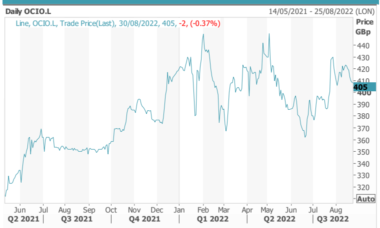
HARDMAN&CO.

Closed End Investments



Source: Refinitiv

Market data

EPIC/TKR	**OCI**
Price (p)	**408**
12m high (p)	454
12m low (p)	348
Shares (m)	176
Mkt cap (£m)	720
NAV p/sh (adj. Jun'22, p)	634
Discount to NAV	36%
Country of listing	UK
Currency	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 (Feb'22)

Peter Dubens/Directors	11%
Asset Value Investors	9%
Lombard Odier	8%
City of London IM, HL	6%
Sarasin, Hawksmoor (Apr)	5%
Jon Wood & family, Fidelity, II	4%

Diary

8 Sep	Interim results

Analyst

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

OAKLEY CAPITAL INVESTMENTS LTD

The *2Q trading update* noted i) NAV per share of 630p and NAV of £1,119m, ii) a total NAV return per share of 11% since 31 March 2022 (+61p) and of 17% since 31 December 2021 (+94p), iii) £30m in new investments during the period, iv) ca.£112m share of sale proceeds expected post period-end, and v) new £100m revolving credit facility adds flexibility and liquidity. 67% of the increase in the portfolio's value came from EBITDA growth and 33% from multiple expansion; the latter driven by exits, all of which were at large premiums to prevailing book values. Of the 63p NAV gain, 46p came from valuation gains, and 11p from forex. We will review our forecasts in the light of the details given with the 8 September results.

- *Partial exit from Seedtag*: On 27 July, OCI announced the partial exit from Seedtag with its share of proceeds being £13m, adding 4p (1%) to the NAV. The critical issue is that a digital advertising business was sold at a premium to carrying value showing the accounting conservatism in the NAV.
- **Results preview:** We expect a continuation of recent results themes: i) revenue/EBITDA growth well ahead of listed markets and consequently a low PEG ratio; ii) focus ion sectors with secular growth; iii) value added by the entrepreneur network; iv) stable debt metrics; and v) resilient outlook.
- **Valuation:** Against the end-June NAV, OCI trades at a 36% 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 1.1%.
- **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 (forecasts will be reviewed with results on 8 September)

Year-end Dec (£m)	2018	2019	2020	2021	2022E	2023E
Interest income	6,629	9,218	10,466	10,073	12,622	11,733
Realised gains	102,314	17,840	208,536	56,593	20,040	26,243
Unrealised gains	(23,877)	127,741	(133,086)	191,335	120,238	131,217
Total income	88,432	153,157	100,006	252,485	153,171	169,465
Costs	(6,434)	(17,888)	(7,620)	(3,751)	(10,000)	(10,000)
EPS (p)	40.0	66.3	47.9	138	82	92
NAV per share (£)	2.81	3.45	4.03	5.38	6.20	7.08
S/P discount to NAV*	-38%	-22%	-29%	-22%	-34%	-42%
Investments	470	661	505	799	997	1,211
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