

## Investcorp Capital PLC (ICAP)

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.52	AED 2.35	+55%	BUY

### 2Q26 Net Profit in line with our estimate

- Net profit declined 6.3% YOY to USD 15 Mn in 2Q26, in line with our estimates. The decline was impacted by higher finance cost, however partially offset expansion in gross operating income.
- Revenue from capital services declined 7.1% YOY to USD 13 Mn in 2Q26, however increased 18.2% QOQ, reflecting improved underwriting and transaction execution momentum.
- Gross operating income increased 8.3% YOY to USD 26 Mn in 2Q26, supported by higher gain on financial assets and improved syndication & placement activity.
- Dividend income from real estate declined 33.3% YOY to USD 2 Mn in 2Q26, and reflecting distribution timing from underlying real asset portfolio.
- Operating expenses declined 33.3% YOY to USD 2 Mn in 2Q26, reflecting scalable operating model supported by group platform structure.
- Operating profit increased 14.3% YOY to USD 24 Mn in 2Q26, supported by higher investment gains and disciplined cost management.
- Interest expenses increased from USD 6 Mn in 2Q25 to USD 11 Mn in 2Q26, reflecting higher drawdown from RCF to support underwriting and co-investment deployment.
- Business activity remained strong across both core verticals, with co-investment deployment reaching USD 122 Mn and realizations rising to USD 139 Mn during 1H26, supporting recurring income generation and capital recycling.
- Underwriting placement activity increased to USD 513 Mn during 1H26, reflecting strong syndication pipeline and supporting fee income and capital rotation strategy.
- Balance sheet expanded with total assets increasing to USD 1.96 Bn in 1H26, driven by higher cash balances and continued co-investment deployment, supporting future income visibility.
- Dividend profile remained strong, with interim dividend declared at 9.2 fils per share (USD 55 Mn) for the period of 1H26, equivalent to around 8% of opening NAV, supporting the Company's high payout positioning.

### Earnings Call Summary

- Total capital activity remained strong during 1H26, with USD 614 Mn invested across underwriting and co-investments, while USD 652 Mn was realized through exits and fundraising during the period, supporting liquidity and balance sheet strength.
- Underwriting activity increased to USD 492 Mn in 1H26, compared to USD 405 Mn in 1H25, while syndicated placements increased to USD 513 Mn in 1H26, versus USD 477 Mn last year, reflecting improved fundraising environment and transaction activity.
- Co-investment deployment increased to USD 122 Mn in 1H26, compared to USD 75 Mn in 1H25, while realizations improved significantly to USD 139 Mn in 1H26, compared to USD 66 Mn in 1H25 reflecting gradual recovery in private market exits.
- Portfolio allocation remained stable, with co-investment exposure comprising c. 62% private equity, 18% credit, and 17% real assets, supporting long-term NAV growth through capital appreciation at exit.
- Underwriting yield remained strong at c. 10%, above the Company's long-term target of 8%, supporting fee income visibility and predictable cash generation.
- Revolver facilities increased to c. USD 535 Mn in 2Q26, compared to USD 496 Mn in 4Q25, with average utilization of USD 350-400 Mn, at an average funding cost of c. 6.7%, with costs expected to decline as interest rates ease.
- Management expects exit activity to increase and accelerate over the next 18-24 months, supported by improving fundraising conditions across private markets and increased counterparty engagement.

- The Company reaffirmed its dividend framework targeting approximately 8% of opening NAV, while maintaining focus on balance sheet expansion and NAV growth aligned with Investcorp Group growth strategy.
- Macroeconomic outlook remains supportive, with management indicating c. 80% probability of continued or accelerating global growth, supported by AI-driven productivity gains, expected monetary easing in developed markets, and resilient credit conditions, while China GDP growth is expected at c. 3%.
- Strategic capital allocation remains focused on scaling private equity exposure, given its higher return profile relative to other alternative asset classes, while maintaining balanced exposure to credit and real assets.
- Investcorp Group continues to support growth trajectory, with Group AUM exceeding USD 60 Bn, supporting deal sourcing, investment access, and balance sheet expansion for Investcorp Capital.
- Private equity is expected to remain the highest-return alternative asset class, supported by strong sponsor-led M&A activity and ample dry powder.
- Repricing in a higher-rate environment is driving healthier cap rates and solid NOI growth, supporting the attractiveness of real assets, particularly infrastructure.
- Credit returns are expected to remain compelling in a higher-rate, lower-default environment, with flexibility to move up the capital structure and diversify risk.
- As of December 2025, co-investment exposure to private equity stood at USD 639 Mn, while real estate exposure was USD 182 Mn.

**Investcorp Capital – P&L**

USD Mn	2Q25	1Q26	2Q26	2Q26F	Var.	YOY Ch	QOQ Ch
Revenue from capital services	14	11	13	14	-4.7%	-7.1%	18.2%
Gain on financial assets	1	3	8	3	NM	NM	NM
Yield on corporate debt	6	5	3	5	-34.1%	-50.0%	-40.0%
Dividend income- Real Estate	3	4	2	4	-48.5%	-33.3%	-50.0%
<b>Gross income</b>	<b>24</b>	<b>23</b>	<b>26</b>	<b>26</b>	<b>1.8%</b>	<b>8.3%</b>	<b>13.0%</b>
Operating expenses	-3	-2	-2	-3	-31.6%	-33.3%	0.0%
<b>Operating Profit</b>	<b>21</b>	<b>21</b>	<b>24</b>	<b>23</b>	<b>6.2%</b>	<b>14.3%</b>	<b>14.3%</b>
Interest Income	1	1	2	2	33.3%	NM	NM
Interest Expenses	-6	-10	-11	-9	16.3%	83.3%	10.0%
<b>Profit to shareholders</b>	<b>16</b>	<b>12</b>	<b>15</b>	<b>15</b>	<b>2.5%</b>	<b>-6.3%</b>	<b>25.0%</b>

FABS estimate & Co Data

## 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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