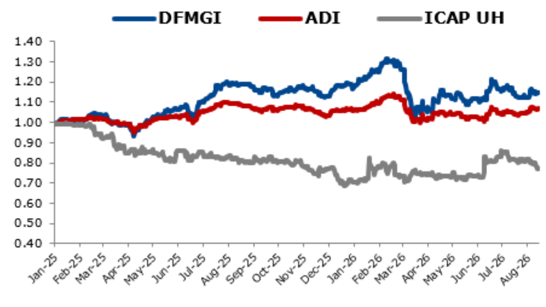
Investcorp Capital PLC (ICAP)

Earnings soften due to lower realization and higher financing cost

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.53	AED 1.95	+28%	BUY

- Effective annualized yield from the underwriting segment remained at 10%, while the co-investment portfolio continued to generate a stable cash yield of 7%.
- Total capital deployed reached USD 1.1 Bn, while distributions from exits and syndications increased to USD 1.3 Bn in 2026.
- Total liabilities stood at USD 525 Mn in 4Q26 compared to USD 704 Mn in 3Q26.
- Interim dividend declared at 9.2 fils per share (USD 54.9 Mn) maintaining 2026 dividend target of 8% on opening NAV.
- The Company introduced a new dividend policy targeting distributions of 65-75% of annual net profit from 2027.



Stock Information	
Market Cap (AED, Mn)	3,353.00
Paid Up Capital (Mn)	1,097.87
52 Week High	1.73
52 Week Low	1.36
3M Avg. daily value(AED)	931,940

4Q26 Result Review (USD, Mn)	
Total Assets	1,873
Total Liabilities	525
Total Equity	1,348
Operating Profit	16
Net Profit	9

Financial Ratios	
Dividend Yield (12m)	12.16
Dividend Pay-out (%)	247.71
Price-Earnings Ratio(x)	20.59
Price-to-Book Ratio (x)	0.67
Book Value (AED)	0.62
Return-on Equity (%)	3.17

Stock Performance	
5 Days	-3.16%
1 Months	-5.56%
3 Months	6.25%
6 Months	-1.29%
1 Year	-3.16%
Month to Date (MTD%)	-5.56%
Quarter to Date (QTD%)	-10.00%
Year to Date (YTD%)	9.29%

4Q26 Net Profit lower than our estimate

Investcorp Capital Plc's (Investcorp/the Company) net profit declined 77.5% YOY from USD 40 Mn in 4Q25 to USD 9 Mn in 4Q26, lower than our estimates of USD 46 Mn. The decline in net profit is mainly attributable to lower revenue from Underwriting segment and sharp decline in gains on financial assets. The decline was partially offset by higher yields on global credit, increased real estate dividend income, higher interest income and lower interest expenses.

P&L Highlights

Investcorp's gross income fell from USD 53 Mn in 4Q25 to USD 19 Mn in 4Q26. Revenue from Underwriting segment declined 31.3% YOY from to USD 11 Mn in 4Q26. Additionally, revenue from the Co-investment segment declined significantly from USD 37 Mn in 4Q25 to USD 8 Mn in 4Q26. The decline in Co-investment revenue is mainly due to lower gains from investment realizations. Despite this, the underlying portfolio remained resilient, with cash yield on co-investments remaining stable at 7% and yield-generating assets increasing to 58% of total assets. Investcorp recorded decline in gain on financial assets to USD 1 Mn in 4Q26, compared to gain of USD 33 Mn in 4Q25. However, Yield on global credit increased from USD 3 Mn in 4Q25 to USD 5 Mn in 4Q26. Additionally, dividend income from real estate increased from USD 1 Mn in 4Q25 to USD 2 Mn in 4Q26. The Company's operating expenses remained broadly stable at USD 3 Mn in 4Q26, as compared to 4Q25. Thus, operating profit decreased 68.0% YOY to USD 16 Mn in 4Q26. Interest income increased from USD 2 Mn in 4Q25 to USD 3 Mn in 4Q26. Interest expenses declined 16.7% YOY to USD 10 Mn in 4Q26, however for the full year, interest expense increased 24.2% YOY to USD 41 Mn in 2026, due to higher drawdown of the revolving credit facility.

Balance Sheet Highlights

Investcorp's total assets declined 1.8% YOY and 8.5% QOQ to USD 1.87 Bn in 4Q26. Asset exposure in the Co-investment segment declined to USD 1,268 Mn in 4Q26 from USD 1,334 Mn in 3Q26 and underwriting exposure decreased to USD 305 Mn in 4Q26 from USD 375 Mn in 3Q26 as syndications and placements exceeded new underwriting activity during the year. During 2026, the Company deployed USD 231 Mn into co-investments activities, while co-investment realizations increased to USD 295 Mn. Total liabilities decreased to USD 525 Mn in 4Q26 from USD 704 Mn in 3Q26, primarily due to decrease in financing from USD 623 Mn in 3Q26 to USD 512 Mn in 4Q26. Additionally, Payables and other accrued expense declined from USD 81 Mn in 3Q26 to USD 13 Mn in 4Q26. Total Equity increased marginally from USD 1,343 Mn in 3Q26 to USD 1,348 in 4Q26.

Target Price and Rating

We maintain our BUY rating on Investcorp with a revised target price of AED 1.95. The Company reported softer FY2026 earnings, with profitability impacted by lower income from co-investment and underwriting activities and higher financing costs following increased utilization of its revolving credit facility. Despite this, the underlying portfolio remained resilient, with co-investment cash yield stable at 7%, while distributions from exits and syndications reached USD 1.3 Bn in 2026 compared to USD 1.1 Bn in 2025. The distribution exceeded the investment activities as the Company deployed USD 1.1 Bn in 2026 compared to USD 1.3 Bn in 2025. The USD 1.3 Bn of distributions were generated through a combination of portfolio exits and syndications, with realizations across private equity, real assets and global credit, while the USD 1.1 Bn related to investment activity was directed towards new private equity investments, alongside four North American real estate portfolios and continued CLO activity in the US and Europe. Capital rotation remained positive during 2026, with USD 1.02 Bn of syndications exceeding USD 937 Mn of underwriting funding, while co-investment realizations of USD 295 Mn were above the USD 231 Mn deployed. This indicates a higher level of asset placements and portfolio exits, supporting balance-sheet capacity for future investment activity. The balance sheet remained well positioned as gross leverage ratio decreased to 0.38x in 4Q26, compared to 0.46x in 3Q26 with improvement in the quality of the asset base, with cash generating assets increasing to 58% of total assets in 4Q26 from 56% in 3Q26, providing a larger base of recurring income. However, the cost-to-income ratio increased to 10% in 4Q26 from 8% in 3Q26, indicating some pressure on operating efficiency. The Company also maintained a strong liquidity position, with available liquidity exceeding USD 400 Mn, providing flexibility to pursue selective investment opportunities as market conditions improve. In addition, the agreed sale of Reem Hospital highlights the Company's ability to realize value from its portfolio, while continued deployment across private equity and real assets supports long-term portfolio growth. Looking ahead, ICAP focus on portfolio optimization and realizations in 2027 is expected to support continued capital recycling, while the new dividend policy targeting distributions of 65-75% of annual net profit is expected to provide greater visibility on shareholder returns. The proposed interim 2026 dividend of AED 0.092 per share also enables the Company to deliver its targeted 8% distribution on opening NAV. Thus, despite near-term earnings pressure, resilient portfolio cash generation, stronger realization activity and healthy liquidity support our positive outlook, and we maintain our BUY rating.

Investcorp - Relative valuation

(at CMP)	**2023**	**2024**	**2025**	**2026**	**2027F**
PE	8.14	8.76	11.32	20.80	12.15
PB	0.74	0.63	0.64	0.68	0.70
BVPS	2.068	2.448	2.396	2.270	2.211
EPS	0.189	0.176	0.136	0.074	0.127
DPS	NA	0.193	0.189	0.185	0.137
Dividend yield	NA	12.6%	12.4%	12.1%	9.0%

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

Investcorp – P&L

USD Mn	4Q25	3Q26	4Q26	4Q26F	Var	YOY Ch	QOQ Ch	2025	2026	Change
Underwriting	16	10	11	18	-37.4%	-31.3%	10.0%	54	45	-16.7%
Gain on financial assets	33	2	1	36	NM	NM	NM	39	14	-64.1%
Yield on global credit	3	4	5	5	-2.3%	66.7%	25.0%	16	17	6.3%
Dividend inc.- Real Estate	1	4	2	0	NM	NM	-50.0%	9	12	33.3%
Gross income	**53**	**20**	**19**	**60**	**-68.1%**	**-64.2%**	**-5.0%**	**118**	**88**	**-25.4%**
Operating expenses	-3	-2	-3	-6	-52.2%	NM	50.0%	-10	-9	-10.0%
Operating Profit	**50**	**18**	**16**	**53**	**-70.0%**	**-68.0%**	**-11.1%**	**108**	**79**	**-26.9%**
Interest Income	2	0	3	3	0.0%	50.0%	NM	6	6	NM
Interest Expenses	-12	-10	-10	-10	-4.3%	-16.7%	NM	-33	-41	24.2%
Profit before zakat	**40**	**8**	**9**	**46**	**NM**	**-77.5%**	**12.5%**	**81**	**44**	**-45.7%**
Net Profit	**40**	**8**	**9**	**46**	**NM**	**-77.5%**	**12.5%**	**81**	**44**	**-45.7%**

FABS estimate & Co Data

Investcorp - Margins

	4Q25	3Q26	4Q26	YOY Ch	QOQ Ch	2025	2026	Change
Operating Profit	94.3%	90.0%	84.2%	NM	-579	91.5%	89.8%	-175
Net Profit	75.5%	40.0%	47.4%	NM	737	68.6%	50.0%	NM

FABS estimate & Co Data

Key Developments:

- **21 April 2026 -** Investcorp Capital expanded its U.S. real estate portfolio by investing USD 200 Mn in two senior living properties and one multifamily asset across California, New York and New Jersey. The investment increases the Company's exposure to residential sectors benefiting from favourable demographic trends and constrained supply. The assets had an average occupancy of around 94% and this transaction marks the Company's first direct multifamily acquisition with opportunity to generate sustainable long-term returns through alternative investments.

- **18 May 2026 -** Investcorp Capital acquired U.S. industrial real estate portfolio for more than USD 200 Mn comprising 19 properties with c. 1.4 Mn SQFT across Dallas-Fort Worth, Chicago, Indianapolis and Cincinnati. The portfolio is 97% occupied with diversified tenants across logistics, manufacturing, wholesale distribution and industrial services. The acquisition strengthens the Company's exposure to US industrial real estate and has potential to generate resilient cash flows and create long term value.

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Valuation:

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

Valuation Method	Target	Weight	Weighted Value
DDM Method	1.33	33.3%	0.44
DCF + Relative Valuation Method	2.07	33.3%	0.69
NAV	2.46	33.3%	0.82
Weighted Average Valuation (AED)			**1.95**
Current market price (AED)			1.53
Upside/Downside (%)			+28%

1) DDM Method:

Investcorp declared a healthy dividend of USD 55 Mn in 2026 and further aims to pay regular dividends in the forecasted period. The Company targets to achieve a minimum dividend yield of 8% of opening NAV per year. The dividend is discounted at the cost of equity of 10.6%.

Sum of PV (USD, Mn)	274
Terminal value (USD, Mn)	514
FV to Common shareholders (USD, Mn)	**788**
No. of share (Mn)	2,180
Current Market Price (AED)	1.53
Fair Value per share (AED)	**1.33**

DCF Method

(All Figures in USD Mn)	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Dividend	81	68	70	70	71
Total Dividend	**81**	**68**	**70**	**70**	**71**
Discounting Factor	*0.92*	*0.83*	*0.75*	*0.68*	*0.61*
Discounted Dividend	**74**	**57**	**52**	**47**	**43**

Source: FAB Securities

2) DCF + RV Method:

1) DCF Method

Underwriting (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 10.6%. The cost of equity is calculated using the 10-year government bond yield of 6.6%, the beta of 1.00, and the equity risk premium of 4.0%. Government bond yield is calculated after adding the Bahrain 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 2.0%.

Sum of PV (USD, Mn)	115
Terminal value (USD, Mn)	173
FV to Common shareholders (USD, Mn)	**288**
No. of share (Mn)	2,180
Current Market Price (AED)	1.53
Fair Value per share (AED)	**0.49**

(All Figures in USD Mn)	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Income	21	25	28	28	29
(+/-) Working Capital	16	-4	1	-6	-4
Net Change in debt	2	-19	8	32	-2
Free Cash Flow to Equity	**39**	**2**	**37**	**53**	**24**
Discounting Factor	*0.92*	*0.83*	*0.75*	*0.68*	*0.61*
Discounted FCFE	**36**	**2**	**27**	**36**	**15**

Source: FAB Securities

2) RV Method:

We have used local as well as international peers to value the Co-Investment (Capital Deployment) segment in Investcorp Capital, and it is valued using the average valuation obtained from PE and PB multiples. It is valued at 2026 PE and PB median multiples of 9.3x and 1.1x, respectively.

Company	Market	P/E (x)		P/B (x)	
	(USD Mn)	2026F	2027F	2026F	2027F
INDUSTRIVARDEN AB-A SHS	24,391	6.5x	10.5x	1.1x	1.0x
PEUGEOT INVEST	1,642	6.6x	6.6x	0.4x	0.4x
INVESTOR AB-B SHS	132,811	8.6x	15.5x	1.3x	1.3x
TIKEHAU CAPITAL	3,432	10.1x	9.7x	0.9x	0.9x
WENDEL	4,257	34.4x	34.2x	1.1x	1.1x
BROOKFIELD CORP	109,640	15.4x	12.1x	2.0x	1.8x
Average		**13.6x**	**14.8x**	**1.1x**	**1.1x**
Median		**9.3x**	**11.3x**	**1.1x**	**1.0x**
Max		**14.1x**	**14.6x**	**1.2x**	**1.2x**
Min		**7.1x**	**9.9x**	**1.0x**	**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 2026 is used for valuing the firm.

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	(USD Mn)	2026F	2027F	2026F	2027F
INDUSTRIVARDEN AB-A SHS	24,391	6.5x	10.5x	1.1x	1.0x
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INVESTOR AB-B SHS	132,811	8.6x	15.5x	1.3x	1.3x
TIKEHAU CAPITAL	3,432	10.1x	9.7x	0.9x	0.9x
WENDEL	4,257	34.4x	34.2x	1.1x	1.1x
BROOKFIELD CORP	109,640	15.4x	12.1x	2.0x	1.8x
Average		**13.6x**	**14.8x**	**1.1x**	**1.1x**
Median		**9.3x**	**11.3x**	**1.1x**	**1.0x**
Max		**14.1x**	**14.6x**	**1.2x**	**1.2x**
Min		**7.1x**	**9.9x**	**1.0x**	**0.9x**

Source: FAB Securities

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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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