



HgCapital Trust plc } 2016 Full Year Results Presentation March 2017

This document accompanies the Annual Report & Accounts for the year ended 31 December 2016 and contains a summary of information set out in that document. Reference should be made to the full Report & Accounts rather than relying on this summary. The reader's attention is also drawn to the provisions on pages 22 and 23. References in this document to HgCapital Trust plc have been abbreviated to 'the Company'.

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15% p.a.

Share price
total return CAGR
over the past twenty years

13% p.a.

NAV per share
total return CAGR
over the past twenty years

- The Company offers exposure to a portfolio of more than 30 unquoted businesses with consistent strong growth in sales and EBITDA and high cash generation
- HgCapital has been managing the Company for over 20 years and specialises in investing in technology and technology-enabled service companies primarily in Europe
- These businesses are sourced by HgCapital using a deep sector focus to identify businesses with specific business models that can perform across the economic cycle
- The Company is HgCapital's largest client with a fully independent Board that makes all decisions on commitments to invest alongside HgCapital Funds
- The Company is a 'direct investor' and only invests alongside HgCapital across multiple funds and vintages

KEY FINANCIAL HIGHLIGHTS



STRONG TRADING HAS CONTINUED TO DRIVE POSITIVE PERFORMANCE FROM THE UNREALISED PORTFOLIO OVER 2016

PERFORMANCE

+19%

NAV per share
total return growth

- Year-end NAV per share of £16.50, net assets of £616 million
- Driven by strong trading across the unrealised portfolio, exits above book value and positive currency movements
- As at 28 February 2017 pro-forma NAV per share of £16.74, net assets of £625 million, primarily representing the sale of Zenith

+43%

Share price total
return growth

- Year end share price of £15.41, market capitalisation of £575 million
- As at 28 February 2017 share price of £15.73, market capitalisation of £587 million

46p

Proposed
final dividend

- Ten year dividend yield average of 3%
- The Board anticipates that future dividends will be not less than 46p and this will include the payment of an interim dividend payable in or around October from 2017

Note: As at 31 December 2016. All performance figures on a total return basis assuming all historic dividends have been reinvested.



£99m

Pro-forma liquid resources

- Representing 16% of pro-forma NAV
- Up from £46 million at the year end to include estimated cash proceeds from the sale of Zenith
- £80 million undrawn bank facility

£499m

Outstanding
commitments

- Represents 80% of pro-forma NAV
- Includes the recent new commitments to HgCapital 8 (£350 million) and Mercury 2 (£80 million) which we would expect to be drawn-down over the next four to five years
- The Company has the benefit of an opt-out provision should it not have enough cash to invest in HgCapital 7, HgCapital 8 and Mercury 2, to protect the balance sheet

Note: As at 28 February 2017.

KEY FINANCIAL HIGHLIGHTS



TOP 20 BUYOUTS (83%)

Aggregate sales of £2.7 billion and profits of £650 million, average margins of 24%

PORTFOLIO METRICS

+11%

Average growth
in sales

- Consistent double-digit performance in many of our larger companies including Visma, IRIS, Zenith, Sovos Compliance and QUNDIS (45% of the total portfolio by value)
- High degree of visibility on future revenues across much of the portfolio, given business model characteristics
- Top 20 has grown revenues consistently by **11% p.a. on average for the last 3 years**

+21%

Average growth
in EBITDA

- Profits growing at a materially faster rate than sales reflecting both the benefit of previous periods of investment, consistent strong growth from many of the larger underlying companies and new additions to the portfolio
- Top 20 has grown EBITDA by **14% p.a. on average for the last 3 years**

Note: As at 31 December 2016.

KEY FINANCIAL HIGHLIGHTS



TOP 20 BUYOUTS (83%)

Broadly consistent ratings year-on-year with high cash generation across the portfolio

PORTFOLIO METRICS

14.2x

Average EV to EBITDA
multiple

- Ratings broadly consistent over 2016
- There remains a continued shift in the mix of the portfolio to higher growth businesses, in particular in technology and technology-enabled services
- Overall exits made at higher multiples to valuations

4.1x

Average debt to EBITDA
ratio

- Many of our businesses have very predictable revenues, strong earnings growth and are highly cash generative, enabling us to use debt to gear our returns
- During 2016, we refinanced several companies including: P&I returning £12.6m (60% of the original investment); Allocate Software returning £1.8 million (30% of the original investment); and Zitcom returning £1.4m (40% of the original investment). We will continue to look for opportunities to return cash over the next few months

Note: As at 31 December 2016.

KEY FINANCIAL HIGHLIGHTS

SIGNIFICANT REALISATION AND INVESTMENT ACTIVITY IN 2016

Net divestors over the year, taking advantage of a buoyant environment for realising value at good prices

PORTFOLIO ACTIVITY

£136m

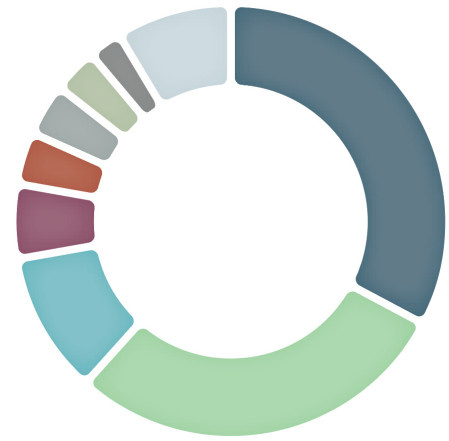
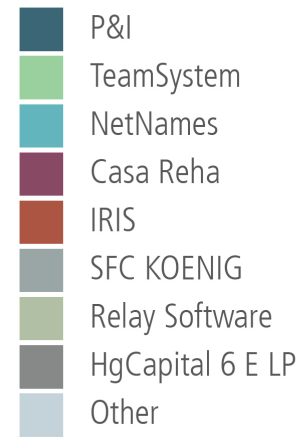
Returned to HgCapital Trust

- £1.1 billion realised on behalf of HgCapital clients
- 7 realisations (5 to trade buyers)
- 3 refinancings

£104m

Invested on behalf of HgCapital Trust

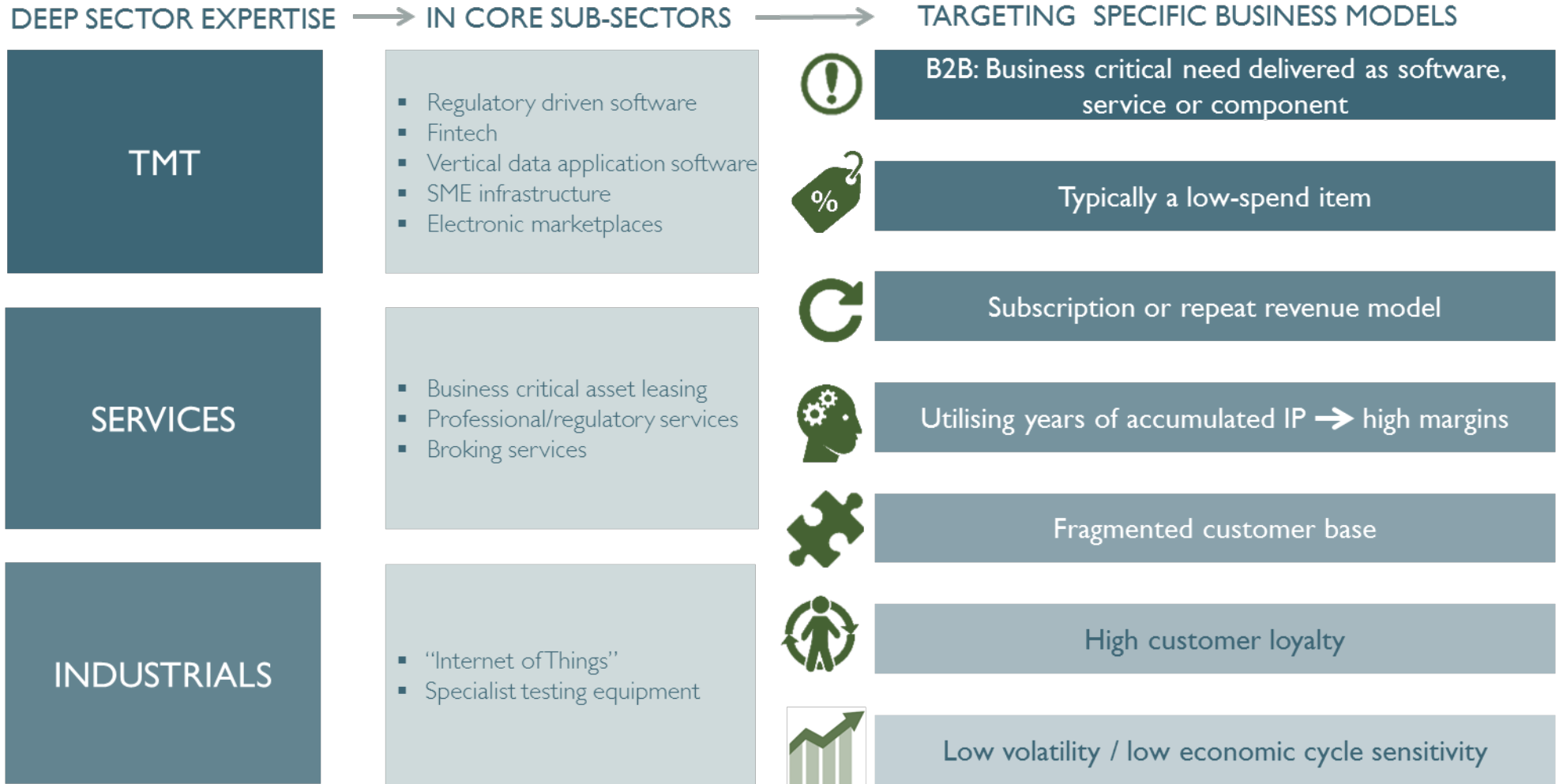
- £963 million invested on behalf of HgCapital clients
- 9 investments made in businesses that we know well within our targeted 'sweet spot'
- Includes £13 million in co-investment (Sovos Compliance and CogitalGroup)





THE HgCAPITAL 'SWEET SPOT'

Focus on investing in companies with specific business characteristics in tech and tech-enabled services that we believe have the ability to grow across market cycles... and are attractive to future buyers





SOURCING STRATEGY

Well-defined target B2B business models

Core sub-sectors

Identified targets

Long-term tracking of wish list

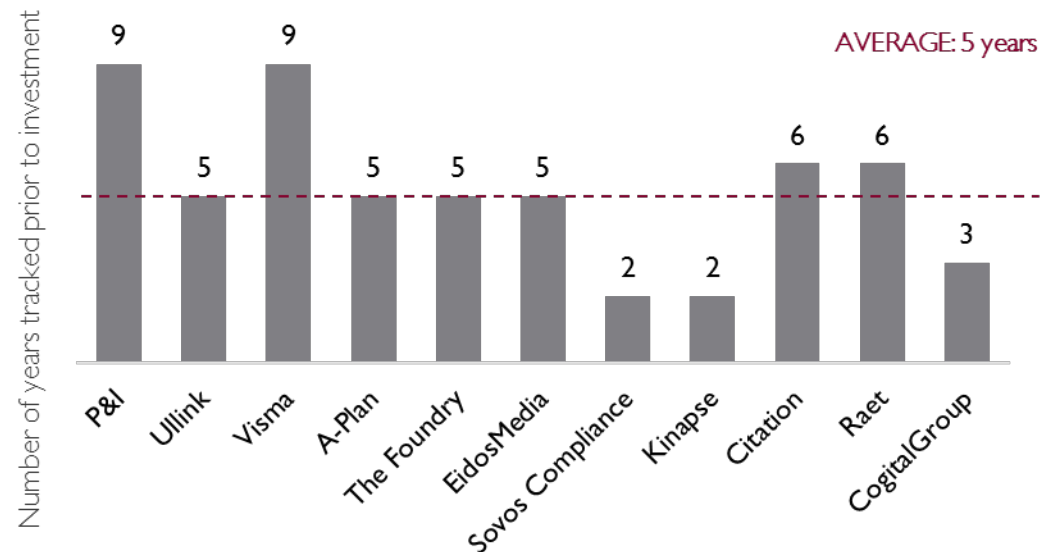
- Provides greater comfort on valuation
- Enhances ability to pre-empt sales processes or outmanoeuvre competition

= INVESTMENTS

Synergies through material M&A deals – creating global players from a combination of regional leaders

Exclusivity / off-market deals, transacting with founders, who have significant stakes

5-10+ years of in-depth knowledge of the company





PILLARS OF VALUE CREATION

1

BUILDING A SUSTAINABLE BOOK OF BUSINESS

- Buying an established book of customers
- Keeping customers happy = lower customer churn
- Selling existing customers more = cross and up-selling
- Generating incremental sales from new customer acquisitions

2

SMART POSITIONING

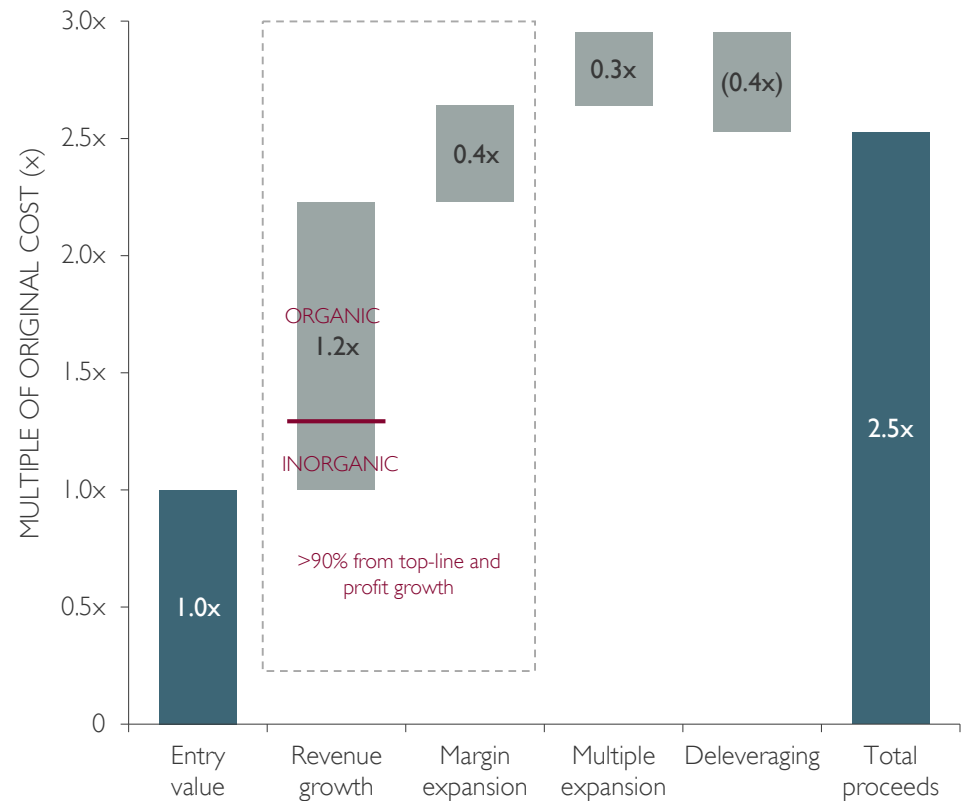
- Position assets such that they will be attractive to multiple buyers and achieve a premium valuation upon exit
 - Refining strategic focus
 - Changing business perception
 - Developing business footprint

3

INVESTING IN MANAGEMENT AND BUSINESS INFRASTRUCTURE

- Heavy investment in management and business infrastructure to facilitate expansion:
 - Building management capabilities
 - Process optimisation (internal reporting and governance)
 - Salesforce improvement (new hires and training programmes)
 - Upgrading business systems (ERP / CRM / OPS)

VALUE CREATION - CURRENT SECTOR REALISED DEALS¹



¹ As at 31 December 2016. Includes 24 full exits from MUST 4, HgCapital 5 and HgCapital 6 in current sectors (TMT, Services and Industrials) with current business model focus (i.e. excludes venture investments and partial realisations). Note: Past performance is not indicative of future results. Please see notes to recipients on pages 22 and 23 of this document.

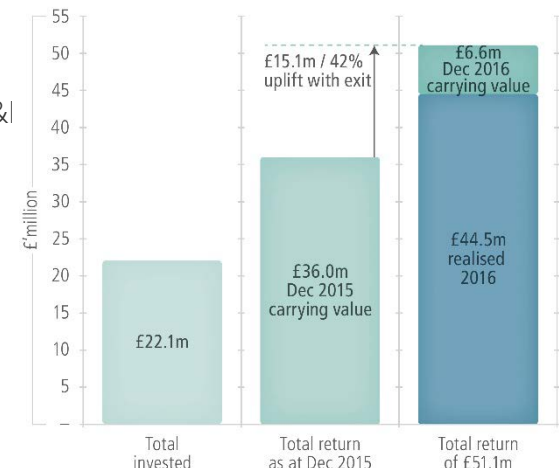
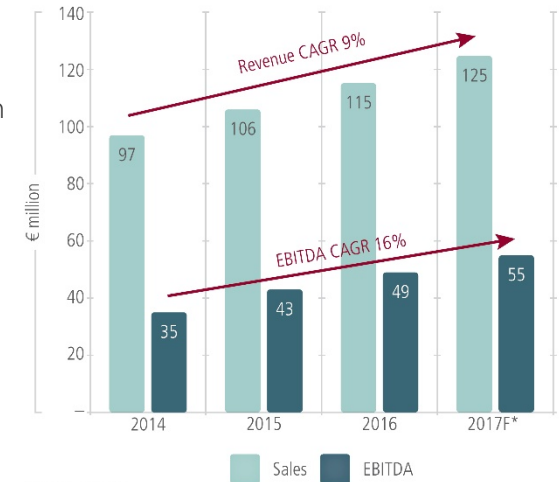
CASE STUDY: EXIT



2.3x investment multiple and c. 37% gross IRR over a 3 year investment period



- HgCapital partnered with P&I, a leading supplier of payroll and HR-related software to SMEs primarily in Germany, Austria and Switzerland, in 2013.
- The regulatory driven software space was first identified by HgCapital as an attractive sub-sector in 2002 and the investment in P&I followed a decade of tracking the business. P&I displays specific characteristics that HgCapital looks for in its portfolio companies:
 - a scalable business model;
 - a broad, diversified customer base;
 - strong customer loyalty; and
 - a significant share of recurring revenues, driven by ongoing regulatory changes.
- During HgCapital's investment period, P&I delivered 9% revenue and 16% EBITDA CAGR, driven by strong sales to both existing and new customers with growth in high margin revenue streams (e.g. licence, maintenance and Big Data) leading to margin expansion.
- In addition, P&I has made significant progress in shifting its customer base to its cloud service technology, P&I Big Data, which is expected to further improve efficiency and scalability for both P&I and its customers
- HgCapital has supported the management team in a number of areas including:
 - acquisition of a Swiss payroll vendor; Soreco HR;
 - growth and product development; and
 - strengthening financial and operating reporting, as well as defining the company's forward business plan.
- Sold to a company backed by funds of Permira in November 2016.



CASE STUDY: NEW INVESTMENT



COGITALGROUP

Pan-European provider of regulatory driven services to SMEs



- Core services include accountancy, payroll and taxation to SMEs and entrepreneurs.
- Formed from three investments completed during 2016: (i) Visma BPO, active throughout the Nordics (now renamed Azets); (ii) Baldwins, based in the Midlands; and (iii) Blick Rothenberg, based in London.
- The combined business operates across six countries, with c. 38,000 clients, over 100 offices and more than 3,000 employees with revenues of c. £300 million p.a.
- A “sweet spot” HgCapital investment in terms of sub-sector and business model, displaying a number of the investment characteristics we target:
 - a high share of repeatable revenue (>80%);
 - high retention rates (c. 90%);
 - high margin improvement opportunity, with the potential for efficiency gains through the use of technology, near-shoring and scale;
 - a fragmented customer base;
 - a fragmented competitive landscape; and
 - Significant M&A opportunities.
- HgCapital will support the management in a number of areas including:
 - a focus on organic growth across the Group;
 - continued evolution of the operating model, including increased use of technology; and
 - M&A opportunities



SECTOR: Services

LOCATION: UK and Nordic region























COMPANY VALUE: £21.6m
(inc. £5.1 million in co-investment)

% PORTFOLIO: 3.4%

PORTFOLIO REVIEW

TRADING PERFORMANCE OVERVIEW OF TOP 20 BUYOUT INVESTMENTS (83%)

Aggregate sales of £2.7 billion and profits of £650 million, average margins of 24%

Year of Investment	Pre-2010	2010 - 2012	2013 - 2015	2016
STRONG PERFORMANCE 79% BY VALUE £416m		   	      	  
LOWER GROWTH 8% BY VALUE, £41m			 	
INVESTING FOR GROWTH 5%, BY VALUE, £25m				
BEHIND PLAN 8%, BY VALUE, £43m				

Note: All percentage figures as a proportion of the Top 20



-
- A good start to 2017 with the sale of Zenith at a 2.9x investment multiple and 46% gross IRR, we would estimate this to provide cash proceeds to the Company of £59 million, some 22% over the book value as at 31 December 2016
 - We will concentrate our efforts on returning further value from the portfolio over the next 12 months through both exits and refinancings
 - 9 new investments made in 2016, all within our 'sweet spot' and a key focus over this year is on delivering on the operational and financial plans made at the time of our investment
 - We would expect to make some new investments over the remainder of 2017 but not at the level of activity seen over the last year, given the current market environment
 - The portfolio is continuing to trade well and we are optimistic about the prospects for these companies over 2017, despite the wider macro-economic and political climate
 - The combination of strong trading across the portfolio and realisations for good value will continue to drive NAV progression
-

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APPENDIX



BUYOUT PORTFOLIO

The top 10 buy-out investments represent 63% of the portfolio value

Investment		Year of investment	Sector	Location	Residual Cost £'000	Total valuation £'000	Portfolio value %	Cumulative value %	Change in value over 2016
1	Visma ¹	2014	TMT	Nordic Region	52,940	94,065	15.0%	15.0%	↑
2	IRIS	2011	TMT	UK	26,109	64,657	10.3%	25.3%	↑
3	Zenith	2013	Services	UK	16,245	48,207	7.7%	33.0%	↑
4	Sovos Compliance ²	2016	TMT	USA	24,284	43,272	6.9%	39.9%	↑
5	QUNDIS	2012	Industrials	Germany	12,540	33,844	5.4%	45.3%	↑
6	JLA	2010	Services	UK	3,511	24,619	3.9%	49.2%	↑
7	Radius	2013	Services	UK	17,966	24,073	3.8%	53.0%	→
8	A-Plan	2015	Services	UK	14,573	22,461	3.6%	56.6%	↑
9	CogitalGroup ³	2016	Services	UK	20,966	21,572	3.4%	60.0%	→
10	Achilles ⁴	2008	TMT	UK	15,218	21,125	3.4%	63.4%	↓
Top 10 Investments					204,352	397,895	63.4%		

¹ Including co-investment of £20 million ² Including co-investment of £8 million ³ Including co-investment of £5 million ⁴ Including co-investment of £10 million
All figures as at 31 December 2016

APPENDIX



BUYOUT PORTFOLIO

The top 20 buy-out investments represent 83% of the portfolio value

Investment	Year of investment	Sector	Location	Residual Cost £'000	Total valuation £'000	Portfolio value %	Cumulative value %	Change in value over 2016
11 Ullink	2014	TMT	France	10,034	19,166	3.0%	66.4%	↑
12 Raet	2016	TMT	The Netherlands	16,127	17,034	2.7%	69.1%	→
13 The Foundry	2015	TMT	UK	15,175	14,640	2.3%	71.4%	→
14 Parts Alliance	2012	Services	UK	10,495	14,600	2.3%	73.7%	↑
15 Frösunda	2010	Healthcare	Nordic Region	14,296	11,429	1.8%	75.5%	↓
16 Citation	2016	Services	UK	10,068	11,022	1.8%	77.3%	↑
17 Lumesse	2010	TMT	UK	20,807	10,189	1.6%	78.9%	↓
18 Kinapse	2016	Services	UK	9,959	9,986	1.6%	80.5%	→
19 Allocate Software	2014	TMT	UK	4,094	9,545	1.5%	82.0%	↑
20 Intelliflo	2013	TMT	UK	3,978	8,546	1.4%	83.4%	↑
Top 20 Investments				319,385	524,052	83.4%		

All figures as at 31 December 2016



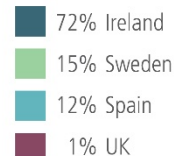
RENEWABLE ENERGY FUND INVESTMENTS

High quality European renewable energy projects currently representing 3% of NAV

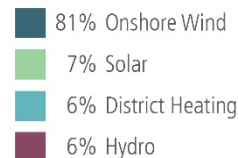
- The Company is invested via limited partnership interests in HgCapital's two Renewable Energy Funds, RPP1 (2006) and RPP2 (2010)
- Exposure to renewable power assets anticipated to deliver returns through yield during operation and capital gain at exit
- By bringing individual investments together into platforms, HgCapital can enhance value through economies of scale, shared expertise and aggregated generation capacity
- The UK wind portfolio was fully exited in 2013, resulting in an overall investment multiple of 1.8x and a gross IRR of 17% p.a.
- The Irish platform build out is going very well, with three fully operational assets, one in construction and a large development pipeline
- Fund performance has continued to be impacted by adverse regulatory changes in Spain and depressed power prices in Sweden

	Total Valuation £'000
Irish Onshore Wind	12,578
Swedish Onshore Wind	1,605
Spanish Hydro	1,107
Swedish District Heating	988
Other	719
RPP2 fund	16,997
Spanish Solar	968
Other	185
RPP1 fund	1,153
Total Renewable Fund Investments	18,150

Geography



Resource





		Realised Returns (gross)	Overall Returns (gross)	% Invested Returned in Cash
HgCapital 5 £958 million 2006	<ul style="list-style-type: none"> Phase: Realisation 11 out of 12 investments realised £1.4 billion in proceeds 	2.1x / 17%	2.2x / 16%	195%
HgCapital 6 £1.9 billion 2009	<ul style="list-style-type: none"> Phase: Realisation 10 out of 19 investments realised £1.5 billion in proceeds 	2.1x / 21%	1.9x / 17%	106%
HgCapital 7 £2.0 billion 2013	<ul style="list-style-type: none"> Phase: Investment 1 out of 11 investments realised c. 80% invested 	2.3x / 37%	1.4x / 27%	24%
Hg Mercury 1 £380 million 2012	<ul style="list-style-type: none"> Phase: Investment 1 out of 12 investments realised c. 80% invested 	2.1x / 39%	1.6x / 31%	28%

Note: As at December 2016. Adjusted for post period end realisations.

For further information on HgCapital Trust plc, please visit our website:

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For more information on Listed Private Equity, please visit the LPEQ website www.lpeq.com



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