

**HgCAPITAL TRUST PLC**  
**ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024**

**RESILIENT NAV PERFORMANCE DRIVEN BY STRONG TRADING IN THE UNDERLYING  
PORTFOLIO AND CONTINUED REALISATION ACTIVITY IN A CHALLENGING MACRO  
ENVIRONMENT**

London, 10 March 2025: HgCapital Trust plc ('HgT'), today announces its annual results for the year ended 31 December 2024.

HgT provides investors with a listed vehicle to invest in unquoted businesses managed by Hg, Europe's largest investor in software & services companies.

The objective of HgT is to provide shareholders with consistent long term returns in excess of the FTSE All Share Index by investing predominantly in unquoted businesses where value can be created through strategic and operational change.

This objective has been demonstrated with a 10-year share price total return of +20.5% p.a., outperforming the FTSE All-Share Index by +14.3% p.a. over this period.

**Highlights over 2024 included:**

- 25.7% total share price return
- 10.4% NAV per share growth on a total return basis, with net assets of £2.5 billion
- Discount narrowed from 13% to 2% premium<sup>1</sup>
- LTM revenue and EBITDA growth of 19% and 23% respectively for the top 20 companies (76% of the portfolio), with an average EBITDA margin of 34%
- Investments of £606 million and gross realisations of £508 million
- £336 million of liquid resources available, including a £375 million credit facility, of which £98 million was drawn at year end
- £735 million of outstanding commitments to Hg funds to be invested over the next two to three years

Based on HgT's share price at 31 December 2024 and allowing for all historic dividends being reinvested, an investment of £1,000 made 20 years ago would now be worth £19,166, a total return of 1,817%. An equivalent investment in the FTSE All-Share Index would be worth £3,777.

**Jim Strang, Chairman of HgT, commented:**

*"I am happy to report that HgT performed well in 2024, successfully navigating the challenging investment environment in the Private Equity market. The portfolio continued to see strong underlying trading performance, with sales and EBITDA across the top 20 investments (76% of the portfolio) growing at 19% and 23% respectively. Investment and realisation activity continued at a pace in 2024 and beyond, consistent with the cycle that underpins long term value creation at HgT. The strong progress in 2024 supported a near 26% increase in the share price of HgT alongside a material narrowing of the discount. HgT shares ended the year at a 2% premium to NAV<sup>1</sup>."*

**David Toms, Head of Research at Hg, commented:**

*"The portfolio demonstrates exceptional operational strength with LTM EBITDA growth of 23% outpacing revenue growth of 19%, driving margins to 34%. With resilient business models and strong recurring*

revenues, the portfolio is well-positioned for both organic growth and strategic M&A opportunities in the current market environment."

## SUMMARY PERFORMANCE

	28 February 2025	YTD Total return	31 December 2024	31 December 2023	2024 Total return
NAV per share	545.0p	-0.1%	545.5p	500.5p	+10.4%
Share price	526.0p	-2.4%	539.0p	434.5p	+25.7%
FTSE All-Share Index		+6.9%			+9.5%
		YTD 2025 Movement			2024 Movement
Net Asset Value	£2.5bn	-£2.3m	£2.5bn	£2.3bn	+£206m

Source: Hg, Factset. All references to total return allow for all historic dividends being reinvested

Note: Hg undertakes full revaluations of the portfolio on a quarterly basis, the next process being 31 March 2025, therefore the movement in unrealised value of the portfolio to the end of February 2025 is predominantly attributable to FX

## PERFORMANCE OVERVIEW

Net assets of £2.5 billion, with continued long-term outperformance of the FTSE All-Share over one, three, five, ten and twenty-year periods:

- NAV per share of 545.5p, a total annual return of +10.4% to 31 December 2024.
- Share price total return of +25.7% over the year.
- Proposed final dividend of 3.5p per share (full year dividend of 5.5p per share).

### Strong double-digit growth from the top 20 (76% of the portfolio):

- Revenue and EBITDA growth of 19% and 23% respectively across the top 20 investments over the last twelve months, EBITDA margins of 34%.
- Valuation multiple (EV/EBITDA) of 26.1x and net debt to EBITDA ratio of 7.4x for the top 20 investments.

### Continued portfolio activity to drive future value:

- £508 million of gross realisations
- Full and partial exits in the last year were achieved at an average of 15% above their last reported carrying value.
- Continued investment with £606 million invested on behalf of HgT into companies that Hg (the Manager) has known for many years and have demonstrated a track record of strong performance across market cycles.

## POST PERIOD TO 28 FEBRUARY 2025

- Pro forma NAV per share of 545.0p.
- Pro forma Net assets of £2.5 billion.
- Share price of 526.0p, performance of -2.4% since 31 December 2024.

## Realisations and investments

- Estimated £87 million realised post December 2024, primarily from the refinancing of The Citation Group that completed in the first quarter of 2025 and the full exit of Trackunit announced in February 2025.
- £30 million invested by HgT, primarily into The Citation Group.

## Liquid resources and commitments

- Commitment of 1 billion to Hg Saturn 4, expected to be called over the next three to four years
- Available liquid resources (including the £375 million credit facility, of which £21 million was drawn at the end of February) post-completion of all announced transactions and the full year dividend payable in May 2025, are £376 million (15% of 28 February pro-forma NAV). Outstanding commitments of £1.4 billion (57% of 28 February pro-forma NAV).

## OUTLOOK

### Commentary from Hg (the Manager):

**The combination of the long-term nature of listed private equity investment, the types of growth businesses that Hg invests in, is expected to continue to drive long-term performance**

- Resilient trading performance underpinned by mission-critical nature of products and services provided by portfolio companies
- Improving deal environment and increased Hg Investment Committee activity is supportive of further investment activity
- We continue to focus on consistency of realisations, with further liquidity events anticipated
- We remain excited by the long-term investment opportunity, as businesses seek to automate workflow to improve productivity and manage rising labour costs

<sup>1</sup> Based on the last published NAV per share at 31 December 2024

Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested.

- Ends -

HgT's 2024 Annual Report, results presentation and an animated presentation from Hg to accompany the results are available to view at: <http://www.hgcapitaltrust.com/>.

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### About HgCapital Trust plc

HgCapital Trust plc is an investment company whose shares are listed on the London Stock Exchange (HGT.L). HGT gives investors exposure, through a liquid vehicle, to a portfolio of high-growth unquoted companies, managed by Hg, an experienced and well-resourced private equity firm with a long-term track record of delivering superior risk-adjusted returns for its investors.

For further details, see [www.hgcapitaltrust.com](http://www.hgcapitaltrust.com) and [www.hgcapital.com](http://www.hgcapital.com)

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# HgCapital Trust plc

## Annual Report and Accounts and Notice of Annual General Meeting

HgCapital Trust plc (the "Company" or "HgT") announces its annual results for the year ended 31 December 2024 and the publication of its annual report and accounts for the same period, which includes the notice of Annual General Meeting.

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

### FINANCIAL AND PERFORMANCE HIGHLIGHTS

#### 2024 performance at a glance

**+25.7%**

**Share price (539.0p)**

31 December 2023: +26.2%

**£2.5bn**

**Market capitalisation**

31 December 2023: £2.0bn

**+10.4%**

**NAV per share (545.5p)**

31 December 2023: +11.1%

**£2.5bn**

**Net assets**

31 December 2023: £2.3bn

**5.5p**

**Full year dividend**

31 December 2023: 6.5p

**1.4%**

**Total ongoing charges**

31 December 2023: 1.7%

**£606m**

**Invested on behalf of HgT**

31 December 2023: £74m

**£508m**

**Realisations to HgT**

31 December 2023: £346m

**£336m**

**Available liquid resources (13% of NAV)**

31 December 2023: £625m (27% of NAV)

**£735m**

**Outstanding commitments (29% of NAV)**

31 December 2023: £1.2bn (53% of NAV)

Note: NAV per share and share price return on a total return basis assuming all historical dividends have been re-invested, which is an Alternative Performance Measure ('APM'). Please see the definitions of the APMs in the glossary pages 119 to 120 of the full Annual Report and Accounts for the year ended 31 December 2024.

#### Top 20 investments (76% of portfolio value)

##### A snapshot as at 31 December 2024

**+19%**

**LTM sales growth**

31 December 2023: +25%

**+23%**

**LTM EBITDA growth**

31 December 2023: +30%

**34%**

**EBITDA margin**

31 December 2023: 31%

**26.1x**

**EV to EBITDA multiple**

31 December 2023: 26.1x

**7.4x**

**NAV to EBITDA multiple**

## Net debt to EBITDA ratio

31 December 2023: 7.4x

Past performance is not a reliable indicator of future results. The value of shares and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount they originally invested. Figures are based on the Top 20 investments as at the balance sheet date and basis of calculation can therefore change year on year.

## CHAIRMAN'S STATEMENT

*I am happy to report that HgT performed well in 2024, successfully navigating the challenging investment environment in the private equity market. The portfolio continued to see strong underlying trading performance, with sales and EBITDA across the top 20 investments (76% of the portfolio) growing at 19% and 23% respectively. Investment and realisation activity continued at pace in 2024, consistent with the cycle that underpins long term value creation at HgT. The strong progress in 2024 supported a near 26% increase in the share price of HgT alongside a material narrowing of the discount. HgT shares ended the year at a 2% premium to NAV.<sup>1</sup>*

<sup>1</sup>Based on the last published NAV per share at 31 December 2024

*Jim Strang, Chairman, HgT*

2024 saw good progress for HgT, maintaining the momentum reported in the interim results. The overall deal markets for Private Equity transactions continue to gradually improve, aided by increased investor confidence and more accommodative conditions in credit markets. Furthermore, as I noted in the interim results, the kind of high-quality software companies that make up the majority of the HgT portfolio remain some of the most attractive areas in which to invest across private markets and continue to command significant valuation multiples, in my view. HgT has been a very active participant in the markets in 2024 with a number of new investments and realisations taking place throughout the year.

The portfolio, which numbered 55 businesses at 31 December, has traded well over the last twelve months, reflecting the characteristics of the types of companies targeted for investment by the Manager ('Hg'), namely those with a competitive advantage, high recurring revenues and strong customer relationships. Importantly, Hg continues to refine and enhance its in-house value creation capabilities to support these portfolio companies in reaching their full potential. Hg consistently invests in its own team and resources to support this, notably into AI where the kind of application software companies in the portfolio are expected to be net beneficiaries of this new technology.

Given the discipline and rigour of the investment approach, the focus on continual improvement at Hg and the strength of both the portfolio and the HgT balance sheet, the Board maintains a positive outlook for the year ahead.

### Highlights to 31 December 2024 included:

- 25.7% total share price return
- 10.4% NAV per share growth on a total return basis, with net assets of £2.5 billion
- Discount narrowed from 13% to 2% premium<sup>1</sup>
- LTM revenue and EBITDA growth of 19% and 23% respectively for the top 20 companies (76% of the portfolio), with an average EBITDA margin of 34%
- Investments of £606 million and gross realisations of £508 million
- £336 million of liquid resources available, including a £375 million credit facility, of which £98 million was drawn at year end
- £735 million of outstanding commitments to Hg funds to be invested over the next two to three years

### Performance

The NAV of HgT increased by 10.4% on a total return basis over the year, reflecting the ongoing strength of the operating performance of the HgT portfolio. HgT's share price saw a total return of 25.7% over 2024. On a long-term basis, HgT has seen a CAGR on a total return basis of 15.9% p.a. over the past 20 years, outperforming the FTSE All Share index by 9.0% p.a. over the same period.

The total net assets of HgT at 31 December 2024 were £2.5 billion, an increase of £206 million over the reported figures at 31 December 2023. An analysis of NAV movements and movement within the underlying portfolio is set out on page 39 of the full Annual Report and Accounts for the year ended 31 December 2024.

At the end of December 2024, the HgT portfolio consisted of 55 investments, which focus on mission-critical B2B software and services businesses. This portfolio has continued to perform well with the top 20 underlying companies (76% of the portfolio) delivering revenue and EBITDA growth of 19% and 23% respectively over the last 12 months, reflecting the defensive-growth nature of the businesses in which HgT is invested. Profitability has improved with average EBITDA margin of 34% (December 2023: 31%). Currently, 98% of the portfolio by value is held above its original cost of acquisition, a testament to the asset selection and value creation skills of the Manager.

These businesses typically exhibit highly predictable forward cash flows and are appropriately financed, including significant debt covenant flexibility around their financial structures. The top 20 investments have a weighted average net debt to EBITDA ratio of 7.4x (December 2023: 7.4x), which is consistent with the highly recurring revenues of the businesses that make up the Hg portfolio and is typical for large, high quality software assets in general. Given that the average valuation multiple for the top 20 portfolio companies is 26.1x EV-to-EBITDA (December 2023: 26.1x), this implies that debt accounts for less than 30% of the portfolio company capital structures. This allows a significant equity cushion within the portfolio reflecting the Manager's prudent approach to leveraging and consistent with similar peer companies in the market. Hg has a dedicated capital markets team which continually monitors and manages the capital structures of the underlying portfolio companies to ensure they are as robust and flexible as possible in terms of tenor, interest cost and maturity.

As I have noted in the past, HgT aims to achieve long-term growth in the net asset value per share and in the share price, rather than to deliver a specific dividend yield, with the dividend primarily determined by the level of income from

price, rather than to deliver a specific dividend yield, with the dividend primarily determined by the level of income from the underlying portfolio, which can vary over time. As regards the current financial year, HgT will pay a final dividend of 3.5 pence per share (2023: 4.5 pence per share), payable in May. This brings the full year dividend to 5.5 pence per share (2023: 6.5 pence per share).

Dividend: see page 116 of the full Annual Report and Accounts for the year ended 31 December 2024.

Dividend reinvestment plan: page 116 of the full Annual Report and Accounts for the year ended 31 December 2024.

### Investments and realisations

In order to grow the NAV of the portfolio, and to deliver returns for shareholders, HgT operates in a continual cycle of commitments to new vehicles managed by Hg, as well as co-investments at manager/HgT-level.

Investment activity was robust over 2024, with a total of £606 million of new and further capital deployed over the year, including Visma, AuditBoard, IRIS, GGW, Ivalua, Septeo and NContracts. Further investments to finance bolt-on M&A are an area which the Manager has highlighted as particularly attractive in the current environment and where the sector-leading businesses across the portfolio can further improve their market positions, product and service offering.

An additional follow-on investment in Citation completed in February 2025.

HgT has seen increased co-investment activity (free of management fees and performance fees), over which are 2024 and the Board believes this is set to continue over the next twelve months. HgT currently has 9% of net assets in co-investment (vs 6% in 2023) and aims to grow this to 10-15% in line with stated policy. Increasing the allocation to co-investments allows HgT to more fully utilise its available liquid resources, to improve returns and to reduce the overall fee load for shareholders.

The Hg investment model is based around supporting portfolio companies to achieve their full potential and in creating larger, more valuable and attractive businesses. As a result of this work, these have proved to be sought after businesses from both trade and financial buyers. Consequently, despite the challenging market conditions, Hg continued to deliver a number of liquidity events over the last year, which included the full and partial exits of IRIS, GGW, team.blue, Argus, Visma, TeamSystem, Septeo and Dext. In total, HgT saw £508 million in realisations from the underlying portfolio. Post-period, HgT expects to realise a further £87 million from the partial exits of Citation and Trackunit.

Exits in the last year achieved an average of 15% above the last reported carrying value of the investments. Valuations remain an area of continued focus for the HgT Audit Valuation and Risk Committee ('AVRC'), with the long term and ongoing record of exits above recent holding values providing comfort.

Realisation activity continues to distinguish Hg, as the Private Equity industry in general finds generating liquidity events challenging. Hg's recent record of delivering more than 40 realisations over the last two years highlights the fundamental strengths and attractiveness of the underlying portfolio to both trade and financial buyers, despite the challenging overall market conditions.

Portfolio transaction activity:

see pages 44 to 47 of the full Annual Report and Accounts for the year ended 31 December 2024.

### Fundraising

Hg's record in building and creating value in the portfolio supports Hg's fundraising. In February 2025, HgT committed 1.0 billion to Hg's Saturn 4 fund which will be deployed over the next three to four years. As shareholders will be aware, committing to Hg funds is the single greatest lever HgT has to support the long term growth in NAV. Participating in this latest fundraising process will thus support HgT's long term NAV growth ambitions while the sizing of this commitment is appropriate for the resources available to support both this new Saturn fund and others in the Hg fund family when they return to market. HgT continues to participate as Hg's largest single client.

Hg funds: see page 32 of the full Annual Report and Accounts for the year ended 31 December 2024.

### Capital Allocation

As part of the Board of HgT's commitment to shareholders, our primary objective is to maximise investment returns through a disciplined approach to the allocation of available liquid resources. This incorporates the ongoing monitoring by the Board, working with the Manager, of forecast cash flows and estimated returns. As I have stated in past reports, the Board continually seeks ways to improve the effectiveness of governance. As part of this process, much attention has been devoted, and shareholder feedback garnered, on the topic of capital allocation. The approach, framework and tools adopted are set out below.

### Investments

At the core of the capital allocation policy is the imperative to drive compelling investment returns for shareholders. As you will be aware HgT has delivered strong shareholder returns to investors over a period of more than two decades, a fact recently highlighted by the AIC.

[www.theaic.co.uk](http://www.theaic.co.uk)

The Board seeks to maintain this long-term record by continuing to access the repeatable returns delivered by the Hg investment platform since inception. HgT's commitments to Hg funds ensure that HgT maintains exposure to Hg's deal flow, which is the single biggest driver of investment opportunities with the potential to generate long-term returns. As such, the first priority of the Board is to ensure that HgT is positioned to access these returns to the fullest extent possible, at acceptable levels of risk. This includes co-investment opportunities (free of management fees and performance fees), in what is anticipated to be an attractive investment environment.

Outlook

## **Buybacks**

From time to time, market conditions can create divergence between the share price of HgT and its stated net asset value. The Board, the Manager and HgT's broker monitor such divergence closely, following a clearly defined share buyback policy. The Board has developed a process with a number of 'triggers' set by absolute and relative levels of share price discount over various time periods. Where two or more such 'triggers' are activated, the Board is informed and a decision is taken as to whether to allocate resources to buying back shares. Any such buybacks are viewed with suitable caution, reflecting the relative merits of any immediate gain with the considerable impact that utilising current cash has on long term NAV growth.

## **Dividends**

HgT's ability to pay dividends is mainly determined by the levels of income that are generated by the underlying assets in the portfolio. As deal structures used by Hg have evolved, the general trend in that level of income generated is downwards, albeit it is also variable from one year to the next. Given this feature, the Board has in recent years guided shareholders to viewing 5p per share as a reasonable basis for a dividend 'floor'. This year, taking into account the levels of income available, the Board considers a 5.5p per share to be appropriate and within the requirements to maintain investment trust tax status.

## **Debt facility**

The final element of the capital allocation policy relates to the use of leverage. HgT maintains a Revolving Credit Facility of £375 million to support the implementation of the investment strategy.

## **Balance sheet**

A key role of the Board is to balance considerations of HgT's future commitments to Hg funds, balance sheet and cash position, while maintaining a clear focus on risk. This is a continuous cycle of activity which has to adapt to unpredictable events. In the last year, HgT has invested in upgrading the systems used to manage this process, aligning them with similar tools that Hg, the Manager, uses to manage its own cash-flow forecasting. As a result, the Board benefits from being able to assess the various scenarios with a greater degree of granularity which should benefit the quality of decision making.

As one of the tools used to manage the balance sheet, HgT has a revolving credit facility to support the investment programme and to improve balance sheet efficiency. In 2024, HgT increased its facility to £375 million, representing c.15% of NAV, consistent with the historical sizing of this facility. This will aid HgT's future cash flow management.

HgT benefits from a unique opt out clause within its underlying investment agreements with Hg (please refer to business model on page 15 of the full Annual Report and Accounts for the year ended 31 December 2024 for further detail), which provides a useful risk management tool for the Board in managing and optimising the HgT balance sheet.

## **Impact and responsible investment**

The Board and the Manager, Hg, continue to increase their focus on the topics of ESG and sustainability. We share a firmly held view that not only should the financial returns to shareholders be attractive but, they must be delivered in a manner which is consistent with our responsibility to society. As a technology investor, The Board understands the need to ensure that those businesses in which we invest reduce their carbon footprint and contribute to tackling climate change.

The UN Principles for Responsible Investment (UNPRI) assessment of Hg's approach to responsible investment is 5\* (94/100) for policies and stewardship and 5\* (97/100) for Private Equity, and the Board of HgT meets regularly with the Hg Responsible Investment team to ensure that Hg's work is well understood and endorsed by the Board. As we have previously reported, Hg launched The Hg Foundation in 2020 - a charitable initiative to provide funding and operational support to initiatives across Europe, the UK and the US. The Hg Foundation's goal is to have an impact on the development of those skills and learning most required for employment within the technology industry, focusing on individuals who might otherwise experience barriers to access this education. The Foundation is funded by the Hg management company and its team members.

### **Responsible Investment:**

see pages 34 to 35 of the full Annual Report and Accounts for the year ended 31 December 2024.

### **The Hg Foundation:**

see page 35 of the full Annual Report and Accounts for the year ended 31 December 2024.

## **Reporting and Transparency**

The Board continues to look at ways to increase the effectiveness of communications for shareholders.

We are now providing preliminary trading updates, which provide our shareholders with earlier guidance on the performance of HgT ahead of the full year and interim results, after approval by the HgT Audit Valuation and Risk Committee ('AVRC') and the HgT Board.

Over the past year, we have upgraded our website, our reporting materials and our public engagement through enhanced social media activity. Additionally, the capital markets day in June saw record numbers of attendees and was received very positively. These initiatives are part of a concerted effort to continue to improve shareholder engagement.

HgT has also engaged with third party marketing specialists to increase the scope and reach of marketing activities for HgT in the UK and overseas, where regulations permit.

## **Board and governance**

As I noted in March, Anne West retired from the Board at the AGM in May 2024, after ten years of service. On behalf of myself and my fellow Directors, I would like to thank Anne for her important contribution to HgT throughout her time on the Board. Following Anne's departure, Erika Schraner has been appointed Senior Independent Director and

Helena Coles has taken on the role of Chair of the Management Engagement Committee.

In late 2023, we commenced the process to find a new Non-Executive Director and an external search firm was engaged to support the Nomination Committee and the Board in delivering a successful outcome to this process, noting the skills and experience which would be most additive to HgT.

We were pleased to announce in May the appointment of John Billowits to the Board. John has over 25 years of operational experience and a wealth of investment expertise in the software sector, and brings valuable international perspective, through his past roles and current appointments on Boards of US, Canadian and European software companies. As a former CFO and CEO and as a Chartered Accountant, John has significant depth of financial knowledge and experience. He is a highly regarded investor and operator in the software sector and brings a unique combination of skills and personal strengths that are highly complementary to HgT and we are delighted he has chosen to join the Board.

Nomination Committee report see page 106 of the full Annual Report and Accounts for the year ended 31 December 2024.

## Prospects

HgT delivered a strong performance in 2024, both in NAV growth and notably in share price appreciation driven by value creation in the portfolio. Investment activity accelerated over the year, as conditions improved from the previous year and as the market looked favourably on the kinds of high-quality assets that make up the HgT portfolio. Importantly, the manager, Hg, continued to develop its own capability throughout the year.

Turning to the year ahead, it seems likely that the elevated risk levels discussed earlier in this report will remain very much a factor and HgT will have to continue to navigate these. Amongst key external risk, both geo-political risk and cyber risk are expected to remain elevated and the environment in which HgT operates to remain volatile. Risk is very much front and centre of the considerations of the Board and as a group, we continue to refine and enhance the tools and processes we use in this area to identify, articulate and mitigate the risks HgT faces as best we can.

HgT benefits from the unquestioned quality of Hg as manager and from the successful investment strategy Hg has developed, investing in resilient businesses with strong repeat revenue business models where they solve key business problems for their numerous customers around the world. The investment "machine" that drives the performance of HgT is working well, delivering attractive new opportunities for the portfolio while continuing to successfully monetise successful exits from the mature assets HgT holds. Trading across the active portfolio remains very much in line with the record of recent years, delivering strong growth in sales and profitability at attractive margins.

While very much aware of the risk environment, the Board is cautiously optimistic for the performance of HgT in the year ahead.

Jim Strang,  
Chairman,  
07 March 2025

As we have noted in the long-term viability statement (page 16 of the full Annual Report and Accounts for the year ended 31 December 2024), the Director's report (page 88 of the full Annual Report and Accounts for the year ended 31 December 2024) and in the notice of the Annual General Meeting, (page 121 of the full Annual Report and Accounts for the year ended 31 December 2024), in line with HgT's Articles of Association, the Board proposes an ordinary resolution to continue the life of HgT for a further five years. Given the outperformance of HgT over many historic time periods under the management of Hg and with feedback from our investors and commentators, we believe that this proposal will be passed at the May 2025 AGM.

Notice of AGM: see page 121 of the full Annual Report and Accounts for the year ended 31 December 2024.

## MANAGER'S UPDATE

***As long-term technology investors, we've seen various technology waves over the past three decades, and one feature recurs every time. The world might overestimate the speed of change, but it also underestimates the scale of change.***

*David Toms, Head of Research, Hg*

2024 was a year of consistent performance across the broad software industry, with a listed proxy, the IGV ETF<sup>1</sup> showing an 18% increase in Next Twelve Months ('NTM') forecast Earnings Per Share ('EPS'). This was consistent with the first half, and above the long-term trend of c.13%. It also marked a return to software's long track record of outperformance over the broader market; the broad market IVV ETF<sup>2</sup> (which tracks the S&P500) showed 12% EPS growth on an equivalent basis. As in the first half, our analysis continues to show that public software companies have seen a slight softening of organic revenue growth (c.1-2PP<sup>3</sup>) over the course of 2024. Margin expansion has more than counteracted this and continues to drive earnings growth well ahead of revenue growth.

The Hg portfolio maintained its long-term trend of outperformance against the broader industry. The top 20 investments saw EBITDA growth of 23% which resulted from a healthy combination of 19% revenue growth plus some modest margin expansion. Both revenue and earnings have been underpinned by a broadly equal mix of organic growth and M&A.

Through 2024, we commented that we did not expect 2023's multiple expansion to persist and, up until the fourth quarter, our speculation was closely tracking the actual outcome. However, Q4 benefited from a more buoyant mood in stock markets generally, and some particularly strong performances by companies such as Palantir and Salesforce.com, partly fuelled by increased AI enthusiasm. As a result, the NTM Price:Earnings multiple ended the year modestly (4%) higher than it started, providing a small extra boost to the sector's strong double-digit earnings



year modestly (4%) higher than it started, providing a small extra boost to the sector's strong double digit earnings performance. In contrast, our portfolio valuation multiple remained stable through the year, with, as is nearly always the case, earnings being the dominant driver of our performance.

Trading in our portfolio remains relatively robust, although headwinds to growth increased slightly over the course of 2024. In particular, lower inflation means that even if real growth rates are sustained, nominal (i.e. reported) growth sees modest headwind. However, we should contextualise this for the kinds of businesses we own, because it might not align with how other, more generalist investors, describe the environment. The vast majority of our revenue arises from the existing customer base of our portfolio companies, which typically is enough to drive modest growth even absent any new business. Previous cycles have shown that B2B software follows a late cycle, with a very muted effect of economic slowdown as software purchase / upgrade decisions are modestly deferred or scaled back. For our portfolio, when life gets a bit tougher and new business slows, or inflation falls, the actual impact on organic growth is much more limited. The listed software universe contains a broader range of companies, sometimes with more economically exposed business models, and thus saw a larger reduction in growth expectations during the course of 2024.

Following the last two years of strong exit and liquidity activity, we have crystallised positive performance from the mature fund vintages, substantially de-risking these funds and providing further validation of the valuations at which we hold our portfolio companies. All Hg fund vintages from 2012 to 2018 rank in the top quartile for Distributed to Paid-In Capital ('DPI', FN) when compared to peers. Across 2024, ten of our businesses saw new investors, either as a minority alongside Hg, or as majority investors.

New investment activity accelerated considerably in 2024 with thirteen platform investments in the period. These covered a broad range of sizes (enterprise values from c.£100 million up to c.£2.5 billion) and clusters. Nine of the investments were new to Hg, and the remaining four represented opportunities to deploy new fund capital into businesses where we have a pre-existing relationship.

Looking to 2025, as we have previously observed, a key attraction of investing in software and services is that earnings growth is the dominant factor in driving long-term returns. The nature of the revenue models (recurring) and costs (largely controllable by the companies) in this sector mean that the resulting earnings growth is robust and predictable. Consensus forecasts suggest c.17% EPS growth for the sector in 2025<sup>4</sup>, through a combination of low-double-digit revenue growth, continuing margin expansion and modest M&A. We expect to continue our track record of long-term outperformance, although we do caution that our portfolio is typically slow to react to market changes, which can induce a lag in either direction. A recovery in the industry may take longer to feed through to our own trading, just as the 2022 slowdown had less negative impact on our portfolio than it did the broader industry.

We continue to be alert to opportunities and challenges arising from GenAI. Building on our annual Software Leadership Gathering in Lucerne, we recently ran a "Silicon Valley Leadership Gathering" for our portfolio. As well as exploring the transformation of existing application software, we heard from a number of AI-first companies. This further enhanced not just our understanding of the opportunities, but also our enthusiasm for the scale of these. We remain firmly of the view that established software companies are so valuable because of their sector IP, accumulated experience, customer relationships, and data; all of which enable them to deliver the best possible customer propositions at the lowest cost when using modern tools.

Live examples of AI success in the portfolio continue to increase; we are now tracking over 300 AI projects in the portfolio. These remain biased towards productivity increases (particularly around customer support, and product development) - for example, we are seeing some very material reductions in the cost of modernizing older code bases that might otherwise not have been economical to redevelop. Evidence continues to build for the appeal of AI-enabled products for customers - some early launches have seen rapid adoption at premium price points and we remain confident that there is significant runway ahead for these capabilities.

As we stated in the H1 report, "The world might overestimate the speed of change, but it also underestimates the scale of change... Our role is to invest deeply in our capabilities and understanding to support the kinds of workflow companies that Hg backs to leverage this next generation of automation into their customers."

***We remain focused on generating liquidity, with 11 total liquidity events occurring during 2024.***

*Luke Finch, Head of Client Services, Hg*

### **Activity levels**

In any rolling 12-month period, the investment teams across Hg would ideally make between eight and 16 new platform investments in total across the active Hg Saturn, Hg Genesis and Hg Mercury funds. We would also seek to deliver similar numbers of liquidity events (sales, or partial sales of investments and refinancings) each year. We believe the pace of investment should continue at broadly this level over the medium term. During 2024 we made new platform investments in nine businesses: AuditBoard, Ivalua, Ncontracts, Focus Group, CINC Systems, CTAIMA, Empyrean, Cube Global and Induver.

The current run rate of Investment Committee activity is at a level that historically has proven appropriate to deliver our long-term average goal of 10 to 12 investments a year; with the Investment Committee busy looking at opportunities across Saturn, Genesis and Mercury funds. Given the period over which we track potential investments, rising investment committee activity takes time to convert to new closed deals. Nevertheless, we are encouraged by the volume of activity and are starting to see this flow through to investments.

The quality of our portfolio is evidenced by our continuous ability to generate liquidity. Since the beginning of 2022, we have announced 42 liquidity events, comprising full exits, partial exits, and refinancings, including 11 over the course of 2024. In a market often sceptical of private equity valuations, cash returns offers the most compelling evidence of their accuracy.

M&A within the existing portfolio is a strong source of value creation. Deal volumes have accelerated over the past three years and remain at a high level - around 300 transactions a year. The valuations for such investments tend to be materially lower than those of the platform companies that are acquiring them, providing an attractive source of enhanced returns. Of similar importance are the operational opportunities that this M&A enables as the platform company is able to drive both revenue growth and cost synergies.

<sup>1</sup>Source: IGV: Factset

<sup>2</sup>Source: IVV: Factset

<sup>2</sup>Source: Hg proprietary analysis of c.150 publicly listed software companies, on a revenue-weighted basis

<sup>4</sup>Source: Factset, 05 February 2025; IGV EPS FY2 of 2.78/FY1 of 2.37

## OVERVIEW OF THE UNDERLYING PORTFOLIO

held through HgT's limited partnerships

	Investments (in order of value)	Fund	Sector	Location	Year <sup>1</sup>	Residual cost £000
1	Visma	S1/S2/S3/HGT	Tax & Accounting/ERP & Payroll	Scandinavia	2024	205,767
2	Access	S3/G8/HGT	ERP & Payroll	UK	2020	164,874
3	Howden	S2/HGT	Insurance	UK	2024	85,825
4	IFS	S3/HGT	ERP & Payroll	Scandinavia	2022	116,415
5	AuditBoard	S3/HGT	Legal & Regulatory Compliance	NAmerica	2024	114,482
6	Litera	G8/G9	Legal & Regulatory Compliance	NAmerica	2021	28,919
7	Septeo	G10/G9/HGT	Legal & Regulatory Compliance	France	2020	63,165
8	P&I	S1/HGT	ERP & Payroll	Germany	2020	41,303
9	Ideagen	G10/G9/M3	Legal & Regulatory Compliance	UK	2021	66,448
10	IRIS	S3/HGT	Tax & Accounting/ERP & Payroll	UK	2024	75,381
11	Sovos	S2/HGT	Tax & Accounting	NAmerica	2020	49,593
12	FEfundinfo	M2/G9	Fintech	UK	2021	26,229
13	insightssoftware	S2/HGT	Tax & Accounting	NAmerica	2021	53,056
14	teambue	G10/HGT	Tech Services	Benelux	2022	35,911
15	Caseware	G8	Tax & Accounting	NAmerica	2020	21,255
16	Rhapsody	M2/M3/HGT	Healthcare IT	NAmerica	2022	20,814
17	Trackunit	G9	Automation & Engineering	Scandinavia	2021	26,593
18	GGW	S3	Insurance	Germany	2024	45,061
19	Gen II	G9	Fintech	NAmerica	2020	19,921
20	Benevity	S2/HGT	ERP & Payroll	NAmerica	2021	32,124
21	Waystone	S2	Legal & Regulatory Compliance	UK	2022	40,904
22	Citation	G8	Tech Services	UK	2020	16,417
23	Azets	G7/HGT	Tax & Accounting	UK	2016	26,505
24	Ivalua	G10	Tax & Accounting	France	2024	37,817
25	HHAXchange	G9	Healthcare IT	NAmerica	2021	24,633
26	LucaNet	G9	Tax & Accounting	Germany	2022	20,050
27	Project CH	S2	Tax & Accounting	Germany	2021	18,337
28	smartTrade	M2/HGT	Fintech	France	2020	18,862
29	Ncontracts	G10	Legal & Regulatory Compliance	NAmerica	2024	31,404
30	Prophix	G9	Tax & Accounting	NAmerica	2021	12,458
31	Norstella	M2/G9/HGT	Healthcare IT	NAmerica	2020	24,730
32	CINC	M4/HGT	Tax & Accounting	NAmerica	2024	19,235
33	Focus Group	G10	Tech Services	UK	2024	21,876
34	Geomatikk	M2/HGT	Tech Services	Scandinavia	2021	11,392
35	Intelerad	G8	Healthcare IT	NAmerica	2020	11,870
36	Flurum	M3/HGT	Fintech	UK	2022	13,928
37	Auvesy	M3	Automation & Engineering	Germany	2021	8,130
38	GTreasury	M4/HGT	Tax & Accounting	NAmerica	2023	15,008
39	Fonds Finanz	M3	Insurance	Germany	2022	8,309
40	Mitratch	G7/HGT	Legal & Regulatory Compliance	NAmerica	2017	3,328
41	MeinAuto	G8	Automation & Engineering	Germany	2017	15,343
42	Claima	M4	Legal & Regulatory Compliance	Spain	2024	12,005
43	Quantios	M3	Fintech	UK	2022	8,970
44	Bright	M3	ERP & Payroll	Ireland	2021	6,529
45	Serrala	G9	Tax & Accounting	Germany	2021	23,086
46	Cube	M4	Legal & Regulatory Compliance	UK	2024	10,013
47	Empyrean	M4	Fintech	NAmerica	2024	11,408
48	Blinqx	M3	ERP & Payroll	Benelux	2022	6,729
49	JTL	M4	ERP & Payroll	Germany	2023	7,559
50	NomadIA	M3	ERP & Payroll	France	2023	7,190
51	Revalize	G9	ERP & Payroll	NAmerica	2021	18,839
52	Nitrogen	M3/HGT	Fintech	NAmerica	2021	15,868
53	Induver	M4	Insurance	Benelux	2024	5,230
54	Project Cyrus	G10	Tax & Accounting	France	2024	4,011
55	F24	M2/HGT	Tech Services	Germany	2020	3,625
<b>Total buyout investments (55)</b>						<b>1,834,733</b>
Other			Hedges			

Total all investments						1,834,733
Investments (in order of value)	Fund	Sector	Location	Year <sup>1</sup>	Residual cost £000	

<sup>1</sup> Where re-investment has occurred the investment date is based on the closing of the largest tranche of the investment holding.

<sup>2</sup> Including accrued income of £115.0 million. Note that this is summary of the underlying investments held indirectly by HgT at fair value within the fund limited partnerships. Please refer to page 68 of the full Annual Report and Accounts for the year ended 31 December 2024 for a reconciliation to the fair value of the funds held directly by HgT.

## DIVIDEND

The final dividend proposed in respect of the year ended 31 December 2024 is 3.5 pence per share (following the interim dividend of 2.0 pence, bringing the full year dividend to 5.5 pence per share).

Ex-dividend date (date from which shares are transferred without dividend)	20 March 2025
Record date (last date for registering transfers to receive the dividend)	21 March 2025
Last date for registering DRIP instructions (see below)	25 April 2025
Dividend payment date	19 May 2025

## NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 14 May 2025 at 11.00 am at the Hilton London Tower Bridge, 5 More London Place, Tooley Street, London, SE1 2BY. The formal Notice of AGM can be found within the Annual Report. The Board is of the opinion that the passing of all resolutions being put to the AGM would be in the best interests of HgT and its shareholders. The Directors therefore recommend that shareholders vote in favour of all resolutions as set out in the Notice of Meeting (pages 121 to 128 of the Annual Report available on HgT's website) as they intend to do in respect of their own shareholdings.

## FURTHER INFORMATION

HgT's Annual Report and Accounts for the year ended 31 December 2024 (which includes the Notice of Meeting for the Company's AGM) will be available today on [www.hgcapitaltrust.com](http://www.hgcapitaltrust.com)

It will also be submitted shortly in full unedited text to the Financial Conduct Authority's National Storage Mechanism and will be available for inspection at [data.fca.org.uk/#/nsm/nationalstoragemechanism](https://data.fca.org.uk/#/nsm/nationalstoragemechanism) in accordance with DTR 6.3.5(1A) of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2023 or 2024 but is derived from those accounts. Statutory accounts for 2023 have been delivered to the Registrar of Companies, and those for 2024 will be delivered in due course. The text of the Auditors' report can be found in the Company's full Annual Report and Accounts at [www.hgcapitaltrust.com](http://www.hgcapitaltrust.com)

## ENDS

Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on this announcement (or any other website) is incorporated into, or forms part of, this announcement.

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