16 March 2022

HARDMAN & CO.

OAKLEY CAPITAL INVESTMENTS LTD

Proving the pudding: a sustainable growth model

OCI's full-year results were strong, with an annual total NAV return of 35% (three quarters of which was driven by underlying company EBITDA growth of 28%). This brings OCI's five-year CAGR NAV total return to 19%, and is driven by i) high-growth companies/sector champions with structural tailwinds and often digital disruption benefits, ii) repeatable and proprietary sourcing, and post-acquisition support from its unique entrepreneur network, iii) recurring/subscription revenue streams, and iv) M&A-led value creation. The outlook is for more of the same. A £20m buyback has been announced, and quarterly reporting starts in April. The 23% discount to NAV appears anomalous with absolute and relative performance.

- **Business model growth:** The key message from these results is how sustainable growth is generated. The 28% EBITDA growth has not been generated by accident, or luck, but reflects how the model works, and the value added by Oakley Capital on an ongoing, repeatable, play-book basis. That is what investors are buying into.
- **Outlook:** OCI's £336m commitment to Fund V evidences its confidence in near-term opportunities for new investments. The 2021 momentum in existing businesses appears strong, with limited exposure to inflation/interest rate/Russian-related risk. The model has proven resilience to broader economic downturns.
- **Valuation:** Against the December NAV, OCI trades at a 23% discount, despite its absolute (five-year CAGR 19% total NAV return) and relative performance. The 2021 total NAV return of 35% is significantly greater than the discount, with the latter reflecting the "icing on the cake", rather than the reason to buy, we believe. OCI yields 1.1%.
- **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, 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. This space provides structural growth, as well as opportunities for Oakley Capital to add operational, strategic and financial value to the business acquired. Accounting and governance appear conservative, with an average 50% uplift to carrying value in exit since inception. There are risks – primarily sentiment-driven – around costs and cyclicality, as well the liquidity and valuation of the underlying private assets.

Financial summary and valuation

Year-end Dec (£000)	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 disc. to NAV*	-38%	-22%	-29%	-22%	-33%	-42%
Investments (£m)	470	661	505	799	997	1,211
DPS (p)	4.5	4.5	4.5	4.5	4.5	4.5

**2018-21 year-end actual, 2022-23 forecast NAV on current s/p, Source: Hardman & Co Research*

Inv. banking & brokerage services

Source: Refinitiv

Market data

EPIC/TKR	**OCI**
Price (p)	**412.5**
12m high (p)	454
12m low (p)	291
Shares (m)	178.6
Mkt cap (£m)	737
NAV p/sh (Jun, p)	538
Disc. to NAV	23%
Country of listing	UK
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
NEDs	P Dubens, S Porter
Inv. Mgrs.	Oakley Capital
Contact	Steven Tredget

investorrelations@oakleycapital.com

Key shareholders (31 Dec'21)

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

Diary

27 April	1Q NAV update

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Shares in OCI are traded on the Specialist Fund Segment of the main market of the London Stock Exchange and are intended for institutional, professional, professionally advised and knowledgeable investors primarily seeking exposure to private mid-market UK and Western European businesses through investment in the Oakley Capital Private Equity Funds (or successor Funds) and: (a) who understand and are willing to assume the potential risks of capital loss associated with investments in such companies, (b) who understand the illiquid nature of private equity compared to other asset classes, (c) for whom an investment in OCI's shares would be of a long-term nature constituting part of a diversified portfolio, and (d) who understand, or who have been advised of, the potential risk from investing in companies admitted to the Specialist Fund Segment.

OCI is not subject to the UK City Code on Takeover and Mergers.

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FY'21 results summary

In 26 January trading update, OCI pre-announced number of key facts, including NAV, cash and commitments

Also reported core business lines, such as investee company performance, investments and realisations, impact of buybacks

In its 26 January July 2022 trading update, OCI announced highlights including the following: i) NAV per share of 538p; ii) total NAV return per share of 35% and total shareholder return of 48%); iii) that OCI had invested £137m and received proceeds of £121m; iv) year-end cash of £163m; and v) outstanding Oakley Funds' commitments of £404m. In addition, post year-end, OCI announced an initial €400m (£336m) commitment to Oakley Fund V. We also learnt the following from the update and previous RNS announcements:

- OCI's £137m investment was attributable to new investments of £106m, comprising idealista, Dexters and ICP Education in Fund IV, ECOMMERCE ONE, Seedtag and a reinvestment in ACE Education in the Origin Fund. Fund IV's reinvestment in TechInsights is expected to complete post period-end. Follow-on investments were £31m, comprising Windstar Medical (Fund IV), Grupo Primavera, Globe-Trotter (Fund III) and North Sails (Fund II and direct).
- Total proceeds of £121m consisted of £38m of realisations (the exit of ACE Education at 2.1x gross money multiple, the partial sale of Daisy Group's stake in the Digital Wholesale Solutions division and the repayment of debt by Daisy Group). Post period-end, the exit of TechInsights is expected to generate a gross money multiple of ca.18.7x, with OCI's share of proceeds at ca.£58m. Refinancings totalled £83m, and included IU Group, Contabo and 7NXT. OCI also completed the buyback and cancellation of 2m shares at an average price of 354p per share during the period, resulting in an NAV uplift of ca.1p.

With the results, we learnt that…

With the more detailed results announced on 10 March 2022, we further learnt that:

…average portfolio company EBITDA growth had accelerated to 28%, vs. 20% in FY'20…

- NAV growth was driven by earning growth, with average portfolio company YoY EBITDA growth of 28% (FY'20 20%). This increase reflects the choice of sector, the tech-enabled business models, and the value added by the Oakley Capital team and entrepreneur network. While this is an acceleration on FY'20, it is consistent with pre-pandemic levels.

…average EV/EBITDA was up modestly, at 13.9x (PEG of 0.5x, down from 0.6x at June)…

- The average portfolio company EV/EBITDA valuation was 13.9x (FY'20 11.8x, FY'19 12.1x, FY'18 12.6x), giving an undemanding average PEG of 0.5x (1H'21 0.6x). The PEG ratio is down on the interim stage, and the rating is well below listed market ratings in sectors achieving growth at such levels.

…and debt/EBITDA has remained broadly stable

- 70% of portfolio companies deliver their products or services digitally – a proportion that has remained consistent. New non-digital businesses are added to the portfolio, and then upgraded under Oakley Capital management.
- Average net debt/EBITDA was 4.2x (FY'20 3.9x, FY'19 3.7x, FY'18 3.8x), reflecting a small number of bolt-on deals.
- The key company drivers of NAV movement were again i) IU Group (+52p, global student intake, EBITDA +68%), ii) Tech Insights (+24p, sale of business at 131% premium to book), and iii) Wishcard Technologies (revenue growth 68%, e-commerce more than doubled), partially offset by FX effects of -22p.
- Cash was £163m, with total outstanding commitments of £404m increasing to £740m with the commitment to Fund V announced post year-end.
- The outlook comment was "*High earnings growth and a promising pipeline of investments and realisations position Oakley and OCI for strong NAV progression in the year ahead. To date, there has been no material impact on Oakley or on its portfolio companies from the war in Ukraine or from new sanctions imposed on Russia and Belarus*". A £20m buyback has also been announced.

Sustained returns in 2021

Summary

OCI delivered 35% total NAV return, driven by 28% EBITDA growth in underlying companies. Growth is core to understanding OCI .

OCI attributes 76% of the increase in its portfolio to the underlying company EBITDA growth and 24% to multiple expansion. The core to understanding how OCI was able to deliver such a strong NAV return (35% in 2021) is thus to appreciate how its underlying businesses delivered their 28% EBITDA growth. We believe the reasons include:

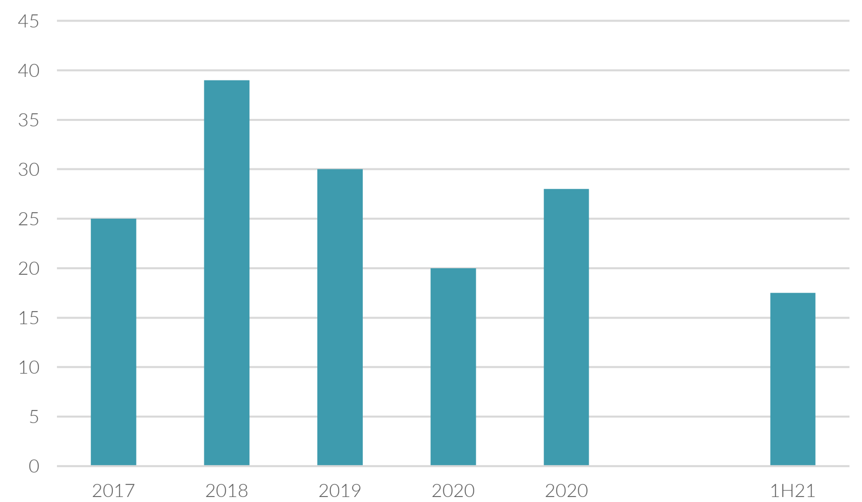
- Oakley Capital has focused on areas with structural growth prospects, such as business migration to cloud, consumer shift online, and the growing demand for quality, accessible learning.
- Having tech-enabled businesses, accessing superior growth with scalable models and downside resilience.
- The active operational, strategic and financial support that Oakley Capital provides to its investee companies. In particular, Oakley Capital sees value added in improving the quality of earnings, enhancing digitalisation capacity, leadership development, and facilitating and executing buy and build strategies.

The inherent value created by Oakley Capital is then recognised by other (usually trade/financial) buyers who pay significant premiums above carrying values when Oakley Capital chooses to exit.

EBITDA growth at underlying companies accelerated in 2021

The chart below shows the EBITDA growth of OCI's investee companies over the past five years. They averaged a very impressive 28% in 2021. Importantly, this average has returned to pre-pandemic levels, despite OCI making a number of new investments, which have yet to fully benefit from the earnings enhancement that may be expected during their tenure under Oakley Capital's ownership. The chart also highlights that the growth accelerated in the full year compared with the 1H'21 level, showing that this was not due to a pandemic recovery bounce, but was rather a structural feature of the model.

Underlying average EBITDA growth rate (%)



Source: OCI, Hardman & Co Research

Businesses with structural growth

Being in markets with structural growth

Oakley is focused in just three sectors – technology, education and consumer – but, importantly, within these sectors, it targets sub-sectors and businesses that have structural growth opportunities. These are driven by socio-economic trends across a range of factors, including:

- the accelerating shift to online for consumers;
- businesses migrating onto the cloud; and
- increasing global demand for quality education and learning (see our note, *Educating on education,* published on 9 February 2022).

Case studies like IU Group, TechInsights and Wishcard show how strong growth can be after a few years of Oakley Capital ownership

The average portfolio company 28% EBITDA growth shows how strongly the businesses performed. IU Group reported intake, revenues and EBITDA growth of 34%, 62% and 68%, respectively, against a strong previous year, as it further strengthened its position as Germany's largest and fastest-growing university group. TechInsights' run rate revenues and EBITDA were up 31% and 15% against the prior year, respectively. Wishcard reported revenue growth of 68%, with e-commerce sales more than doubling.

Tech-enabled businesses

Most of Oakley's investee businesses are tech-enabled, with recurring revenue streams

The portfolio investments of Oakley Funds – and so of OCI – have, for some time, been focused on businesses with a strong digital presence and, as at December 2021, over 70% were digital/tech-enabled, despite new (less-modernised) businesses constantly being added to the portfolio. Oakley Capital has a track record of helping analogue businesses to digitise by launching ecommerce channels or boosting internal processes and controls to improve data analysis in order to support decision-making. Tech-enabled businesses not only have economies of scale but typically can access faster growth and new markets, and show considerable downside resilience.

Oakley support for investee companies

Being backed by Oakley Funds and OCI gives investee companies support they could not get as standalone entities

In *our initiation,* we highlighted how Oakley Capital gives investee companies financial strength and incremental support that they could not get as standalone entities. With these results, management summarised the advantages as i) assistance improving quality of earnings, ii) digitalisation, iii) leadership development, and iv) and "Buy and Build". By way of example, OCI's 2021 *Report and Accounts* (page 24) highlights how "*Oakley can assemble entire new management teams as well as recruit for critical roles such as sales, marketing, technology and finance. With founder-led businesses, Oakley will often strengthen management by building out a team to support entrepreneurs or formulate a succession plan*", and we note that, since inception, Oakley's ca.40 platform investments have made more than 100 bolt-on deals.

Undemanding valuation ratings

Valuation ratings rose slightly in 2H, but PEG ratio down from 0.6x to 0.5x

The chart on the next page shows the average EV/EBITDA rating over the past four years. In 2021, there was a rise on prior years to 13.9x, from 11.8x in 2020 (1H'21 12.3x), but we would highlight that the PEG ratio of 0.5x is down from 0.6x at the half year. While the rating has increased by 13% in the second half, the rate of growth in EBITDA has accelerated by 40% – so the PEG ratio has fallen. We understand that just over half of the value created through multi-expansion was due to TechInsights, which obviously wasn't a speculative increase in multiple terms, but was the result of an agreed sale.

Also note exit premiums average 50% above book, no incentive to inflate NAV, limited market comparison…

…and so deal mix may have impact in specific period

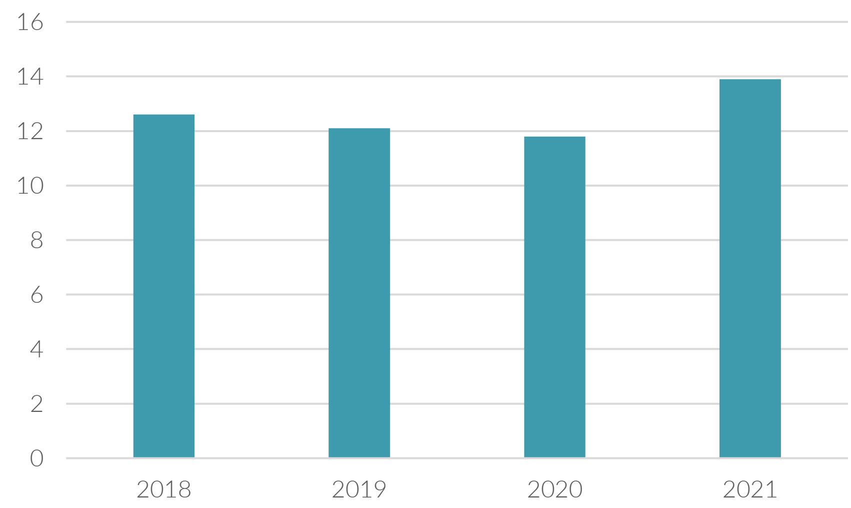
NAV subject to usual independent verification

We also note:

- The real valuation is determined by the price buyers being willing to pay when Oakley Capital chooses to sell. Since inception, the exit premiums have averaged 50% over carrying value, which is indicative of a conservative approach to the valuation.
- There is no financial incentive for the manager to inflate the NAV, as performance fees are not paid on the NAV, but on the value generated on realisation. If interim valuations were over-inflated, the manager's reputation would be damaged by having to then write down on realisation.
- Many of the investments do not have ready market peers, and, like many others in the PE space, Oakley Capital's ratings are driven by entry and peer deal valuations, rather than market multiples.
    - This may create a sensitivity to deal activity, rather than the market rating – so, for example, the rating on IU Group was increased on the 2021 re-financings, as new investors bought into that group, rather than being driven by any change market peers.
    - Buying well is a core PE competency, and we note that the average long-term entry multiple for Oakley Capital is 9.4x, against the industry average of 12.1x. We understand that most of the acquisitions in the most recent Fund IV have been at multiples of ca.12x EBITDA, while comparable businesses are trading at 16x. This mix effect will increase the average weighting.

As noted in our initiation, there is the usual independent verification through the auditing (KPMG) and valuation (Grant Thornton) processes.

Underlying average EV / EBITDA multiple (x)



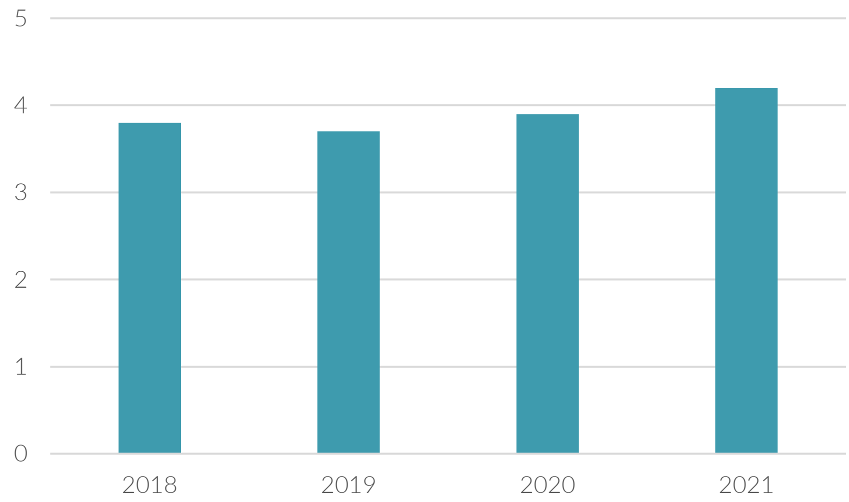
Source: OCI, Hardman & Co Research

Net debt/EBITDA

Net debt/EBITDA broadly stable

The chart below shows the average net debt/EBITDA for OCI's portfolio companies. We would characterise this as broad stability over the past four years, with the modest small rise in 2021 reflecting bolt-on deals in that year and normal financial restructuring in a period when markets were anticipating rising interest rates. Oakley does not believe that there is any fundamental trend in the debt metrics.

OCI's investee company average net debt/ EBITDA



Source: OCI, Hardman & Co Research

Realisations above book values

Oakley (and so OCI) has long track record of selling at prices well above carry values

Oakley has a long and sustained track record of making sales at prices well above the carry cost of investments (average since inception 50%). The sale of TechInsights at a 131% premium to NAV was completed post year-end. The exit generated a ca.19x return and a ca.82% IRR for Fund III. As part of the transaction, Fund IV reinvested in the business to benefit from its strong future growth potential. OCI's share of proceeds was ca.£60m.

Outlook

Returns going forward should be sustained by uniquely strong origination, value added during ownerships and continued realisations

Many of the features that delivered the 35% NAV return position OCI well for the future, most notably with regard to the focus on tech-enabled businesses and being in businesses with structural growth. Oakley Capital has commented that 2022 is likely to be a good year for investment opportunities. We also note:

- Its continued competitive advantage from the unique origination platform through its network of entrepreneurs – this is a key ingredient in identifying and managing complex deals, where Oakley Capital has now backed some of its partners three or four times. We noted, in our initiation, that Oakley Funds' investments were purchased below comparable deal valuation multiples, and, since Oakley was founded, more than 75% of deals were uncontested. These entrepreneurs, in turn, have committed €400m to Oakley Funds.

- OCI's investments are in tech-enabled businesses delivering strong current earnings growth, and not in technology businesses whose valuations are reliant on some future uncertain terminal value discounted at interest rates that may rise with inflation. Much of the fall-out in technology valuations does not apply to OCI.

- On the results call, management commented that it expected to "*deliver a range of benefits in 2022*":

  - There are a number of recently acquired businesses where the operational value enhancement has yet to be created, and this may be expected to be more visible in 2022.

  - The fact that OCI, post the year-end, committed £336m to Oakley Capital Fund V indicates that the manager sees significant opportunities for new investments.

  - Continued realisation uplifts from the historical portfolio, with a number of investments now approaching the natural stage when they may be expected to be harvested (four to five years post investment). Given the focus in the mid-market and the significant sums raised by PE funds in recent years, it appears reasonable to expect realisations in FY'22, which, in turn, will drive NAV and increase commitment cover.

- In terms of inflation risk to investee companies, many have relatively low operational costs and high cash generation. With relatively modest debt gearing and typically structured debt, rises in interest costs appear manageable. Many have strong pricing power with dominant market positions, or they represent relatively small sums for the end-consumers (e.g. the training costs for sailors relative to fuel costs in shipping). Oakley Capital's management appears confident that the current inflation risk is manageable.

- We also note the specific comment that "*To date, there has been no material impact on Oakley or on its portfolio companies from the war in Ukraine or from new sanctions imposed on Russia and Belarus. Oakley continues to closely monitor the situation*".

On the call, management indicated that, while still early in the year, trading was in line with expectations, which, as we noted above, is for a strong performance.

Commitments and liquidity

Commitments expected to be drawn over several years

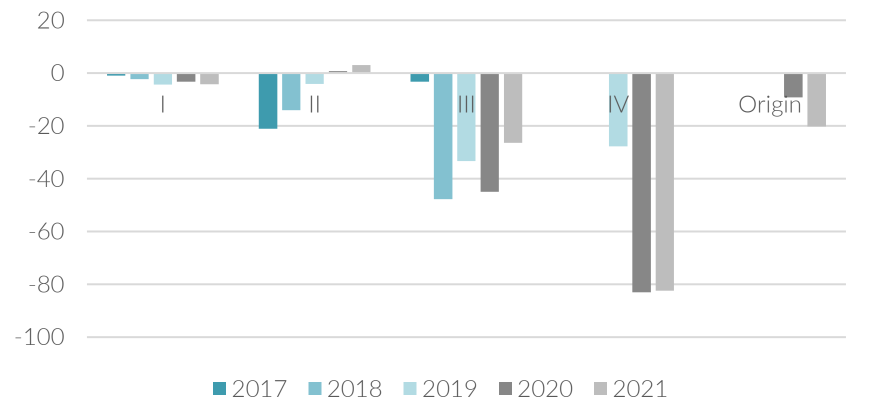
Outstanding commitments at end-2021 were £404m, down from £438m at the half year and £534m at the end of 2020. This rose to £740m post year-end with the commitment to Fund V; of this amount, £224m is not expected to be drawn, and £163m is covered by existing cash, leaving £353m of uncovered commitments. We note:

- Management comments that the uncovered amount is "*expected to be funded from proceeds in the next 12-24 months*" (2021 proceeds were £121m).
- £336m of the £353m undrawn commitments were made after the year-end to Fund V, and are likely to be drawn over several years, not immediately.
- OCI has no debt at the listed level and, given the range of its investments and NAV, it is likely to be able to have substantial borrowing capacity.
- Unlike investors in third-party funds, the timing of any call by an Oakley fund on OCI will be decided by Oakley management.

OCI's liquidity needs to include its share of debt at Oakley Funds

Oakley Funds have already borrowed to make investments and, in due course, will make the call on OCI. This is standard practice, and OCI discloses its share of other assets and liabilities in each Oakley fund. These now total a net liability of £130m, down £10m compared with end-2020. These other liabilities, including £82m at Fund IV, £20m at the Origin Fund (nil) and £26m in Fund III, reflect their relative stage of development.

OCI's share of each Oakley Capital Funds' other assets and liabilities (£m)



Source: OCI, Hardman & Co Research

Fund debt is normal course of business, and reflects deployment of capital at optimal time. It gears returns for OCI shareholders, and will reduce perceived cash drag.

When the Oakley Capital Fund makes the call on OCI, it will reduce both cash and outstanding commitments. From our perspective, the key points are as follows: i) historically, capital deployed immediately after a crisis has generated some of the best-performing PE cohorts, and so the deployment of funds made in 2020/21, as reflected by the higher fund gearing, was likely to be a good thing; ii) borrowing at the fund level increases the long-term returns for OCI's investors; iii) some borrowing is always likely to be present at the fund level; iv) Oakley Capital controls the calls from the funds, and it would be improbable that it would do anything to stretch OCI's financial position; and v) the cash at the OCI level will be perceived as a drag on performance until it is deployed (as Oakley Funds make the calls on OCI, and so reduce cash levels, this perceived drag will reduce).

Other issues

OCI looking to report quarterly and, in due course, move listing from restricted SFS and onto main market

We note further actions to reduce the discount:

- In particular, OCI is moving to quarterly reporting (starting on 27 April 2022), rather than the current six-monthly schedule. This would allow a steady stream of NAV updates into the market.
- Given the restrictions that some platforms (e.g. Barclays) apply to shares listed on the Specialist Fund Segment of the LSE, the board continues to review a move to the main market, although the timing is unknown.

Bought back 2m shares after period-end

- On 29 July 2021, OCI bought back 2m shares at 354p (after buying back 18m shares, 9% of opening shares in issue, in FY'20), well below the prevailing NAV, and so enhancing the NAV per share. It announced, on 10 March 2022, a new programme to buy back up to a further £20m.

ESG policies being developed and enacted

OCI's ESG disclosure is on pages 66-71 of the annual Report and Accounts. Oakley Capital believes that identifying, assessing and managing ESG performance can help create more successful, resilient and sustainable businesses. It does this at several stages: pre-investment (to screen and identify potential ESG risks and opportunities) and post-investment (as an active and engaged owner, by engaging with management teams to improve ESG performance). Oakley Capital recently rolled out a formal portfolio ESG monitoring and reporting platform for its portfolio companies. OCI, as part of its ESG improved disclosure, will move to quarterly NAV reporting starting on 27 April 2022.

Director dealing

Investors will no doubt note the multiple director dealing after the trading update at the end of January, including purchases by Richard Lightowler (25k at 419p, 12.2k at 390p), Fiona Beck (9.5k at 417p), Caroline Foulger (10k at 417p) and David Till (49.8k at 401.25p). In relation to Peter Dubens' 10% stake, the holdings are small, but the message sent by multiple buying in the market is very positive.

Portfolio

The details of the portfolio are given below. In considering movements between June and December, there a range of moving parts, including new investments (such as bolt-on deals), refinancing, partial disposals, currency moves, etc. We have highlighted the key business drivers affecting OCI's overall NAV earlier (IU Group's global student intake, TechInsights' sale of business at a 131% premium to book, and Wishcard Technologies' e-commerce more than doubling). Among some of the smaller names, we note Grupo Primavera, which was ahead of expectations, with organic revenue growth of 12% (in addition to M&A in the period and a multiple rerating, given its scale and now comparable private peers), and Dexters, which reported 31% YoY revenue growth in a strong housing market.

Key metrics for portfolio companies, as at June 2021

Company	Fund	Residual cost (£m)	June valn. (£m)	Dec valn. (£m)
Technology				
WebPros	IV	43.4	55.6	61.6
TechInsights	III	0.3	25.8	58.4
Grupo Primavera	III	33.9	22.6	43.2
Contabo	IV	0	18.4	13.7
Seedtag	Origin	7.2	n/a	8.7
Daisy Group	II	8.4	11.5	7.5
ECOMMERCE ONE	Origin	5.7	5.8	5.9
Total				**199**
Consumer				
North Sails*	II + direct	n/m	145.2	159.1
Time Out*	I + direct	n/m	73.0	72.5
Idealista	IV	40.6	41.5	58.3
Facile	III	19.5	40.3	43.2
Wishcard Technologies Group	IV	15.5	29.4	38.7
Windstar Medical	IV	31.4	29.2	31.4
Dexters		13.4	14.7	29.2
Iconic BrandCo	III	13.1	16.5	20.3
7NXT	Origin	4.6	13.9	9.7
atHome	III	0	8.5	7.9
Total				**470.3**
Education				
IU Group	III	0	99.0	131.2
Schülerhilfe	III	29.4	45.9	46.1
Ocean Technologies	IV	20.4	26.6	38.5
ICP Education	IV	26.3	26.9	27.0
ACE Education	Origin	9.5	15.8	9.5
Total				**252.3**

Note: residual cost may be zero where OCI has received back entire cost of investment
**OCI's valuation of North Sails and Time Out includes both direct and indirect investments (in R&A, only residual cost of fund investments presented)*
Source: OCI, Hardman and Co Research

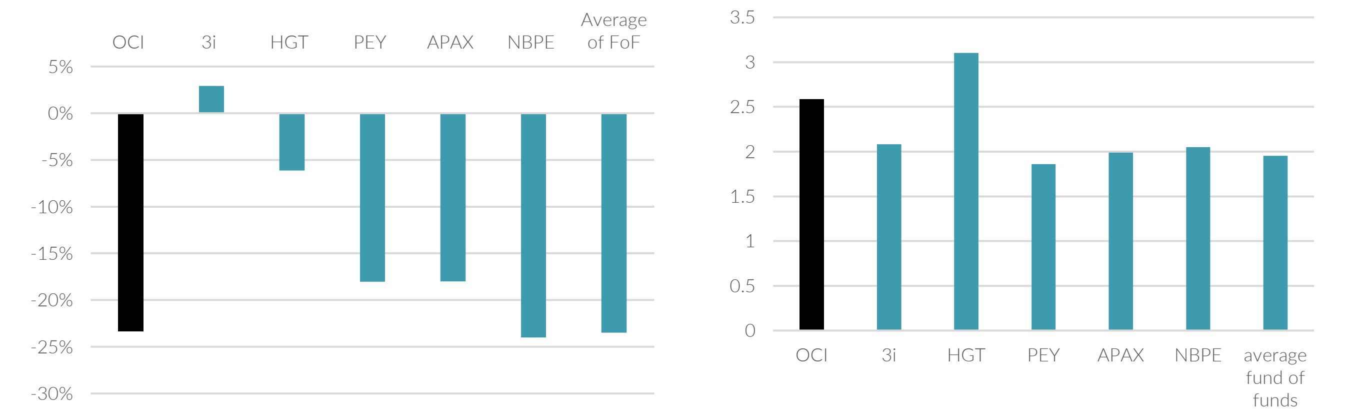
Valuation and financials

Valuation

OCI's discount appears anomalous with its market- and peer-beating, long-term performance

The charts below show the premium/discount ratings of OCI's closest competitors, together with their five-year total share price returns. Despite having a better five-year return than 3i, OCI is trading at a 23% discount, while 3i is around NAV. There are, of course, differences in business models (although it may be argued that the six-year total return would reflect this), but perhaps the bigger anomaly lies in the comparison with Princess Private Equity and Apax, with OCI on a bigger discount, despite a visibly stronger medium-term performance. Taking an absolute rating perspective, it also appears anomalous that a company with a strong track record of growth and value-added should trade at any discount to NAV at all.

Discount to NAV and total return since January 2017 for OCI and peers (%)



Source: Company websites, factsheets and presentations, LSE, Hardman & Co Research; priced at 16 March 2022

Financials

We have made modest revisions to estimates, including to reflect the share buyback. The 2022E NAV is now £6.20 (previously £6.13).

Profit and loss summary

Year-end Dec (£000)	2016	2017	2018	2019	2020	2021	2022E	2023E
Interest income	11,637	7,722	6,629	9,218	10,466	10,073	12,622	11,733
Net realised gains at FV through P&L	8,545	23,991	102,314	17,840	208,536	56,593	20,040	26,243
Net unrealised gains/losses through P&L	46,196	20,316	(23,877)	127,741	(133,086)	191,335	120,238	131,217
Net foreign currency gains/(losses)	4,733	(839)	3,149	(2,715)	13,700	(5,787)	0	0
Other income	140	306	217	1,073	390	271	271	271
Total income	71,251	51,496	88,432	153,157	100,006	252,485	153,171	169,465
Costs	(4,519)	(6,571)	(6,434)	(17,888)	(7,620)	(3,751)	(10,000)	(10,000)
Operating profit	66,732	44,967	170,430	135,269	92,386	248,734	143,171	159,465
Interest expenses	(55)	0	0	0	0	0	0	0
Pre-tax profit	66,677	44,925	81,998	135,269	92,386	248,734	143,171	159,465
Tax	0	0	0	0	0	0	0	0
Attributable profit	66,677	44,925	81,998	135,269	92,386	248,734	143,171	159,465
Average no shares (000s)	189,901	203,859	204,804	204,113	192,707	179,600	174,599	173,600
EPS (£)	35.1	22.0	40.0	66.3	47.9	138.5	82.0	91.9
DPS (p)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5

Source: OCI Report and Accounts, Hardman & Co Research

Balance sheet

@ 31 Dec (£000)	2016	2017	2018	2019	2020	2021	2022E	2023E
Non-current assets								
Oakley Funds	211,254	282,663	298,581	420,316	354,718	628,541	835,333	1,058,419
Co. investment Fund	0	26,280	41,789	74,984	0	0	0	0
Quoted	43,854	41,182	22,320	38,510	23,940	39,450	39,450	39,450
Other unquoted	0	0	0	0	0	0	0	0
Debt	85,761	69,502	107,059	127,156	126,466	130,667	121,775	112,883
Total investments	340,869	419,627	469,749	660,966	505,124	798,658	996,558	1,210,752
Current assets								
Cash and cash equivalents	106,509	117,836	107,888	48,866	223,090	163,178	100,989	57,911
Receivables	673	668	11	40	33	123	100	100
Total assets	448,051	538,131	577,648	709,872	728,247	961,959	1,097,647	1,268,763
Creditors	9,619	36,091	2,826	23,864	297	508	837	20,300
Net assets	438,432	502,040	574,822	686,008	727,950	961,451	1,096,810	1,248,463
NAV per share (£)	2.31	2.45	2.81	3.45	4.03	5.38	6.20	7.08

Source: OCI Report and Accounts, Hardman & Co Research

Cashflow

Year-end Dec (£000)	2016	2017	2018	2019	2020	2021	2022E	2023E
Purchase of portfolio investments	(178,228)	(167,047)	(165,302)	(127,265)	(95,983)	(120,227)	(200,000)	(200,000)
Sale of portfolio investments	173,554	167,773	158,712	90,005	332,595	80,949	155,000	155,000
Interest income	17,403	7,001	7,077	842	5,146	3,627	12,622	11,733
Expenses paid	(4,704)	(5,967)	(4,196)	(7,009)	(21,050)	(3,630)	(2,000)	(2,000)
Interest expense paid	(55)	(42)	(389)	0	0	0	0	0
Other income received	140	306	217	1,073	390	389	271	271
Net cash inflow/(outflow) from op. activities	8,110	2,024	(3,881)	(42,354)	221,098	(38,892)	(34,107)	(34,996)
Cashflows from financing activities								
New shares issued	0	0	0	0	0	0	0	0
Purchase/sale of shares into treasury	(1,854)	23,291	0	(4,737)	(51,894)	(7,151)	(20,000)	0
Dividends	0	(13,149)	(9,216)	(9,216)	(8,680)	(8,082)	(8,082)	(8,082)
Net cash inflow from financing activities	(1,854)	10,142	(9,216)	(13,953)	(60,574)	(15,233)	(28,082)	(8,082)
Net increase in cash and cash equivalents	6,256	12,166	(13,097)	(56,307)	160,524	(54,125)	(62,189)	(43,078)
Opening cash and cash equivalents	95,520	106,509	117,836	107,888	48,866	223,090	163,178	100,989
FX effects	4,733	(839)	3,149	(2,715)	13,700	(5,787)	0	0
Closing cash and cash equivalents	106,509	117,836	107,888	48,866	223,090	163,178	100,989	57,911

Source: OCI Report and Accounts, Hardman & Co Research

Analysis of investments

Year-end Dec (£000)	2016	2017	2018	2019	2020	2021	2022E	2023E
Opening	289,216	340,869	419,627	469,749	660,966	505,124	798,658	996,558
Additions	176,231	201,504	130,845	127,265	95,983	120,227	200,000	200,000
Sales	(190,767)	(175,042)	(165,795)	(91,813)	(337,916)	(84,576)	(155,000)	(155,000)
Realised gains	8,545	23,991	102,314	17,840	208,536	56,593	20,040	26,243
Change in unrealised revaluation	57,082	20,316	(23,877)	127,741	(133,086)	191,335	120,238	131,217
Other, incl. FX and interest	562	7,989	6,635	10,184	10,641	9,955	12,622	11,733
Closing	340,869	419,627	469,749	660,966	505,124	798,658	996,558	1,210,752
Oakley Funds								
Opening	158,369	211,254	282,663	298,581	420,316	354,718	628,541	835,333
Additions	41,846	124,590	58,829	64,776	54,469	101,545	170,000	170,000
Sales	(48,636)	(78,457)	(130,526)	(39,909)	(203,486)	(60,140)	(105,000)	(105,000)
Realised gains	9,403	15,591	102,314	17,840	133,800	56,593	20,040	26,243
Change in unrealised revaluation	50,272	9,685	(14,699)	79,028	(50,381)	175,825	120,238	131,217
Other, incl. FX and interest	0	0	0	0	0	0	1,514	625
Closing	211,254	282,663	298,581	420,316	354,718	628,541	835,333	1,058,419
Co Investment Fund	**Inspired**							
Opening	0	0	26,280	41,789	74,984	0	0	0
Additions	0	39,932	5,825	672	0	0	0	0
Sales	0	(35,355)	0	0	(94,210)	0	0	0
Realised gains	0	8,400	0	0	74,736	0	0	0
Change in unrealised revaluation	0	13,303	9,684	32,523	(55,510)	0	0	0
Other, incl. FX and interest	0	0	0	0	0	0	0	0
Closing	0	26,280	41,789	74,984	0	0	0	0
Quoted	**Time out**							
Opening	0	43,854	41,182	22,320	38,510	23,940	39,450	39,450
Additions	47,155	0	0	0	12,625	0	0	0
Sales	0	0	0	0	0	0	0	0
Realised gains	0	0	0	0	0	0	0	0
Change in unrealised revaluation	(3,301)	(2,672)	(18,862)	16,190	(27,195)	15,510	0	0
Other, incl. FX and interest	0	0	0	0	0	0	0	0
Closing	43,854	41,182	22,320	38,510	23,940	39,450	39,450	39,450
Debt								
Opening	104,897	85,761	69,502	107,059	127,156	126,466	130,667	121,775
Additions	80,476	36,982	66,191	61,817	28,889	18,682	30,000	30,000
Sales	(109,976)	(61,230)	(35,269)	(51,904)	(40,220)	(24,436)	(50,000)	(50,000)
Realised gains	560	0	0	0	0	0	0	0
Change in unrealised revaluation	10,345	0	0	0	0	0	0	0
Other, incl. FX and interest	(541)	7,989	6,635	10,184	10,641	9,955	11,108	11,108
Closing	85,761	69,502	107,059	127,156	126,466	130,667	121,775	112,883

Source: OCI Report and Accounts, Hardman & Co Research

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