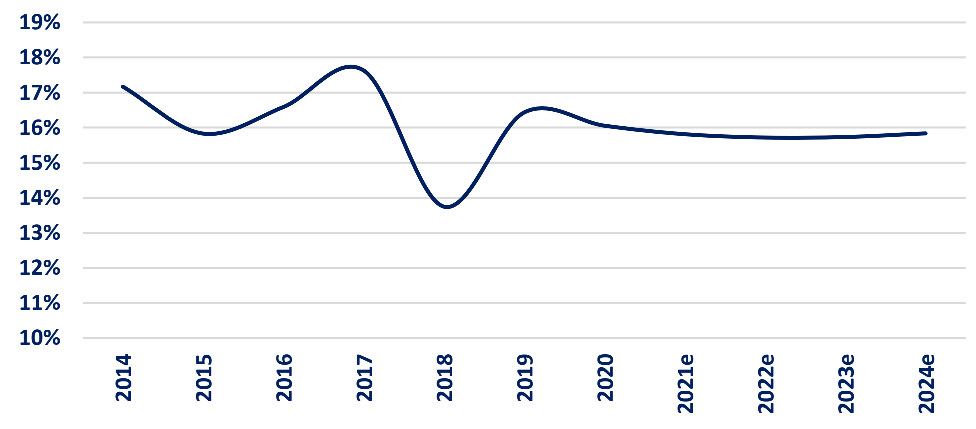
Different gross margins across the subsidiaries, due to the different nature of the business

Gross margins have ranged between c14% and c18% historically. From a mix perspective, the courier business and Cardlink naturally carry higher margins (28%-55% respectively) compared with the IT-related segments (10%-16%), and, in that regard, the activity mix has been dilutive to gross margins since 2017.

In 2019-20 group gross margins seem to have stabilized near c16%, having recovered from the lows of 14% in 2018. Gross margins were effectively "de-based" in 2018 due to the change in the agreement between Cardlink and the Greek banks, with the new deal sealed during the year (for the period 2020-2024) providing for reduced prices (c€13.4m impact at EBITDA level in 2018).

Looking ahead we do not envisage significant variation in gross margins as we expect relatively balanced growth across the segments.

Quest group gross margin evolution



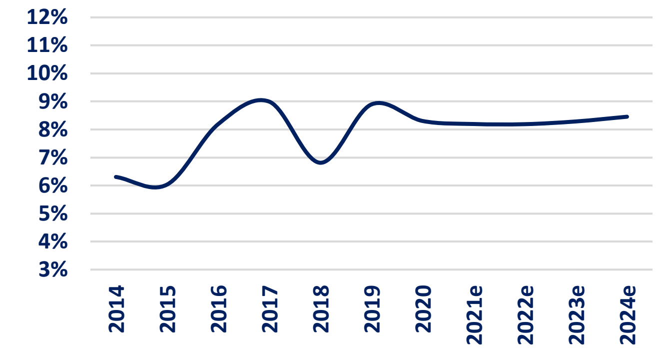
Source: Eurobank Equities Research, Company data

EBITDA margin in the 8% area looks sustainable in our view (vs 6.8% in 2018)

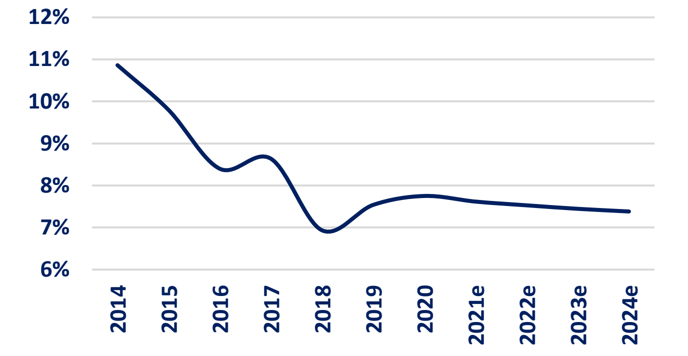
On the opex front, expenses were reduced significantly as % of revenues over 2014-18, both as a result of the REIC demerger (in 2016) and on account of underlying cost curtailment. Opex ticked higher in 2020 due to COVID-related expenses (ACS) partly diluting the positive operating leverage effects. That said, the group managed to retain EBITDA margins above the 8% mark in 2020, just 60bps lower yoy but, most importantly, c150bps above the "rebased" margin level of 2018 (post the new agreement between Cardlink and Greek banks).

Looking ahead, our numbers factor in little-changed EBITDA margins as we expect the rolling-off of COVID-related expenses (e.g. ACS) to offset a mild category-driven margin erosion (faster growth for IT-related segments).

Quest group EBITDA margin



Quest group opex/sales



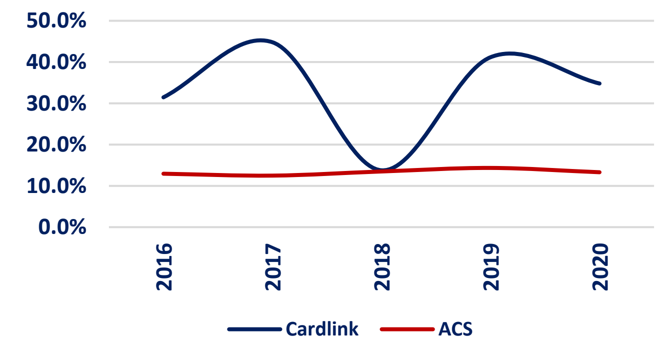
Source: Eurobank Equities Research, Company data

ACS has showcased impressive margin resilience; Cardlink margin has recovered following a debasement in 2018

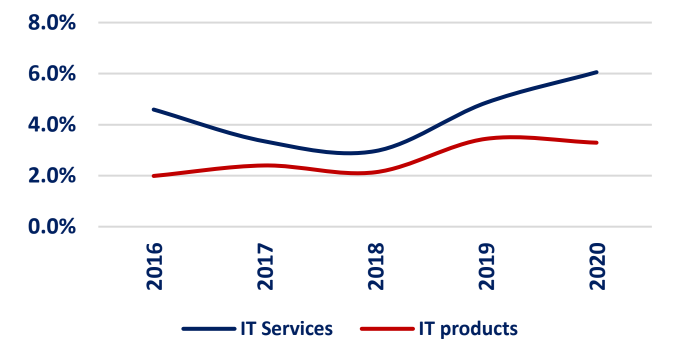
In the table below, we display how the various divisions have performed from a margin perspective in the last few years. As can be seen, the two segments generating the highest EBITDA margin (excl. RES, which enjoys >70% margins) are ACS and Cardlink. The former has showcased relatively limited margin variation, managing to retain a >13% level in 2020 notwithstanding >€2.5m extraordinary costs borne to cope with fluctuating volumes in the aftermath of the lockdown (c2% margin hit). As for Cardlink, as per our previous comments, the revenue discounts for 2018-20 led to a debasement of margins in 2018, with the lockdown in 2020 diluting the positive leverage effect. That said, Cardlink retains an EBITDA margin in excess of 34%, comparable to that of international peers with far greater scale.

As far as the lower-margin IT segments are concerned, UniSystems delivered in 2020 its strongest margin in many years helped by cost containment (e.g. lower travel expenses) and a very solid (15%) top line growth. With the ICT segment offering good prospects ahead, both in Greece (e.g. digitalization) and abroad (e.g. projects related to European Institutions), we expect margin accretion to continue in the future. IT products are the lowest-margin business for the group (given the skew to wholesale), and we see margins staying in the 3% area (similar to 2019-20).

Divisional EBITDA margins – higher margin segments (excl. RES)



Divisional EBITDA margins – lower margin segments



Source: Eurobank Equities Research, Company data

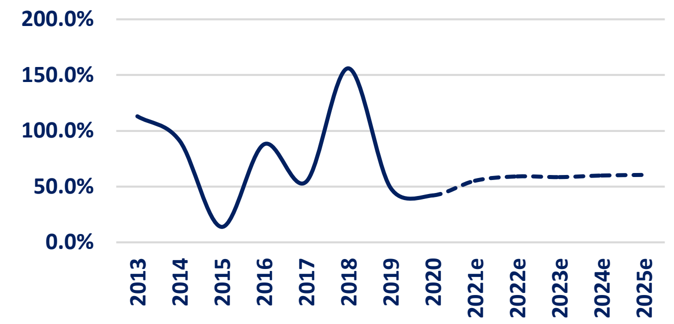
Cash flow generation and returns

Strong track record of operating cash flow generation across all subsidiaries

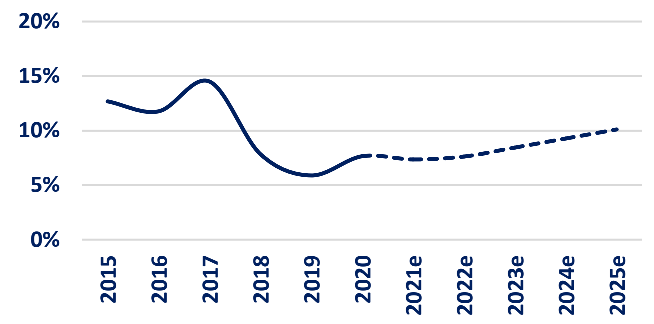
The group has a solid track record of cash flow generation and rising returns. Since 2015, EBITDA has tripled, rising from €20m to €60m. Cash conversion (OCF/EBITDA) has had its twists and turns, mostly as a result of swings in working capital needs, but has consistently exceeded 40% in most years notwithstanding the multiple challenges faced in the recent past (capital controls in 2015, Greek recession until 2016, COVID in 2020).

The tight working capital management can be seen from the chart below, where we show that trade working capital as % of sales has fallen from >14% in 2017 (increased during the year in order to fund future growth mainly in the IT segments) to c8% in 2020. Looking ahead we do not model significant working capital swings, but do assume mild working capital investment reflecting growth in the ICT segment.

Cash conversion (OCF/EBITDA)



Operating Working Capital as % of sales



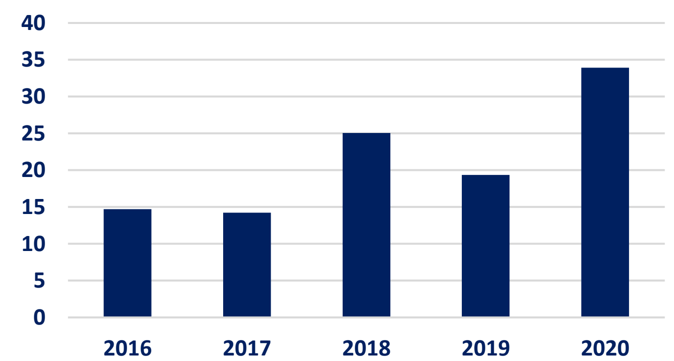
Source: Eurobank Equities Research, Company data.

… which funded the significant growth investments

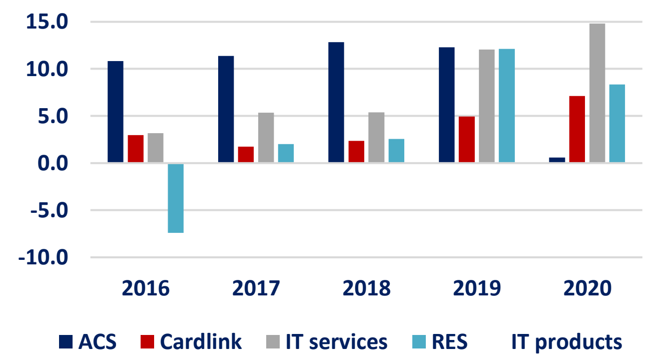
On the investment side, we note that a significant part of the cash flow generated during the years has been absorbed by capex. Indicatively, Quest has spent c€120m over 2015-2020 in order to not only grow the business in the short term but also to pave the way for sustainable growth in the long-run. In 2015 and 2016 the group made significant investments (€15-20m per annum) related to Cardlink and the acquisition of land for the courier business. The expansion of the POS network required another €15m of investment in 2017, while 2018 was light from an investment perspective. Capex picked up again in 2019, as Quest started to focus on developing new infrastructure for the postal services business (ACS). The set-up of a new much more advanced sorting hub for ACS with far greater capacity required a €30m investment over 2020-21, largely explaining the elevated capex both in 2020 (>€20m) and in 2021e (c€40m net investment penciled in our numbers).

Having said that, gross operating FCF (EBITDA – capex) has been solid for the group, as showcased in the figure below. In fact, all subsidiaries have been generating positive gross OpFCF in the last few years, notwithstanding the significant investments made, with the exception of RES, as one would anticipate, due to the significant capacity additions (from <6MW in 2017 to 28MW in 2020).

Gross OpFCF in €m at group level (EBITDA – capex)



Gross OpFCF in €m by segment

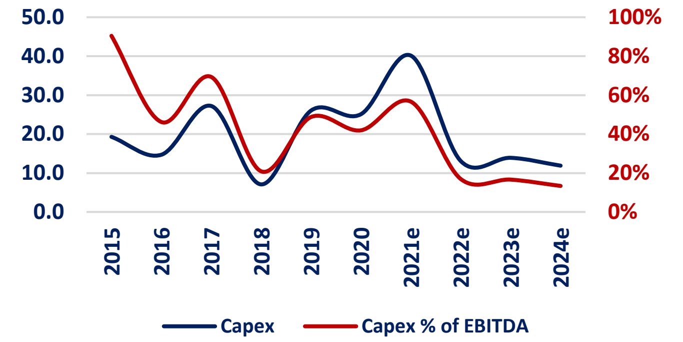


Source: Eurobank Equities Research, Company data

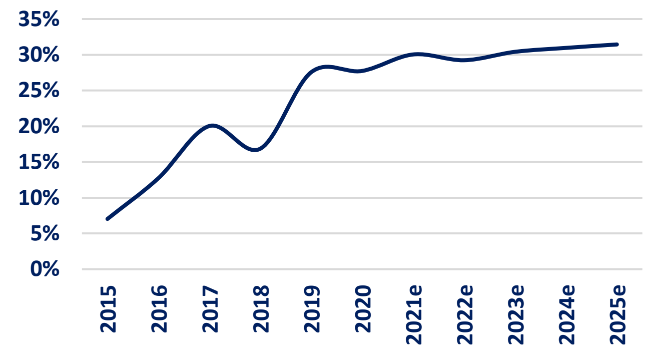
High returns on the investments made testament to mgt's focused strategy

Looking at the returns brought about by these investments, it is quite interesting to note that these have indeed driven quite good incremental returns. To exemplify this, we flag that EBIT between 2015 and 2020 has increased by almost €40m, translating into a c32% return (pre-tax) on the €120m investment. The aforementioned point is also validated at group level: as shown below, pre-tax ROIC (EBIT/invested capital) has increased to c28% in the last 2 years from 17% in 2018.

Capex in €m (LHS) and as % of EBITDA (RHS)



Pre-tax ROIC



Source: Eurobank Equities Research, Company data.

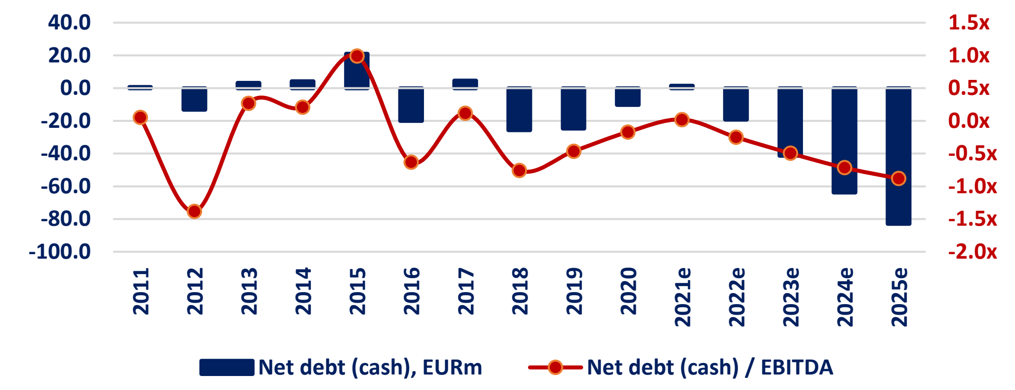
Looking ahead, for 2021e we have incorporated elevated capex of €45m, including the remaining investment related to the ACS sorting hub (to be operational in November), IT-related capex for Cardlink and the upgrade of the infrastructure of the IT products segment (iStorm). We note that this number does not include M&A related capex (e.g. Dimitriou S.A.). Beyond 2022, our model assumes that capex trends down to more "normal" levels in the €13-14m area. These are levels we consider to be reasonable for the group to deliver top line growth in the mid to high single-digits in the coming years. They are also consistent with incremental returns on capital in the 30-45% area through to 2025e.

Balance sheet and shareholder returns

Robust financial position

Notwithstanding the aforementioned significant capex envelope, Quest enjoys a strong financial and liquidity position. Net debt peaked at c€21m in 2015 but, post the REIC demerger in 2017, the business has switched to a net cash position (excl. operating leases). The latter stood at €25-26m in 2018-19, shaping somewhat lower in 2020 at c€10m. Gross cash was almost €97m in 2020, while financial gross debt (excl. operating leases) amounted to €87m. Taking into account available credit lines, the group's available liquidity exceeds €170m. Note that in Q1 Quest switched back to a net debt position (€23m), mainly due to working capital investment which is mostly seasonal in nature.

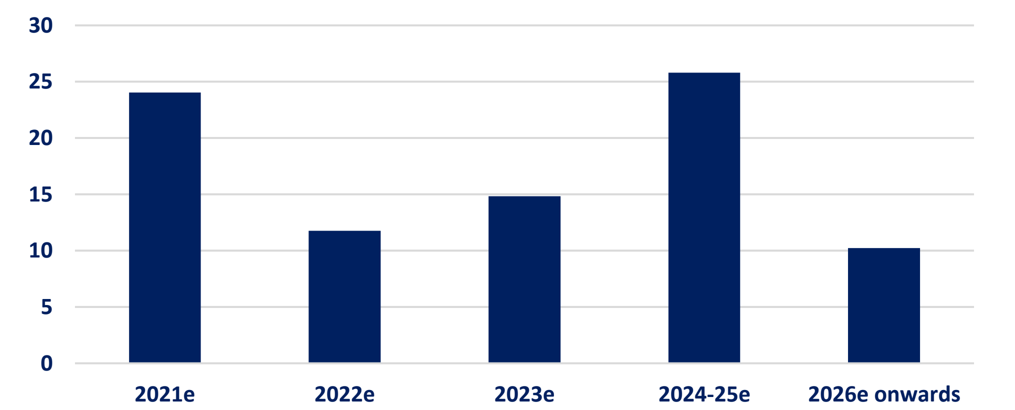
Quest group net debt (cash) and net debt(cash)/EBITDA evolution



Source: Eurobank Equities Research, Company data

On the gross debt front, we note that short-term debt as of December 2020 was c€24m (out of the €87m total economic debt), mainly relating to the financing of working capital (typical for wholesale/retail companies). The rest of the debt is nicely spread out across many years, as showcased from the chart below.

Quest group debt maturities – December 2020



Source: Eurobank Equities Research, Company data

Balance sheet optionality…

The robust financial position means that Quest has enough war chest to fund potential M&A opportunities. In fact, the group has already agreed to enter as a strategic investor in the share capital of G.E. Dimitriou SA, a local company which is the exclusive distributor of Toyotomi electrical appliances in Greece and which enjoys a strong market share in the air-condition market. The table below presents a brief overview of the main metrics of the company. As can be seen, the business generated c€8m of revenues in 2019 (with the debasement vs 2018 relating to the transfer to Quest group of distribution agreements relating to several brands) and was loss-making at EBITDA level. Operating cash flow seems to be positive, but the high debt position weighs significantly on profitability, while draining liquidity and limiting scope for a turnaround without a cash injection from a strategic investor.

Dimitriou snapshot		
EURm	2018	2019
Sales	27.8	7.8
Gross profit	8.3	2.1
Gross margin	30%	28%
- Opex	-9.1	-5.5
EBITDA	**-0.8**	**-3.4**
PBT	**-5.3**	**-9.2**
OCF	4.1	4.8
Net debt	15.6	14.2
Equity	-25.8	-37.6
Opex breakdown		
Payroll		2.2
Marketing/advertising		1.7
Other		1.6

Source: Eurobank Equities Research, Company data.

Quest has indicated it intends to eventually invest approximately €20m on this deal. Our understanding is that most of this investment relates to loans being assumed by Quest – and being repaid after a long time period post debt restructuring – with just a small amount (in the €5m area) relating to a fresh working capital injection to bring the business back on track. The agreement is still subject to ratification by the Greek courts as it is predicated on debt restructuring.

… leaves scope for value-accretive deals

Even if this deal were to fall through, we expect management to continue seeking value-accretive opportunities, further boosting the earnings growth outlook. We would expect emphasis to be on the IT sector or in areas that are "complementary" to Quest's core segments, namely ICT, electricals/IT distribution etc. Indicatively, in the table below, we have considered a scenario of a relatively sizeable acquisition (revenues near €50m, namely similar in size to Cardlink given that the latter is to be sold to Wordline) with a pre-synergy EBITDA margin in the mid to high-single digits. We have assumed an acquisition price (EV/EBITDA) in the high-single digits. Factoring-in c5% of synergies after 3 years (with the respective EBITDA margin post-synergies rising to c12%), we end up with a profit uplift near €5m by year 3 (c8% accretion), corresponding to a value near €1.0-€1.2 per share.

Indicative EPS accretion opportunity from M&A			
EURm	Y1	Y2	Y3
Acquisition multiple (EV/EBITDA)	8.0x		
Financing cost	5%		
Acquiree data			
Sales	50.0	52.5	55.1
yoy growth		5.0%	5.0%
EBITDA	3.5	3.7	3.9
EBITDA margin pre synergies	7.1%	7.1%	7.1%
Synergies	0.5	1.6	2.8
EBITDA margin post synergies	8.1%	10.1%	12.1%
EBIT post synergies	3.5	4.7	6.1
Tax rate	22%	22%	22%
Net profit	2.7	3.7	4.7
Financing cost	-1.4	-1.4	-1.4
EPS accretion for Quest	0.6%	6.4%	8.1%
Potential value per share (at 10-12x PE)			**1.0-1.2 €**

Source: Eurobank Equities Research

In the table below, we flex our assumed acquisition multiple and deal size in order to estimate the extent of EPS accretion for Quest. Overall, we estimate that a deal in excess of €5m in terms of EBITDA would be double-digit EPS accretive for the group.

Sensitivity of EPS accretion to acquisition price and acquired EBITDA (post synergies)

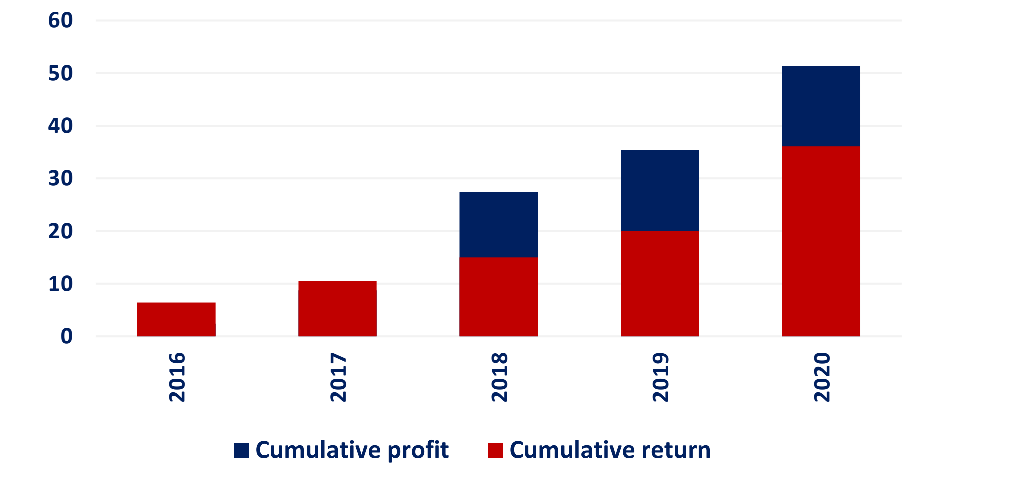
		EV/EBITDA multiple paid				
		10.0x	**9.0x**	**8.0x**	**7.0x**	**6.0x**
Acquired EBITDA in €m (incl. 5% synergies by year 3)	**9.3**	10.5%	11.0%	11.4%	11.8%	12.3%
	8.0	9.0%	9.4%	9.8%	10.1%	10.5%
	6.7	7.5%	7.8%	**8.1%**	8.5%	8.8%
	5.3	6.0%	6.3%	6.5%	6.8%	7.0%
	4.0	4.5%	4.7%	4.9%	5.1%	5.3%

Source: Eurobank Equities Research

… or generous shareholder returns

Besides an earnings-accretive acquisition, the balance sheet optionality means that Quest could alternatively deliver additional shareholder value through heftier returns to shareholders. This is even more so the case in the aftermath of the news about the agreement for the disposal of its stake in Cardlink (EV €155m, equity value post all claims near €93m). In any case, Quest group has a strong track record of shareholder returns, having paid more than €60m over the last 5 years (including a €27m return in kind, in the form of BRIQ REIC shares in 2017). Even excluding the aforementioned extraordinary distribution, Quest has returned €36m over 2016-2020, namely c70% of the net profit generated in the particular period.

Quest group cumulative net profit and shareholder returns (€m)



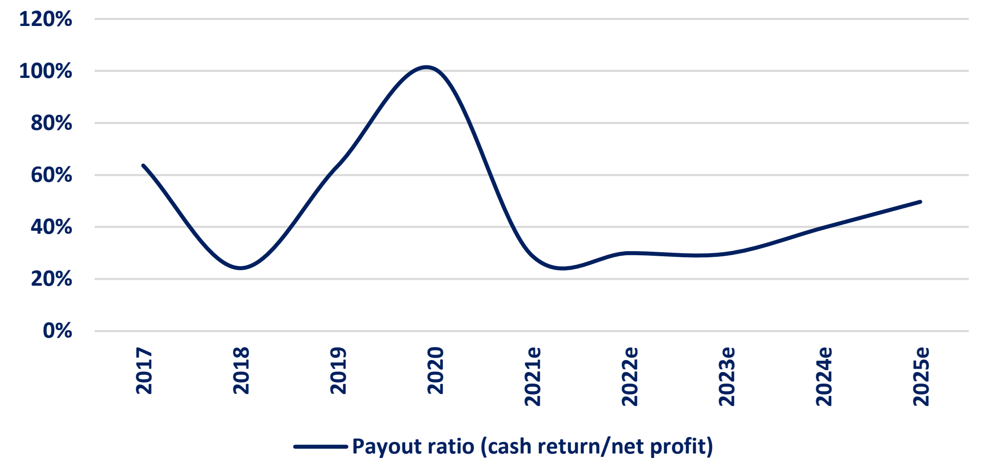
Source: Eurobank Equities Research, Company data

Overall, we expect ROIC to be a priority in case of M&A, with the group's net cash position leaving scope even for sizeable deals (>€100m in terms of sales acquired). Assuming no M&A opportunities arise, the group has plenty of cash to deploy in the RES segment, with shareholder cash returns featuring as another alternative.

Our model incorporates a lower payout ratio than in the past, assuming Quest builds war chest for corporate activity

Our model is predicated on a payout ratio between 30% and 40% through to 2024e (rising to 50% in 2025e), which would be below that in previous years, as we assume the group builds further war chest as it continues its “quest” for growth opportunities.

Quest group payout ratio (excl. return in kind)



Source: Eurobank Equities Research, Company data

Financials and divisional breakdown

The table below sums up our key divisional estimates and rolls them into an overall forecast for the group.

Divisional Breakdown						
EURm	**2018**	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Group Sales	**497.7**	**600.3**	**721.4**	**864.7**	**943.7**	**1010.1**
- of which						
ACS	102.6	110.1	127.4	142.8	160.5	173.7
Cardlink*	33.8	33.1	34.4	40.5	40.6	42.9
RES	2.3	6.8	9.4	9.7	10.7	10.7
IT Services	90.2	116.2	134.2	152.1	164.5	177.7
IT products	302.3	379.4	473.2	588.0	642.2	685.3
Intragroup	-33.4	-45.3	-57.2	-68.5	-74.8	-80.1
Yoy growth in net sales						
Group	**14.0%**	**20.6%**	**20.2%**	**19.9%**	**9.1%**	**7.0%**
ACS	3.7%	7.3%	15.7%	12.1%	12.4%	8.2%
Cardlink	-12.3%	-2.0%	3.8%	17.9%	0.2%	5.6%
RES	173.1%	196.7%	39.7%	3.2%	10.2%	0.0%
IT Services	7.4%	28.9%	15.4%	13.4%	8.1%	8.0%
IT products	25.0%	25.5%	24.7%	24.3%	9.2%	6.7%
Group EBITDA	**33.9**	**53.4**	**59.9**	**70.9**	**77.3**	**83.7**
- of which						
ACS	13.8	15.8	16.9	19.2	22.6	25.2
Cardlink	4.7	13.6	12.0	14.8	15.1	16.1
RES	1.5	4.9	6.7	6.8	7.5	7.5
IT Services	2.7	5.6	8.1	10.5	11.4	13.0
IT products	6.4	13.1	15.6	18.9	20.1	21.3
Other	4.8	0.4	0.6	0.6	0.6	0.6
Yoy growth in EBITDA						
Group	**-13.6%**	**57.5%**	**12.2%**	**18.3%**	**9.1%**	**8.3%**
ACS	12.0%	14.1%	7.3%	13.5%	17.4%	11.6%
Cardlink	-73.0%	192.9%	-12.3%	23.4%	2.5%	6.4%
RES	NM	223.7%	38.5%	1.5%	10.2%	0.1%
IT Services	-4.9%	111.2%	43.9%	29.6%	8.4%	14.1%
IT products	11.1%	102.6%	19.3%	21.6%	5.9%	6.1%
EBITDA margins						
Group	**6.8%**	**8.9%**	**8.3%**	**8.2%**	**8.2%**	**8.3%**
ACS	13.5%	14.3%	13.3%	13.5%	14.1%	14.5%
Cardlink	13.8%	41.2%	34.8%	36.4%	37.2%	37.5%
RES	65.8%	71.8%	71.2%	70.1%	70.1%	70.2%
IT Services	3.0%	4.9%	6.1%	6.9%	6.9%	7.3%
IT products	2.1%	3.4%	3.3%	3.2%	3.1%	3.1%

Source: Company, Eurobank Equities Research * Quest has agreed to sell its stake in Cardlink to Wordline; transaction likely to be completed in H2’21

In short, we anticipate:

- **Revenues:**
  - **2021e:** 20% revenue growth in 2021e – which looks quite underpinned given the solid Q1 (+46% yoy). Growth will be driven by low teens growth for the courier business (e-Commerce rise, pricing, mix), high teens growth in Cardlink (easy comps, economic re-opening), >20% in IT products (digitalisation, market share gains), and low teens growth in IT Services.
  - **2022e – 2023e:** For 2022e, we expect growth to moderate to 9% (driven by ACS and IT segments), trending down to 7% in 2023e.
- **EBITDA:** We expect EBITDA growth of 18% in 2021 (following +12% in 2019) on positive leverage and rolling-off of covid-related costs. We see growth of 8-9% per annum over 2022-23e on little-changed margins given our expectation for relatively balanced growth across the various segments.

Besides the above operational projections, we have also assumed the following:

- Trade working capital rising somewhat as % of sales, reflecting a longer receivable period related to ICT projects.
- Net capex of €40m in 2021, including c€5m maintenance capex, €8m for Cardlink's POS network, €18m remaining for the new sorting hub of ACS and a few million for the upgrade of the infrastructure of the IT products segment and maintenance capex. We note that our numbers do not assume any contribution from Dimitriou S.A (the electrical appliances distribution company), and on that basis, we do not assume any additional capex associated with this. As a reminder, the deal is subject to approval by the relevant courts (as it is predicated on debt restructuring). According to management guidance, total investments in 2021, including growth capex, may reach €70m (including a €25m consideration for Dimitriou S.A.). Beyond 2022 we assume capex fades down to €12-14m.
- We envisage pre-tax ROIC in the 27-29% area in the coming years, similar to the level delivered in 2020.
- We expect operating cash flow to shape at c55-60% of EBITDA over the next few years. This will be more than enough to fund capex of <€15m, thereby leading to FCF in the c€30-45m area through to 2025e.
- We have assumed Quest retains 70% of the profit generated in order to build war chest to fund growth capex and M&A. We have thus penciled in capital returns in the €0.30-0.35 area per annum in the next three years (c2-2.5% yield). Mgt has already announced it will propose a €0.30 DPS for FY21.

The aforementioned assumptions and projections all coalesce into the following P&L and cash flow summary:

Summary Financials						
EURm	**2018**	**2019**	**2020**	**2021e**	**2022e**	**2023e**
P&L						
Sales	**497.7**	**600.3**	**721.4**	**864.7**	**943.7**	**1010.1**
Gross profit	68.4	98.7	115.8	136.7	148.3	158.9
Gross margin	13.7%	16.4%	16.1%	15.8%	15.7%	15.7%
- Opex	-34.5	-45.3	-55.9	-65.9	-71.0	-75.2
Opex / Sales	6.9%	7.5%	7.8%	7.6%	7.5%	7.4%
EBITDA	**33.9**	**53.4**	**59.9**	**70.9**	**77.3**	**83.7**
- D&A	-13.0	-17.2	-17.6	-18.5	-19.4	-19.8
EBIT	20.9	36.2	42.3	52.4	57.8	63.9
- Financials/Other	3.1	-6.1	-7.0	-4.4	-6.5	-6.8
PBT	**24.0**	**30.2**	**35.3**	**48.0**	**51.3**	**57.1**
- Tax	-4.0	-21.9	-18.9	-10.6	-11.3	-12.6
- Non controlling interests	-1.3	-0.4	-0.4	-0.6	-0.7	-0.8
Net income	**18.7**	**7.9**	**16.0**	**36.8**	**39.4**	**43.7**
EPS	0.52 €	0.22 €	0.45 €	1.03 €	1.10 €	1.22 €
DPS/Capital return	0.13 €	0.14 €	0.45 €	0.30 €	0.33 €	0.36 €
Cash flow	**2018**	**2019**	**2020**	**2021e**	**2022e**	**2023e**
EBITDA (reported)	33.9	53.4	59.9	70.9	77.3	83.7
Change in Working Capital	33.6	-7.4	-9.1	-8.3	-7.1	-8.7
Net Interest	-4.5	-5.3	-5.8	-4.9	-5.2	-5.5
Tax	-7.7	-5.5	-10.3	-10.6	-11.3	-12.6
Other	-2.4	0.5	-1.4	0.0	0.0	0.0
Operating Cash Flow	**52.9**	**35.6**	**33.3**	**47.2**	**53.7**	**56.9**
Capex	-4.5	-6.7	-25.1	-45.1	-13.1	-13.9
Other investing	-2.6	-19.3	2.3	5.0	0.0	0.0
Net Investing Cash Flow	**-7.1**	**-26.0**	**-22.8**	**-40.1**	**-13.1**	**-13.9**
Dividends	-4.5	-5.0	-16.1	-10.7	-11.8	-13.0
- Capital repayment of lease obligations	0.0	-9.5	-8.1	-8.0	-8.0	-8.0
Other	-11.1	4.0	-0.8	0.0	0.0	0.0
Net inflow	**30.2**	**-1.0**	**-14.5**	**-11.7**	**20.8**	**22.1**
Net cash (debt)	**25.7**	**24.8**	**10.2**	**-1.5**	**19.3**	**41.4**
Equity Free Cash Flow	**45.8**	**0.1**	**2.4**	**-1.0**	**32.6**	**35.0**

Source: Company, Eurobank Equities Research

Q1’21 results overview

Strong set of results, with impressive top line growth and healthy margins

Quest reported a very solid set of Q1 results, delivering 46% growth in both revenues and EBITDA on unchanged margins (8.5% at group level). As a result, pre-tax profits more than doubled to €13.9m (from €6.8m in Q1’20), with an even higher increase in net profit (€10.8m vs €4.4m in Q1’20).

Performance was solid across the board, with all segments (except for the least relevant for the investment thesis RES) delivering very robust top line growth rates (24-64%). The group has enjoyed strong demand for its IT products, has benefited from the steep increase in e-commerce volumes and the rolling-off of discounts at Cardlink, thereby growing strongly all core segments.

Most importantly, the top line growth did not come at the expense of margins as cost monitoring continued, with positive leverage and the rolling-off of extraordinary expenses related to COVID (mainly at the courier business) also providing an underpinning.

On the cash flow front, there was a €33m outflow in Q1, but this is to a great extent seasonal in nature (Q1 always weak cash flow-wise) and purely due to working capital investment (€44m outlay in the 3-month period). Of note is that €16m of that related to the building up of inventory in view of the state-subsidized “Digital Care” project. The group stood on a net debt position of €22.8m as of end March 2021.

Quarterly results overview - Quest group			
EURm unless otherwise stated	**Q1 2020**	**Q1 2021**	**yoy**
Group revenues	**147.7**	**216.0**	**46%**
- of which:			
IT products	*81.0*	*132.9*	*64%*
IT Services	*29.9*	*37.2*	*24%*
Courier Services	*26.7*	*33.2*	*24%*
Cardlink	*8.1*	*11.0*	*35%*
RES	*1.9*	*1.8*	*-4%*
Unallocated	*0.1*	*0.0*	
EBITDA	**12.6**	**18.4**	**46%**
EBITDA margin	8.5%	8.5%	0 bps
- of which:			
IT products	*2.5*	*5.1*	*100%*
IT Services	*1.3*	*2.7*	*112%*
Courier Services	*3.8*	*5.0*	*29%*
Cardlink	*3.2*	*4.1*	*29%*
RES	*1.6*	*1.5*	*-6%*
Other	*0.2*	*0.0*	*-87%*
Pre-tax Profit	**6.8**	**13.9**	**106%**
- Non-controlling interests	-0.1	-0.4	
- Tax	-2.3	-2.7	
% tax rate	34.2%	19.5%	
Net profit	**4.4**	**10.8**	**149%**
EPS in EUR	0.12	0.30	
Capex	-3.0	-2.9	
Net debt (cash)	-5.3	22.8	

Source: Company, Eurobank Equities Research

History and shareholder structure

Quest's origins date back to 1981, when InfoQuest was established becoming a distributor of the first PC parts in the Greek market. In 1984 InfoQuest embarked on its strategy to develop a full array of services relating to the design, installation and support of IT systems, consolidating its position as a leader in the Greek market in the following years. In 1991, the company launched the first computer assembly line in the country and one year later it started its co-operation with international software and hardware firms (e.g. Microsoft). In 1993, with the launch of mobile telephony in Greece, it established a mobile service provider.

Corporate action effectively kicked off in 1995 when InfoQuest took a stake in Decision S.A. (an integrated IT solutions company) and a majority interest in internet service provider Hellas On Line (acquired by Vodafone a few years ago). In 1998, it established Unifon after merging its mobile service company with Palmafone, creating the biggest – at the time - mobile telephony network in Greece. In 1999, InfoQuest acquired stakes in various companies, among which in the courier business ACS.

In 1998, the company got listed on the Athens Exchange. In 2002, InfoQuest launched mobile and fixed telephony services under the brand Q-Telecom, managing to grow its subscriber base to 420K in just one year. The business was then sold to private equity firms APAX and TPG in 2005, having grown its market share to c10%.

In 2006 the group founded Quest Energy making its foray into Renewable Energy Sources. In the same year, it also launched its multi-channel retail operations, starting the distribution of IT products through a nationwide reseller network, call-center and e-shop. In 2007, it acquired Unisystems (via a mandatory public offer), creating the largest integrated solutions provider in the country. The latter started its international expansion in 2008.

In 2009, the group acquired Rainbow who was Apple's Authorized Distributor (for Greece and Cyprus) and renamed it to iSquare. In 2010, the group also established iStorm and commenced operations as the first authorized Apple Premium Reseller in Greece. In 2011, the group proceeded to a revamp of its structure, transforming into a holding company under its current name. In 2012, it established Quest Online, its e-Commerce subsidiary. In 2013, the Greek postal services market was liberalized, with ACS becoming one of the key players in this segment.

Corporate activity intensified in the following years, with landmark transactions being the acquisition of Cardlink in 2015 and the establishment of a real estate company (REIC) in 2016. The latter was demerged and then listed on the ASE in 2017, with Quest shareholders receiving a return in kind.

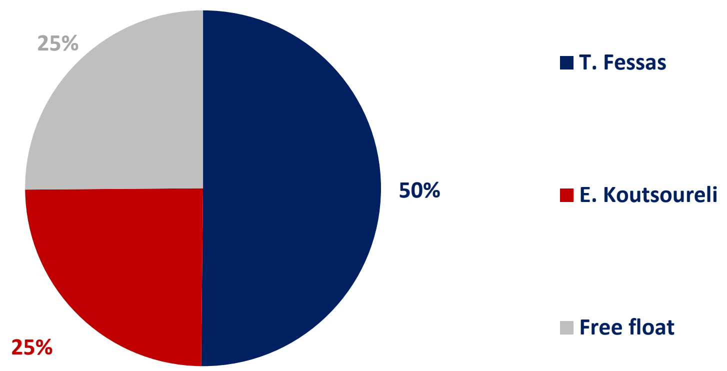
In 2018 the group made significant investments in the RES industry (c€16m), while it further scaled up its agreement with Xiaomi expanding in the Cypriot market. In recent years, there has been significant growth capex related to Cardlink (POS network), ACS (new hub) and RES. In 2020, the group surpassed the €700m mark in revenues.

The Chairman of the BoD and founder of the group T. Fessas holds a 50.2% stake. He has guided the business through its transformation into one of the leading groups in Greece. Mr. Fessas has served as Chairman and member of the BoD of the Hellenic Federation of Enterprises for many years. He studied Electrical Engineering at the National Technical University of Athens (NTUA) and holds a Master in Thermodynamics from the University of Birmingham, UK.

Mr. Georgantzis is the group CEO (since 2015). He has also held the position of CEO of the courier business ACS since 2003. He has worked as executive/entrepreneur in various positions in the fields of construction, investment and IT.

As far as the rest of the shareholder structure is concerned, besides the 50% controlled by Mr. Fessas, there is a 25% stake held by Ms Koutsoureli, ex wife of Mr. Fessas and Vice Chairwoman of the group since 2015. Ms Koutsoureli has worked with InfoQuest since 1984 holding positions in various areas, primarily in Marketing and Communications. The remaining 25% of the share capital constitutes the stock's free float.

Shareholder structure



Source: Eurobank Equities Research, Quest, Bloomberg

ESG overview

With the issue of ESG gaining increasing traction among investors, we have sought to supplement our analysis of Quest's fundamentals with an overview of some interesting findings from some of the ESG data provided by the group. We mainly tackle Quest's approach regarding climate change, ethical responsibilities vis-à-vis employees and suppliers as well as compliance with corporate governance best practices.

In more detail:

1. Environmental and Social

Quest's commitment to reducing energy consumption goes beyond simple compliance with regulations. The group acts in a systematic way aiming to upgrade infrastructure (e.g. sensors, low energy consuming devices etc.) so as to continuously reduce its energy consumption. This is quite reasonable, as, given the nature of the business, the vast majority of carbon emissions are generated from electricity usages in stores, in logistics hubs and from deliveries. Quest has been monitoring energy/carbon intensity per €m of turnover since 2018, having managed to lower the latter by 38% vs 2016 levels. The group also has programs in place for the collection and recycling of materials while replacing disposable plastic products with eco-friendly ones.

On the social side, two key stakeholders are Quest's employees and suppliers. On the former, Quest seems to endorse the idea of promoting an inclusive workplace culture with well-trained employees (impressive increase in training man-hours per employee vs 2016) and equal opportunities. The percentage of female employees was 31% in 2019, having increased by 2pps vs 2016. The percentage of women holding senior leadership positions has also increased to 19% from 10% a few years ago. The group also has a Supplier code of conduct, setting out principles for a responsible supply chain ecosystem.

Environmental and Social data - Quest group			
Environmental	**2016**	**2019**	**Comment**
Electricity Consumption (MWh)	7,415	7,549	
Energy intensity (kWh/m2)	143	150	
CO2 emmissions (kt)	8.3	7.7	-7% vs 2016 levels
Equivalent of thousands of tonnes of CO2, per year to the Quest Group (kt CO2) / € million turnover	0.021	0.013	-38% vs 2016 levels
Social			
% of females in management	10%	19%	
% of female employees	29%	31%	
Average training man-hours per employee	6	17	
Developing young entrepreneurship - Hours spent by the Quest Group executives	2100	2100	

Source: Eurobank Equities Research, Company data

2. Corporate governance overview

As far as corporate governance is concerned, we have utilized our own framework for evaluating compliance with best practices, as laid out in the Code of Corporate Governance of Hellenic Exchanges S.A. We have focused our study on key metrics of governance which we believe are closely watched by investors, including board structure and independence, executive compensation, monitoring through independent committees etc. Note that we have conducted a similar analysis for all stocks in our G.RE.CO. universe, so as to gauge Quest's relative positioning vis-à-vis the other companies under our coverage.

The KPIs used to measure performance in each broad category related to corporate governance are the following:

1. **BoD structure**
   a. **BoD size:** Best practice suggests that the BoD should be made up of 7-15 members.
   b. **Chairman/CEO separation:** We consider best practice the separation of the two roles, in line with the corporate governance framework in the vast majority of OECD jurisdictions.
   c. **Term of BoD members (period of election):** we consider best practice cases where BoD members are submitted for election every 4 years or less (in sync with the Code).
   d. **Average tenure of BoD members:** we score more highly companies where directors serve on the board for an average period of 3 years or less. Although shorter average tenure may not be directly linked to operational performance, it does reinforce internal discipline and control while also minimizing the likelihood of director misconduct.

2. **BoD Independence**
   a. **% of non-executive members in the BoD:** A board of directors in which non-executive members are the majority is the best practice principle we assess.
   b. **% of independent directors in the BoD:** The Code's recommendation is for independent directors to account for at least 1/3 of the members of the board. We consider best-practice a 30% representation of independent directors. Note that similar frameworks in other jurisdictions are stricter, calling for a minimum of 50% independent directors (e.g. Australia, UK, Sweden, Austria, France, Denmark, Netherlands, Portugal).
   c. **Independent vice-chairman in case of CEO/Chairman duality:** In cases where the roles of the CEO/Chairman are not separated, we give credit to companies having an independent vice-Chairman who safeguards the independence of the board.

3. **System of internal controls**
   a. **Establishment of remuneration committee:** We believe the existence of a remuneration committee is a good way of introducing a mechanism for normative controls on management's pay.
   b. **Independence of Audit Committee:** The Greek Law prescribes that a listed company must have an audit committee. We check for compliance with the Code's recommendation that audit committees be composed in their majority of independent non-executive board members.
   c. **Independence of Remuneration Committee:** Best practice suggests that the majority of the remuneration committee members should be independent. This inhibits entrenched management from securing excessive remuneration packages.
4. **Alignment of incentives**
   a. **Granularity on executive remuneration:** alignment of the various stakeholders' incentives is facilitated through a good level of disclosure regarding executive pay, e.g. how remuneration of executive directors is determined, balance between fixed and variable components, KPIs for executive bonus, other contractual arrangements (pensions, stock options, long-term incentive schemes etc.).

5. **Audit firm quality**
   a. **Big-6:** Our exercise rewards listed entities audited by Big-6 accounting firms.

Just limited deviations from best practices

The snapshot of our findings for Quest is laid out in the table below, where we highlight the areas of deviation from corporate governance best practices. Overall, we observe compliance with key standards (e.g., separation of Chairman/CEO roles, independence of the audit committee) while emphasizing the 55% representation of independent directors in the BoD. We also applaud not only the existence of a remuneration committee (67% independent members), a recommendation frequently ignored until recently by several Greek-listed companies (although this will become mandatory as of this summer), but also the significant disclosure with regard to management compensation (absolute amounts, variable vs fixed compensation, KPIs based on which bonuses are paid etc.). The sole deviation we really observe relates to the duration of the BoD which is long-term (in the sense that most members have been in the BoD for an average of 8 years), but something which is typical for most Greek-listed corporations.

Corporate Governance Overview - Quest	
Board Structure	
Board Size	11
CEO/Chairman separation?	Yes
Executive director board duration	3
Tenure of the CEO	6 years
Average tenure of BoD	Long term, but independent members' tenure 10 years max
Board Independence	
% of Non executive directors on the BoD	55%
% of Independent directors on the BoD	55%
Board Independence	
Remuneration committee	Yes
% of Audit Committee Members that are Independent	100%
% of Audit Committee Members that are Non-Executive	100%
% of Independent Remuneration Committee Members	67%
Alignment with minority shareholders	
Granularity on CEO max compensation	Very detailed disclosure
Criteria for CEO bonus	Pre-tax profits excl. one-offs, very detailed disclosure
Quality of auditor	
Big 6?	Yes

Source: Eurobank Equities Research, Company data

… with Quest featuring in the top positions within both the G.RE.CO. space and our total Greek universe

Overall, relative to the rest of our G.RE.CO. universe, **Quest seems to be one of the leaders in terms of compliance** with the aforementioned corporate governance performance indicators (with CCHBC being the top performer). **In fact, Quest screens among the best within our entire coverage universe.** It is worth emphasizing that the list of KPIs used above is not meant to be exhaustive but is intended to provide an initial indication of where a company stands in terms of governance best practices.

Group Financial Statements

EURmn					
Group P&L	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Sales	**600.3**	**721.4**	**864.7**	**943.7**	**1,010.1**
Gross Profit	98.7	115.8	136.7	148.3	158.9
EBITDA	**53.4**	**59.9**	**70.9**	**77.3**	**83.7**
change	*57.5%*	*12.2%*	*18.3%*	*9.1%*	*8.3%*
EBITDA margin	*8.9%*	*8.3%*	*8.2%*	*8.2%*	*8.3%*
EBIT	**36.2**	**42.3**	**52.4**	**57.8**	**63.9**
Financial income (expense)	-5.3	-5.8	-6.2	-6.5	-6.8
Exceptionals/other income	-0.8	-1.2	1.8	0.0	0.0
PBT - reported	30.2	35.3	48.0	51.3	57.1
Income tax	-21.9	-18.9	-10.6	-11.3	-12.6
Non-controlling interest	-0.4	-0.4	-0.6	-0.7	-0.8
Net profit - reported	**7.9**	**16.0**	**36.8**	**39.4**	**43.7**
EPS - adjusted (EUR)	**0.55**	**0.73**	**1.03**	**1.10**	**1.22**
DPS (EUR)	**0.14**	**0.45**	**0.30**	**0.33**	**0.36**
Group Cash Flow Statement	**2019**	**2020**	**2021e**	**2022e**	**2023e**
EBITDA	53.4	59.9	70.9	77.3	83.7
Change in Working Capital	-7.4	-9.1	-8.3	-7.1	-8.7
Net interest	-5.3	-5.8	-4.9	-5.2	-5.5
Tax	-5.5	-10.3	-10.6	-11.3	-12.6
Other	0.5	-1.4	0.0	0.0	0.0
Operating Cash Flow	**35.6**	**33.3**	**47.2**	**53.7**	**56.9**
Capex	-6.7	-25.1	-45.1	-13.1	-13.9
Other investing	-19.3	2.3	5.0	0.0	0.0
Net Investing Cash Flow	**-26.0**	**-22.8**	**-40.1**	**-13.1**	**-13.9**
Dividends	-5.0	-16.1	-10.7	-11.8	-13.0
Other (incl. capital repayment of leases)	-9.5	-8.1	-8.0	-8.0	-8.0
Net Debt (cash)	**-24.8**	**-10.2**	**1.5**	**-19.3**	**-41.4**
Free Cash Flow (adj.)	**19.4**	**0.1**	**-6.0**	**32.6**	**35.0**
Group Balance Sheet	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Tangible Assets	68.4	83.2	115.9	120.4	125.1
Intangible Assets	52.5	54.2	54.2	54.2	54.2
Other non-current Assets	48.5	65.3	60.0	59.7	59.4
Non-current Assets	**169.4**	**202.7**	**230.1**	**234.3**	**238.7**
Inventories	31.5	43.5	50.3	52.7	56.4
Trade Receivables	81.3	109.0	128.3	142.6	160.9
Other receivables	66.0	51.6	51.6	51.6	51.6
Cash & Equivalents	75.2	96.9	90.1	116.0	123.0
Current Assets	**254.0**	**301.0**	**320.3**	**363.0**	**392.1**
Total Assets	**423.3**	**503.7**	**550.4**	**597.2**	**630.8**
Shareholder funds	141.7	141.1	164.7	196.4	231.1
Non-controlling interest	1.5	1.6	2.2	2.9	3.7
Total Equity	**143.2**	**142.6**	**166.9**	**199.3**	**234.8**
Long-term debt	8.1	62.6	76.6	81.6	66.6
Other long-term liabilities	57.3	55.1	54.8	54.5	54.2
Long Term Liabilities	**65.4**	**117.7**	**131.4**	**136.1**	**120.8**
Short-term debt	42.3	24.0	15.0	15.0	15.0
Trade Payables	77.4	97.3	115.0	123.5	132.1
Other current liabilities	95.0	122.0	122.1	123.4	128.0
Current Liabilities	**214.7**	**243.3**	**252.1**	**261.8**	**275.1**
Equity & Liabilities	**423.3**	**503.7**	**550.4**	**597.2**	**630.8**
Key Financial Ratios	**2019**	**2020**	**2021e**	**2022e**	**2023e**
P/E	28.0x	18.1x	14.0x	13.1x	11.8x
P/BV	1.5x	2.0x	3.1x	2.6x	2.2x
EV/EBITDA	4.7x	5.4x	8.4x	7.5x	6.7x
EBIT/Interest expense	6.0x	6.4x	7.6x	8.0x	8.4x
Net Debt (cash)/EBITDA	0.1x	0.2x	0.4x	0.1x	-0.2x
Dividend Yield	2.3%	5.6%	2.1%	2.3%	2.5%
ROE	5.5%	11.2%	22.1%	19.8%	18.6%
Free Cash Flow yield	0.0%	0.8%	-0.2%	6.3%	6.8%
Payout Ratio	63.4%	100.8%	29.1%	30.0%	29.7%

Source: Eurobank Equities Research

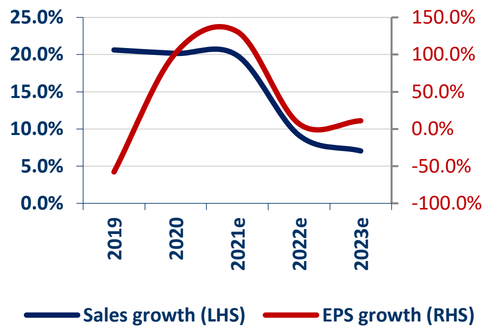
Company description

Quest is a tech-oriented holding group active in 5 core segments of the economy via specialized subsidiaries, most of which are among the leaders in their respective sector. Its portfolio spans across segments such as electronic transactions, courier services, trade of IT products, implementation of ICT projects and operation of renewable parks. Its EBITDA mix is relatively balanced across the various segments. Geographically, the group is mainly exposed to Greece (81% of revenues).

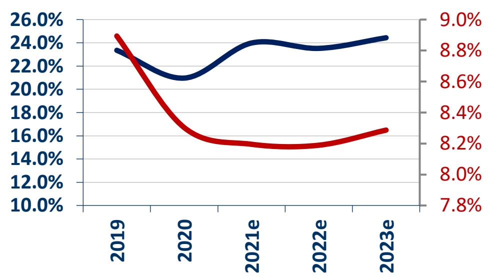
Risks and sensitivities

- **Macro:** Given its domestic exposure, Quest is dependent on the Greek macro environment. Any significant decline in economic activity would weigh on performance. More recently, in the aftermath of the pandemic, a new risk has arisen, namely the potential for further lockdowns and new disruptions to the economic activity.
- **Competition:** Competitive intensity can affect pricing/profitability and can be manifested in the guise of last-mile competition from retailers in the courier business, price/changes upon contract renewal in the same segment, market share loss in IT, falling fees in e-payments etc.
- **Structural risks:** Slower penetration of e-payments than our model incorporates and higher customer churn, inability to monetize value added services, tempered e-Commerce growth for courier, customer losses for IT.
- **Tech-related risks:** Given the technology orientation of the group, there is risk of technology disruption.
- **Sensitivity:** Flexing the WACC utilized in our model by 1% results in a €1.8 per share variation in our calculated fair value.

Sales and EPS growth



Profitability and returns



Eurobank Equities Investment Firm S.A.
Member of Athens Exchange,
Cyprus Stock Exchange and Eurobank Group.

Regulated by the Hellenic Capital Markets Commission
Authorisation No: 6/149/12.1.1999
VAT No: 094543092, Reg. No. 003214701000

10 Filellinon Street
105 57 Athens, Greece

Telephone: +30 210-3720 000
Facsimile: +30 210-3720 001
Website: www.eurobankequities.gr
E-mail: research@eurobankequities.gr

Important Disclosures

This report has been issued by Eurobank Equities Investment Firm S.A., a member of the Athens Exchange, a member of the Cyprus Stock Exchange and a member of EUROBANK Ergasias S.A. Eurobank Equities Investment Firm S.A. is regulated by the Hellenic Capital Markets Commission (HCMC) with authorisation number 6/149/12.1.1999.This report may not be reproduced in any manner or provided to any other persons. Each person that receives a copy by acceptance thereof represents and agrees that it will not distribute or provide it to any other person. This report is not an offer to buy or sell or a solicitation of an offer to buy or sell securities mentioned herein. The investments discussed in this report may be unsuitable for investors, depending on their specific investment objectives and financial position. The investments discussed in this report are subject to risks and in respect of some investments there is risk for multiplied losses to be caused in respect to the capital invested.
The information on this research report is only intended to be available to non-U.S. investors and/or residents outside of the United States, Australia, Canada, Japan and South Africa. In certain jurisdictions, including but not limited to the United States, Australia, Canada, Japan and South Africa, the furnishing of such information may be restricted or prohibited by applicable laws. Potential users of the information are requested to inform themselves about and observe any such restrictions, and if you are not permitted to view material on this report or are in any doubt as to whether you are permitted to view these materials, please discard/ignore this report.
By reading this research report, you warrant that you are not located in the United States or in any other jurisdiction in which the furnishing of such information may be restricted or prohibited and you agree that you will not transmit or otherwise send any information contained in this report to any person in the United States or to publications with a general circulation in the United States or any other restricted jurisdiction.
Any information provided on this report does not constitute or implicitly substitutes a recommendation for the purchase, sale, subscription, redemption, exchange, retention of a specific financial instrument or the exercise of any right a specific financial instrument grants for the purchase, sale, subscription, exchange or redemption of a financial instrument and thus, it cannot be considered as provision of investment advice or as any solicitation whatsoever.
The information contained herein has been obtained from sources believed to be reliable, but it has not been verified by Eurobank Equities Investment Firm S.A.
This report has been submitted to Quest Holdings ("Quest") for review prior to its publication. Some changes have been made by Eurobank Equities S.A. to this report as a result of the review from Quest.
The opinions expressed herein may not necessarily coincide with those of any member of the Eurobank Group. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions herein, all of which are subject to change without notice. No responsibility of liability whatsoever or howsoever arising is accepted in relation to the contents hereof by Eurobank Equities Investment Firm S.A. or any of its directors, officers or employees.
Eurobank Equities Investment Firm S.A. follows procedures under Eurobank Group policies that set up Chinese Walls, restricting communication between Research and other departments inside the Company or the Group so that Eurobank Equities Investment Firm S.A. complies with regulations on confidential information and market abuse.
Eurobank Equities Investment Firm S.A., or any of its related legal persons, does not hold shareholdings exceeding 0.5% (net long or short position) of the total issued share capital in Quest.
None of the subject companies mentioned in this report holds shareholdings exceeding 5% of the total issued share capital of Eurobank Equities Investment Firm S.A., or any of its related legal persons.
Eurobank Equities Investment Firm S.A., or any of its related legal persons, is a market maker of Quest.
Eurobank Equities Investment Firm S.A. prepared and published this report in consideration of a fee payable by Quest. Fees are always paid in cash only.
Eurobank Equities Investment Firm S.A, or any of its related investment banking services' legal persons, has not received compensation for investment banking services provided within the last twelve months from Quest.
Eurobank Equities Investment Firm S.A. occasionally trades for own account on investment instruments related to Quest.

Analyst Certification:
This report has been written by Stamatios Draziotis, CFA (Equity Analyst) and Natalia Svyriadi (Equity Analyst).

Analyst Compensation:
The remuneration of Stamatios Draziotis and Natalia Svyriadi are not tied to the investment banking services performed by Eurobank Equities Investment Firm S.A. or any of its related legal persons.
Stamatios Draziotis and Natalia Svyriadi did not receive or purchase the shares of Quest prior to a public offering of such shares.
Stamatios Draziotis and Natalia Svyriadi do not have a significant financial interest in one or more of the financial instruments which are the subject of this report or a significant conflict of interest with respect to the subject companies mentioned in this report a) that are accessible or reasonably expected to be accessible to the persons involved in the preparation of this report or b) known to persons who, although not involved in the preparation of this report, had or could reasonably be expected to have access to this report prior to its dissemination to customers or the public.

Planned Frequency of Updates:

Eurobank Equities Investment Firm S.A. provides updates on Quest based on the terms of the agreement between the two parties and at least but not limited to bi-annually after the publication of financial statements of Quest.

12-month Rating History of Quest

Date	Rating	Stock price	Target price
31/05/2021	Not Rated	€ 14.42	NA

Eurobank Equities Investment Firm S.A. Rating System:

Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	15	58%	2	13%
Hold	4	15%	0	0%
Sell	0	0%	0	0%
Restricted	1	4%	0	0%
Under Review	2	8%	1	50%
Not Rated	4	15%	0	0%
Total	26	100%		

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
Restricted:	Under Eurobank Group policy and / or regulations which do not allow ratings
Under Review:	Our estimates, target price and recommendation are currently under review
Not Rated:	Refers to Sponsored Research reports