

# HgT

## Steady earnings growth, stable market multiples

HgT reported sustained healthy earnings momentum across its major holdings (driven primarily by upselling and cross-selling opportunities), contributing 5pp to its NAV performance in Q324. Its top 20 holdings (which make up 76% of its portfolio value) posted last 12-month sales growth of 20% (of which 12% was organic) and 24% EBITDA growth to end-September 2024, achieved at a 34% average EBITDA margin. The positive earnings impact on NAV was offset by adverse currency movements (sterling strengthening) of 3pp, the main contributor to the 0.9% NAV total return (TR) decline in Q324. The negative fx changes partly reversed post quarter-end. Continued positive momentum across HgT's portfolio, coupled with stable valuation multiples since the start of the year, brought HgT's year-to-date NAV TR to 5.5%. This was accompanied by an average 16% uplift to previous carrying value for full and partial realisations completed to date. HgT's five- and 10-year NAV TR remains strong at 17.6% and 18.4% pa, respectively.

While the quarter was quiet in terms of exits, we note that HgT received £349m in proceeds from exits and refinancings in total in the first nine months of 2024 (c 15% of NAV). HgT also highlighted in its H124 release that a further £75m of realisations was already signed and expected to close in the second half of this year. This includes the F24 exit completed in October 2024, returning gross proceeds of £14.2m to HgT. The trust's balance sheet remains healthy with £420m in available liquid resources (18% of NAV), including £312m of the undrawn credit facility (the total facility size is £375m) and £108m in cash and equivalents. This represents a safe 58% coverage ratio of its £720m outstanding commitments, which HgT expects to be drawn over the next three to four years.

HgT noted the rebound in deal activity across the market in 2024, supported by stable valuations and earnings resilience. It invested £213m in Q324 (£523m in the first nine months of 2024), of which £66m (£109m) were co-investments (which are exempt from fees). As a result, the share of co-investments in HgT's portfolio increased to 10% (vs 5% at end-2023), well on track to reach the trust's medium-term target of 10–15%.

HgT's new investments in Q324 include Auditboard (a connected risk platform for audit, risk, compliance and ESG management), Ncontracts (a provider of integrated compliance, risk, and vendor management solutions to the financial services industry), Focus Group (a provider of essential business technology to SMEs, including IT, telecom and connectivity services), as well as the contractor management, risk and compliance software platform created as a result of the merger between CTAIMA and E-coordina. HgT also agreed to invest £38m in Ivalua, a provider of global spend management cloud solutions. Finally, HgT reiterated the strong NAV-accretive M&A activity across its existing portfolio, running at twice the previously indicated run-rate of 100 acquisitions per year.

### Investment trusts/TMT Private equity funds

07 November 2024

**Price** 516.0p  
**Market cap** £2,362m  
**NAV\*** £2,386m

NAV per share\* 521.3p  
Discount to NAV 1.0%

\*At end-September 2024.

Yield 1.3%  
Shares in issue 457.7m  
Code/ISIN HGT/GB00BJOLT190  
Primary exchange LSE  
AIC sector Private equity  
52-week high/low 548.0p 381.5p  
NAV high/low 524.0p 500.5p

#### Gearing

Net gearing at end-Q324 0.0%

#### Fund objective

HgT's investment objective is to provide shareholders with consistent long-term returns in excess of the UK All-Share Index by investing predominantly in unquoted companies where value can be created through strategic and operational change.

#### Bull points

- Focus on resilient B2B software and services companies with broad client bases.
- Portfolio companies continue to deliver both solid top- and bottom-line performance.
- Experienced investment team with a strong, long-term track record.

#### Bear points

- Investor rotation away from tech could resume in the event of increasing risk aversion.
- The impact of a worsening macroeconomic environment on SMEs may result in reduced net client additions across HgT's portfolio.
- High net leverage of portfolio companies but supported by high share of recurring revenues, strong earnings growth and high cash generation.

#### Analysts

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