

# HgT

## SaaS and AI go hand in hand

HgT's final FY25 results confirmed the strong underlying last-12-month (LTM) growth in revenue and EBITDA across its portfolio, with final figures at 17% and 19%, respectively (of which 11% and 17% was organic, respectively). This was partly offset by lower comparable multiples and higher net debt across the portfolio used to finance bolt-on M&A, leading to a 4.0% NAV total return (TR) in FY25. HgT's portfolio companies maintain a healthy average EBITDA margin of 33%, which would be even higher if not for the extensive growth investments into AI capabilities, supported by Hg's (HgT's investment manager) well-staffed, dedicated AI product incubator (Hg Catalyst). There are more than 1,600 generative AI (GenAI) projects live across HgT's portfolio, and over 40 agentic products and features have already been launched. Despite the sustained earnings momentum and encouraging initial results of AI adoption, HgT's shares have been caught up in the recent indiscriminate sell-off of software stocks and now trade at a 27% discount to NAV (vs 10-year average of 8%), which implies an average EV to next-12-months EBITDA multiple of c 15x across HgT's portfolio, according to Hg.

### Public equities see the downside, but miss the upside

In our [previous update note](#), we highlighted that, in order to succeed, HgT's portfolio companies have to successfully build innovative AI-driven 'products of action' on top of the base layer and wrap them into appropriate controls. Because SME customers prioritise accuracy, predictability and auditability of the software they use, they will favour AI-augmented products from existing trusted partners (such as HgT's portfolio companies) underpinned by extensive domain expertise over cheaper but more experimental AI-driven solutions. Hg believes that this will allow successful AI-enabled software companies to expand beyond the \$1tn market for software and into the \$60tn market for global labour.

However, public markets have recently focused on the downside risks of AI disruption in software, wiping out the software sector's 50% premium to the LTM P/E multiple of the broader market. Hg's head of research, David Toms, believes that the market's latest reassessment of the quality of software companies is incorrect, and that there is no reason why current lower software valuations should persist if the sector continues to deliver growth above the broader market. HgT's historical NAV TR (14.1% and 17.0% per year over five and 10 years, respectively) has been mostly driven by earnings growth, with no meaningful contribution from the change in multiples over the last two decades.

However, HgT's NAV is likely to be negatively affected by the contraction in comparable public market multiples in Q126, as Hg stated earlier that roughly 20–40% of public comparable movements affect the multiples used for valuing HgT's portfolio (organic earnings growth typically adds c 3% per quarter to valuations). As a broad reference point, we calculate that the recent decline in the median one-year forward EV/EBITDA multiple was c 20% across the broader listed US SaaS universe. Hg highlighted that it had seen a similar divergence between its portfolio and public multiples during the monetary tightening in 2022, during which HgT continued to realise investments at a premium to both public markets and its own carrying values.

Investment companies  
Listed private equity/TMT

12 March 2026

<b>Price</b>	<b>410.00p</b>
<b>Market cap</b>	<b>£1,867m</b>
NAV	561.5p
Discount to NAV	27.0%
Current yield	1.2%
Shares in issue	455.3m
Code/ISIN	HGT/GB00BJOLT190
Primary exchange	LSE
AIC sector	Private equity
Financial year end	31 December
52-week high/low	527.8p 365.5p
NAV high/low	561.9p 531.3p
Net gearing	0.9%

#### 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 solid top- and bottom-line performances.
- Good initial progress in rolling out AI-enabled products.

#### Bear points

- Impact of AI on SaaS is difficult to accurately predict at this stage.
- The impact of a worsening macroeconomic environment on SMEs could 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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## Early 2026 provides initial validation

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Even if public markets are eventually proved wrong in their broad-based de-rating of software stocks, the negative sentiment could weigh on Hg's near-term exit, fund-raising and portfolio debt refinancing activity. However, several facts must be considered in this respect:

- Hg reported robust progress in its fund-raising activity for its latest private funds – Hg Mercury 5 and Hg Genesis 11 – both of which reached their hard caps and were oversubscribed.
- While sentiment has been deteriorating in global private credit markets (partly due to concerns over software's AI disruption), HgT's portfolio has a favourable debt maturity profile, with no significant maturities in 2026 and 2027, as Hg used the benign credit market conditions in 2024 and H125 to refinance a considerable part of the portfolio debt. Hg also underlined good diversification in terms of lenders across private credit, syndicated loans, listed debt and bank lending.
- We highlighted in our last note two recent exits, GTreasury (announced in October 2025) and Intelrad (announced in November 2025, expected to close in Q126), both to strategic buyers, at uplifts to carrying value of 97% and 62%, respectively. We understand that the companies' AI product roadmaps were a key diligence item for the buyers. This may be an indication that pricing in the private markets has already begun to differentiate between the 'AI winners' and the 'AI losers', despite the indiscriminate sell-off in public SaaS companies.
- Lower public software valuations can create take-private opportunities, as illustrated by the recent investment in OneStream, supported by anchor shareholders and founders. The debt process for the transaction concluded in mid-February, and all lenders confirmed the terms they committed to in early January. Moreover, OneStream's equity syndication was oversubscribed, as was the recent equity recapitalisation at Septeo, which allowed HgT to increase the share of fee-free co-investments to 12% of NAV (in line with the 10–15% long-term target). The OneStream and Septeo transactions (both executed in mid-February 2026) jointly represent an equity syndication of \$2bn and were carried out in line with Q425 valuations (which in case of Septeo followed an 18% increase vs end-2024).

Hg's activity in terms of bolt-on M&A has been more muted recently, as Hg prioritised in-house AI projects over acquiring external capabilities given the solid traction in terms of product development and good access to high-quality AI talent. Hg Catalyst focuses on defining narrow workflows with clear success metrics, fast release cycles and the reuse of best practices. While the standard length of the development cycle for more complex agentic AI products is now three to six months, it often allows for the deployment of incremental functionalities throughout the project development process (facilitated by its cloud SaaS setup).

## Hg expects a pick-up in realisations in H226

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The 2025 realisations of £215m represented 8.6% of opening NAV, below the 2022–25 average of 19%, which Hg believes is the result of its investment and realisation cycle. It expects a pick-up in exits, primarily trade sales and/or sponsor-to-sponsor transactions given the less favourable IPO market, in H226. Higher exit activity would further validate HgT's portfolio valuations.

Following the commitments made to the latest vintages of Hg's small-cap (Mercury) and mid-cap (Genesis) funds, HgT's pro forma outstanding commitments at end-2025 reached £2.1bn. HgT's total commitments compare with £374m available liquidity (including an undrawn credit facility of £322m) and translate into a commitment coverage ratio of around 18%, which may look low at first glance. That said, we note that Hg expects £1.9bn of commitments to be called gradually over four to five years and considers the remaining £0.2bn as unlikely to be called. Moreover, the recent new commitments are behind subscription lines at the level of the Hg funds, delaying first capital calls until 2026 (Saturn 4) and 2027 or 2028 (Genesis 11 and Mercury 5). This gives HgT more time to fund its commitments through portfolio realisations.

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