



Oakley Capital Investments

Investment companies | Update | 19 September 2024

In a class of its own

As we show on page 15, Oakley Capital Investments (OCI) delivered solid net asset value (NAV) growth over the first half of 2024, a period that also saw significant investment activity.

OCI invests in funds managed by Oakley Capital (a list of these is in Figure 8 on page 11), which in turn invest in unquoted, profitable, pan-European businesses with recurring revenues, and across four core sectors: technology, education, consumer, and business services.

This note focuses on education, a sector in which Oakley has developed a strong track record as one of the continent's most experienced and largest investors. Leveraging the knowledge gained from its investment in Inspired Education in 2013, OCI has established a portfolio of six companies in the education sector. These address the educational needs of a complete range of age groups across many geographies.

The substantial profits that OCI has already realised from investments in Europe's largest online universities and what is now the world's third-largest private schools group point to the considerable potential for further NAV accretion.

Consistent long-term returns from private equity

OCI aims to provide shareholders with consistent long-term returns in excess of the FTSE All-Share Index by providing exposure to **private equity** returns, where value can be created through market growth, consolidation, and performance improvement.

Sector	Private equity
Ticker	OCI LN
Base currency	GBP
Price	500.0p
NAV	708.9p
Premium/(discount)	(29.5%)
Yield	0.9%

Note 1) Morningstar estimate, last published NAV of 708p as at 30 June 2024.



Education could be a \$10trn sector by 2030



Most of Oakley's education investments are founder-led businesses



IU Group has been one of OCI's most successful investments and it is still growing





Contents

About OCI	4
Education	5
Asset allocation	10
Funds	11
Recent new investments	12
Recent disposals	14
Performance	15
H1 2024	15
Cash and commitments	16
Premium/discount	17
Previous publications	18

Domicile	Bermuda
Inception date	03 August 2007
Manager	Oakley Capital Limited
Market cap	882.1m
Shares outstanding (exc. treasury shares)	176,418,438
Daily vol. (1-yr. avg.)	252,249 shares
Net gearing	Nil

Click for our most recent note



Click for an updated OCI factsheet



Click for OCI's peer group analysis



Analysts

James Carthew

jc@quoteddata.com

Matthew Read

mr@quoteddata.com

Click to provide feedback to the company



Click if you are interested in meeting OCI's managers



Click for links to trading platforms



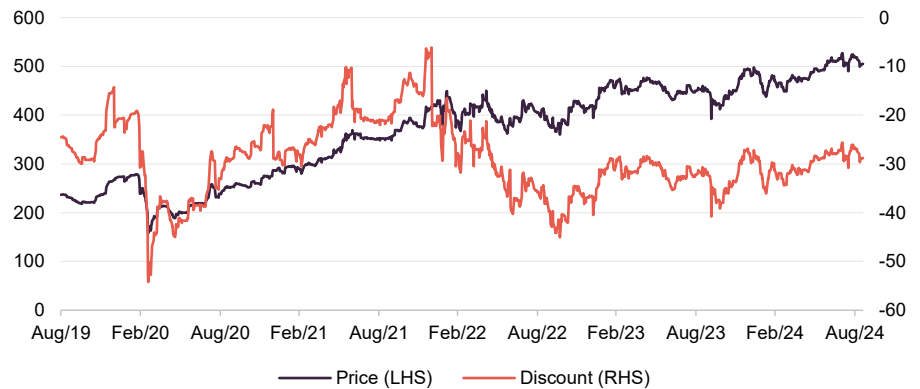
At a glance

Share price and discount

OCI's share price discount to NAV has been on a narrowing trend since October 2022, but in our view remains excessive, especially when viewed against the very narrow 4% discount that peer Hg Capital Trust trades at, despite OCI outperforming that trust over the past five years.

As more investors become familiar with the OCI story and track record, we see no reason why its discount would not narrow further.

Time period 31 August 2019 to 18 September 2024

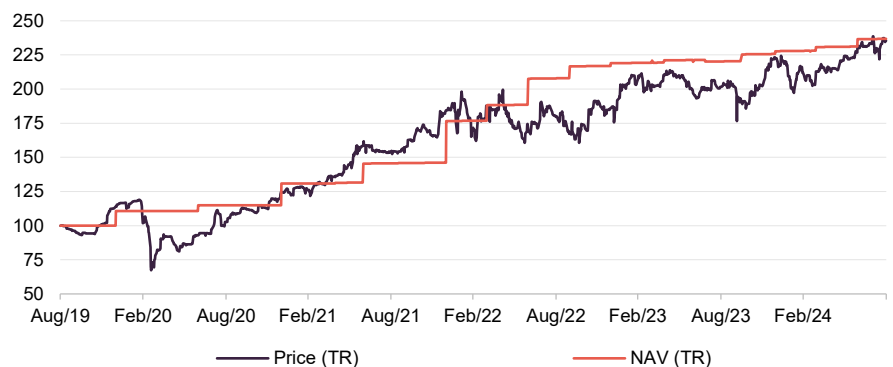


Source: Morningstar, Marten & Co

Performance over five years

OCI's NAV continues to grow, and over the long term is well ahead of peers and comparative indices.

Time period 31 August 2019 to 31 August 2024



Source: Morningstar, Marten & Co

Year ended	Share price total return (%)	NAV total return ¹ (%)	MSCI UK total return (%)	LPX Europe total return (%)	MSCI World total return (%)
31/08/2020	2.8	14.9	(16.1)	(7.3)	6.2
31/08/2021	50.0	26.8	23.8	57.8	26.2
31/08/2022	16.6	42.7	9.2	(29.2)	0.4
31/08/2023	12.2	6.0	5.4	(2.4)	6.2
31/08/2024	16.7	7.5	17.6	25.4	20.0

Source: Morningstar, Marten & Co. Note 1) Based on Morningstar estimate

About OCI

OCI gives its shareholders access to private equity investments made by Oakley Capital (Oakley). Oakley is a private equity investor with a focus on European mid-market investments (€100m–€1bn plus **enterprise value**). It invests in high-growth private companies and has built up an impressive track record, with NAV and share price returns of about 137% over the five years ended 31 July 2024.

Much of this can be attributed to the **EBITDA** growth that Oakley helps to drive within the portfolio, an annualised average of 14% over the first half 2024, unchanged from 2023.

Four key sectors – technology, consumer, education, and business services

Oakley takes controlling stakes in companies that are operating in one of four key sectors – technology, consumer, education, and business services. These companies should be benefitting from ‘mega-trends’ that will help drive revenue growth such as growing global demand for quality education; business shift to the cloud; consumer shift to digital search and online spending; increased regulation; and outsourcing.

Partnering with business founders

Where it can, Oakley seeks to partner with business founders, backing proven leaders and running businesses with a high potential for value creation, through structures that ensure alignment with Oakley’s goals (72% of all Oakley’s deals have been founder-led). Often, founders will introduce Oakley to new opportunities, and they are also often prepared to entrust their own money to Oakley funds, having contributed about €300m to Oakley funds to date.

First through the door

Building a rapport with these business founders is key. Oakley is often the first outside institution to provide capital to these businesses. It is bringing expertise to help them professionalise, and providing the capital that they need to grow.

Uncontested deals

74% of the deals that Oakley does are uncontested. The entry valuation multiple of earnings is not inflated by a competitive process, but rather reflects the trust that the founder is placing in Oakley, and the fact that they are prioritising culture over price.

Leveraging new technology

Digital disruption and internationalisation are key themes. Disruptive business models that take market share rather than rely on market growth make them less reliant on economic cycles. By shifting business models to a digital world – migrating it to the cloud, for example – Oakley can help the companies boost productivity and grow their bottom line. Digitalisation also helps with international expansion, providing access to markets without the expense of establishing a physical presence. Businesses tend to end up with a higher proportion of recurring/subscription revenue, which also helps improve their valuation.

Typically, Oakley will take a controlling stake, which gives it greater ability to deliver positive outcomes. Oakley is using new in-house expertise in financing deals to help optimise capital structures. It often introduces new talent to businesses. Crucially, it also helps support bolt-on acquisitions, which are a key source of growth for some of its investments.

Cross-fertilisation of ideas in areas such as AI

Oakley also leverages the expertise that it has gained from other deals to apply it to new deals in new regions. For instance, in digital marketplaces, where Oakley first invested in German energy switching site Verivox in 2009 before backing price comparison websites and property portals in Italy and Spain. More recently, it has begun to focus on artificial intelligence (AI). Oakley’s Touring Fund, backed by OCI,

is investing behind the next generation of software powered by AI, providing early-stage growth capital to revenue-generating businesses, typically at Series B (the second major round of funding) and C level. Insights gained through these investments are shared across the portfolio.

In an environment where over-leveraged (over-indebted) companies are facing higher borrowing costs, and public equity markets seem averse to providing funding for businesses, the volume of small and mid-market private equity deals (Oakley's sweet spot) is rising. Oakley is entering new investments at attractive multiples, and has no shortage of potential deals, but has also demonstrated that it can achieve profitable exits in this market.

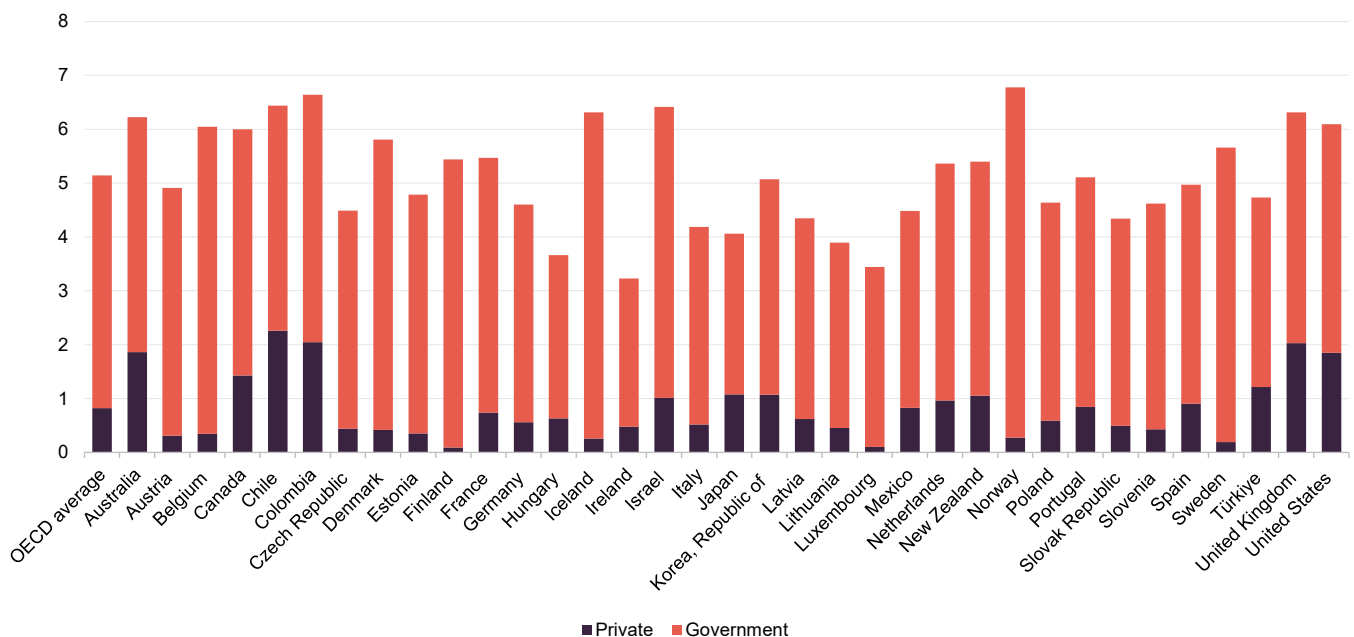
Education

A \$10trn sector by 2030

There are many reasons why Oakley feels that the education sector is one of the most attractive markets for private equity. This is a large and growing market, as Figure 2 shows, total global expenditure on education and training is forecast to hit \$10trn by 2030, after growing by an average of 4.3% per annum since 2000.

A significant proportion of this is delivered by the private sector, although the degree to which this is the case varies significantly by country, as Figure 1 demonstrates. As in most things, the US represents the largest market (about \$1.4trn in 2021). This is a highly fragmented market. For example, there were 30,492 private schools in the US in the 2019-2020 academic year (which compared to 98,469 public schools).

Figure 1: Percentage of national GDP spent on education in 2020



Source: National Center for Education Statistics

Oakley observes that this is a non-cyclical (not sensitive to the state of the economy) and inflation-resilient sector. Parents have a high willingness to pay, tend to commit to this expenditure for their child's entire school life, and will sacrifice other spending before cutting back on education. Reputation and results are a key factor when choosing schools – which creates a barrier to entry.

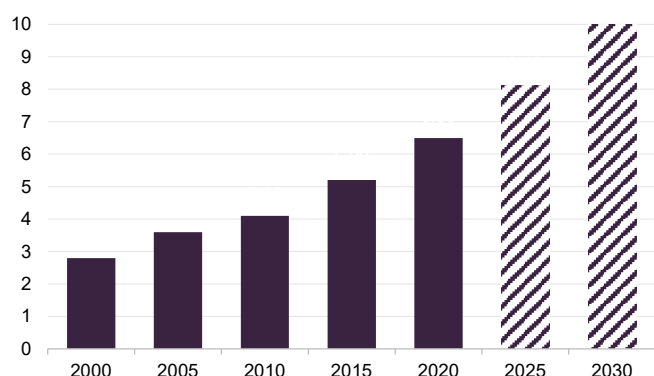
It is also true that education entrepreneurs guard their reputations jealously and so look for empathetic partners when looking to grow their school. Most of Oakley's education investments are founder-led businesses.

Globally, a growing middle class is creating new demand. Established schools with good reputations have been able to establish satellite operations to satisfy this demand. For example, the UK's Independent Schools Council says that there are 129 overseas campuses of its member schools catering for 93,257 pupils, the bulk of which are in China (51), the UAE (13), and other parts of Asia and the Middle East.

Oakley observes that there is a growing demand for English language education as parents see it as necessary precursor to their kids getting into English language universities and then higher paid jobs, as English continues to be the global language of business.

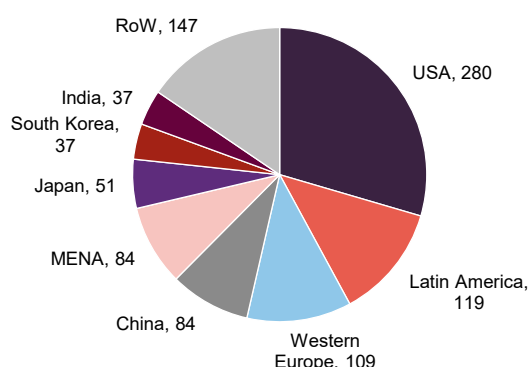
There is also growing recognition of the importance of retraining and upskilling the workforce to adapt to the modern economy. The market for higher education is changing and demand for corporate training is expanding.

Figure 2: Global expenditure, education and training (USD trn)



Source: HolonIQ

Figure 3: Global consumer expenditure on education in 2015 (USD bn)



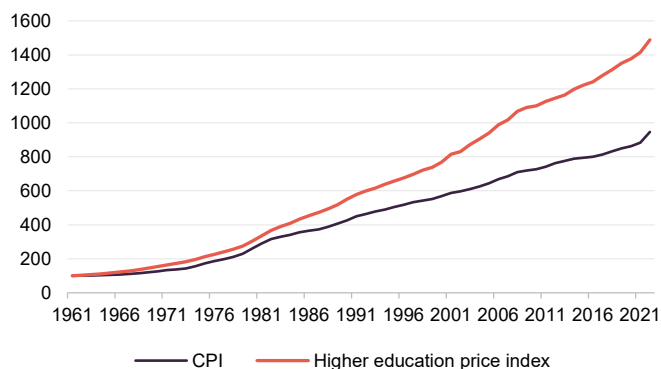
Source: HolonIQ

The cost of school fees has long been rising above inflation, the impact of VAT may not be that big

As the US data in Figure 4 illustrates, the price of education (in this case higher education) has tended to rise faster than the rate of general inflation.

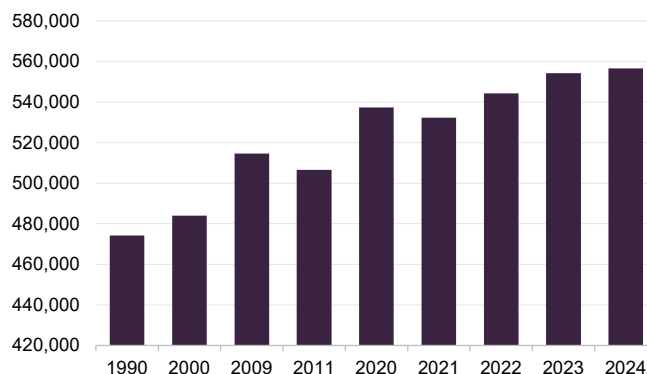
In the UK, according to the Independent Schools Council, the average cost of a term's fees for a day school is £6,021, up from £2,285 in 2000 (+163%). By contrast, the increase in inflation, as measured by UK CPI, over that period was about 83%. There are many different estimates of the impact of the planned imposition of VAT at 20% on school fees in the UK from 1 January 2025. In 2023, The Institute for Fiscal Studies estimated that an effective VAT rate of 15% (20% offset by a school's expenditure on VATable goods and services) would lead to a 3–7% reduction in private school attendance.

Figure 4: US price of higher education rises faster than general inflation



Source: U.S. Department of Labor, Bureau of Labor Statistics, Commonfund Institute

Figure 5: Number of pupils enrolled at ISC¹ schools in the UK



Source: ¹Independent Schools Council

As some of the following OCI case studies illustrate, it is also important to note that technology is transforming the ways in which educational services are delivered.

The Inspired story – seven years to create a €3bn business

Inspired was OCI's first investment in education and was a great success

OCI first backed Inspired in 2013 when Oakley Fund I invested in a new vehicle, then called Educas Investments LLP. The new business was headed up by Nadim Nsouli, who had a track record of building education businesses at Providence Equity Partners. From the initial acquisition of four private schools in South Africa, Inspired grew organically and by acquisition – undertaking 25 bolt-on acquisitions. By 2019, Inspired had become one of the leading global players in the private school market, with over 45,000 students across 64 schools. Fund II sold down part of its stake (at an 80% premium to book value) and in April 2020, OCI's remaining interest in Inspired was sold for £114m, a 25% uplift to the previous carrying value.

IU Group

IU Group has been once of OCI's most successful investments, and it is still growing

Given the recent success of this investment, IU Group (iu-group.com) has been covered in some detail in earlier notes. However, to recap, this is already Germany's largest university group, offering a mix of around 350 degree courses online and on campus, and around 600 often-part-time adult training courses, in co-operation with corporate partners.

This is a founder-led business. In January 2018, Fund III made an €84.6m investment in what was then Career Partner Group, partnering with CEO Dr. Sven Schütt and his management team. OCI's share of that investment was £30.6m. At the time, Career Partner Group had fewer than 15,000 students.

Every year since, student numbers have grown rapidly. The online element meant that the disruption from COVID was minimal (if anything, it provided a boost as education was forced online). In March 2024, OCI said that IU had around 146,000 students enrolled.

In 2021, the business was rebranded as IU Group and the company placed increased emphasis on growing its international operations. That year, refinancing

freed up excess capital from IU Group, resulting in a £29m inflow to OCI in February and a further £36m in December.

In 2023, the company established toeholds in the UK and Canada with the acquisitions of The London Institute of Banking & Finance, UK and University of Fredericton, Canada. These give it accreditation rights that will allow it to offer a broad range of courses in these countries, beyond these institutions' traditional offering.

In June 2023, Fund III realised its entire investment in IU Group for £240m, 13.7x its investment. The buyers were a continuation fund backed by co-investors and Fund V. OCI's share of the Fund V investment was about £66m.

Since October 2023, students in online courses provided by the IU International University of Applied Sciences have had access to an AI learning buddy – Syntea. Syntea was developed by IU and trialled from November 2022 in its English-language online courses before being rolled more widely. Students get 24/7 access to verified answers to their questions about academic content. Teachers can add further relevant content, for example further links, to the checked answers. The AI can engage in open-ended dialogue, helping students to delve deeper into a topic. Syntea helps guide students through the subject and also allows students to check their progress through tailored pre-assessments and exam training.

In April 2024, IU Group launched a tie-up with Schülerhilfe (see below) to allow IU students to study at over 600 Schülerhilfe centres, complementing IU's roughly 40 sites.

Schülerhilfe

Schülerhilfe (schuelerhilfe.de) is a leading provider of after-school tuition in Germany, Austria, and Switzerland. Students are usually taught in small groups of between three and five, but one-to-one tuition is also available.

Again, this is a founder-led business. The roots of the company date back to 1974, but since 2010, the business had been run by Dieter Werkhausen. Having already secured backing from Paragon Partners in 2009 and Deutsche Beteiligungs in 2013, he was keen to continue to grow the business. In July 2017, Oakley invested €85.9m into the company through Fund III, OCI's share of that was about £30.8m. At the time, Schülerhilfe was providing lessons to around 125,000 students in around 1,000 centres. Those figures have grown modestly since.

There is strong demand for Schülerhilfe's services, as the German education system lets students and parents know well in advance which subjects they need to work on to achieve target grades. Schülerhilfe claims that 92% of its students improve by at least one grade on average after six to 12 months.

Tackling this through private tuition is the norm, but the market for tuition was highly fragmented. The finance secured from Oakley allowed Schülerhilfe to open new centres. It has also supported a steady conversion of franchised centres into more-profitable company-owned ones.

Schülerhilfe's post-COVID recovery has been impressive, but it also helped develop an online business

COVID-19 forced a temporary closure of these centres in 2020, and that helped drive the development of Schülerhilfe's online operations. Although there was a temporary impact on new customer registrations, the business bounced back strongly once restrictions were lifted, helped in part by a government voucher programme in Germany. By end 2023, enrolments were 37% higher than pre-COVID levels.

Bright Stars

Bright Stars (brightstars-nurseries.com) is another founder-led business within OCI's portfolio. It describes itself as a collection of unique children's nurseries across the United Kingdom and Ireland.

In June 2021, Fund IV made a £26.3m investment into a nursery group called ICP Education, investing alongside the existing management team, executive chairman Stephen Booty, CEO Dominic Harrison, and CFO Clare Wilson. At the time of the acquisition, ICP had 44 nurseries and served around 6,000 children (less than 1% of the available market). Oakley and the management team saw an opportunity to consolidate this fragmented market.

In 2022, with 68 nurseries in the group, ICP Education was rebranded as Bright Stars. At the time, Stephen Booty said that the plan was to continue to seek to acquire nurseries in affluent areas, offering 65 or more places. New additions to the group retain their own branding and culture. However, there is an emphasis on maintaining high standards – one third of Bright Stars's nurseries were rated Ofsted Outstanding in 2023, versus a UK average of 15%.

By the end of 2023, Bright Stars had almost 100 nurseries and was expected to surpass that number early in 2024.

Ocean Technologies (Seagull and Videotel)

Two purchases made by Fund IV in 2019 – Seagull and Videotel – allowed Oakley to establish a presence in maritime-related education. The business was renamed as Ocean Technologies in 2021. The acquired businesses provided compliance, risk, and safety training. This formed the nucleus of what became the Ocean Learning Platform in 2021. However, as Oakley grew this business, the focus broadened beyond education. Through a series of bolt-on acquisitions, it transformed the business from an e-learning specialist to become a leading global provider of human capital management and operational software to the maritime industry. In 2024, Oakley reclassified it from the education to the technology sector. Then in September 2024, Oakley announced that the business had been sold to Lloyd's Register, generating about a 2.7x gross money-multiple return and look-through proceeds to OCI of about £50m (see page 14).

Affinitas Education

Affinitas Education (affinitasedu.com) is focused on the K12 (ages 4 to 16) market.

Affinitas was founded by Victor Lundsten. His prior experience included running the investments and business development function at Inspired Education. In August 2022, Oakley Capital Fund IV invested in the business, OCI's share of the investment was about £10m.

The business got underway by buying nine schools with a collective 8,500 pupils in Spain and Mexico, with a plan to continue to build the portfolio through acquisition.

Similar to that of Inspired, Affinitas Education's focus is to provide the necessary investment to improve schools, their facilities, and IT. It invests in training, and aims to introduce best practice, thereby optimising the administrative aspects of the business, while leaving individual schools to focus on providing the best education to students.

Today, Affinitas has 18 schools, mainly in Spain and Mexico but including the British International School in New York, and the International School Brescia, in Italy.

Thomas's London Day Schools

Fund IV made an investment in Thomas's London Day Schools (thomas-s.co.uk) in April 2023. OCI's share of this investment was £14m.

Oakley is backing Tobyn and Ben Thomas, the sons of the original founders of the business. Thomas's has a 50-year history, growing from a kindergarten in a local church hall into a group of over-subscribed and interconnected independent day schools and outdoor centres in the UK and Austria, teaching more than 2,000 children from the ages of two to 16.

Some of the new funding from Oakley has been put towards the creation of Thomas's College on Richmond Hill in southwest London. The college will open its doors in September 2025 and will eventually cater to pupils from 11–18.

ACE Education

ACE Education offers career-enhancing courses in niche sectors

ACE Education (ace-education.fr/en) provides higher education for students building careers in so-called 'passion' subjects that help build up the skills necessary for the growth of key European industries such as luxury fashion, tourism, and sport. The core of the business is in France. The combined business now comprises 45 campuses, serving over 8,000 students.

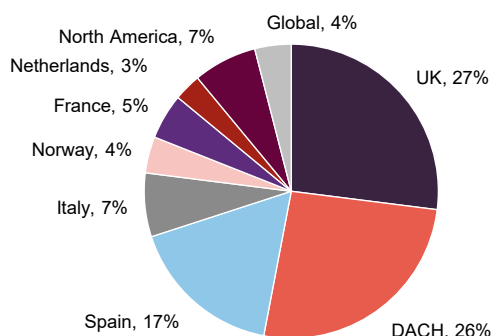
Patrick Toauti established what was then AMOS, a French sports management business school, in 2005. Oakley invested in ACE Education in 2017, transforming the company through three bolt-on acquisitions and has since reinvested alongside Amaury (a French sports media group) to benefit from the business' strong growth and the attractive opportunities for further buy and build.

Asset allocation

At 30 June 2024, OCI had net assets of £1,249m. The net value of the individual fund investments plus the direct investments totalled £1,256m. OCI had cash of £128m offset by £135m of drawings on the [revolving credit facility](#) and other working capital.

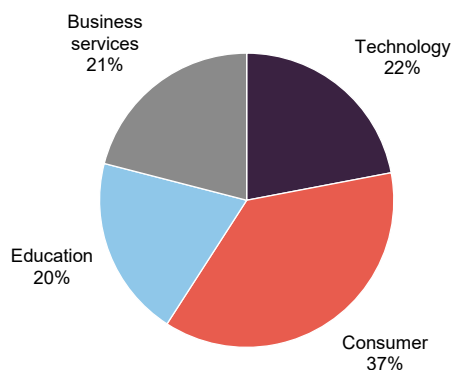
At 30 June 2024, the underlying portfolio was valued on an average [EV/EBITDA](#) ratio of 16.4x (in line with that of end December 2023) and the net debt/EBITDA ratio was 3.9x, down from 4.2x at end December 2023.

Figure 6: Geographic split of portfolio at 30 June 2024



Source: OCI, Marten & Co

Figure 7: Sector split of portfolio at 30 June 2024



Source: OCI, Marten & Co

Funds

Figure 8: OCI by fund at 30 June 2024

	Total size €m	Year launched	Realised gross money multiple	Realised gross IRR	OCI commitment €m	OCI outstanding commitment €m
Fund II	524	2013	3.1x	58%	190	10
Fund III	800	2016	7.8x	84%	326	39
Fund IV	1,460	2019			400	77
Origin I	458	2021			129	31
Fund V	2,851	2022			800	445
PROfounders III	77	2022			30	19
Touring	Fundraising continuing	2023			\$100	33
Origin II	750	2023			190	151
Total						805

Source: OCI, Marten & Co

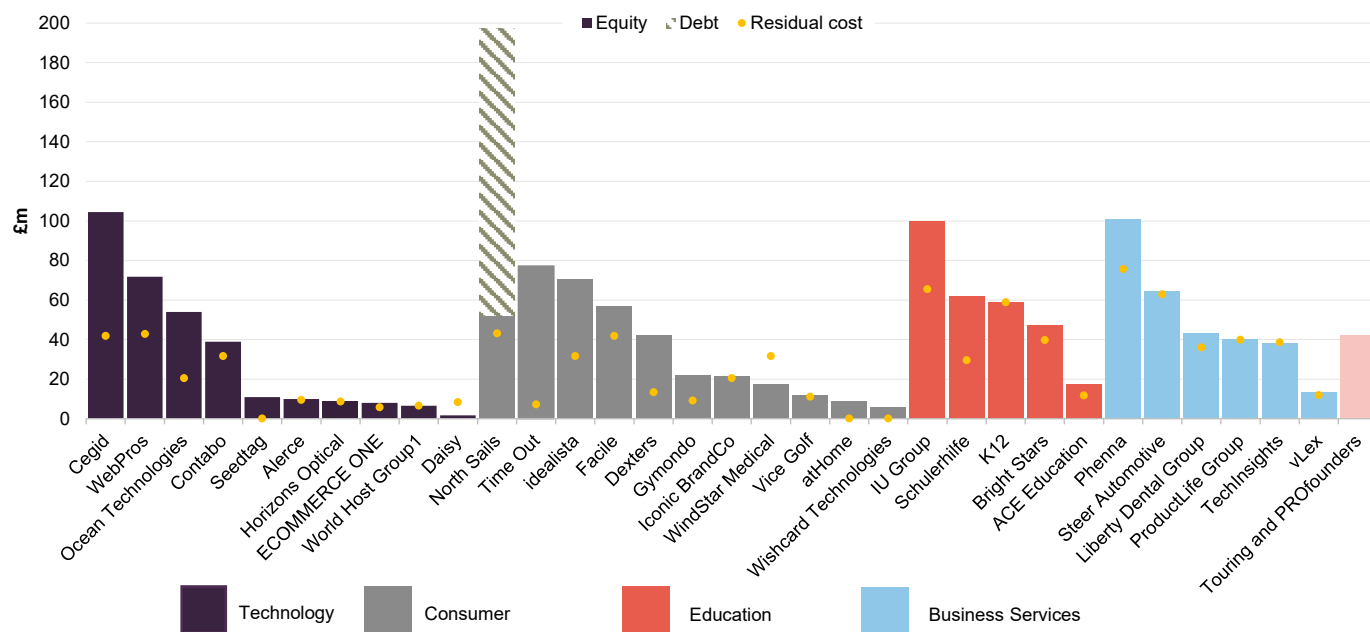
No new fund commitments have been made by OCI since we last published. Figure 8 gives more information on OCI's commitments by fund – both the original commitment and the amount outstanding at end June 2024, and – where appropriate – the realised returns generated.

The investment in North Sails is comprised of equity valued at £52.1m and preferred valued at £145.4m.

Within the pre-existing portfolio, £6m was invested into Affinitas to support its acquisition of Grupo Base, and £5m to support its acquisition of the British International School of New York. Phenna has completed a number of bolt-on acquisitions, OCI supported these with an additional investment of £13m. Touring I

made three new investments in Daloopa, SafeBase and CuspAI, and made a follow-on investment in Exaforce.

Figure 9: Portfolio split by company as at 30 June 2024



Source: OCI, Marten & Co. Note 1) World Host Group was Webcentral

Recent new investments

Outside of education, Oakley has had a particularly busy first half of the year. Over the six months ended 30 June 2024, OCI made investments totalling £184m, £139m of which went to fund new investments and £45m for follow-on investments. OCI also benefitted from realisations of £4m, with a further £120m due to be received from its share of the sales of idealista and Ocean Technologies (see below) in the second half of the calendar year.

Alerce

Oakley Capital Origin Fund I bought a majority stake in Alerce (alerce-group.com/en), investing alongside Alerce's founding family, including CEO Pablo Pardo Garcia. The family held onto a significant stake in the business. OCI's look-through share of the deal was about £9m.

Founded in 1989, Alerce is a Spanish software business serving the transport, logistics, and courier service markets. It offers a product suite centred around its Alertran transport management system (TMS), with a comprehensive and modular portfolio of adjacent products such as 'Senda', which is designed to optimise last-mile deliveries.

Oakley says that Alerce's solutions are mission-critical to its customers as evidenced by minimal churn and high levels of net retention. Alerce has market

leading positions, working with around 200 blue-chip companies across Europe and Latin America. Around 60 of those have opted for Alerce's ASPA SaaS solution.

ProductLife Group

In May 2024, Oakley announced that Fund V was making an investment in ProductLife Group (productlifegroup.com), a European headquartered but global provider of outsourced regulatory and compliance services to the life sciences industry.

Oakley is backing a team led by Xavier Duburcq. It sees an opportunity to support the business' continued international expansion and accelerate investments into AI.

ProductLife Group services include development, regulatory affairs, market access, pharmacovigilance, quality management and digital transformation. Its clients mainly operate within the pharmaceuticals industry. The business has a diversified customer base with over 1,000 clients, including 75% of the 50 largest global pharma companies.

ProductLife Group has grown significantly over the last four years, completing 16 add-on acquisitions, and generating double-digit organic revenue growth. Today, it employs more than 1,600 people and operates across 150+ countries globally.

OCI's look-through share of the investment was about £41m.

vitroconnect

In May 2024, Oakley announced the acquisition of vitroconnect, a German broadband open access platform that serves most leading German telco companies. Oakley made the investment alongside the company's founder and CEO Dirk Pasternack and his management team. They are continuing to run the business. This was the first deal announced for Origin II. OCI's look-through share of the purchase price was £19m.

vitroconnect is looking to benefit from increased penetration of fibre-to-the-home within Germany. The number of connected homes is expected to grow from 3m today (way behind European averages) to 29m by 2029 and 39m by 2035.

vitroconnect's Carrier Aggregation Platform connects broadband providers with resellers, offering process automation, network operations, brokerage, and white-label services.

I-TRACING

In June 2024, Oakley announced that Fund V was investing into French cybersecurity firm I-TRACING (i-tracing.com).

I-TRACING was established in Paris in 2005 by Théodore Vrangos (now President of the company) and Laurent Charvériat (CEO). It previously received backing from Eurazeo and Sagard NewGen. However, Oakley is coming in to help support the company's growth and international expansion.

I-TRACING's team of around 700 cybersecurity experts is distributed across France, Switzerland, Malaysia, Hong Kong, China, Canada, and the UK, enabling it to support customers 24/7. It has been growing rapidly, with around 450 corporate clients, having more than doubled in size over the last three years. Organic revenue

growth of about 30% per annum has been complemented by acquisitions. It has plans to add another 250 employees over the course of 2024 to support the growth of its business.

I-TRACING offers clients a one-stop-shop service including cyber defence, managed detection & response services, identity & access management, cloud security, and data protection and audit.

One of the company's key differentiators is its premium Security Operations Centre managed services offering, protecting complex environments on a 24/7 basis.

On a look-through basis, OCI's share of the deal is up to £39m.

Recent disposals

idealista

On 28 June 2024, OCI announced that Oakley Capital Fund IV had sold its stake in idealista, southern Europe's leading online real estate classifieds platform, to Cinven in a transaction that valued the business at €2.9bn.

OCI's look-through share of the proceeds was about £70m, in line with its valuation in the NAV at end March 2024. However, over the life of the investment, it generated a gross return of 2.1x the amount invested and about a 22% IRR.

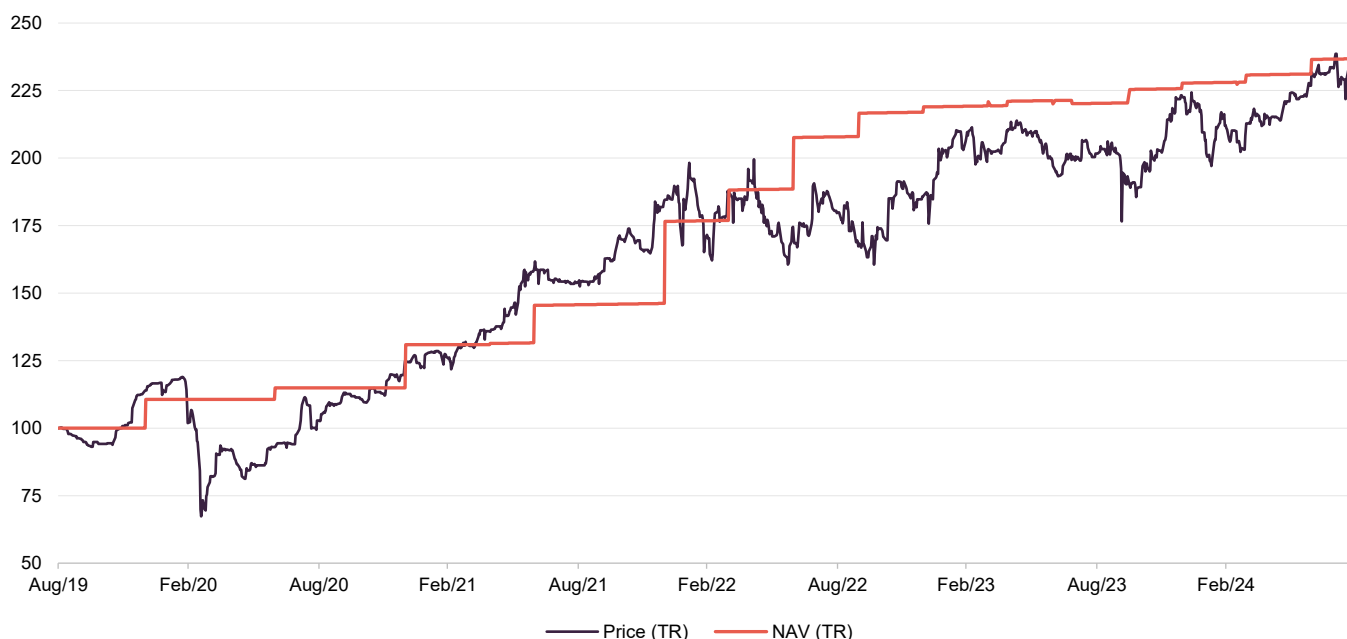
Oakley invested in idealista in 2021 alongside EQT, when Oakley's Italian property portal, Casa.it, was combined with idealista's Italian operations. Today, idealista connects around 60,000 real estate agents with over 38m unique monthly visitors, generating over one billion visits annually across southern Europe, making it a valuable tool for prospective homeowners and sellers in Spain, Italy, and Portugal.

Ocean Technologies

On 2 September, OCI announced the disposal of Ocean Technologies to Lloyds Register at a price broadly equivalent to its carrying value at 31 March 2024. OCI said that on a look-through basis, its share of the proceeds was likely to be about £50m. On that basis, Fund V made around 2.7x the amount that it originally invested in the company in 2019.

Performance

Figure 10: OCI performance over the five years ended 31 August 2024



Source: Morningstar, Marten & Co. Note: NAV based on Morningstar estimates which incorporate the last published NAV of 708p as at 30 June 2024.

As Figures 10 and 11 show, OCI's NAV continues to grow, and over the long term is well ahead of peers and comparative indices.

Figure 11: Cumulative performance over various time periods ended 31 August 2024

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)
Share price	4.9	11.5	16.7	52.6	135.4
NAV	2.5	3.8	7.5	62.5	136.8
Peer group share price median	1.0	6.2	10.5	12.1	63.4
Peer group NAV median	0.8	1.0	3.1	30.0	84.3
MSCI UK	2.5	12.3	17.6	35.4	40.7
LPX Europe ¹	0.1	5.7	25.4	(13.3)	26.8
MSCI World	3.2	6.5	20.0	27.9	71.6

Source: Morningstar, Marten & Co. Note: NAV based on Morningstar estimates which incorporate the last published NAV of 708p as at 30 June 2024.
Note 1) LPX Europe is an index of the share prices of listed private equity companies and therefore is most comparable to OCI's share price returns.

H1 2024

OCI published a trading update covering the six months ended 30 June 2024 on 24 July. The fund produced an NAV return of 3.8% for the period. However, a slight narrowing of the discount meant that the return to shareholders was 4.2%. Returns

would have been higher were it not for the strength of sterling – foreign exchange moves took about 1.8 percentage points off the NAV.

The interim report published on 1 September 2024 revealed that the three largest positive contributions to OCI's NAV returns for the period came from IU Group (+£4.7m or 8p per share), Phenna (+7p), and Dexters (+6p), (with Cegid a close fourth, +5p).

- IU Group delivered year-on-year growth in revenues and adjusted EBITDA of 29% and 37%, respectively. Student numbers hit 146,000, up by 20%. IU Group is expanding outside of its core markets.
- Phenna made six bolt-on acquisitions in H1 2024 at an average entry valuation multiple of less than 6x earnings.
- Dexters's lettings revenue grew by 13% year-on-year and its sales pipeline grew by 24%.

The three largest negative contributions came from TechInsights (-3p), Vice Golf (-1p), and Windstar Medical (-1p).

- TechInsights has been affected by slowing semiconductor sales (volumes down 10% year-on-year).
- Vice Golf experienced delays in its second quarter (Q2) launch pipeline and implementation of Shopify. It also saw an uplift in customer acquisition costs.
- Windstar Medical's business has seen higher gross profits but slightly lower margins. Cheaper private label products are doing better than consumer brands.

OCI's two direct investments are said to be performing well, with an encouraging recent trading update from Time Out and North Sails continuing to build on its strong position in sails with two new acquisitions.

Cash and commitments

At 30 June 2024, OCI had net cash of £128m and an undrawn balance on its debt facilities of £56m. As described above, OCI is expecting £120m of proceeds from sales of investments in coming months. In addition, the recent interim report said that two exits are expected from Fund IV before the end of the year. The report also noted that the £223m of direct investments in Time Out and North Sails are expected to be realised in the short to medium term.

That is balanced against outstanding commitments of £805m (these were broken down by Fund in Figure 8 on page 11).

Premium/discount

Over the 12 months ended 31 August 2024, OCI's share price discount to NAV ranged between 40.8% and 25.6%, averaging 31.1%. At the time of publishing, the discount was 29.5%.

Figure 12: OCI discount over five years ended 31 August 2024



Source: Morningstar, Marten & Co. Note: Incorporates NAV based on Morningstar estimates which incorporate the last published NAV of 708p as at 30 June 2024.

OCI's discount has been on a narrowing trend since October 2022, but in our view remains excessive, especially when viewed against the very narrow 4% discount that peer Hg Capital trades at, despite OCI outperforming that trust over the past five years. As more investors become familiar with the OCI story and track record, we see no reason why its discount would not narrow further.

Around 15% of OCI's shares in issue are owned by retail investors. The board is contemplating moving trading in the company's shares from the Specialist Fund Segment to the Main Market. That would broaden the range of investor platforms that permit dealing in the trust's shares and would, we think, have a significant positive impact on demand.

The board says that it would instigate **share buy backs** when it believes OCI has the appropriate liquidity to do so, taking into consideration outstanding investment commitments, the anticipated cadence of capital calls and future fund opportunities.

Previous publications

You can read these notes by clicking the links or visiting our website, quoteddata.com.

Figure 13: QuotedData’s previously published notes on OCI

Title	Note type	Date
The best-performing UK-listed private equity fund	Initiation	4 April 2023
Walking the walk	Update	15 December 2023
Getting down to business	Update	2 April 2024

Source: Marten & Co



IMPORTANT INFORMATION

Marten & Co (which is authorised and regulated by the Financial Conduct Authority) was paid to produce this note on Oakley Capital Investments Limited.

This note is for information purposes only and is not intended to encourage the reader to deal in the security or securities mentioned within it.

Marten & Co is not authorised to give advice to retail clients. The research does not have

regard to the specific investment objectives financial situation and needs of any specific person who may receive it.

The analysts who prepared this note are not constrained from dealing ahead of it but, in practice, and in accordance with our internal code of good conduct, will refrain from doing so for the period from which they first obtained the information necessary to prepare the note

until one month after the note's publication. Nevertheless, they may have an interest in any of the securities mentioned within this note.

This note has been compiled from publicly available information. This note is not directed at any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the publication or availability of this note is prohibited.

Accuracy of Content: Whilst Marten & Co uses reasonable efforts to obtain information from sources which we believe to be reliable and to ensure that the information in this note is up to date and accurate, we make no representation or warranty that the information contained in this note is accurate, reliable or complete. The information contained in this note is provided by Marten & Co for personal use and information purposes generally. You are solely liable for any use you may make of this information. The information is inherently subject to change without notice and may become outdated. You, therefore, should verify any information obtained from this note before you use it.

No Advice: Nothing contained in this note constitutes or should be construed to constitute investment, legal, tax or other advice.

No Representation or Warranty: No representation, warranty or guarantee of any kind, express or implied is given by Marten & Co in respect of any information contained on this note.

Exclusion of Liability: To the fullest extent allowed by law, Marten & Co shall not be liable for any direct or indirect losses, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note. In no circumstance shall Marten & Co and its employees have any liability for consequential or special damages.

Governing Law and Jurisdiction: These terms and conditions and all matters connected with them, are governed by the laws of England and Wales and shall be subject to the exclusive jurisdiction of the English courts. If you access this note from outside the UK, you are responsible for ensuring compliance with any local laws relating to access.

No information contained in this note shall form the basis of, or be relied upon in connection with, any offer or commitment whatsoever in any jurisdiction.

Investment Performance Information: Please remember that past performance is not necessarily a guide to the future and that the value of shares and the income from them can go down as well as up. Exchange rates may also cause the value of underlying overseas investments to go down as well as up. Marten & Co may write on companies that use gearing in a number of forms that can increase volatility and, in some cases, to a complete loss of an investment.

QuotedData is a trading name of Marten & Co, which is authorised and regulated by the Financial Conduct Authority.

50 Gresham Street, London EC2V 7AY
0203 691 9430

www.QuotedData.com

Registered in England & Wales number 07981621,
2nd Floor Heathmans House,
19 Heathmans Road, London SW6 4TJ