

# Flash update - ICG Enterprise

In its interim results, ICG Enterprise celebrates its promotion to a new index and continued success...

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- Promoted to FTSE 250 - driven by consistent long-term performance
- Continued strong returns - 12.4% NAV total return vs FTSE All-Share return of 10.6% for six months
- Oliver Gardey joins the team - will succeed Emma Osborne as Head of Private Equity Investments

ICG Enterprise Trust (ICGT) invests in profitable unquoted companies, primarily in Europe and the US. It has delivered consistently strong returns for investors, which has culminated in ICGT being promoted to the FTSE 250 Index for the first time at the end of October. This strong performance has been generated by an investment philosophy that targets companies with strong market positions and defensive growth qualities.

The portfolio is split into 'high conviction' investments (ICG managed investments, third-party co-investments and secondary funds) and a portfolio of leading third-party private equity funds, offering investors an exposure to both direct and fund investments.

ICGT has generated a return of 45x on the original £21m of capital raised some 38 years ago. In our view, this encapsulates the long-term outperformance that is achievable through investing in listed private equity, but also the value that the ICGT investment team brings to the company.

ICGT released its interim results (for the six months to 31 July 2019) in early October, which showed a NAV total return of 12.4% for the period. This performance was a further extension of the impressive long-term track record the team has of outperforming the FTSE All-Share, which rose by 10.6% over the same period. Over the past five years, ICGT has delivered NAV total returns of 90.9% compared to the FTSE All-Share return of 38.9%.

A key driver of this performance has been the 'high conviction' portfolio, which ticked up to 43% of the portfolio (vs. 41% at the end of January). Over the last five years, in local currency, the 'high conviction' portfolio has delivered a return of 19% p.a. and the third-party funds portfolio has delivered a p.a. return of 14%. Over the last ten years, the investment portfolio as a whole has generated a p.a. return of 18%.

The performance of the investment portfolio continues to be driven by the earnings growth of the underlying holdings and realisation activity. The top 30 companies, representing 48% of the investment portfolio, are being valued on a multiple 11.9x (vs. 10.9x in January). This increase reflects a change of mix and weightings in the top 30, with only a modest increase in aggregate multiples overall. The top 30 holdings reported LTM revenue and EBITDA growth of 13% and 16%, respectively. This compares to EBITDA growth of just 6% for the FTSE All-Share over the same period.

Over the first six months, there were 25 full exits from the portfolio at an average uplift of 33% to carrying value, consistent with the five-year average. The average return of cost multiple was 2.1x vs. the five-year average of 2.3x. The team remains focused on investments with defensive growth characteristics in sectors with non-cyclical growth drivers, such as healthcare and education, and £64m of capital was deployed in the six months, 38% of which was into high conviction investments.

ICGT also announced that Oliver Gardey had joined the team as Emma Osborne's successor, who will move to a senior advisor role at the end of the year. Oliver has over 20 years' experience in the private equity industry and, for the past decade, has been a partner at Pomona Capital and a member of the global investment committee.

ICGT paid a total dividend per share of 22p in respect of 2019, equating to a historic yield of 2.3%, and has committed to a progressive dividend policy. Currently, ICGT shares trade at a discount to its last reported NAV of c.18%, wider than the peer group average of 15%.

Source: Kepler Trust Intelligence