



Results analysis: Oakley Capital Investments

The results for the year ending 31/12/2020 reaffirm that OCI offers exposure to resilient growth businesses...

Oakley Capital Investments (OCI) has announced its final results for the year to 31/12/2020. It had preannounced the NAV in January (covered [here](#)). OCI invests in private equity funds managed by Oakley Capital that invest primarily in digitally-focussed businesses across Western Europe in three core sectors: Technology, Consumer and Education.

The NAV total return over the year was 18%, driven by average EBITDA growth of the portfolio of 20%. The key drivers of NAV movement in the period were Career Partner Group (+34 pence), Inspired (+10 pence), Casa (+10 pence) and Time Out (-30 pence). NAV growth was boosted by buybacks, which contributed 12.3 pence.

70% of portfolio companies deliver their products or services digitally, which undoubtedly contributed to ten of 17 portfolio companies having met or exceeded their pre-COVID budgets.

Over the year OCI's share of proceeds from exits and refinancings was £341m, during the period cash balances increased significantly despite investing £152m. Exits and refinancings added up to £341m, leaving year-end cash balances at £223m.

Widespread uncertainty as to the economic impact of the pandemic, resulted in OCI's discount to NAV widening considerably during 2020. Some of this ground has been recovered but, according to Numis estimates, the discount is now c. 25%.

Kepler View

The last financial year has represented a strong result for OCI. The 18% NAV growth is notable when one considers that seven of the 17 portfolio companies are behind their growth plans thanks to COVID, which emphasises the strong contribution from the ten that have not been so affected. Add into the mix the fact that over the year around a third of NAV has been represented by cash, and the NAV performance appears even more impressive. In our view, this serves to highlight the quality of the portfolio, delivering an 18% return over 2020 which compares to the FTSE World Index return (in Sterling) of 12.7%, the FTSE AW Europe ex UK return of 7.8% and the FTSE All-Share return of -9.8%. It also represents a higher return than the trust's five-year average of 16% total return per annum.

The managers of OCI, Oakley Capital, have a differentiated approach to private equity investing. They aim to be the first private equity investors in a business, and back founder-entrepreneurs to grow their businesses in their chosen niches. Oakley sources investments

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from its network of entrepreneurs, and prefers to stick to its core sectors of Technology, Consumer and Education. Their businesses within these sectors have largely proven operationally resilient, as demonstrated by the average EBITDA growth over the year of 20%.

OCI had a significant cash balance at the year-end (gross cash of 31% of NAV). With flexibility to support existing investments, make new ones or buy shares back, the cash balance has to be seen as advantageous in the current market. That said, OCI has relatively high commitments to Oakley funds with a commitment cover of 0.41x as at 31/12/2020. Oakley makes the point that commitments are expected to be invested over a five-year period, implying that this should not overly concern investors at the current stage. Oakley has reported two investments so far in 2021, with an investment in Idealista, an online classified business in southern Europe and Dexters, London's leading independent chartered surveyors and estate agents.

OCI trades on a discount to NAV of c. 25% (as at 12/03/2021, according to estimates from Numis). This represents a big discount in absolute terms but perhaps of more relevance a very wide discount to directly investing peers. 3i and HgCapital Trust, for example, trade on premiums of 30% and 17% respectively (Source: Numis). We believe that OCI's performance track record and its focus on businesses



which deliver goods and services digitally support the case for a higher rating. The results announcement makes reference to the potential for future buybacks depending on cash and investment demands which, if they were to occur, would be positive for the rating as well as being very accretive in NAV terms.

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