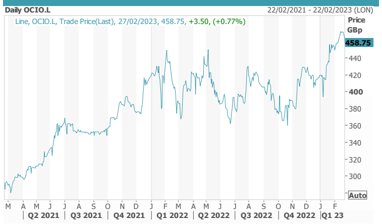
Closed End Investments



Source: Refinitiv

Market data

EPIC/TKR	**OCI**
Price (p)	**456.5**
12m high (p)	475
12m low (p)	355
Shares (m)	176
Mkt cap (£m)	805
NAV p/sh (Dec'22, p)	662
Discount to NAV	-31%
Country/Ccy	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

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Key shareholders (Aug'22)

Peter Dubens/Directors	11%
AVI (Jan'23)	11%
Lombard Odier	7%
City of London IM, HL	6%
Sarasin,	5%
Jon Wood & family, Fidelity, II	4%
Hawksmoor	3%

Diary

9 Mar	FY results

Analyst

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Disclosure note: The relevant analyst is a shareholder in Oakley Capital Investments.

OAKLEY CAPITAL INVESTMENTS LTD

In its *FY'22 trading update*, OCI reported i) net asset value (NAV) per share of 662p and NAV of £1,167m, ii) total NAV return per share of 24% (+128p), iii) investments of £269m and share of proceeds of £244m, iv) year-end cash and available debt of £210m, v) outstanding commitments of £929m (not all of which will be drawn over the next five years), and vi) the buyback and cancellation of 2.2m shares . Of the realised and unrealised portfolio value uplift in the year, 65% was driven by EBITDA growth, and 35% as a result of multiple expansion, driven primarily by exits. The largest contributions came from IU Group (strong growth in enrolments), Contabo (sale) and Primavera (strategic combination with Cegid).

- **Proceeds and realisations:** Realisations totalled £234m from five exits at an average 5x gross money multiple and premium to carrying value of ca.70%. Refinancings added £10m. New investments totalled £214m, with follow-on investments of £55m. 2.2m shares were bought back at an average of 407p.
- **Results due 9 March:** The results announcement will flesh out the details from the trading statement. In particular, we are looking for i) strong investee companies' operating performance, in an uncertain macro environment, showing the value added by Oakley, ii) low debt gearing, and iii) well-managed liquidity.
- **Valuation:** Against the December NAV, OCI trades at a 31% discount, despite its strong absolute, peer and market-beating relative performance. OCI has delivered consistently, with especially robust performance through COVID-19, demonstrating its downside resilience. OCI yields 1.0%.
- **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 by investing in funds managed by Oakley Capital, benefiting from 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 also relatively quickly gained by ongoing NAV growth.

Financial summary and valuation

Year-end Dec (£m)	2019	2020	2021	2022E	2023E
Interest income	9,218	10,466	10,073	15,147	14,079
Realised gains	17,840	208,536	56,593	70,040	28,262
Unrealised gains	127,741	(133,086)	191,335	135,000	141,310
Total income	153,157	100,006	252,485	221,180	183,952
Costs	(17,888)	(7,620)	(3,751)	(5,000)	(5,000)
EPS (p)	66.3	47.9	138	124	103
NAV per share (£)	3.45	4.03	5.38	6.62	7.61
S/P prem./disc. (-) to NAV*	-38%	-22%	-29%	-37%	-40%
Investments	661	505	799	1,064	1,292
DPS (p)	4.5	4.5	4.5	4.5	4.5

**2019-22 actual NAV and share price, 2023 forecast NAV to current share price*
Source: Hardman & Co Research