

Investcorp Capital PLC (ICAP)

Rise in interest expenses impacted profitability

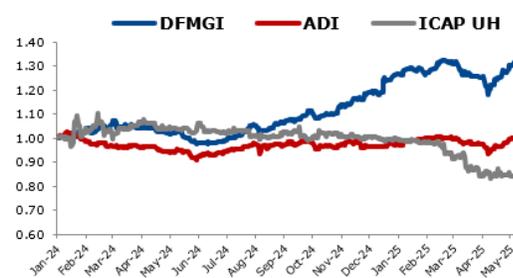
Current Price
AED 1.61

Target Price
AED 2.55

Upside/Downside (%)
+58%

Rating
BUY

- Investcorp Capital Plc's net profit fell 13.3% YOY to USD 13 Mn in 3Q25.
- As of 3Q25, the carrying value of the Company's capital deployment exposure in Corporate Investments stood at USD 591 Mn, representing 47% of the total capital deployment exposures.
- Investcorp's real assets capital deployment exposures excluding underwriting totalled USD 185 Mn. The amount represents 15% of total balance sheet capital deployment.
- The Company deployed USD 1.2 Bn across Capital Financing Services and Capital Deployment with total realizations of USD 824 Mn, through solid syndication activity.
- Reported cash distributable earnings of USD 71 Mn in 9M25, underpinned by USD 41 Mn in net profit during 9M25.



Stock Information

Market Cap (AED, Mn)	3,528.32
Paid Up Capital (Mn)	1,097.81
52 Week High	2.12
52 Week Low	1.61
3M Avg. daily value (AED)	693,990

3Q25 Net Profit lower than our estimate

Investcorp Capital Plc's (Investcorp/the company) net profit declined 13.3% YOY to USD 13 Mn in 3Q25, lower than our estimate of USD 20 Mn. The decrease in net profit is primarily attributable to the rise in net interest expenses due to higher utilization of credit facility.

P&L Highlights

Investcorp's gross income increased 9.5% YOY to USD 23 Mn in 3Q25. Revenue from Capital Services rose 18.2% YOY to USD 13 Mn in 3Q25. Additionally, revenue from the Capital Deployment segment remained flat at USD 10 Mn in 3Q25 compared to 3Q24. Investcorp recorded gain of USD 5 Mn on financial assets in 3Q25 similar to 3Q24. Yield on corporate debt remained stable in 3Q25 compared to 3Q24. Additionally, income from Real Estate also remain at similar level of USD 3 in 3Q25 compared to 3Q24. The Company's operating expenses remained stable at USD 2 Mn in 3Q25 compared to 3Q24. Thus, operating profit increased 10.5% YOY to USD 21 Mn in 3Q25. Interest expenses rose from USD 6 Mn in 3Q24 to AED 9 Mn in 3Q25 owing to the drawdowns from the revolving facilities, while interest income declined from USD 2 Mn in 3Q24 to USD 1 Mn in 3Q25.

Balance Sheet Highlights

Investcorp's total assets rose 21.2% QOQ to USD 2.2 Bn in 3Q25. Capital Service underwriting increased 48.9% QOQ to 533 Mn in 3Q25, while corporate investments increased 3.9% QOQ to USD 591 Mn. Additionally, Global Credit assets declined 2.1% QOQ to USD 191 Mn in 3Q25, while real estate assets grew 4.5% QOQ to USD 185 Mn in 3Q25. Furthermore, the Company's total liabilities rose from USD 348 Mn in 2Q25 to USD 770 Mn in 3Q25, primarily

3Q25 Result Review (USD, Mn)

Total Assets	2,155
Total Liabilities	770
Total Equity	1,385
Operating Profit	21
Net Profit	13

Financial Ratios

Dividend Yield (12m)	11.61
Dividend Pay-out (%)	0.00
Price-Earnings Ratio(x)	8.59
Price-to-Book Ratio (x)	0.69
Book Value (AED)	2.33
Return-on Equity (%)	7.8

Stock Performance

5 Days	-3.01%
1 Months	-4.17%
3 Months	-16.58%
6 Months	-19.50%
1 Year	-22.60%
Month to Date (MTD%)	-5.85%
Quarter to Date (QTD%)	-4.17%
Year to Date (YTD%)	-18.69%

driven by an increase in financing liabilities within Capital Financing Services. The increase in financing is attributed to higher utilization of the revolving credit facility (RCF) to fund new investment activity. Financing grew from USD 233 Mn in 2Q25 to USD 532 Mn in 3Q25.

Target Price and Rating

We maintain our BUY rating on Investcorp Capital with a revised target price of USD 2.55. The Company's profitability was impacted in 3Q25 mainly due to a rise in interest expense due to higher utilization of the revolving facility. Investcorp's business model is cyclical due to the timing of fair value updates across asset classes in the second and fourth quarters. As of 3Q25, the carrying value of Investcorp Capital's balance sheet capital deployment exposure in Corporate Investments (CI) stood at USD 591 Mn, representing 47% 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 as follows: North America with USD 164 Mn, Europe with USD 83 Mn, Asia with USD 162 Mn, and the MENA region and Turkey accounting for USD 182 Mn. CFS activities experienced significant growth, with CFS deployment stood at USD 854 Mn in 3Q25 underscoring stronger deployment momentum and increased transaction volume. placement activity rose to USD 716 Mn in 3Q25 from USD 540 Mn in 3Q24, reflecting improved investor appetite and successful syndication efforts. Investcorp deployed USD 271 Mn under CFS into three corporate investments in North America and Europe. The Company also Syndicated USD 465 Mn under real asset portfolios in CFS, as of 3Q25. Investcorp deployed USD 1.2 Bn across Capital Financing Services and Capital Deployment with total realizations of USD 824 Mn, through solid syndication activity and several successful exits, including RESA Power in Private Equity and US National I Portfolio in Real Estate. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

Investcorp - Relative valuation

(at CMP)	2023	2024	2025F
PE	8.72	9.38	8.60
PB	0.80	0.67	0.67
DPS	NA	0.193	0.188
Dividend yield	NA	12.0%	11.7%

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	3Q24	2Q25	3Q25	3Q25F	Var	YOY Ch	QOQ Ch	2024	2025F	Change
Revenue from capital services	11	14	13	14	-10.3%	18.2%	-7.1%	49	58	19.2%
Gain on financial assets	5	1	5	3	49.8%	0.0%	NM	49	58	19.3%
Yield on corporate debt	3	6	3	5	-34.8%	0.0%	-50.0%	19	20	3.7%
Dividend inc.- Real Estate	2	3	2	3	-20.3%	0.0%	-33.3%	8	11	39.5%
Gross income	21	24	23	25	-7.8%	9.5%	-4.2%	125	148	18.5%
Operating expenses	-2	-3	-2	-2	30.0%	0.0%	-33.3%	-8	-10	22.6%
Operating Profit	19	21	21	23	-10.3%	10.5%	0.0%	117	138	18.2%
Interest Income	2	1	1	3	-60.0%	-50.0%	0.0%	7	7	0.0%
Interest Expenses	-6	-6	-9	-6	60.0%	50.0%	50.0%	-19	-31	61.7%
Profit before zakat	15	16	13	20	-35.9%	-13.3%	-18.8%	105	115	9.1%
Net Profit	15	16	13	20	-35.9%	-13.3%	-18.8%	105	115	9.1%

FABS estimate & Co Data

Investcorp - Margins

	3Q24	2Q25	3Q25	YOY Ch	QOQ Ch	2024	2025F	Change
Operating margin	90.5%	87.5%	91.3%	83	380	93.6%	93.4%	-22
Net profit margin	71.4%	66.7%	56.5%	-1,491	-1,014	84.0%	77.4%	-664

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	2.01	33.3%	0.67
DCF + Relative Valuation Method	3.07	33.3%	1.02
NAV	2.58	33.3%	0.86
Weighted Average Valuation (AED)			2.55
Current market price (AED)			1.61
Upside/Downside (%)			+58%

1) DDM Method:

Investcorp distributed a healthy dividend of USD 56 Mn for 1H25 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)	446
Terminal value (USD, Mn)	752
FV to Common shareholders (USD, Mn)	1,198
No. of share (Mn)	2,192
Current Market Price (AED)	1.61
Fair Value per share (AED)	2.01

DCF Method

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY2029E
Dividend	112	110	110	110	110
Total Dividend	112	110	110	110	110
Discounting Factor	0.99	0.89	0.80	0.72	0.65
Discounted FCFF	110	97	88	79	71

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 7.2%, beta of 1.00 and equity risk premium of 3.8%. 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)	102
Terminal value (USD, Mn)	425
FV to Common shareholders (USD, Mn)	527
No. of share (Mn)	2,192
Current Market Price (AED)	1.61
Fair Value per share (AED)	0.88

(All Figures in USD Mn)	FY 2025E	FY 2026E	FY 2027E	FY 2028E	FY2029E
Net Income	32	38	40	40	41
(+/-) Working Capital	25	14	12	14	14
Net Change in debt	227	-165	7	7	7
Free Cash Flow to Equity	284	-112	59	61	62
Discounting Factor	0.99	0.89	0.80	0.73	0.65
Discounted FCFE	70¹	-100	47	44	41

Source: FAB Securities, ¹Adjusted 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 15.2x and 1.1x respectively.

Company	Market (USD Mn)	P/E (x)		P/B (x)	
		2025F	2026F	2025F	2026F
KINGDOM HOLDING CO	8,714	25.2x	23.2x	NA	NA
WENDEL	4,299	28.7x	20.4x	0.9x	0.7x
COMPASS DIVERSIFIED HOLDINGS	576	8.4x	5.7x	0.7x	0.6x
BROOKFIELD CORP	97,576	37.1x	30.7x	2.0x	2.0x
TIKEHAU CAPITAL	3,737	12.5x	9.4x	1.0x	0.9x
INTERMEDIATE CAPITAL GROUP	7,872	15.2x	13.0x	2.4x	2.4x
INVESTOR AB-B SHS	93,130	NA	11.8x	1.1x	1.2x
INDUSTRIVARDEN AB-A SHS	16,058	NA	19.3x	1.1x	1.1x
SCHRODERS PLC	7,279	12.3x	11.0x	1.2x	1.2x
Average		19.9x	16.0x	1.3x	1.3x
Median		15.2x	13.0x	1.1x	1.1x
Max		26.9x	20.4x	1.4x	1.4x
Min		12.4x	11.0x	1.0x	0.9x

Source: FAB Securities

3) Net Asset Value:

We applied 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 3Q25 is used for valuing the firm.

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		2025F	2026F	2025F	2026F
KINGDOM HOLDING CO	8,714	25.2x	23.2x	NA	NA
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