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To a universe of software and service businesses



Listed access to the 3rd largest software business in Europe

September 2019

This document accompanies the Interim Report & Accounts for the half year ended 30 June 2019 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 30 and 31. References in this document to HgCapital Trust plc have been abbreviated to 'the Company'.



About **xHg**

Building businesses that change how we all do business

**One of the largest dedicated tech teams in Europe
with >90 executives and operators**

>170 people and >25 nationalities across 3 offices

Most active global technology PE investor in 2018

**Realised returns of 2.6x / 34% gross IRR generated
on >£7 billion of proceeds**



Single strategy across the funds - delivering broad sector coverage

	TARGET EVs	FUND	CHARACTERISTICS	COMMON FEATURES
	>£1bn (Larger-cap)		<ul style="list-style-type: none">Current vintage size: £1.5bnDeal Equity Requirement: >£500mTypical fund hold: £350m - £450mTrust commitment £150m / 50% invested	<ul style="list-style-type: none">Identical investment strategyDedicated execution teams per fundIntegrated origination and coverageInvestment Committee and Realisation CommitteeBenefit from c. 50 person transaction support and Operations group
	£250m - £1bn (Mid-market)		<ul style="list-style-type: none">Current vintage size: £2.5bnDeal equity requirements: £150m - £500mTypical fund hold: £100m - £250mTrust commitment £350m / 54% invested	
	£50m - £250m (Lower mid-market)		<ul style="list-style-type: none">Current vintage size: £595mDeal equity requirements: £30m - £120mTypical fund hold: £30m - £60mTrust commitment £80m / 44% invested	



Targeting Hg “sweet-spot” business models

Focused on **specific characteristics** across **software** and **service** businesses



Business critical need delivered as software, service or component



Subscription or repeat revenue model



Utilising years of accumulated IP > high margins



Fragmented customer base



...focused on eight distinct end-market 'clusters'

End-market **specialisation** helps us to build **deep know-how**

CLUSTER	CURRENT PORTFOLIO	TOTAL PROCEEDS	GROSS REALISED RETURNS
TAX & ACCOUNTING 15 years	TeamSystem® VISMA SOVOS Cogital GROUP IRIS	£1,643m	3.0x / 36%
ERP & PAYROLL 15 years	TeamSystem® P&I PURE HR VISMA access IRIS brightpay TRANSPOREON	£1,077m	3.0x / 34%
LEGAL & REGULATORY COMPLIANCE 12 years	Achilles TRACEONE™ STP Citation MITRATECH LITERA MICROSYSTEMS	£369m	2.1x / 39%*
AUTOMOTIVE 10 years	EUCON MOBILITY HOLDING	£767m	2.4x / 22%
SME TECH & SERVICES 9 years	Commify JTRelation® teamblue	£752m	2.5x / 24%
CAPITAL MARKETS & WEALTH MANAGEMENT IT 6 years	fundinfo FE	£616m	3.3x / 36%
INSURANCE 5 years	a-plan EUCON	£363m	4.1x / 39%
HEALTHCARE IT 4 years	Evaluate® ALLOCATE MEDIFOX Rhapsody	£212m	1.7x / 23%

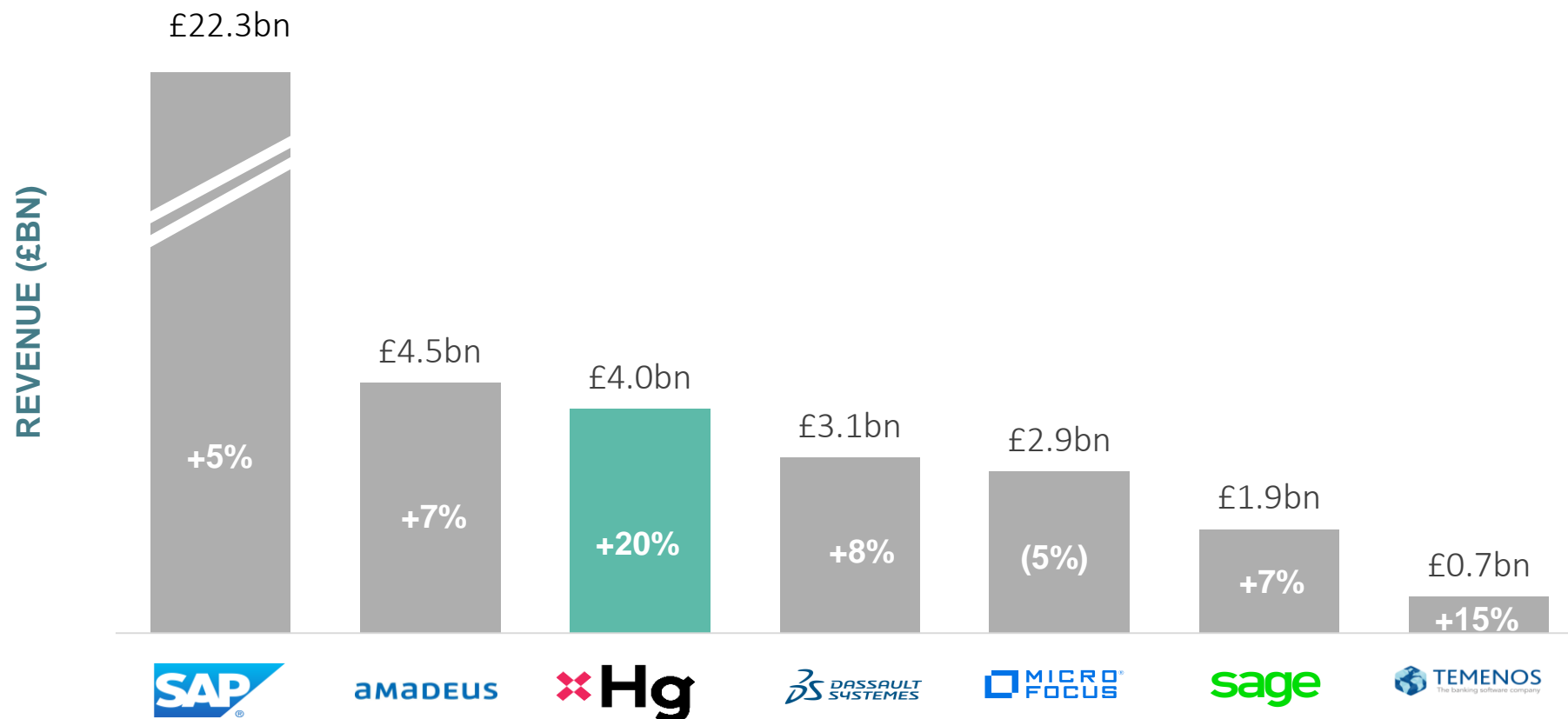
As at 30 June 2019 pro forma for post period end events

* IRR excludes CS Group which would take realised IRR to > 500%



‘Hg Software Inc’

If ‘Hg Software Inc’ were listed as a single group, it would be the **third largest** and one of the **fastest growing** technology business in Europe



“Scale” source: Factset, latest LTM revenue data available. Hg data as at 30 June 2019, adjusted pro forma for events post quarter end

“Competition” source: Preqin and internal Hg analysis



Operations group driving value

In 2018, **14 events** enabled > **700 people** from our portfolio companies to 'harness the power of the Hg community'

Growth capabilities

GROWTH



TECHNOLOGY & PRODUCT



TALENT



FINANCE



ANALYTICS



OPERATING MODEL & SYSTEMS



RESPONSIBLE BUSINESS



REPORTING & COMMUNITIES





Growing sustainable businesses which are great employers

>170

Employees
across three offices

>25

Nationalities
across Hg's team

4.5

Average
Glassdoor score

27%

Women in Hg's
executive team

AA+

2018 UNPRI
rating

1%

of LLP profit donated to
charity annually

Three core tenets to Hg's ESG and Sustainability strategy...

1. Charitable giving

- Hg donates 1% of firm profits to charitable causes
- In 2018, Hg broke a record for Impetus-PEF, committing the largest ever one-off donation; a share of Hg's profits arising from an investment fund are committed to the charity

2. Sustainable business practice

- Becoming carbon neutral
- Invest behind "sustainable" businesses, compliant with ESG framework and managed for the long term

3. Job creation

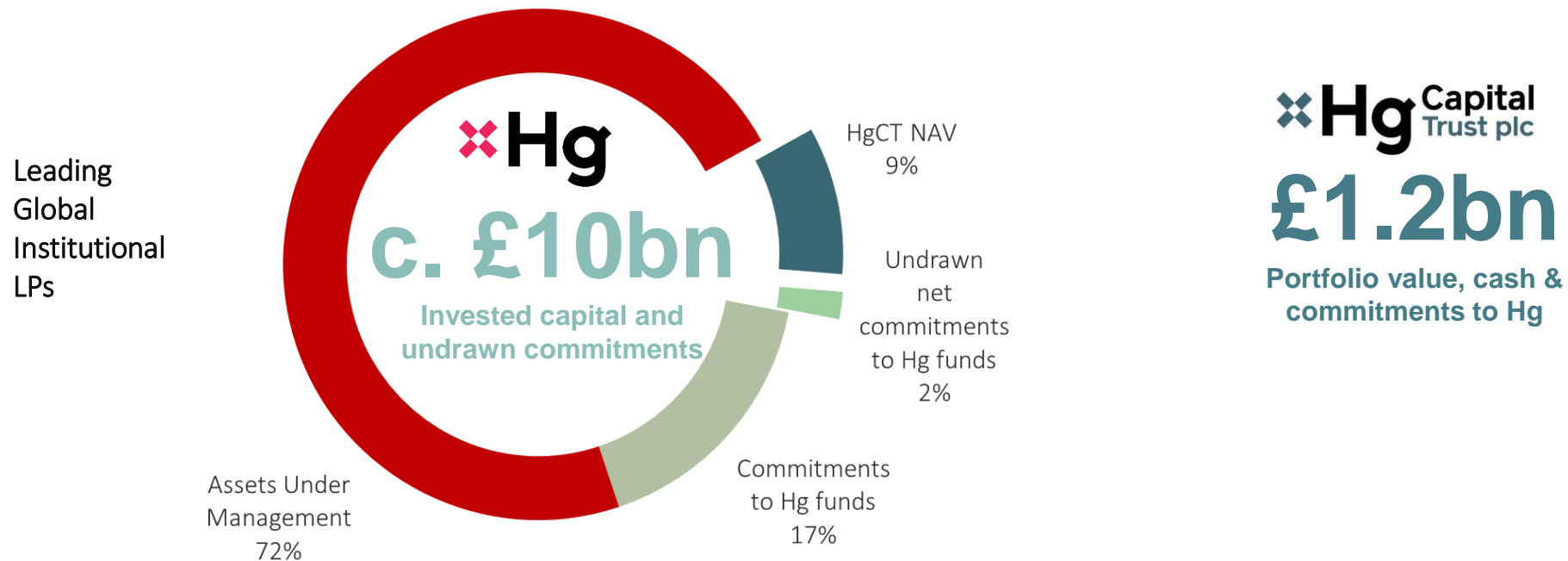
- Building diverse teams, both internally and amongst portfolio companies
- Generate employment growth across our portfolio

...with the aim of becoming the most sustainable European private equity





HgCapital Trust plc is Hg's largest single investor



- Exposure to a network of highly cash generative software and service businesses with consistently strong trading growth
- Investments sourced by Hg using a deep sector focus to identify companies with specific business model types that can perform across the economic cycle
- A fully independent NED Board that makes all decisions on the level of commitments made to Hg Funds (all investment decisions are made by Hg)
- A 'direct investor' committed to multiple Hg funds and vintages, investing alongside Hg's institutional investors



Listed access to unquoted software and services

A **long-term** investment delivering **consistent, compounding growth** continuing to **outperform** the FTSE All-Share Index

30 years old in 2019, 25 years managed by Hg

Entry into FTSE 250 October 2018

One of the top 10 performing investment companies*

10:1 share split in May 2019

£63 million share issue in June 2019



Long-term outperformance of the FTSE All-Share

Over the past 20 years **strong trading** and **exits above book** have continued to drive **positive compounding performance**



NAV per share +14% p.a → £975 million net assets



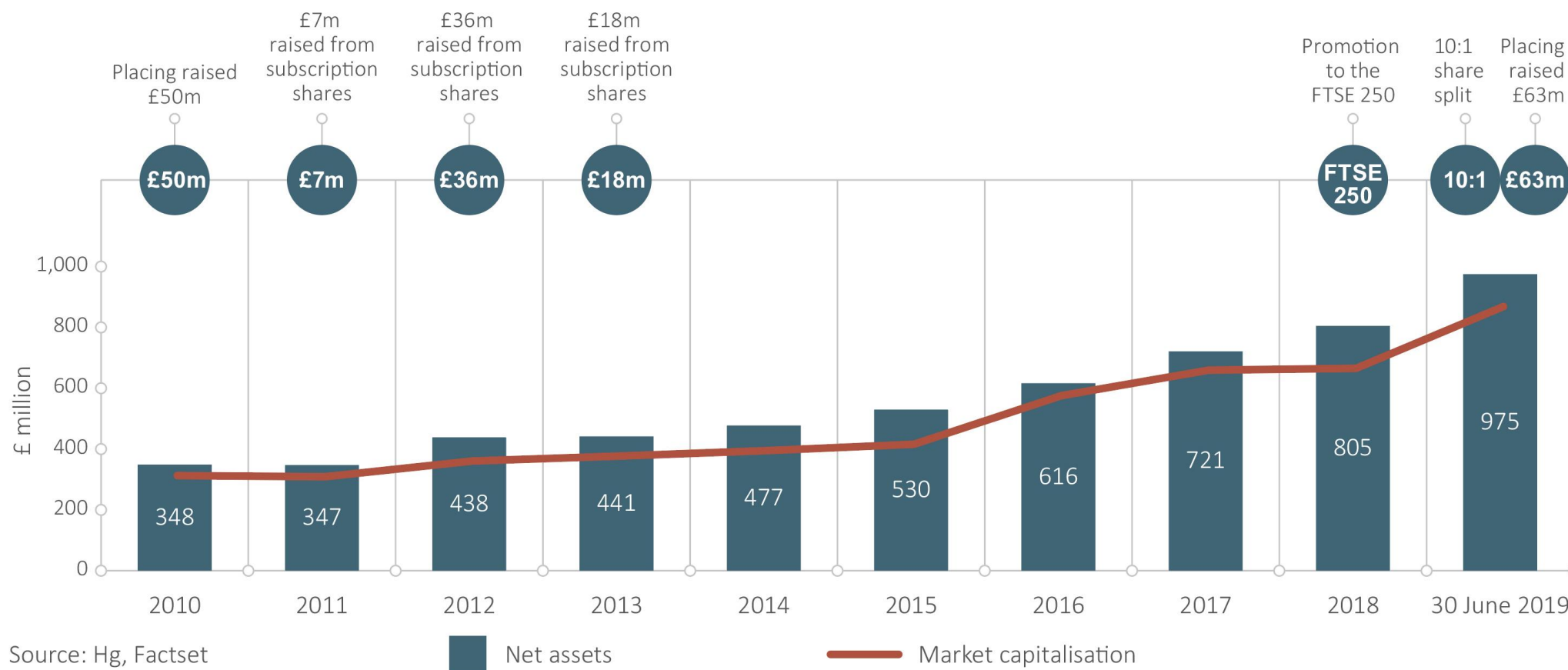
Share price +15% p.a. → £868 million market cap.

**Over the past 20 years the share price has outperformed
the FTSE All-Share by > 9% p.a.**



Long-term NAV growth

Over the past **10 years** the NAV of the Trust has **grown by c £630 million (14% p.a. CAGR)** to **£975 million**





Key financial highlights 2019 YTD

Share price reached **record high** in 2019



Share price **+23% YTD** → **£872 million** market cap.



NAV per share **+14%YTD** → **£984 million** net assets



Interim Dividend to be paid in October **1.8p (1.6p 2018)**



£102 million returned to the Company



£108 million invested on behalf of the Company



The balance sheet as at 31 August 2019

Levers have been put in place to **manage** liquid resources and outstanding commitments



Liquid resources £166 million (17% of NAV)
average over last 14 years 23%



Undrawn bank facility of £80 million



Outstanding commitments £342 million (35% of NAV)
Likely to be deployed over the next 12-18 months



Opt-out facility across all investing funds



The top 20 trading performance

Top 20 currently represents **88%** of the portfolio by value



LTM sales growth +26%
(25% 2018)



LTM EBITDA growth +35%
(27% 2018)



EV to EBITDA multiple 19.5x
(17.3x 2018)



Debt to EBITDA ratio 6.3x
(5.6x 2018)

Aggregate sales of £3.7 billion

Aggregate EBITDA of £1.0 billion



Margins of 28%

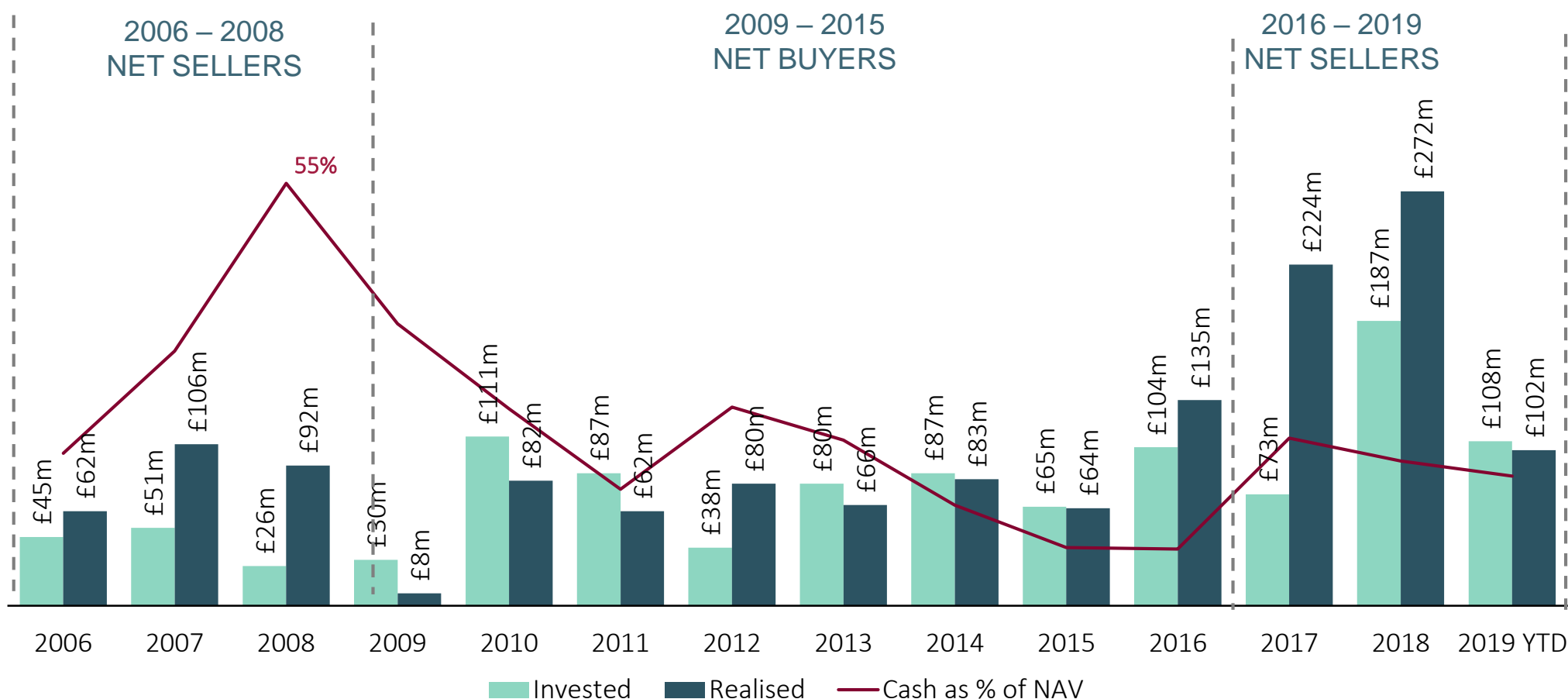
Note: All figures as at 30 June 2019.

Note: Sales and EBITDA growth have been calculated on a weighted basis based on the respective values of the underlying investments.



Historic realisation and investment activity

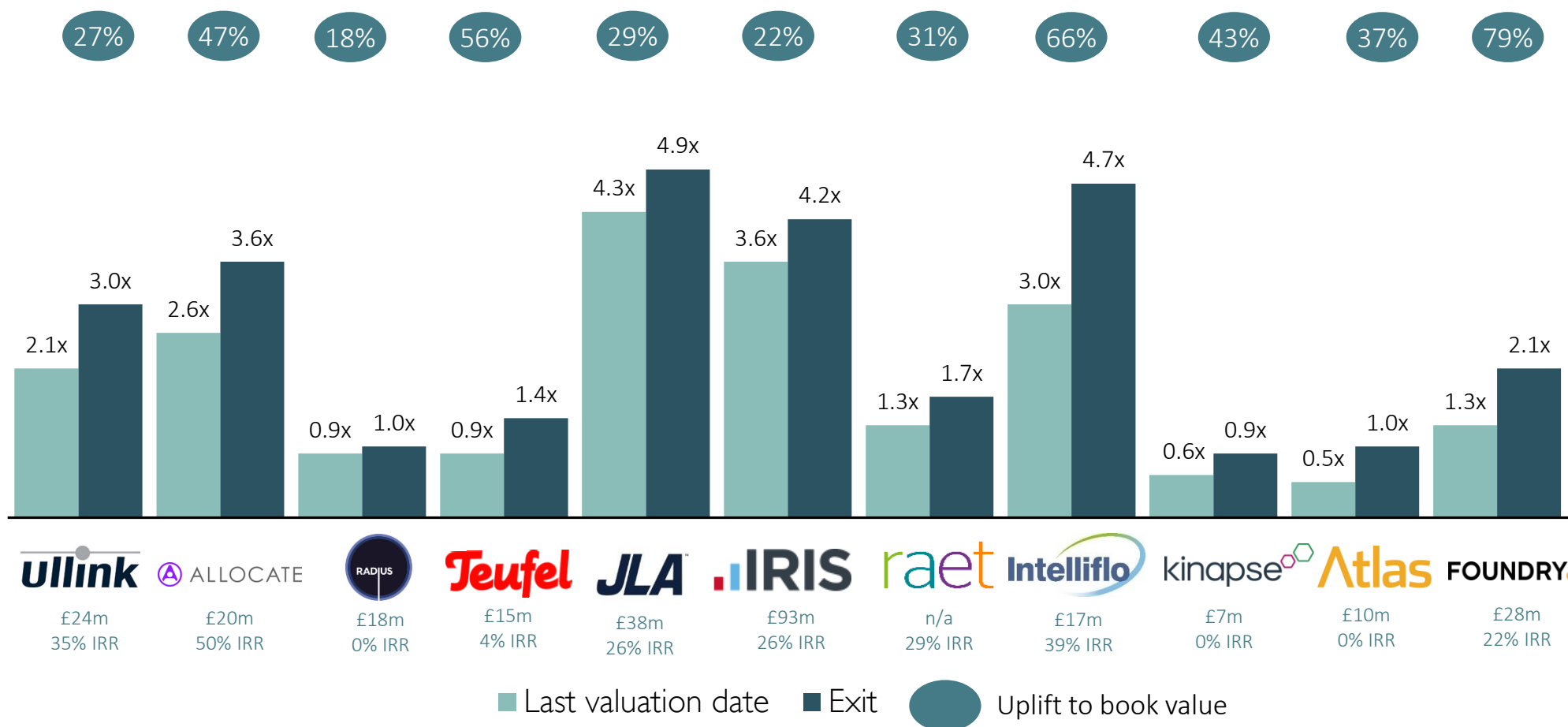
Continued **strong realisation and investment activity**, net seller environment





Significant realisations over the last 18 months

Gross £272m returned to the Company over 2018 (£217 million net), further £102 million returned 2019 YTD, Foundry sold at 80% uplift to BV (2.1x)

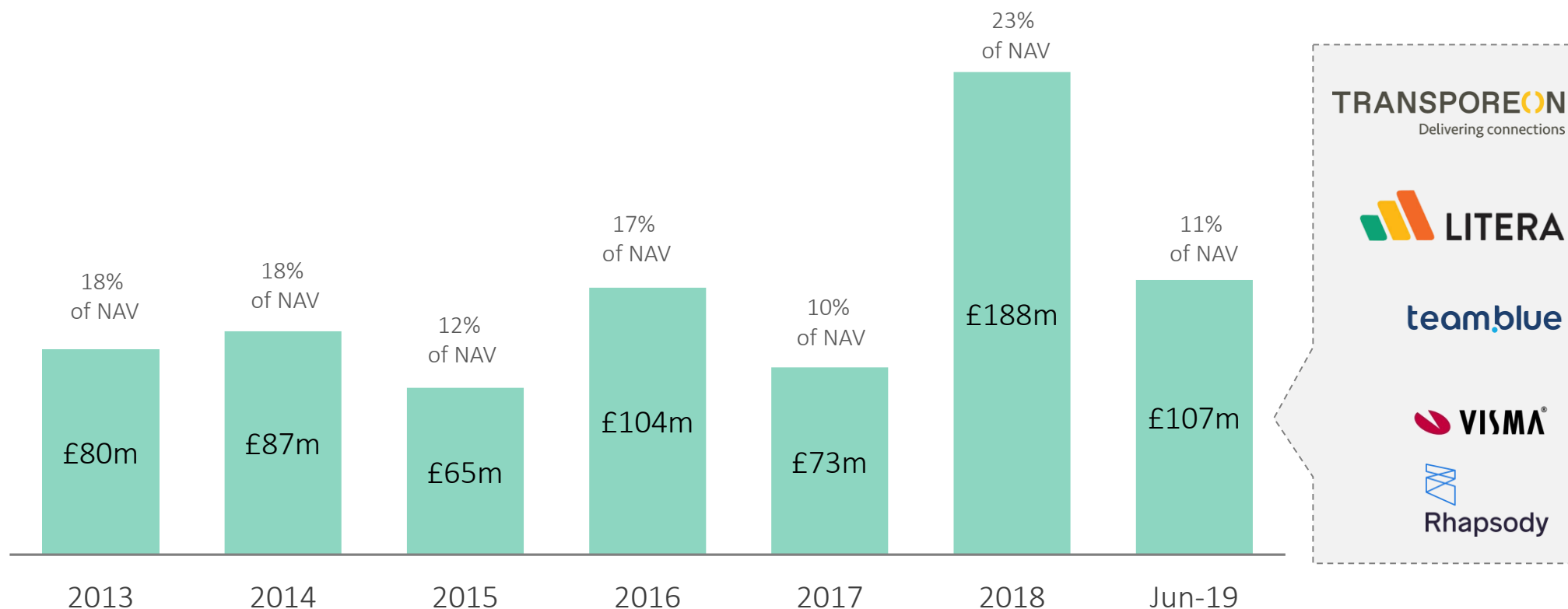




Hg continues to selectively invest

Investing with a **cautious and disciplined strategy** into strategies we know well

Making repeatable investments in the types of companies and 'clusters' that we have invested in before



Note: Figures relate to HgCapital Trust's share of transactions, % figures show proportion of cash invested to net assets.



Outlook

Strong trading, combined with capital returns from **exits above book value**, will continue to drive **value** for our investors

- It has been another strong period of performance for the Company with the underlying businesses continuing to see robust trading performance underpinning confidence in the ongoing growth of the strong and defensive portfolio.
- Hg continues to selectively invest in “sweet-spot” software and service businesses in areas or ‘clusters’ where we have many years of deep knowledge.
- Highly focused on making further accretive bolt-on acquisitions into our portfolio companies.
- A focus on operational improvement continues to drive performance and deliver significant network benefits.
- We expect to see further liquidity events over the next twelve months through both exits and refinancings.

Strong earnings, realisations at uplifts to book value and supporting the management teams of the underlying businesses will continue to drive value for shareholders in HgCapital Trust plc

Appendix: Team



Large and well-resourced investment “machine”

DEAL EXECUTION

	Partners	Directors & Principals	Associates & Analysts	Total
Saturn	5	5	8	18
Genesis	10	11	22	43
Mercury	3	5	7	15

Total: 76

OPERATIONS GROUP

32 professionals

TRANSACTION SUPPORT EXECUTIVES

Client Services - 9**Finance - 5****Legal - 3****Marketing & HR - 3****~60 further staff supporting Hg’s investment executives**

Appendix: Portfolio (June 2019)



The top 20 portfolio at 30 June 2019

The top 10 buy-out investments represent 68% of the total value

Investment	Year of investment	Sector	Location	Residual Cost £'000	Total valuation £'000	Portfolio value %	Cumulative value %	Change in value over 2019 YTD
1 Visma	2014	Software	Scandinavia	80,782	197,374	22.7%	22.7%	↑
2 Sovos Compliance	2016	Software	North America	26,177	85,570	9.8%	32.5%	↑
3 IRIS	2018	Software	UK	36,380	55,964	6.4%	38.9%	↑
4 Access	2018	Software	UK	30,491	45,654	5.2%	44.1%	↑
5 Transporeon	2019	Software	Germany	42,377	45,042	5.2%	49.3%	↑
6 CogitalGroup	2016	Services	UK	20,966	41,803	4.8%	54.1%	↑
7 Mobility Holding	2018	Services	Germany	33,967	37,856	4.3%	58.4%	↑
8 Litera	2019	Software	North America	34,284	35,188	4.0%	62.4%	→
9 Commify	2017	Software	UK	12,548	23,308	2.7%	65.1%	↑
10 Mitratesch	2017	Software	North America	22,258	21,974	2.5%	67.6%	→
Top 10 Investments				340,230	589,733	67.6%		



The top 20 portfolio at 30 June 2019 (continued)

The top 20 buy-out investments represent 88% of the total value

Investment	Year of investment	Sector	Location	Residual Cost £'000	Total valuation £'000	Portfolio value %	Cumulative value %	Change in value over 2019 YTD
11 Register	2017	Software	Italy	3,391	19,902	2.3%	69.9%	↑
12 IT Relation	2018	Services	Scandinavia	16,037	19,570	2.2%	72.1%	↑
13 FE fundinfo	2018	Software	UK	11,407	19,154	2.2%	74.3%	↑
14 A-Plan	2015	Services	UK	1,697	18,655	2.2%	76.5%	↑
15 team.blue	2019	Software	Benelux	18,718	18,200	2.1%	78.6%	↑
16 Rhapsody	2018	Software	North America	13,045	17,764	2.0%	80.6%	↑
17 Citation	2016	Services	UK	7,904	17,520	2.0%	82.6%	↑
18 Allocate Software	2018	Software	UK	13,959	16,594	1.9%	84.5%	↑
19 BrightPay	2018	Software	Ireland	14,864	15,522	1.8%	86.3%	→
20 TeamSystem	2010	Software	Italy	144	14,982	1.7%	88.0%	↑
Top 20 Investments				441,396	767,596	88.0%		



Asper renewable energy

High quality European renewable energy projects managed by Asper Investment Management currently representing 2.6% of the portfolio value (£23 million)

- The Company invested via LP interests in Asper'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, Asper 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.
- Three successful exits in 2017 (in Ireland, Sweden and the UK) and the robust operating performance of the rest of the portfolio contributed to a substantial uplift of over 30% in the NAV of Asper RPP II over 2017.
- The NAV increased further in 2018, thanks to positive developments in the arbitrations against Spain, including successful investor awards in similar claims.
- In September 2019, the Company agreed the sale of the Asper RPP II assets to two strategic buyers, as part of a wider secondary sale process.

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Appendix: Miscellaneous



✖ Hg funds snapshot

All funds **first** or **second** quartile; **improving** as we have **specialised**

Fund	% in Software & Services	Gross	
		Realised	Total
Saturn I (2017) £1.5 billion	100%	-	1.4x / 53%
Mercury 2 (2017) £575 million	100%	-	1.9x / 118%
(Genesis)Hg8 (2017) £2.5 billion	100%	-	1.2x / 25%
(Genesis)Hg7 (2013) £2.0 billion	100%	2.2x / 29%	2.2x / 27%
Mercury I (2012) £380 million	100%	3.2x / 44%	2.6x / 39%
Hg6 (2009) £1.9 billion	84%	2.2x / 18%	
Hg5 (2006) £958 million	42%	2.0x / 16%	
Hg4 (2001) £742 million	41%	2.3x / 32%	

* These funds have utilised a subscription facility to fund initial investments. Note that Hg funds prior to the most recent vintage do not utilise a subscription facility, which we believe would increase net IRR by approximately 2-4%. Returns are as at 30 June 2019, adjusted pro forma for events post-period end.

Benchmarked against Cambridge Associates Q2 2018 ex-US developed markets Private Equity



One of the top 10 performing ISA eligible investment companies over the last 20 years

The AIC's research shows that if an investor had invested each year's maximum ISA limit from 1999 to 2018 – an investment of £206,560 in total – HgCapital Trust would have turned it into £873,222.

	Company name	AIC sector	Investment value at 31/01/2019 if the full ISA limit had been invested annually from 06/04/1999
1	Aberdeen New Thai	Country Specialists: Asia Pacific	£1,070,583
2	Aberdeen Standard Asia Focus	Asia Pacific - Excluding Japan	£966,042
3	Scottish Oriental Smaller Companies	Asia Pacific - Excluding Japan	£956,981
4	Rights & Issues	UK Smaller Companies	£950,500
5	Scottish Mortgage	Global	£932,615
6	BlackRock Smaller Companies	UK Smaller Companies	£903,804
7	Baillie Gifford Shin Nippon	Japanese Smaller Companies	£888,326
8	HgCapital Trust	Private Equity	£873,222
9	Worldwide Healthcare	Sector Specialist: Biotechnology & Healthcare	£860,491
10	TR Property	Property Securities	£845,173



Contact

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