

Closed-Ended Investment Funds



Source: Refinitiv

Market data

EPIC/TKR	OCI
Price (p)	293
12m High (p)	293
12m Low (p)	158
Shares (m)	180.6
Mkt Cap (£m)	529
NAV p/sh (p)	403
Disc. to NAV	27%
Market	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

Chairman	Caroline Foulger
Ind. NED	R Lightowler, F Beck
NED	P Dubens, S Porter
Inv. Mgrs.	Oakley Capital
Contact	Steven Tredget
	investorrelations@oakleycapital.com

Key shareholders

Asset Value Investors	13%
Peter Dubens	10%
Sarasin	7%
City of London IM, Barwon	6%
Lombard Odier & Fidelity	5%
Jon Wood & family	4%
Rothschild WM & Jupiter	3%

Diary

Mar'21	Full-year results
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Analyst

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OAKLEY CAPITAL INVESTMENTS LTD

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We reviewed OCI's PE model in our notes, *When it rains gold, put out the bucket*, published on 1 September 2020, and *NAV: conservative, robust and with growth upside*, published on 3 December 2020. We identified a unique competitive advantage in its manager's relationship with an entrepreneur network that brings expertise, market knowledge and new opportunities. Despite market conditions, OCI delivered an 18% total NAV return per share in 2020. With £223m of cash at the end of 2020, it is well positioned to exploit the above-average returns we expect on 2021 new business. The 27% discount to NAV appears anomalous with long-term returns and this outlook.

- **December trading update:** The 18% total NAV return per share was driven by 10 companies (44% of NAV), which, in 2020, met or exceeded expectations with tech-enabled business models. A further four companies saw only a modest COVID-19 impact, and just three (13%) saw a significant pandemic impact.
- **Portfolio news:** On 7 January, OCI announced the *sale of the DWS division of the Daisy Group*, with proceeds of £22m, a 33% premium to the June 2020 carrying value and adding 5p to OCI's NAV. On 26 January, OCI announced a €43m investment in *idealista*, an online real estate classifieds platform in Southern Europe.
- **Valuation:** Against the end-December NAV, OCI trades at a 27% discount, despite its absolute (10-year 156% total NAV return to June 2020) and relative (Oakley Funds II & III top-quartile/5% by different measures) performance. OCI's dividend yield is ca.2%. Relative to peers, the discount is unusually high.
- **Risks:** While OCI's costs are slightly above-average, post-expense returns are still market-beating. Sentiment towards the global economic cycle is likely to be adverse, even though outperformance has been delivered in downturns. OCI's portfolio is concentrated. 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 management skills. The Oakley Funds are focused on mid-market, tech-enabled Western European companies that operate in the consumer, education and technology sectors. Accounting and governance appear conservative. There are risks – primarily sentiment-driven – around costs and cyclicity, as well as the liquidity and valuation of the underlying private assets. Buying a business with a record of outperformance at a discount to NAV is an additional attraction, we believe.

Financial summary and valuation

Year-end Dec (£m)	2017	2018	2019	2020E	2021E
Interest income	7,722	6,629	9,218	10,945	11,985
Realised gains	23,991	102,314	17,840	210,000	13,214
Unrealised gains	20,316	-23,877	127,741	-93,160	66,068
Total income	51,496	88,432	153,157	128,252	91,734
Costs	-6,571	-6,434	-17,888	-37,088	-20,856
EPS (p)	22.0	40.0	66.3	47.1	39.2
NAV per share (£)	2.45	2.81	3.45	4.03**	4.38
S/P discount to NAV*	-33%	-38%	-22%	-27%	-33%
Investments	420	470	661	579	765
DPS (p)	4.5	4.5	4.5	4.5	4.5

Note: OCI 2017 costs restated to include interest per 2018-19 treatment; *2017-19 actual NAV and share price, 2020-21 forecast NAV to current share price; **actual, Source: Hardman & Co Research