

# HgT

Preliminary FY23 NAV total return of 10.7%

HgT's preliminary unaudited FY23 trading update reported a 10.7% net asset value total return (NAV TR) in FY23 (of which c 1% in Q423). This was supported by continued strong trading across its portfolio, with the top 20 holdings (representing 77% of the portfolio's value) posting average revenue and EBITDA growth of 25% and 28% respectively. HgT therefore sustained its multi-year track record of delivering c 20–30% pa revenue and EBITDA growth. Despite muted global M&A activity and private equity exits, HgT had a good level of liquidity events in FY23 with £343m of proceeds from exits and refinancings. The discount narrowing from 23% to 13% during FY23 (now c 14%) translated into a share price TR of 26.2%.

## Healthy uplifts on HgT's exits continued in FY23

HgT achieved a strong average uplift to end-2022 carrying values of 25% on its full and partial exits of portfolio holdings in FY23. This includes £109m from the full exit of the cloud-based transportation management software platform Transporeon (at an uplift of 18% to the last carrying value) and c £22m from the full exit of Commify, a business messaging solutions provider to local enterprises (at a 32% uplift to the end-March 2023 carrying value). Finally, HgT decided to conduct a secondary sale of 25% of its limited partner position in Hg Genesis 8 (a 2017 vintage mid-market fund) for £91m and agreed with Hg to reduce its commitment to Hg Saturn 3, which led to a £47.3m rebate of invested capital (see our [previous note](#) for details).

## Further liquidity events agreed recently

HgT has announced four further transactions in recent weeks, which Hg expects, to generate c £295m of proceeds to HgT upon closure in 2024 (of which some will be reinvested in the same businesses). These include the onboarding of new investors into Visma via the Hg Saturn funds (with HgT making a net investment of £83.5m), the £93.8m full exit from GGW Group (£44.2m will be reinvested in the business), the partial realisation of IRIS (with net proceeds to HgT of c £42.1m), and the £52m full exit from Argus Media. We note that the GGW Group and Argus Media exits value the businesses at a 40% and 7% uplift to the end-September 2023 carrying value, respectively. The IRIS deal values the business in line with the end-September 2023 carrying value, but c 14% above the end-2022 carrying value. We believe that the FY23 realisations and recently announced deals are a testament to the quality of the trust's portfolio and its conservative valuation approach.

## Comfortable balance sheet position

HgT was cautious in terms of new and follow-on platform investments in FY23, with total investments of £71m, including GTreasury, Nomadia, JTL, P&I and Howden. That said, it had previously highlighted the attractive pricing and strong flow of opportunities for smaller bolt-on acquisitions throughout 2023. After accounting for all the transactions agreed but not yet closed at end-2023, HgT's available liquid resources stand at £735m (including £350m of undrawn credit facility). This compares with its £808m outstanding commitments, which should be drawn over the next few years.

Investment trusts  
Private equity funds

05 February 2024

**Price** 429.5p  
**Market cap** £1,966m  
**NAV\*** £2,282m

NAV per share\* 498.6p  
Discount to NAV 13.9%

\*Preliminary at end-2023.

Yield 1.5%  
Shares in issue 457.7m  
Code/ISIN HGT/GB00BJOLT190  
Primary exchange LSE  
AIC sector Private equity  
52-week high/low 448.5p 320.5p  
NAV high/low 498.6p 456.6p

### Gearing

Net gearing at end-H123 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 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.

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