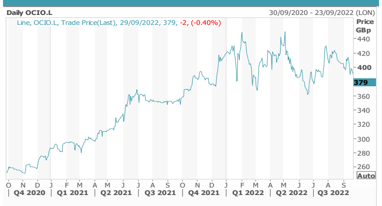
Closed End Investments



Source: Refinitiv

Market data

EPIC/TKR	**OCI**
Price (p)	**388.5**
12m high (p)	454
12m low (p)	348
Shares (m)	176
Mkt cap (£m)	685
NAV p/sh (adj. Jun'22, p)	634
Discount to NAV	39%
Country/Ccy of listing	UK/GBP
Market (UK)	Main Market SFS

Description

Oakley Capital Investments (OCI) has generated market-beating returns from its concentrated, three-sector-focused portfolio of private equity (PE) investments via Oakley Capital (Oakley) PE funds. Oakley has a proven model for sourcing investments, and an excellent track record of identifying resilient value opportunities and delivering superior returns.

Company information

Chair	Caroline Foulger
Ind. NEDs	R Lightowler, F Beck
NEDs	P Dubens, S Porter
Inv. Mgr.	Oakley Capital
Contact	Steven Tredget
	oci-investorrelations@oakleycapital.com

Key shareholders (Aug'22)

Peter Dubens/Directors	11%
Asset Value Investors	9%
Lombard Odier	7%
City of London IM, HL	6%
Sarasin,	5%
Jon Wood & family, Fidelity, II	4%
Hawksmoor	3%

Diary

26 Oct	3Q trading update

Analyst

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Discloser note: The relevant analyst is a shareholder in Oakley Capital Investments.

OAKLEY CAPITAL INVESTMENTS LTD

We reviewed OCI detailed results in our note *1H'22: results prove NAV real, resilient and growing* published on 20 September 2022. We highlighted why its latest disclosures should, abate any worries about whether the NAV was real or whether it could grow, negating what we believe is driving a sector wide NAV discount. In particular, we noted: i) realisations, on average, 52% above carrying value, ii) 18% growth in investee company EBITDA (which accounts for around three quarters of NAV growth), iii) a PEG ratio of 0.8x, iv) 93% of multiple expansion driven by exit uplifts, and v) average EV/EBITDA ratings below listed market levels, despite subsectors that attract high ratings. Oakley adds value to companies in all economic environments, especially uncertain ones.

- **Robust valuation:** This report reviewed why investors can trust the current NAV. Putting aside independent checks and balances, the bottom line is that other investors pay more for the assets than that at which Oakley values them (uplifts on exit), and there is no incentive for Oakley to inflate the valuation.
- **Sustained outperformance:** OCI's five-year NAV total return CAGR to June 2022 was 23%. It is focused on structural growth sectors and subsectors with proven economic resilience. Oakley's operational, strategic and financial support is incrementally more valuable in a downturn than in good times.
- **Valuation:** Against the end-June NAV, OCI trades at a 39% discount, despite its strong absolute, peer, and market-beating, relative performance. OCI has delivered consistently, with especially robust performance through COVID-19, demonstrating its downside resilience. OCI yields 1.2%.
- **Risks:** While OCI's costs are slightly above-average, post-expense returns are still market-beating. Sentiment towards economic cycles may be adverse, even though downside protection has been proved repeatedly. OCI's portfolio is concentrated, and we believe its permanent capital is right for private assets.
- **Investment summary:** OCI provides investors with liquid access to the attractive PE market, enhanced by Oakley's incremental origination and active management skills. Oakley Funds focus on mid-market, tech-enabled European companies that operate in the technology, consumer and education sectors. Accounting and governance appear conservative. There are risks – primarily sentiment-driven – around costs and cyclicality, as well as the liquidity and valuation of the underlying private assets. There is potential upside from the one-off closing of the discount, but this may be considered against the compounding benefits from NAV growth.

Financial summary and valuation

Year-end Dec (£m)	2018	2019	2020	2021	2022E	2023E
Interest income	6,629	9,218	10,466	10,073	15,147	14,079
Realised gains	102,314	17,840	208,536	56,593	70,040	30,212
Unrealised gains	(23,877)	127,741	(133,086)	191,335	200,000	151,060
Total income	88,432	153,157	100,006	252,485	286,180	195,652
Costs	(6,434)	(17,888)	(7,620)	(3,751)	(5,000)	(5,000)
EPS (p)	40.0	66.3	47.9	138	161	110
NAV per share (£)	2.81	3.45	4.03	5.38	7.00	8.05
S/P discount to NAV*	33%	38%	22%	29%	44%	52%
Investments	470	661	505	799	1,129	1,369
DPS (p)	4.5	4.5	4.5	4.5	4.5	4.5

**2018-21 actual NAV and share price, 2022-23 forecast NAV to current share price*
Source: Hardman & Co Research