GP Profile: Oakley Capital eyes good environment for founder-owned deal flow

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All but one of **Oakley Capital**'s seven investments in the past twelve months have been into founder-owned businesses, as catalysts like tax, regulatory changes and the macro-economic outlook have prompted more entrepreneurs to sell.

"We were in an environment of very low interest rates," Rebecca Gibson, who leads Oakley's investment and investor relations teams, said. "Owners who once considered different capital options now find them costlier and less available. There is a wider desire from founders to de-risk."

Some founders have also faced tough trading conditions, supply change challenges, and potential tax and regulatory shifts, pushing more of them to consider selling to private equity, she added.

Around three-quarters of Oakley's deals are founder-led, Gibson said, an arena that has become more competitive in recent months as more sponsors see bigger opportunities in primary buyouts.

That means its deal flow relies on long-term relationships, sometimes bypassing auctions. For instance, the GP's first interaction with French cybersecurity player **I-TRACING**, which it agreed to acquire, alongside **Eurazeo**, in June this year, occurred seven years ago.

Oakley typically takes controlling positions in European mid-market companies with an average 4x leverage and in some cases none, then offering support through scale, professionalisation and exit positioning, Gibson said.

Its core four sectors are tech, education, business services and consumer.

Growing businesses

Scale can come from shifting a business model into another segment to turn historically project-based revenues into recurring revenue, or a licence fee into a software-as-aservice (SaaS) model, alongside internationalisation and consolidation, Gibson said.

Oakley has helped its portfolio companies execute around 250 acquisitions since its inception, ranging from small incremental add-ons to transformational M&A. **Ocean Technologies Group**, which the sponsor sold to **Lloyd's Register** in September, was a combination of two similar-size businesses, she said.

"Rather than two players eking out discounts from each other, we can take these great brands and businesses, realise some cost synergies and see significant revenue growth."

Professionalisation includes marketing, data-driven performance improvements and building out management teams, alongside capital markets, talent acquisition and nurturing, and AI and data analytics.

"Portfolio founders may think they want to be CEO but will not understand the demands if the company is three times bigger. We hired a person just to handle that part. We sell to sophisticated buyers like **CVC**, **EQT** and **Cinven** that have tough due diligence, so when we exit these companies need to have a world-class management team."

Oakley also has a portfolio team to work with founders from the outset on ESG and sustainability. The buyer universe set out above also often has clear sustainability goals so good outcomes will contribute to exit valuations.

This focus has generated good returns for the sponsor, with a realised gross IRR of 68% and gross multiple of 4.5x across its eight funds, according to the sponsor's website.

While Oakley has been the sole investor on most of its recent deals, the sponsor has participated in a new wave of club equity deals whereby the vendor reinvests for a sizeable stake. Oakley joined the incumbent fund Eurazeo in its deal for I-TRACING, a phenomenon that Gibson sees as increasing.

"The market is evolving, where it used to be dominated by buyouts we see all sorts of deals: a three or four-sponsor club deal, large co-investment, continuation and co-control. The creativity interests us, sponsors can play different roles and we look at what gives us the ability to provide the best support."

Strategies

Oakley operates two strategies: its flagship vehicle which last closed on EUR 2.85bn in January 2023 and its *Origin* vehicle, whose latest iteration closed on its EUR 750m hard cap in September 2023.

It invests in the European mid-market with a wide EV range of EUR 100m to more than EUR 1bn. The flagship fund has a minimum equity cheque of EUR 125m, to help create a meaningful return.

The two funds allow Oakley flexibility even as it scales, as it can still deploy capital across the deal flow it sees. "A company may have a business need of ten or 600 million, so we have a range of options to meet their needs."

Oakley registered *Oakley Capital Private Equity VI* in March 2024, but it declined to comment on fundraising. *Fund III* has a DPI of 2.6-2.7, according to a source familiar with Oakley.

The GP is "very much focused" on these core strategies for now, Gibson said, and is focused on bringing the funds to a wider addressable market alongside a steady cadence of deployment.

Exits

This year to date, Oakley has made three full exits to a mix of trade and sponsors: **Idealista**, **Ocean Technologies Group** and, most recently, **Schülerhilfe**; and a partial exit from **Windstar Medical**, making it one of Europe's most active private equity firms this year.

"What we found in the exit environment more widely is that GPs are keen to put capital to work because they don't want a lumpy deployment frame," Gibson said. "That means there's a flight to quality, with investors reluctant to take the more hairy assets and instead focusing on the best-in-class."

The sponsor has no remaining active auctions, according to *Mergermarket*'s proprietary auctions tracking platform.

It sees valuations generally as largely remaining stable due to adverse selection: "the deals being done were the ones that could maintain their valuation," Gibson said.

by Rachel Lewis

[Editor's note: Following a post-publication request by the company, the third paragraph under the sub-head 'Strategies' has been amended for clarity.]

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