

Closed End Investments



Source: Refinitiv

Market data

EPIC/TKR	OCI
Price (p)	418
12m high (p)	454
12m low (p)	355
Shares (m)	176
Mkt cap (£m)	737
NAV p/sh (adj. Sep'22, p)	655
Discount to NAV	-36%
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
oci-investorrelations@oakleycapital.com	

Key shareholders (Aug'22)

Peter Dubens/Directors	11%
Asset Value Investors	9%
Lombard Odier	7%
City of London IM, HL	6%
Sarasin,	5%
Jon Wood & family, Fidelity, II	4%
Hawksmoor	3%

Diary

Early Jan'23	4Q trading update
Mar'23	FY results

Analyst

Mark Thomas +44 (0)203 693 7075
mt@hardmanandco.com

OAKLEY CAPITAL INVESTMENTS LTD

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In our report, *Evolution of the high-growth drivers in 2023*, published on 29 November 2022, we explored the factors that have driven the market-beating 22% YTD 2022 NAV growth, the 15% growth we expect in 2023 and the 36% NAV discount. Further exits with uplifts to carrying value (long-run average 50%) should fuel returns and give confidence that the NAV is conservative. Cash realisations, the £208m of liquidity and £557m of investments held for over three years should give comfort that investment commitments will be delivered. We highlighted the resilience of the portfolio in the past, and note the incremental value added in downturns, with Oakley Capital backing resilient, profitable businesses with sticky revenues.

- **Robust valuation:** The report reviewed why investors can trust the valuation. Putting aside independent checks and balances, the bottom line is that other investors pay more for the assets than the level at which Oakley values them (uplifts on exit), and there is no incentive for Oakley to inflate the valuation.
- **Resilient growth:** Growth is driven by a high-conviction investment strategy, backing founder-led, digitally disruptive and profitable business models in three key areas of structural trends. The companies have low leverage and strong customer demand. The benefits of this focus are more evident in a downturn,
- **Valuation:** Against the end-June NAV, OCI trades at a 36% 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 1.1%.
- **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 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, benefitting 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 cyclicity, 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	30,212
Unrealised gains	127,741	(133,086)	191,335	200,000	151,060
Total income	153,157	100,006	252,485	286,180	195,652
Costs	(17,888)	(7,620)	(3,751)	(5,000)	(5,000)
EPS (p)	66.3	47.9	138	161	110
NAV per share (£)	3.45	4.03	5.38	7.00	8.05
S/P prem./disc. (-) to NAV*	-38%	-22%	-29%	-40%	-48%
Investments	661	505	799	1,129	1,369
DPS (p)	4.5	4.5	4.5	4.5	4.5

*2019-21 actual NAV and share price, 2022-23 forecast NAV to current share price

Source: Hardman & Co Research

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