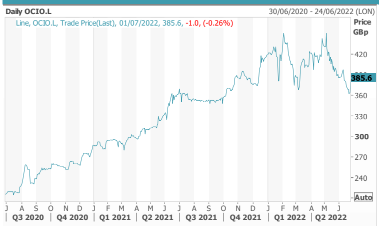
OAKLEY CAPITAL INVESTMENTS LTD

Closed End Investments



Source: Refinitiv

Market data

EPIC/TKR	**OCI**
Price (p)	**377.5**
12m high (p)	454
12m low (p)	348
Shares (m)	178
Mkt cap (£m)	672
NAV p/sh (adj. Mar'22, p)	589
Discount to NAV	36%
Country/Ccy of listing	UK/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 (Aor)	5%
Jon Wood & family, Fidelity, II	4%

Diary

26 Jul'22	AGM
28 Jul'22	Trading update

Analyst

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Our note, *Capital Markets Day 2022 – let the sun shine*, reviewed OCI's afternoon of presentations, detailing how it had delivered 19% NAV CAGR growth over 2017-21 (6% 1Q'22), and why this growth should be sustainable going forward. At its core is an investment focus on structurally high-growth areas, combined with a unique proprietary network originating deals. Once a business has been acquired, value is added through business transformation (e.g. digitalisation), performance improvement, leadership development and buy-and-build strategies. Investors, and once again recently *a director*, are buying into this sustainable, long-term model, not just the current attractive portfolio.

- **Still generating upside on sale:** The 8 June sale of Contabo was at a ca.105% premium to the carrying value – and this for a technology asset, despite market falls. The 23 June sale of Facile.it was at a 23% uplift. Both demonstrate OCI's conservative approach to valuation, and that its NAV is reliable.
- **Sustained outperformance:** In terms of sustaining outperformance, 75% of recent NAV growth has been driven by EBITDA growth. Funds III and IV are in the top 5% on Preqin performance benchmark data for realised assets, with IRRs over 50%. €665m has been deployed in 2021/22, funding future growth.
- **Valuation:** Against the end-March NAV, OCI trades at a 36% 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 1.2%.
- **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

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%	-39%	-47%
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