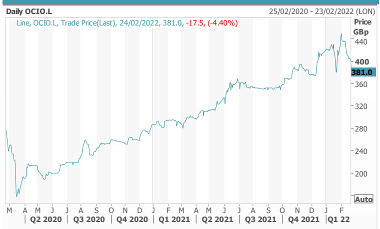
## Closed End Investments




*Source: Refinitiv*

## Market data

| | |
|---|---|
| EPIC/TKR | **OCI** |
| Price (p) | **398** |
| 12m High (p) | 454 |
| 12m Low (p) | 279 |
| Shares (m) | 178.6 |
| Mkt cap (£m) | 711 |
| NAV p/sh (Dec'21, p) | 538 |
| Discount to NAV | 26% |
| Country of listing | UK |
| 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. Mgrs. | Oakley Capital |
| Contact | Steven Tredget |
| | *investorrelations@oakleycapital.com* |

## Key shareholders

| | |
|---|---|
| Peter Dubens/Directors | 11% |
| Asset Value Investors | 9% |
| Lombard Odier | 8% |
| City of London IM, HL | 6% |
| Sarasin | 5% |
| Jon Wood & family, Fidelity | 4% |
| Hawksmoor, II | 3% |

## Diary

| | |
|---|---|
| 10 Mar | Full-year results |

## Analyst

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# OAKLEY CAPITAL INVESTMENTS LTD



OCI's *trading statement* to end-Dec'21 was very positive, continuing the strong NAV growth of recent periods. We focused on one area in our note *Educating on education* (9 February 2022) highlighting he sector's i) structural growth, ii) defensive revenue, iii) high barriers to entry, iv) strong ESG credentials and v) scarcity of scale assets. PE adds value with i) bolt-on strategies in fragmented markets, ii) tech-enablement and digitalisation skills, iii) transferability of expertise, and iv) increasing commercialisation of returns. Oakley was an early and active education investor. Education investments were 27% of OCI's NAV as at June 2021. The most recent exit was at an IRR of 43%.

- **Education as the new healthcare:** Education, like healthcare, constitutes a huge part of the economy and has defensive cashflows. Listed and PE involvement in healthcare is substantial but, in education, has yet to reach global scale. It is growing very rapidly and Oakley is leading the charge.
- **Why Oakley/OCI?** Oakley has a strong track record as one of Europe's most prolific PE education investors. Leveraging technology, internationalisation and M&A expertise, it has successfully grown offline and online platforms in primary, secondary and tertiary education, as well as in professional learning.
- **Valuation:** Against the end-Dec NAV, OCI trades at a 26% discount, despite its strong absolute, and 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. We believe buying long-term, compounding growth is the key attraction, with any further closing of the discount to NAV an added bonus. The current 26% discount is less than one-year's average recent NAV total return.

## Financial summary and valuation

| Year-end Dec (£m) | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E |
|---|---|---|---|---|---|---|
| Interest income | 7,722 | 6,629 | 9,218 | 10,466 | 11,753 | 11,415 |
| Realised gains | 23,991 | 102,314 | 17,840 | 208,536 | 38,366 | 22,140 |
| Unrealised gains | 20,316 | (23,877) | 127,741 | (133,086) | 206,369 | 110,702 |
| Total income | 51,496 | 88,432 | 153,157 | 100,006 | 252,793 | 144,508 |
| Costs | (6,571) | (6,434) | (17,888) | (7,620) | (4,000) | (4,000) |
| EPS (p) | 22.0 | 40.0 | 66.3 | 47.9 | 139 | 79 |
| NAV per share (£) | 2.45 | 2.81 | 3.45 | 4.03 | 5.38 | 6.13 |
| S/P discount to NAV* | -33% | -38% | -22% | -29% | -22% | -35% |
| Investments | 420 | 470 | 661 | 505 | 857 | 1,046 |
| DPS (p) | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |

*Note: OCI's 2017 costs restated to include interest per 2018-19 treatment, *2017-20 actual NAV and share price, 2022 forecast NAV to current share price; Source: Hardman & Co Research*