

## Investcorp Capital PLC

Rise in operating and interest expenses impacted profitability

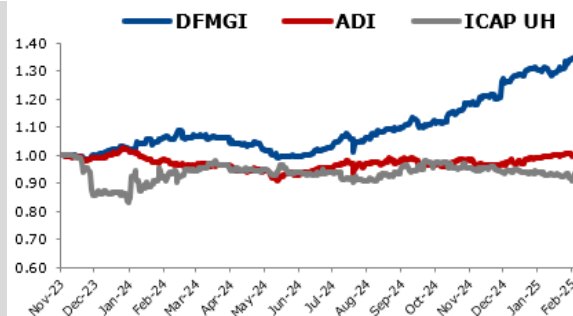
**Current Price**  
AED 1.87

**Target Price**  
AED 2.71

**Upside/Downside (%)**  
+45%

**Rating**  
BUY

- Investcorp Capital Plc's net profit fell 23.8% YOY to USD 16 Mn in 2Q25.
- As of 2Q25, the carrying value of the Company's capital deployment exposure in Corporate Investments stood at USD 569 Mn, representing 58% of the total capital deployment exposures.
- CFS activities grew significantly, with deployment increasing from USD 90 Mn in 1Q25 to USD 405 Mn in 1H25.
- Realizations also saw impressive growth, more than doubling from USD 151 Mn in 1Q25 to USD 326 Mn in 2Q25, bringing the total 1H25 realization to USD 477 Mn.
- Investcorp Capital manages 31 active real assets portfolios in North America, 11 in Europe, and 3 in India, including warehousing and two education-infrastructure portfolios.



### 2Q25 Net Profit lower than our estimate

Investcorp Capital Plc's (Investcorp/the company) net profit declined 23.8% YOY to USD 16 Mn in 2Q25, lower than our estimate of USD 20 Mn. The decrease in net profit is primarily attributable to the doubling of interest expenses and higher operating expenses.

### P&L Highlights

Investcorp's gross income remained flat at USD 24 Mn in 2Q25 compared to 2Q24. Revenue from Capital Services remained flat at USD 14 Mn in 2Q25 compared to 2Q24. Additionally, revenue from the Capital Deployment segment also remained flat at USD 10 Mn in 2Q25 compared to 2Q24. Investcorp recorded gain of USD 1 Mn on financial assets in 2Q25 compared to a USD 2 Mn gain in 2Q24. Yield on corporate debt remained stable in 2Q25 compared to 2Q24, while income from Real Estate rose 50.0% YOY to USD 3 Mn in 2Q25. The Company's operating expenses more than doubled from USD 1 Mn in 2Q24 to USD 3 Mn in 2Q25 owing higher general costs. Thus, operating profit declined 8.7% YOY to USD 21 Mn in 2Q25. Interest expenses doubled from USD 3 Mn in 2Q24 to AED 6 Mn in 2Q25 owing to the drawdowns from the revolving facilities, while interest income remained unchanged on YOY basis at USD 1 Mn in 2Q25.

### Balance Sheet Highlights

Investcorp's total assets rose 5.1% QOQ to USD 1.8 Bn in 2Q25. Capital Service underwriting fell 3.0% QOQ to 358 Mn in 2Q25, while corporate investments increased 7.6% QOQ to USD 569 Mn. Additionally, Global Credit assets declined 13.7% QOQ to USD 195 Mn in 2Q25, driven by an increase in CLO exits, while real estate assets grew 4.7% QOQ to USD 177 Mn in 2Q25.

### Stock Information

Market Cap (AED, Mn)	4,098.11
Paid Up Capital (Mn)	1,097.91
52 Week High	2.15
52 Week Low	1.81
3M Avg. daily value (AED)	1,020,521

### 2Q25 Result Review (USD, Mn)

Total Assets	1,778
Total Liabilities	348
Total Equity	1,430
Operating Profit	21
Net Profit	16

### Financial Ratios

Dividend Yield (12m)	10.05
Dividend Pay-out (%)	-
Est.Price-Earnings Ratio(x)	9.43
Price-to-Book Ratio (x)	0.78
Book Value (AED)	0.65
Return-on Equity (%)	7.79

### Stock Performance

5 Days	0.54%
1 Months	-4.10%
3 Months	-5.56%
6 Months	-6.50%
1 Year	-9.66%
Month to Date (MTD%)	-4.10%
Quarter to Date (QTD%)	-5.56%
Year to Date (YTD%)	-5.56%

Furthermore, the Company's total liabilities rose 27.5% QOQ to USD 348 Mn in 2Q25, primarily driven by an increase in financing liabilities within Capital Financing Services. The increase in financing is attributed to increased drawdowns on the revolving credit facility (RCF) to fund business activity. Financing grew from 228 Mn in 1Q25 to 233 Mn in 2Q25.

### 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 was impacted in 2Q25 mainly due to a rise in interest expense due to the revolving facility's drawdown. Investcorp's business model is cyclical due to the timing of fair value updates across asset classes in the second and fourth quarters. Thus, short-term results might not accurately represent long-term profitability trends. As of 2Q25, the carrying value of Investcorp Capital's balance sheet capital deployment exposure in Corporate Investments (CI) stood at USD 569 Mn, representing 58% of the total balance sheet capital deployment exposures. The corporate investments portfolio is geographically diversified across North America, Europe, Asia, and the MENA region, including Turkey. The portfolio is broken down is as follows: North America with USD 151 Mn, Europe with USD 72 Mn, Asia with USD 163 Mn, and the MENA region and Turkey accounting for USD 183 Mn as of 2Q25. The company's cash flow remained strong, with net cash flow from operating activities increasing by 10.0%, QOQ to USD 11 Mn in 2Q25. CFS activities experienced significant growth, with CFS deployment rising sharply from USD 90 Mn in 1Q25 to USD 405 Mn in 1H25, reflecting a USD 315 Mn increase in 2Q25. Realizations also saw impressive growth, more than doubling from USD 151 Mn in 1Q25 to USD 326 Mn in 2Q25, bringing the total 1H25 realization to USD 477 Mn. Additionally, capital deployment was further strengthened by capital recycling, with 2Q25 deployment reaching USD 61 Mn, a significant increase from USD 14 Mn in 1Q25, resulting in a total 1H25 deployment of USD 75 Mn. Realizations saw a modest increase, rising from USD 32 Mn in 1Q25 to USD 34 Mn in 2Q25, leading to a total 1H25 realization of USD 66 Mn. Investcorp Capital manages 31 active real assets portfolios in North America, 11 in Europe, and 3 in India, including warehousing and two education-infrastructure portfolios. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

### Investcorp - Relative valuation

(at CMP)	2022	2023	2024	2025F
PE	NA	9.83	10.58	10.63
PB	NA	0.90	0.76	0.76
Dividend yield	NA	0.0%	10.4%	10.0%

*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	2Q24	1Q25	2Q25	2Q25F	Var.	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue from capital services	14	11	14	15	-8.8%	0.0%	27.3%	49	47	-4.6%
Gain on financial assets	2	0	1	2	-46.5%	-50.0%	NM	49	37	-23.8%
Yield on corporate debt	6	4	6	5	27.7%	0.0%	50.0%	19	20	3.7%
Dividend inc.- Real Estate	2	3	3	3	16.6%	50.0%	0.0%	8	12	56.2%
Performance Rebate	0	0	0	0	NM	NM	NM	0	0	NM
<b>Gross income</b>	<b>24</b>	<b>18</b>	<b>24</b>	<b>24</b>	<b>-2.0%</b>	<b>0.0%</b>	<b>33.3%</b>	<b>125</b>	<b>117</b>	<b>-6.6%</b>
Operating expenses	-1	-2	-3	-2	95.0%	200.0%	50.0%	-8	-8	4.3%
<b>Operating Profit</b>	<b>23</b>	<b>16</b>	<b>21</b>	<b>23</b>	<b>-8.5%</b>	<b>-8.7%</b>	<b>31.3%</b>	<b>117</b>	<b>108</b>	<b>-7.4%</b>
Interest Income	1	2	1	3	-60.0%	NM	-50.0%	7	10	42.9%
Interest Expenses	-3	-6	-6	-6	6.7%	100.0%	0.0%	-19	-14	-26.9%
<b>Profit before zakat</b>	<b>21</b>	<b>12</b>	<b>16</b>	<b>20</b>	<b>-19.3%</b>	<b>-23.8%</b>	<b>33.3%</b>	<b>105</b>	<b>104</b>	<b>-0.5%</b>
Income tax	0	0	0	0	NM	NM	NM	0	0	NM
<b>Net Profit</b>	<b>21</b>	<b>12</b>	<b>16</b>	<b>20</b>	<b>-19.3%</b>	<b>-23.8%</b>	<b>33.3%</b>	<b>105</b>	<b>104</b>	<b>-0.5%</b>

FABS estimate & Co Data

**Investcorp - Margins**

	2Q24	1Q25	2Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Operating margin	95.8%	88.9%	87.5%	-833	-139	93.6%	92.8%	-75
Net profit margin	87.5%	66.7%	66.7%	-2,083	0	84.0%	89.5%	552

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	1.56	33.3%	0.52
DCF + Relative Valuation Method	3.36	33.3%	1.12
NAV	3.22	33.3%	1.07
<b>Weighted Average Valuation (AED)</b>			<b>2.71</b>
Current market price (AED)			1.87
Upside/Downside (%)			+45%

### 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)	304
Terminal value (USD, Mn)	627
<b>FV to Common shareholders (USD, Mn)</b>	<b>931</b>
No. of share (Mn)	2,192
Current Market Price (AED)	1.87
<b>Fair Value per share (AED)</b>	<b>1.56</b>

### DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY2029E
Dividend	88	88	88	88	88
<b>Total Dividend</b>	<b>88</b>	<b>88</b>	<b>88</b>	<b>88</b>	<b>88</b>
Discounting Factor	0.96	0.87	0.78	0.70	0.63
<b>Discounted FCFF</b>	<b>42<sup>1</sup></b>	<b>76</b>	<b>69</b>	<b>62</b>	<b>56</b>

Source: FAB Securities, <sup>1</sup>Adjusted for partial year

## 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 6.4%, 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)	245
Terminal value (USD, Mn)	441
<b>FV to Common shareholders (USD, Mn)</b>	<b>685</b>
No. of share (Mn)	2,192
Current Market Price (AED)	1.86
<b>Fair Value per share (AED)</b>	<b>1.15</b>

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY2029E
Net Income	40	38	40	40	41
(+/-) Working Capital	25	14	12	18	14
Net Change in debt	47	15	7	7	7
<b>Free Cash Flow to Equity</b>	<b>112</b>	<b>68</b>	<b>59</b>	<b>66</b>	<b>62</b>
Discounting Factor	0.96	0.87	0.78	0.70	0.63
<b>Discounted FCFE</b>	<b>54<sup>1</sup></b>	<b>59</b>	<b>46</b>	<b>46</b>	<b>39</b>

Source: FAB Securities, <sup>1</sup>Adjusted for partial year

### 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 17.4x and 1.4x respectively.

Company	Market (USD Mn)	P/E (x)		P/B (x)	
		2024	2025F	2024	2025F
KINGDOM HOLDING CO	9,200	31.0x	25.9x	NA	NA
WENDEL	4,343	18.6x	26.3x	0.9x	0.8x
COMPASS DIVERSIFIED HOLDINGS	1,561	NM	18.5x	1.7x	1.7x
BROOKFIELD CORP	87,548	NA	NA	2.0x	1.9x
TIKEHAU CAPITAL	3,926	12.0x	9.6x	1.1x	1.0x
INTERMEDIATE CAPITAL GROUP	8,557	17.4x	13.6x	2.8x	2.6x
SCHRODERS PLC	7,593	13.5x	12.3x	1.4x	1.3x
<b>Average</b>		<b>18.5x</b>	<b>17.7x</b>	<b>1.4x</b>	<b>1.3x</b>
<b>Median</b>		<b>17.4x</b>	<b>16.1x</b>	<b>1.4x</b>	<b>1.3x</b>
<b>Max</b>		<b>18.6x</b>	<b>24.0x</b>	<b>1.9x</b>	<b>1.8x</b>
<b>Min</b>		<b>13.5x</b>	<b>12.6x</b>	<b>1.0x</b>	<b>0.9x</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 FY2024 is used for valuing the firm.

Company	Market (USD Mn)	P/E (x)		P/B (x)	
		2025F	2026F	2025F	2026F
KINGDOM HOLDING CO	8,859	31.0x	25.9x	NA	NA
WENDEL	4,374	18.6x	26.3x	0.9x	0.8x
COMPASS DIVERSIFIED HOLDINGS	1,782	NM	18.5x	1.7x	1.7x
BROOKFIELD CORP	98,828	NA	NA	2.0x	1.9x
TIKEHAU CAPITAL	3,821	12.0x	9.6x	1.1x	1.0x
INTERMEDIATE CAPITAL GROUP	7,506	17.4x	13.6x	2.8x	2.6x
SCHRODERS PLC	6,304	13.5x	12.3x	1.4x	1.3x
<b>Average</b>		<b>18.5x</b>	<b>17.7x</b>	<b>1.4x</b>	<b>1.3x</b>
<b>Median</b>		<b>17.4x</b>	<b>16.1x</b>	<b>1.4x</b>	<b>1.3x</b>
<b>Max</b>		<b>18.6x</b>	<b>24.0x</b>	<b>1.9x</b>	<b>1.8x</b>
<b>Min</b>		<b>13.5x</b>	<b>12.6x</b>	<b>1.0x</b>	<b>0.9x</b>

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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