Earnings Call Insight | 1Q27

UAE Equity Research | Sector: Financials | Market: ADX

Investcorp Capital PLC

Current Price	Target Price	Upside/Downside (%)	Rating
AED 1.45	AED 1.95	+34%	BUY

1Q27 Net Profit lower than our estimate

- Net profit declined significantly to USD 2 Mn in 1Q27 from USD 12 Mn in 1Q26, lower than our estimates of USD 14 Mn. The decline in net profit was driven by lower Underwriting revenue, loss on gain on financial assets, lower yield on global credit coupled with higher interest expenses. However, interest income, dividend income, and operating expenses remained stable.
- Underwriting revenue declined 18.2% YOY to USD 9 Mn in 1Q27, despite higher underwriting activity, with USD 329 Mn of new transactions funded during the quarter.
- Gross income declined 39.1% YOY to USD 14 Mn in 1Q27, primarily due to decrease in Underwriting revenue, lower yield on global credit, and a USD 3 Mn fair value loss on financial assets in 1Q27 compared with a USD 3 Mn gain in the corresponding period last year.
- Dividend income from real assets remained stable at USD 4 Mn in 1Q27, while recurring income from global credit and real estate amounted to USD 8 Mn, generating an annualized return of c. 7% on cash-generating core assets.
- Operating expenses remained unchanged at USD 2 Mn in 1Q27, reflecting continued cost discipline and the Company's scalable operating model supported by the Company's existing platform.
- Operating profit declined to USD 12 Mn in 1Q27, compared with USD 21 Mn in 1Q26, reflecting lower gross income, while operating expenses remained stable.
- Interest expenses increased 10.0% YOY to USD 11 Mn in 1Q27, primarily reflecting higher utilization of the USD 800 Mn revolving credit facility, with USD 683 Mn drawn as of September 2026 compared with USD 521 Mn in June 2026.
- Business activity remained active across both core verticals, with total aggregate activity reaching USD 565 Mn in 1Q27, comprising USD 329 Mn of underwriting, USD 9 Mn of co-investment deployment, USD 213 Mn of syndication and USD 13 Mn of co-investment realizations, supporting future fee generation and capital recycling.
- Underwriting activity strengthened significantly, with new underwriting origination reaching USD 329 Mn compared with USD 34 Mn in 1Q26.
- Balance sheet expanded, with total assets increasing to USD 2.0 Bn as of 1Q27 from USD 1.9 Bn as of 4Q26, primarily driven by higher underwriting assets and funding of new transactions.
- Dividend distribution remained strong, with company paying the 2H26 dividend of AED 0.092 per share during the quarter, achieving the Company's FY2026 dividend distribution target of 8% of opening NAV.

Earnings Call Summary

- Originations exceeded syndications by more than USD 100 Mn, representing a pipeline of potential fee income and capital releases over the coming quarters.
- Net profit declined to USD 2 Mn in 1Q27 from USD 12 Mn in 1Q26, primarily due to the timing of syndications, as the Company completed large acquisitions ahead of placing the investments with external investors. Underwriting income is recognised only upon completion of syndications, resulting in some income being deferred to subsequent quarters.
- Recurring income included c. USD 8 Mn from global credit and real assets in 1Q27, partly offset by a USD 3 Mn fair value reduction in private equity investments, primarily in North America.
- The Company maintained a measured approach to co-investments, deploying USD 9 Mn and realising USD 13 Mn in 1Q27, making it a modest net seller. It indicated that capital is being recycled towards income-generating investments while prioritising underwriting activities, which offer relatively faster fee and capital turnover.

- Total assets increased by USD 152 Mn to over USD 2.0 Bn during the quarter compared with previous quarter, primarily driven by underwriting activities. Receivables increased by USD 90 Mn during the same period due to the timing of settlements related to recent acquisitions.
- Due from related parties declined 31.3% QOQ to USD 121 Mn in 1Q27, while total liabilities increased 39.2% QOQ to USD 731 Mn in 1Q27, mainly due to additional revolving credit facility (RCF) drawdowns of USD 163 Mn and a USD 43 Mn increase in payables in 1Q27, primarily relating to the dividend payable at quarter-end.
- Accessible liquidity stood at c. USD 238 Mn in 1Q27, which is expected to improve as recently acquired underwriting investments are syndicated and proceeds are received.
- Private equity accounted for c. 42% of the co-investment portfolio, while its exposure declined to USD 536 Mn as of September 2026 compared to USD 634 Mn in September 2025, primarily due to the liquidation of certain investments in Asia and MENA. Meanwhile, real assets increased to 17% from 14% during the same period, supported by higher cash-generating real estate exposure in North America and the addition of MENA infrastructure investments.
- The Company expects private equity exit activity to improve during 2027, supported by better market liquidity, while real estate valuations are expected to recover gradually over 2027-2029. Higher interest rates are also expected to support credit investment returns, with recurring income from the real assets and credit portfolios currently generating c. 7%.
- Furthermore, it expects underwriting returns to normalise towards c. 10%, with the current 6% annualised return primarily reflecting delayed syndications rather than weaker underlying portfolio performance. It also expects improving real estate valuations, better private equity exits activity and sustained credit income to support higher portfolio returns over the coming years.
- Investcorp introduced a dividend policy targeting distributions of 65%-75% of net earnings, with annual dividends expected to range between USD 70 Mn and USD 120 Mn over the forecast period, compared with USD 110 Mn in FY2026. Distributions will depend on earnings, cash generation and investment exits, while reiterating its commitment to shareholder returns.
- Since its IPO, the Company has distributed cumulative dividends of more than AED 1.2 Bn (c. USD 337 Mn). It expects dividend payments to gradually increase over the next four years, subject to the Company's financial performance and cash generation.
- The Company’s four-year pro forma outlook indicates annual deployment of USD 120-405 Mn and realisations of USD 65-495 Mn, both relating exclusively to co-investments, while financing is expected to range between USD 420-640 Mn at a margin of 250 bps over SOFR. Underwriting investments of USD 335-480 Mn, with an expected yield of 9-10%. Co-investment investments are projected at USD 1,255-1,495 Mn, with yields expected to improve to 8-11%.

Investcorp Capital – P&L

USD Mn	1Q26	4Q26	1Q27	1Q27F	Var	YOY Ch	QOQ Ch
Underwriting revenue	11	11	9	12	-23.5%	-18.2%	-18.2%
Gain on financial assets	3	1	-3	6	NM	NM	NM
Yield on global credit	5	5	4	5	-16.2%	-20.0%	-20.0%
Dividend income- Real Estate	4	2	4	3	47.6%	0.0%	NM
Gross income	**23**	**19**	**14**	**25**	**-44.0%**	**-39.1%**	**-26.3%**
Operating expenses	-2	-3	-2	-3	-40.0%	0.0%	-33.3%
Operating Profit	**21**	**16**	**12**	**22**	**-44.6%**	**-42.9%**	**-25.0%**
Interest Income	1	3	1	2	-33.3%	0.0%	NM
Interest Expenses	-10	-10	-11	-9	22.5%	10.0%	10.0%
Net profit for the period	**12**	**9**	**2**	**14**	**NM**	**NM**	**NM**

FABS estimate & Co Data

Management Outlook:

	Base case (FY26[5])			Proforma (4-year view)	
	Investments ($m)	%	Yield (%)	Investments ($m)[2]	Yield (%)[3]
Underwriting (CFS)[1]	**440**	**n/a**	**10%**	**335 – 480**	**9 - 10%**
Co-investment (CD)	**1,306**	**100%**	**3%**	**1,255 - 1,495**	**8% - 11%**
Private Equity	599	46%	2%	405 - 715	8% - 14%
Real Assets	186	14%	5%	240 – 320	6% - 7%
Global Credit	217	17%	3%	225 – 245	7% - 9%
Strategic Capital	47	4%	12%	65 – 125	15% - 17%
Structured Product[4]	257	20%	0%	95 – 265	7% - 10%
Total investments	**1,746**	**n/a**	**4%**	**1,665 - 1,975**	**8% - 11%**

$m	Base case (FY26[5])	Proforma (4-year view)[2]	
Total deployment	231	120 – 405	Co-investment only
Total realizations	295	65 – 495	Co-investment only
Financing	542	420 – 640	Margin of 250 bps over SOFR
Dividends	110	70 - 120	65 - 75% annual payout

Note: [1]Includes funded and unfunded balance. [2]Ranges represent the target annual minimum and maximum levels observed on a quarterly calendar basis across the four-year projection period (CY2027 - CY2030). [3]Ranges represent the target annual minimum and maximum yield levels over the four-year projection period (CY2027 - CY2030) under normal macroeconomic conditions and in the absence of specific events impacting individual investments. [4]Portfolio expected to reduce over time as positions mature; no new exposure anticipated. [5]FY26 refers to the audited 12-month period ended 30 June 2026.

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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