

Investcorp Capital PLC (ICAP)

Greater RCF usage raised interest expenses impacting profitability

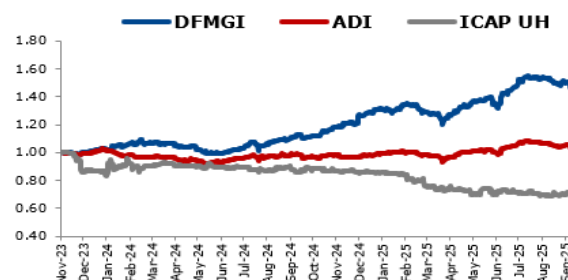
Current Price
AED 1.60

Target Price
AED 2.35

Upside/Downside (%)
+46.9%

Rating
BUY

- The Company's profitability was impacted in 2025 by higher interest expenses due to increased utilisation of the revolving credit facility (RCF).
- Corporate Investments exposure reached USD 630 Mn in 4Q25, representing 48% of total deployment, diversified across North America, Europe, Asia, and MENA/Turkey, with insurance and industrial sectors as the largest investment allocations.
- In March 2025, ICAP acquired a USD 237 Mn structured product; by June 30, 2025, Investcorp's exposure rose to USD 257 Mn across corporate, real assets, and global credit.
- The Board of Directors proposed a final dividend of AED 0.094 for the six months ended June 30, 2025, bringing the total dividend for 2025 to AED 0.188 per share.



Stock Information

Market Cap (AED, Mn)	3,506.40
Paid Up Capital (Mn)	1,097.82
52 Week High	2.06
52 Week Low	1.56
3M Avg. daily value (AED)	1,212,664

4Q25 Result Review (USD, Mn)

Total Assets	1,908
Total Liabilities	482
Total Equity	1,426
Operating Profit	50
Net Profit	40

Financial Ratios

Dividend Yield (12m)	11.69
Dividend Pay-out (%)	138.60
Price-Earnings Ratio(x)	11.77
Price-to-Book Ratio (x)	0.67
Book Value (USD)	0.65
Gross Leverage ratio (x)	0.34

Stock Performance

5 Days	0.00%
1 Months	-1.84%
3 Months	-3.03%
6 Months	-5.88%
1 Year	-20.00%
Month to Date (MTD%)	0.00%
Quarter to Date (QTD%)	0.00%
Year to Date (YTD%)	-19.19%

4Q25 Net Profit lower than our estimate

Investcorp Capital Plc's (Investcorp/the company) net profit declined 28.6% YOY to USD 40 Mn in 4Q25, lower than our estimate of USD 68 Mn. The decrease in net profit is primarily attributable to decline in gain on financial assets and rise in net interest expenses due to higher utilisation of the credit facility.

P&L Highlights

Investcorp's gross income declined 15.9% YOY to USD 53 Mn in 4Q25. Revenue from Capital Services remained flat at USD 16 Mn in 4Q25 compared to 4Q24. Additionally, revenue from the Capital Deployment segment declined from USD 47 Mn in 4Q24 to USD 37 Mn in 4Q25 mainly due to the impact of legacy assets. Investcorp recorded a gain of USD 33 Mn on financial assets in 4Q25 compared to USD 39 Mn in 4Q24. Yield on corporate debt also declined from USD 6 Mn in 4Q24 to USD 3 Mn in 4Q25. Additionally, income from Real Estate also declined from USD 2 Mn in 4Q24 to USD 1 Mn in 4Q25. The Company's operating expenses increased 50% YOY to USD 3 Mn in 4Q25. Thus, operating profit declined 18.0% YOY to USD 50 Mn in 4Q25. Interest expenses rose from USD 7 Mn in 4Q24 to USD 12 Mn in 4Q25 owing to the drawdowns from the revolving facilities, while interest income remained unchanged on a YOY basis at USD 2 Mn in 4Q25.

Balance Sheet Highlights

Investcorp's total assets increased 9.0% YOY to USD 1.9 Bn in 4Q25. Capital Service underwriting declined 13.7% YOY to USD 371 Mn in 4Q25, while corporate investments increased 21.2% YOY to USD 630 Mn in 4Q25. Additionally, Global Credit assets declined 18.2% YOY to USD 198 Mn in 4Q25, while real estate assets grew 15.4% YOY to USD 187 Mn in 4Q25. Furthermore, the Company's total liabilities expanded from USD 289 Mn in 4Q24 to USD 482 Mn in 4Q25, primarily driven declined in financing liabilities due to

higher utilization of RCF to finance investment activities. Financing grew from USD 132 Mn in 4Q24 to USD 481 Mn in 4Q25. The increase was partly offset by a USD 156 Mn decline in payables, which had previously risen earlier in the year due to the acquisition of a structured portfolio and the related settlement obligations but were settled before year-end.

Target Price and Rating

We maintain our BUY rating on Investcorp Capital with a revised target price of AED 2.35. The Company's profitability was impacted in 2025 primarily attributable to decline in gain on financial assets and rise in interest expense arising from higher utilisation of the revolving credit facility. As of 4Q25, the carrying value of Investcorp Capital's balance sheet capital deployment exposure in Corporate Investments (CI) stood at USD 630 Mn, representing 48% of the total balance sheet capital deployment exposures. The corporate investment portfolio is geographically diversified across North America, Europe, Asia, and the MENA region, including Turkey. The portfolio is broken down as follows: North America with USD 185 Mn, Europe with USD 93 Mn, Asia with USD 159 Mn, and the MENA region and Turkey accounting for USD 193 Mn, as of 2025. The insurance sector is the largest investment destination, accounting for 24% of capital investment in the CI portfolio, followed by the industrial sector at 19%. Consumer products (14%) and healthcare (12%) also represent significant allocations. Other sectors include IT, distribution, and consumer services. In 2025, Investcorp Capital successfully exited RESA Power, Citykart, and multiple real estate assets across various regions. The Company also made strategic acquisitions, including Epipoli, PKF O'Connor Davies, Miebach Consulting, Student Housing V, and Industrial Fund II. Investcorp successfully divested its stake in a USD 365 Mn sale of a US industrial real estate portfolio under its management in September 2025, achieving healthy return exceeding ICAP's carrying value. Capital Financing Services (CFS) activity revenue rose 10.2% YOY to USD 54 Mn in 2025. Growth in CFS was driven by stronger syndication activity and robust underwriting, which generated an overall 11% annualised yield on an average underwriting balance of USD 497 Mn in 2025. CFS reported total assets of USD 371 Mn, as of 4Q25, maintaining strong focus on underwriting operations across the United States and Europe. The Company deployed USD 928 Mn under CFS across corporate investments, real assets, and credit vehicles. Specifically, USD 294 Mn was invested into four corporate investments in North America and Europe, USD 497 Mn into real asset portfolios, and USD 137 Mn across CLOs and credit funds. Syndications totalled USD 960 Mn, comprising USD 311 Mn in corporate investments, USD 576 Mn in real assets, USD 70 Mn in CLOs, and USD 3 Mn in ISCP II as of 2025. Revenue from Capital Deployment (CD) reached USD 64 Mn in 2025, compared to USD 76 Mn in 2024, primarily due to legacy assets. However, the core portfolio generated an average return of 9%, evidencing stability and resilience. Total CD investments amounted to USD 387 Mn, with allocations including USD 108 Mn in corporate investment. Additionally, USD 237 Mn was deployed into a diversified structured portfolio with exposure across sectors and geographies, and USD 42 Mn into real assets in North America and Europe as of 2025. Realisations and distributions totalled USD 136 Mn in 2025, comprising USD 45 Mn from corporate exits, USD 62 Mn from CLOs, USD 16 Mn from real assets, and USD 12 Mn from ISCP platforms. Cash-generating assets delivered a 7% cash yield from Capital Deployment in 2025. In March 2025, ICAP acquired a structured product with total exposure of USD 237 Mn. By June 30, 2025, Investcorp Capital's balance sheet exposure to structured products rose to USD 257 Mn, with 72% in corporate investments across 13 companies and funds, 13% in real assets across five portfolios, and 15% in global credit across five products. As of 4Q25, Investcorp Capital's real assets balance sheet exposure, excluding underwriting, totalled USD 187 Mn, representing 14% of total capital deployment. The Company manages 34 portfolios in North America, 11 in Europe, and four in India. Infrastructure investments, including JFK Terminals 6 and 7, are progressing on plan. The Board of Directors proposed a final dividend of AED 0.094 for the six months ended June 30, 2025 bringing the total dividend for 2025 to AED 0.188 per share. Thus, based on the above-mentioned factors, we maintain our BUY rating.

Investcorp - Relative valuation

(at CMP)	2023	2024	2025
PE	8.46	9.10	11.80
PB	0.77	0.65	0.67
BVPS	2.068	2.448	2.388
EPS	0.189	0.176	0.136
DPS	NA	0.193	0.188
Dividend yield	NA	12.0%	11.7%

FABS Estimates & Co Data

Note – Investcorp listed on ADX in November 2023. Thus, the financial multiple for the prior period is unavailable

Investcorp – P&L

USD Mn	4Q24	3Q25	4Q25	4Q24F	Var.	YOY Ch	QOQ Ch	2024	2025	Change
Revenue from capital services	16	13	16	17	-6.7%	0.0%	23.1%	49	54	10.2%
Gain on financial assets	39	5	33	53	-37.4%	-15.4%	NM	49	39	-20.4%
Yield on corporate debt	6	3	3	5	-42.1%	-50.0%	0.0%	19	16	-15.8%
Dividend inc.- Real Estate	2	2	1	2	-55.2%	-50.0%	-50.0%	8	9	12.5%
Gross income	63	23	53	77	-31.4%	-15.9%	NM	125	118	-5.6%
Operating expenses	-2	-2	-3	-2	25.7%	50.0%	50.0%	-8	-10	25.0%
Operating Profit	61	21	50	75	-33.2%	-18.0%	NM	117	108	-7.7%
Interest Income	2	1	2	2	0.0%	0.0%	100.0%	7	6	-14.3%
Interest Expenses	-7	-9	-12	-9	30.6%	71.4%	33.3%	-19	-33	73.7%
Net Profit	56	13	40	68	-40.9%	-28.6%	NM	105	81	-22.9%

FABS estimate & Co Data

Investcorp - Margins

	4Q24	3Q25	4Q24	YOY Ch	QOQ Ch	2024	2025	Change
Operating margin	96.8%	91.3%	94.3%	-249	304	93.6%	91.5%	-207
Net profit margin	88.9%	56.5%	75.5%	-1,342	1,895	84.0%	68.6%	-1,536

FABS estimate & Co Data

Valuation:

We use Discount Dividend Method (DDM), Discounted Free Cash Flow (DCF), Relative Valuation (RV), and Net Asset Value (NAV) method to value Investcorp. We have assigned equal weights to each.

Valuation Method	Target	Weight	Weighted Value
DDM Method	2.00	33.3%	0.67
DCF + Relative Valuation Method	2.39	33.3%	0.80
NAV	2.65	33.3%	0.88
Weighted Average Valuation (AED)			2.35
Current market price (AED)			1.60
Upside/Downside (%)			+46.9%

1) DDM Method:

Investcorp distributed a healthy dividend of USD 113 Mn for the period of 2025 and further aims to pay regular dividends in the forecasted period. The Company commits to achieve a minimum dividend yield of 8% per year. The dividend is discounted at the cost of equity of 10.8%.

Sum of PV (USD, Mn)	417
Terminal value (USD, Mn)	779
FV to Common shareholders (USD, Mn)	1,196
No. of share (Mn)	2,192
Current Market Price (AED)	1.60
Fair Value per share (AED)	2.00

DCF Method

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY2029E	FY2030E
Dividend	110	110	110	110	110
Total Dividend	110	110	110	110	110
Discounting Factor	0.92	0.83	0.75	0.68	0.61
Discounted FCFF	101	91	83	74	67

Source: FAB Securities

2) DCF + RV Method:

I. DCF Method

Capital Financial Services segment in Investcorp Capital is valued using free cash flow to equity. We have discounted the cash flow using the cost of equity of 10.8%. Cost of equity is calculated by using 10-year government bond yield of 6.5%, beta of 1.00 and equity risk premium of 4.3%. Government bond yield is calculated after adding Bahrain 10-year spread over 10-year US risk free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	154
Terminal value (USD, Mn)	164
FV to Common shareholders (USD, Mn)	318
No. of share (Mn)	2,192
Current Market Price (AED)	1.60
Fair Value per share (AED)	0.53

(All Figures in USD Mn)	FY 2026E	FY 2027E	FY 2028E	FY2029E	FY2030E
Net Income	22	24	28	30	32
(+/-) Working Capital	147	-11	-11	-9	-8
Net Change in debt	-39	-2	-27	6	-1
Free Cash Flow to Equity	129	11	-10	27	23
Discounting Factor	0.92	0.83	0.75	0.68	0.61
Discounted FCFE	119	9	-7	18	14

Source: FAB Securities

II. RV Method:

We have used local as well as international peers to value Capital Deployment segment in Investcorp Capital, and it is valued using the average valuation obtained from PE and PB multiple. It is valued at PE and PB multiples of 11.1x and 1.1x respectively.

Company	Market (USD Mn)	P/E (x)		P/B (x)	
		2026F	2027F	2026F	2027F
KINGDOM HOLDING CO	7,065	24.7x	23.8x	NA	NA
WENDEL	3,992	7.7x	6.6x	0.8x	0.8x
COMPASS DIVERSIFIED HOLDINGS	542	2.7x	NA	0.6x	NA
BROOKFIELD CORP	109,880	NA	NA	2.2x	2.0x
TIKEHAU CAPITAL	3,892	11.0x	9.3x	0.9x	0.9x
INTERMEDIATE CAPITAL GROUP	8,872	14.3x	12.5x	2.5x	2.3x
SCHRODERS PLC	7,997	11.3x	9.9x	1.3x	1.3x
Average		11.9x	12.4x	1.4x	1.4x
Median		11.1x	9.9x	1.1x	1.3x
Max		13.5x	12.5x	2.0x	2.0x
Min		8.5x	9.3x	0.8x	0.9x

Source: FAB Securities

3) Net Asset Value:

We applied a peer median price-to-book multiple of 1.1x to the computed NAV to arrive at the equity of Investcorp Capital. NAV here corresponds to the book value/invested capital of the firm. The NAV reported at the end of FY2025 is used for valuing the firm.

Company	Market (USD Mn)	P/E (x)		P/B (x)	
		2026F	2027F	2026F	2027F
KINGDOM HOLDING CO	7,065	24.7x	23.8x	NA	NA
WENDEL	3,992	7.7x	6.6x	0.8x	0.8x
COMPASS DIVERSIFIED HOLDINGS	542	2.7x	NA	0.6x	NA
BROOKFIELD CORP	109,880	NA	NA	2.2x	2.0x
TIKEHAU CAPITAL	3,892	11.0x	9.3x	0.9x	0.9x
INTERMEDIATE CAPITAL GROUP	8,872	14.3x	12.5x	2.5x	2.3x
SCHRODERS PLC	7,997	11.3x	9.9x	1.3x	1.3x
Average		11.9x	12.4x	1.4x	1.4x
Median		11.1x	9.9x	1.1x	1.3x
Max		13.5x	12.5x	2.0x	2.0x
Min		8.5x	9.3x	0.8x	0.9x

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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