

## Investcorp Capital PLC (ICAP)

Strong asset gains and capital services boost profitability despite lower yields

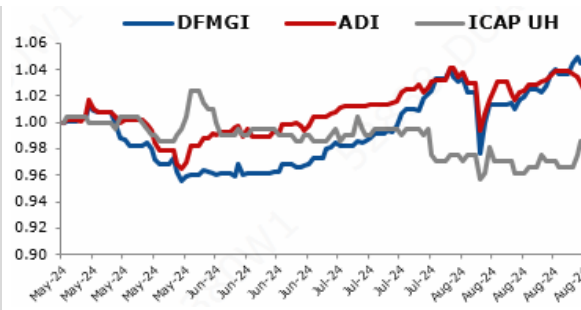
**Current Price**  
AED 1.97

**Target Price**  
AED 2.71

**Upside/Downside (%)**  
+38%

**Rating**  
BUY

- Investcorp Capital Plc's net profit rose 55.6% YOY to USD 56 Mn in 4Q24.
- The Capital Financing Services segment witnessed significant growth, deploying USD 883 Mn across asset classes achieving a 9% return on investment in 2024, surpassing its target of 8%.
- The Capital Deployment segment achieved a 13% return on investment in 2024, deploying more than USD 263 Mn across various assets.
- The Company approved a dividend of AED 203 Mn for 2H24, resulting in an annual dividend of AED 422 Mn (19.3 fils per share) for 2024 with a dividend yield of 9.7% maintaining its commitment to deliver a minimum dividend yield of 8%.



### Stock Information

Market Cap (AED, mm)	4,317.26
Paid Up Capital (AED,mm)	4,032.36
52 Week High	2.40
52 Week Low	1.91
3M Avg. daily value (AED)	2,058,228

### 4Q24 Result Review (USD, mm)

Total Assets	1,751
Total Liabilities	289
Total Equity	1,462
Operating Profit	61
Net Profit	56

### Financial Ratios

Dividend Yield (12m)	9.80
Dividend Pay-out (%)	N/A
Est PE Ratio(x)	9.25
Est PB Ratio(x)	7.79
Est EV/Revenue (x)	10.54
Est Return-on Equity(%)	7.786

### Stock Performance

5 Days	-1.99%
1 Months	-1.50%
3 Months	-3.90%
6 Months	-6.19%
1 Year	N/A
Month to Date (MTD%)	-3.90%
Quarter to Date (QTD%)	-3.43%
Year to Date (YTD%)	-1.01%

### 4Q24 Net Profit higher than our estimate

Investcorp Capital Plc's (Investcorp/the company) net profit increased 55.6% YOY to USD 56 Mn in 4Q24, higher than our estimate of USD 30 Mn. The increase in net profit is mainly attributable to an increase in gross income due to rise in revenue from capital services and gains on financial assets partially offset by decline in interest income and higher interest expense.

### P&L Highlights

Investcorp's gross revenue increased from USD 31 Mn in 4Q23 to USD 63 Mn in 4Q24 due to a significant increase in revenue from capital services and capital deployment. Revenue from capital services increased 45.5% YOY to USD 16 Mn in 4Q24. Capital Deployment segment reported a significant growth due to solid growth in gains from financial assets. Gain on financial assets rose significantly from USD 10 Mn in 4Q23 to USD 39 Mn in 4Q24. Increase in revenue is partially offset by a decline 14.3% YOY in yield on corporate debt to USD 6 Mn in 4Q24, whereas Real Estate income fell 33.3% YOY to USD 2 Mn. The Company's operating expenses doubled to USD 2 Mn in 4Q24. Operating profit more than doubled from USD 30 Mn in 4Q23 to USD 61 Mn in 4Q24, while operating margin remained stable at 96.8%. Interest income declined to USD 2 Mn in 4Q24 from USD 7 Mn in 4Q23, while interest expense grew from USD 1 Mn in 4Q23 to USD 7 Mn in 4Q24.

### Balance Sheet Highlights

Investcorp's total assets rose 22.8% to USD 1.8 Mn in 2024. Total equity increased 18.4% to USD 1.5 Bn in 2024. Capital service underwriting assets rose 2.9% to USD 430 Mn in 2024, while corporate investments increased 55.2% to USD 520 Mn. In addition, real estate assets increased 4.5% to USD 162 Mn in 2024

while global credit assets fell 4.0% to USD 242 Mn. The company's balance sheet is strong and well-diversified, with 70% invested in cash-generating assets.

### Target Price and Rating

We maintain our BUY rating on Investcorp Capital with an unchanged target price of AED 2.71. The Company's profitability improved in 4Q24 mainly driven by gains on financial assets and an increase in revenue from capital services. Investcorp Capital plc continued its strong expansion with significant momentum across various asset classes in 4Q24. The Capital Deployment segment delivered a 13% return on investment, driven by strategic investments of USD 263 Mn in FY2024. This includes USD 158 Mn in corporate investments, USD 72 Mn in global credit, USD 24 Mn in real estate, and USD 9 Mn in strategic capital. The Capital Financing Services business saw substantial growth with USD 883 Mn deployed across asset classes, delivering a 9% return on investment in 2024, outperforming its target of 8%. Additionally, Investcorp's diversification efforts were highlighted by its first infrastructure investment through the reconstruction of Terminal 6 at the JFK International Airport. The inclusion in the MSCI Emerging Markets Small Cap Index further boosted the company's profile and attracted international investors. The outlook for 4Q24 remains strong, supported by enhanced capital financing activity and strategic expansion into new asset classes. Investcorp approved a dividend of AED 203 Mn for 2H24, resulting in a total annual dividend of AED 422 Mn equivalent to 19.3 fils per share for 2024 with a strong dividend yield of 9.8% maintaining its commitment to deliver a minimum yield of 8%. Thus, considering the above-mentioned factors, we assign a BUY rating on the stock.

### Investcorp - Relative valuation

(at CMP)	2019	2023	2024
PE	NA	10.46	11.26
PB	NA	0.96	0.81
Dividend yield	NA	0.0%	9.8%

*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 mm	4Q23	3Q24	4Q24	4Q24F	Var.	YOY Ch	QOQ Ch	2023	2024	Change
Revenue from capital services	11	11	16	10	58.5%	45.5%	45.5%	45	49	8.9%
Gain on financial assets	10	5	39	19	NM	NM	NM	47	49	4.3%
Yield on corporate debt	7	3	6	5	14.0%	-14.3%	100.0%	17	19	11.8%
Dividend inc.- Real Estate	3	2	2	3	-20.1%	-33.3%	0.0%	8	8	0.0%
Performance Rebate	0	0	0	0	NM	NM	NM	0	0	NM
<b>Gross income</b>	<b>31</b>	<b>21</b>	<b>63</b>	<b>37</b>	<b>70.4%</b>	<b>103.2%</b>	<b>200.0%</b>	<b>117</b>	<b>125</b>	6.8%
Operating expenses	-1	-2	-2	-5	-61.4%	NM	0.0%	-11	-8	-27.3%
<b>Operating Profit</b>	<b>30</b>	<b>19</b>	<b>61</b>	<b>32</b>	<b>91.9%</b>	<b>103.3%</b>	<b>221.1%</b>	<b>106</b>	<b>117</b>	10.4%
Interest Income	7	2	2	2	0.0%	-71.4%	0.0%	9	7	-22.2%
Interest Expenses	-1	-6	-7	-4	72.2%	NM	16.7%	-2	-19	850.0%
<b>Profit before zakat</b>	<b>36</b>	<b>15</b>	<b>56</b>	<b>30</b>	<b>88.4%</b>	<b>55.6%</b>	<b>273.3%</b>	<b>113</b>	<b>105</b>	-7.1%
Income tax	0	0	0	0	NM	NM	NM	0	0	NM
<b>Net Profit</b>	<b>36</b>	<b>15</b>	<b>56</b>	<b>30</b>	<b>88.4%</b>	<b>55.6%</b>	<b>273.3%</b>	<b>113</b>	<b>105</b>	<b>-7.1%</b>

FABS estimate & Co Data

**Investcorp - Margins**

	4Q23	3Q24	4Q24	YOY Ch	QOQ Ch	2023	2024	Change
Operating margin	96.8%	90.5%	96.8%	5	635	90.6%	93.6%	300
Net profit margin	116.1%	71.4%	88.9%	-2,724	1,746	96.6%	84.0%	-1,258

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	1.45	33.3%	0.48
DCF + Relative Valuation Method	3.24	33.3%	1.08
NAV	3.44	33.3%	1.15
<b>Weighted Average Valuation (AED)</b>			<b>2.71</b>
Current market price (AED)			1.98
Upside/Downside (%)			+38%

### 1) DDM Method:

Investcorp distributed a healthy dividend of USD 155 Mn in 2024 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 11.0%.

Sum of PV (USD, Mn)	302
Terminal value (USD, Mn)	565
<b>FV to Common shareholders (USD, Mn)</b>	<b>867</b>
No. of share (Mn)	2,192
Current Market Price (AED)	1.97
<b>Fair Value per share (AED)</b>	<b>1.45</b>

### DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY2029E
Dividend	88	88	88	89	91
<b>Total Dividend</b>	<b>88</b>	<b>88</b>	<b>88</b>	<b>89</b>	<b>91</b>
Discounting Factor	0.83	0.75	0.68	0.61	0.55
<b>Discounted FCFF</b>	<b>73</b>	<b>66</b>	<b>59</b>	<b>54</b>	<b>50</b>

Source: FAB Securities

## 2) DCF + RV Method:

### 1) 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 11.0%. Cost of equity is calculated by using 10-year government bond yield of 4.2%, beta of 1.00 and equity risk premium of 4.5%. 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)	219
Terminal value (USD, Mn)	336
<b>FV to Common shareholders (USD, Mn)</b>	<b>555</b>
No. of share (Mn)	2,192
Current Market Price (AED)	1.97
<b>Fair Value per share (AED)</b>	<b>0.93</b>

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY2029E
Net Income	39	39	41	42	42
(+/-) Working Capital	25	14	12	5	5
Net Change in debt	47	5	-13	-3	7
<b>Free Cash Flow to Equity</b>	<b>111</b>	<b>58</b>	<b>40</b>	<b>44</b>	<b>54</b>
Discounting Factor	0.83	0.75	0.68	0.61	0.55
<b>Discounted FCFE</b>	<b>93</b>	<b>44</b>	<b>27</b>	<b>27</b>	<b>30</b>

Source: FAB Securities

### 2) 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 11.8x and 1.4x respectively.

Company	Market (USD Mn)	P/E (x)		P/B (x)	
		2024	2025F	2024	2025F
KINGDOM HOLDING CO	9,630	25.0x	22.7x	NA	NA
WENDEL	4,211	11.2x	21.1x	0.9x	0.8x
BLACKROCK INC	130,920	21.2x	18.9x	3.3x	3.0x
BROOKFIELD CORP	72,942	12.2x	11.4x	1.7x	1.7x
TIKEHAU CAPITAL	4,286	17.6x	10.5x	1.2x	1.1x
INTERMEDIATE CAPITAL GROUP	7,878	12.7x	11.8x	2.4x	2.2x
SCHRODERS PLC	6,876	11.4x	10.1x	1.2x	1.2x
<b>Average</b>		<b>15.9x</b>	<b>15.2x</b>	<b>1.8x</b>	<b>1.7x</b>
<b>Median</b>		<b>12.7x</b>	<b>11.8x</b>	<b>1.4x</b>	<b>1.4x</b>
<b>Max</b>		<b>19.4x</b>	<b>20.0x</b>	<b>2.2x</b>	<b>2.1x</b>
<b>Min</b>		<b>11.8x</b>	<b>10.9x</b>	<b>1.2x</b>	<b>1.1x</b>

Source: FAB Securities

### 3) Net Asset Value:

We applied peer median price-to-book multiple of 1.4x 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 to compute valuation and added expected IPO proceed to arrive at the NAV. This NAV is used for valuing the firm.

Company	Market (USD Mn)	P/E (x)		P/B (x)	
		2024	2025F	2024	2025F
KINGDOM HOLDING CO	9,630	25.0x	22.7x	NA	NA
WENDEL	4,211	11.2x	21.1x	0.9x	0.8x
BLACKROCK INC	130,920	21.2x	18.9x	3.3x	3.0x
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<b>Average</b>		<b>15.9x</b>	<b>15.2x</b>	<b>1.8x</b>	<b>1.7x</b>
<b>Median</b>		<b>12.7x</b>	<b>11.8x</b>	<b>1.4x</b>	<b>1.4x</b>
<b>Max</b>		<b>19.4x</b>	<b>20.0x</b>	<b>2.2x</b>	<b>2.1x</b>
<b>Min</b>		<b>11.8x</b>	<b>10.9x</b>	<b>1.2x</b>	<b>1.1x</b>

Source: FAB Securities

