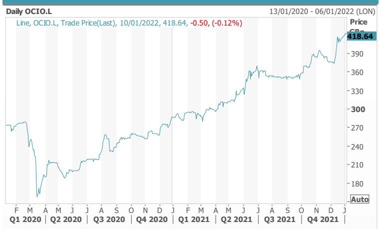
Closed End Investments



Source: Refinitiv

Market data

EPIC/TKR	**OCI**
Price (p)	**420**
12m High (p)	425
12m Low (p)	278
Shares (m)	178.6
Mkt Cap (£m)	750
NAV p/sh (adj., Jun20, p)	464
Disc. to NAV	9%
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	10%
City of London IM	7%
Barwon	6%
Sarasin, Lombard Odier & Fidelity	5%
Jon Wood & family	4%
Hawksmoor	3%

Diary

Jan22	Trading update to Dec21

Analyst

Mark Thomas 020 3693 7075
mt@hardmanandco.com

OAKLEY CAPITAL INVESTMENTS LTD

OCI begins 2022 with strong momentum. Its interim results were strong, with i) a total NAV return of 26% for the 12 months ended 30 June 2021 (11% for the six months), ii) average annual portfolio company EBITDA growth of 35% (20% FY20), 12.3x EV/EBITDA (11.8x FY20) and 3.5x net debt/EBITDA (3.9x FY20), iii) £95m investment and £51m realisations in six months, and iv) cash of £172m. Performance since then will reflect the 19p uplift to NAV from the *sale of TechInsights*, announced on 15 December, as well as the follow-on investment in that company and a new investment in *Seedtag*. OCI's next NAV update is due at the end of January.

- **Entrepreneurial network:** Embedded in Oakley's DNA are the sustainable competitive advantages from its expanding, entrepreneur network. These partners have invested c.€200m in Oakley Funds, and they help source acquisitions and then help grow the businesses.
- **Outlook:** Most of Oakley's value creation is driven by investee company EBITDA growth. We expect further ongoing growth from this source in 2022. OCI exits are continuing at above book values (TechInsights was at a 134% premium to carrying value), supporting further OCI NAV growth.
- **Valuation:** Against the end-June NAV, OCI trades at a 9% discount, despite its absolute (five-year CAGR 17% total NAV return to June 2021) and relative performance. Its above-peer discount is based off the June NAV, while peers are based off more recent (higher) valuations. 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 repeatedly proved. 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 9% 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	19,698
Unrealised gains	20,316	(23,877)	127,741	(133,086)	124,957	98,490
Total income	51,496	88,432	153,157	100,006	171,381	129,853
Costs	(6,571)	(6,434)	(17,888)	(7,620)	(4,000)	(4,000)
EPS (p)	22.0	40.0	66.3	47.9	93	70
NAV per share (£)	2.45	2.81	3.45	4.03	4.93	5.59
S/P discount to NAV*	-33%	-38%	-22%	-29%	-15%	-25%
Investments	420	470	661	505	745	914
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, 2021-22 forecast NAV to current share price; Source: Hardman & Co Research*