Company report

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Investcorp Capital

Q4 to have fair value gains on asset repricing and exits. Portfolio management has become more dynamic. 31% discount to NAV.

• We expect the final quarter to have fair value gains as it exited a large US industrial real estate portfolio of USD 360m (at a 40% gain and 12% IRR) and reinvested USD 200m in several assets from the group, and will have fair value adjustments, with net profit in Q4 2024 (fiscal YE end of June) contributing to almost 70% of FY 24 earnings. Moreover, the company has deleveraged currently after the sale, reducing borrowing costs.

• For 9M 25, ICAP reported a Gross Operating Income of USD 65m (+4.8% y/y) on moderate growth from CFS revenue (+15% y/y) and a marginal decline in CDS segment income (-7% y/y for 9M 25). But 9M earnings were 36% of our FY25e estimates. The B/S grew by +23% YTD from RCF drawdown to support CFS underwriting. NAV slipped 5.3% YTD due to the high declared and committed interim dividend of USD 56m for H1 25.

• ICAP trades at just 0.69x P/tNAV 25e vs a LT RoE target of 11%, offering a DY of 11.3%. We maintain our TP of AED 2.43, offering 44.7% upside. Catalysts: exit gains (Q4e on the US RE assets), lower interest rates (lowering funding costs and supportive of exits), capital redeployment, growth of the parent, improving RoE/EPS trajectory, increased IR activity, and value discovery (significantly under-owned name).

We expect fair value gains in Q4 25 on MTM gains, exits, and asset repricing. ICAP results are cyclical on the back of seasonality from the revaluation gains (as ICAP reprices assets annually in the last quarter) and the realization of fair value gains in Q4 25. The US industrial real estate portfolio was sold in April for USD360m – an approximate 40% increase over its initial purchase price of ~USD262m less than four years ago. However, the book value gain should be less, as the portfolio is valued at fair value. The portfolio was sold to exploit the robust industrial capital markets and strong property operating fundamentals over its hold period. Returns are estimated to be 12% IRR, above projections of 8.5%. It will also purchase a USD 200m portfolio from the group, to be completed before the end of this calendar year. Net profit for 9 months contributed to 36% of FY25 estimates.

For 9M 25, Gross Operating Income grew by (+15% y/y), and +18% y/y in Q3: For 9M 25, ICAP reported a Gross Operating Income of USD 65m, up +5% y/y, on the back of CFS growth of (+15% y/y). However, net income declined to USD 41m (-16% y/y for 9M 25) due to i) higher net interest expenses, which grew to USD 17m (+143% y/y) from RCF drawdowns (as it optimises its capital structure) & ii) slightly higher allocation of operating expenses from the parent of USD 7m (+16.7% y/y). As a result, the C/I ratio slightly increased to 10.8% vs. 9.7% in FY24.

CFS revenue rose +18% y/y to USD 13m for Q3 25 on expanding deal flows and higher syndication activity: The CFS business outperformed our expectations due to higher utilisation of underwriting lines and strong investor demand for structured products, supported by expectations of rate cuts, as global demand for investments in private asset classes rises. CFS B/S expanded by +13.9% YTD to USD 870m due to higher utilization of the RCF. CFS yield was 9.5% for 9M 25, aligning with guidance

CDS income was flat y/y at USD 10m for Q3 25: While the cash yield remained at 8%, the realisation of Investment gains should be concentrated to Q4 25e on the back of annual repricing of assets and exit gains. Investment gains in FY24 were at 49m (47% of gross operating income), of which USD 39m were recognised in Q4 24A and only USD 10m (c.20% of revenues) during 9M 24. Therefore, we anticipate ICAP to book most investment gains of approximately USD 30m to 40m in Q4 25 as ICAP reprices its assets at year-end and exits some of the positions in the US and emerging markets, which will be reflected in their last quarter.

Net gearing set to improve in Q4e. ICAP declared an interim dividend of USD 56m, of which approximately USD 17m will be paid to minority holders and USD 39m is held as payable to the parent company. We expect another semi-annual dividend payment of USD 56 m for H2 25. Revolving credit facility utilization rose from USD 132m in June 2024 to USD 532m by March 2025. Gross leverage ratio rose from 9% to 30% (net gearing 21%). However, we expect net gearing to drop by USD 160m on USD 360m exits (in April) and reinvestments of USD 200m (before the end of CY 2025).

Investcorp Capital's CI (Corporate Investments) book expanded to USD 591m (+13.7% YTD), driven by additional capital deployments into North America (+31.2% YTD) and Europe (+102.4% YTD). Exposure to emerging markets MENA (-2.2% YTD) and Asia (-3.7% YTD) dropped, reflecting a focus shift to developed markets amid current macroeconomic conditions, given the more liquid secondary markets, exit optionality, and availability of investment opportunities.

We maintain Buy on a dividend yield of c.11.3% and an attractive valuation with a massive discount to NAV at c.31% FY 25e. ICAP's management declared an H1 25 interim dividend of USD 56m. We anticipate another dividend payment of USD 58m for H2 25 based on the year-end, implying a payout of 102% and a DY of 11.3% based on FY 25e earnings of USD 113m (vs 110% payout in FY 24A). ICAP trades at 8.9x FY25e P/E and P/NAV of below 0.7x FY25.

Catalysts to play out are exit gains (Q4e on the US industrial RE assets), fair value gains (typically occurring in the final quarter) lower interest rates (lowering funding costs and supporting exits), capital redeployment, parent growth, improving RoE/EPS trajectory, increased IR activity (new CEO since 1 March), and value discovery.

BUY **AED 2.4**

Holding Companies / UAE

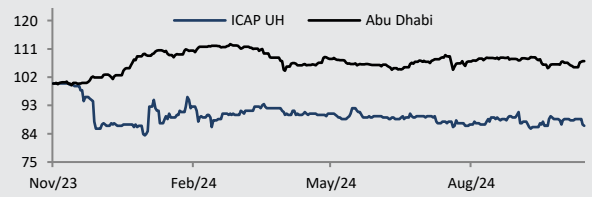
Bloomberg code	ICAP UH
Market index	Abu Dhabi
Target Price	2.4
Upside (%)	21.0

Market data 11/7/2024

Last closing price	2.0
52 Week range	1.9-2.4
Market cap (USD m)	4,383
Market cap (USD m)	1,193
Average Daily Traded Value (USD m)	2.0
Average Daily Traded Value (USD m)	0.00
Free float (%)	29%

Year-end (local m)	2023	2024	2025e	2026e
Operating Profit	107	117	130	162
Net Profit	113	105	115	134
EPS	0.07	0.05	0.05	0.06
P/E (x) (mkt price)		12.0	10.9	9.3
BVPS	-	0.67	0.67	0.67
Tangible BVPS	-	0.67	0.67	0.67
P/B (x) (mkt price)	-	0.87	0.9	0.8
P/TBVPS (x) (mkt price)	-	1.1	1.1	1.0
DPS	-	0.05	0.05	0.05
Div. yield (%)	-	9.5	9.67	8.70
EPPS	-	-	-	-
ROA (%)	7.9	6.0	5.9	6.1
ROE (%)	9.1	7.2	7.9	9.1
ROIC (%)	9.5	7.5	7.0	7.1
RE Yield (%)	-	5.0	7.0	7.0
Global Credit (%)	-	8.0	11.0	9.0
Recurring Cash Yield (%)	-	-	-	-
Recurring CFS Yield (%)	8.3	11.4	9.0	8.0
Recurring CDS Yield	9.3	7.8	7.9	10.1
Cash Conversion(%)	85.0	82.8	86.4	88.6
Recurring Cash Income	70.0	76.0	100.8	107.0
CFS Asset Base	418.0	430.0	750.0	900.0
CDS Asset Base	775.0	971.0	904.8	984.0
Numbers of shares	1,870	2,192	2,192	2,192

Price Performance



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Abacus *Arqaam Capital Fundamental Data*

Investcorp Capital plc

Year-end	2023	2024	2025e	2026e	2027e	2028e
Performance analysis						
CFS Yield(%)	8.3	11.4	9.0	8.0	8.0	8.0
CDS Yield(%)	9.3	7.8	7.9	10.1	10.1	10.2
Cost of Funds (%)	-	7.8	6.8	6.1	5.8	6.3
Average Asset Yield (%)	8.2	7.1	7.1	7.8	8.2	8.5
Cost / Income (%)	8.5	6.8	6.7	5.5	5.4	5.3
CFS / Operating Income (%)	38.5	39.2	48.5	42.0	39.9	37.8
CDS(Rental & Interest) / Operating income	23.4	23.2	25.7	21.6	21.4	21.2
Gains on Investment / Operating income (%)	40.2	39.2	27.5	37.6	39.9	42.1
RoE (%)	9.1	7.2	7.9	9.1	9.2	9.7
ROIC (%)	8.9	6.5	6.7	6.9	6.8	7.0
ROA (%)	7.9	6.0	5.9	6.1	6.2	6.6
Operating Income /Asset Exposure (%)	7.50	6.66	6.60	7.40	7.74	8.08
Cost/NAV (%)	0.81	0.58	0.64	0.63	0.65	0.66
Debt / Total Asset (%)	13.39	16.50	25.70	32.45	32.17	31.78
Net Debt /Equity (%)	15.47	19.77	34.58	48.05	47.43	46.58
Net Debt/OCF(Before Investments)(%)	9.47	7.46	6.97	7.12	6.97	7.13
Net Debt	58.57	173.68	436.31	598.27	640.74	634.47
Year-end	**2023**	**2024**	**2025e**	**2026e**	**2027e**	**2028e**
Asset Quality						
CFS/Total Asset	29.3	24.6	38.2	41.1	40.8	40.3
Corporate Investments/Total Assets	23.5	29.7	21.9	22.1	24.5	27.1
Global Credit/ Total Assets (%)	17.7	13.8	13.2	12.4	12.8	13.2
Real Estate/Total Assets (%)	10.9	9.3	8.5	8.1	8.5	9.0
Strategic Capital / Total Assets (%)	2.3	2.7	2.4	2.4	2.6	2.9
Cash / Total Assets (%)	10.5	8.2	12.7	11.1	8.4	5.4
Year-end	**2023**	**2024**	**2025e**	**2026e**	**2027e**	**2028e**
Funding and Liquidity						
RCF Utilization (%)	7.6	16.5	55.0	80.0	87.0	87.5
Cash/ Total Assets	10.5	8.2	12.7	11.1	8.4	5.4
Cash/Net Debt (%)	365.9	109.1	56.9	38.1	26.7	17.2
Year-end	**2023**	**2024**	**2025e**	**2026e**	**2027e**	**2028e**
Capital and leverage ratios						
Tangible equity/assets (%)	86.6	83.5	74.3	67.5	67.8	68.2
Year-end	**2023**	**2024**	**2025e**	**2026e**	**2027e**	**2028e**
Growth						
Revenue y/y%	18.2	6.8	11.3	23.2	5.4	5.6
Cost y/y%	(9.1)	(15.6)	10.8	(0.1)	4.0	4.0
Operating Profit y/y%	21.6	8.9	11.3	24.8	5.5	5.7
Taxes y/y%	(66.7)	(100.0)	-	16.4	2.3	7.2
Net Profit y/y%	29.9	(7.5)	10.2	16.4	2.3	7.2
Assets y/y%	22.7	22.8	12.2	11.3	0.9	1.2
CFS Assets y/y%	33.1	2.9	74.4	20.0	-	-
Finance y/y%	2.5	222.0	233.3	45.5	108.8	100.6
Total Liabilities y/y%	247.3	51.3	74.7	40.6	-	-

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Abacus *Arqaam Capital Fundamental Data*

Investment thesis

Investcorp Capital (ICAP) is a carveout of Investcorp Group, which is the Bahraini-based largest alternative asset manager in the MENA region with an AUM of USD 52 bn FY23 and aims to achieve an AUM of USD 100bn FY27. Investcorp Group was founded in 1982 to provide global opportunities for its GCC clients. Investcorp Group has 4000 active GCC clients, including family offices, banks, and 300 global institutional clients. Despite Macro headwinds, Investcorp Group raised USD 7.4bn FY22 and successfully placed 80% of their deals.

AUM under private markets reached 13.1 trillion FY23, and it is expected to reach USD 23.3 trillion FY27, growing at a CAGR of 9.3%. Aggregate fundraising has become challenging due to macro-backdrops, higher interest rates and uncertainty, which has slowed the deal flow. However, it was reported in a survey conducted by Preqin c. that 95% of alternative asset managers plan to increase their allocation to private assets over the long term despite near-term headwinds due to higher long-term returns in private markets vs public markets.

ICAP has two operating segments: CFS (Capital Financing Services) and CDS (Capital Deployment Services). In the CFS business, ICAP holds, finances, and disposes of the investments across four underlying asset classes, which are CI (Corporate Investments), RE (Real Estate), and GC (Global Credit). Whereas Investcorp Group manages, governs, and arranges for the syndication of the underlying period. In the CDS segment, ICAP generates revenue in two forms: i) Cash yield and recurring revenue and ii) Net gain/loss on the net exposure within the CD business upon realisation or when revalued.

Investment thesis

ICAP benefits from its association with Investcorp Group, a top-tier alternative investment platform in the MENA region. Investcorp Group affords access to adviser resources, tapping into Investcorp's deep bench of sector experts and investment professionals globally.

Effective dividend yield of 8%, multilayered income profile and diversified regional exposure.

Investcorp is well positioned as the leading regional MENA player, positioning itself to capture secular growth trends in private markets. Private markets offer higher returns over longer horizons than their public market peers.

Downside risks:

- Interest rate expectations have risen sharply, reducing the benefits of lower finance costs.
- High dividend payouts limit retained earnings and reinvestment capacity, increasing reliance on external financing.

Investcorp Capital plc

Year-end	2023	2024	2025e	2026e	2027e	2028e
Income statement (AEDmn)						
CFS Revenue	45	49	68	72	72	72
Gain on Financial Assets	47	49	38	64	72	80
Yield on Globa Credit	17	19	23	24	25	26
Dividend Income Financial Assets	8	8	10	11	11	12
Gross Operating Income	**117**	**125**	**139**	**171**	**181**	**191**
Operating Expenses	(10)	(8)	(9)	(9)	(10)	(10)
Net Operating Income	**107**	**117**	**130**	**162**	**171**	**181**
Interest Expenses	(2)	(19)	(20)	(33)	(39)	(39)
Interest Income	9	7	7	8	8	9
Pre Tax Profit	**114**	**105**	**118**	**137**	**140**	**150**
Taxes	(1)	-	(2)	(3)	(3)	(3)
Net Income	**113**	**105**	**115**	**134**	**137**	**147**
Recurring Cash Income	70	76	101	107	109	110
Recurring Cash Income per share	**-**	**-**	**-**	**-**	**-**	**-**
Dividends	-	99	117	117	118	120
EPS	0.06	0.05	0.05	0.06	0.06	0.07
Minorities	-	-	-	-	-	-
Others	-	-	-	-	-	-
Attributable net profit	**113**	**105**	**115**	**134**	**137**	**147**
Diluted EPS	0.1	-	0.1	0.1	0.1	0.1
DPS	-	0.1	0.1	0.1	0.1	0.1
BVPS	-	0.7	0.7	0.7	0.7	0.7
Tangible BVPS	-	0.7	0.7	0.7	0.7	0.7

Year-end	2023	2024	2025e	2026e	2027e	2028e
Balance sheet (AEDmn)						
Due from a related party	150	144	251	244	186	120
Recievables and other assets	83	206	60	60	50	50
Global Credit	-	-	-	-	-	-
CFS Assets	418	430	750	900	900	900
Croporate Investments	335	520	430	483	542	606
Global Credit	252	242	259	270	282	294
Real Estate	155	162	168	177	188	200
Strategic Capital	33	47	48	53	58	64
Total assets	**1,426**	**1,751**	**1,965**	**2,188**	**2,207**	**2,234**
Payables and Accrued expenses	150	157	65	70	75	75
Financing	41	132	440	640	696	700
Debt	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total liabilities	**191**	**289**	**505**	**710**	**710**	**710**
Total equity	**1,235**	**1,462**	**1,460**	**1,478**	**1,497**	**1,524**
CFS Yield	1	1	2	2	2	2
Financial Assets at FV	233	350	311	304	236	170
FA at Amort Cost	(109)	(12)	189	396	510	580
Shareholders Equity	1,235	1,462	1,460	1,478	1,497	1,524
Net Debt/Equity	-	0.1	0.3	0.4	0.5	0.5
Cash Conversion	0.85	0.83	0.86	0.89	0.89	0.90

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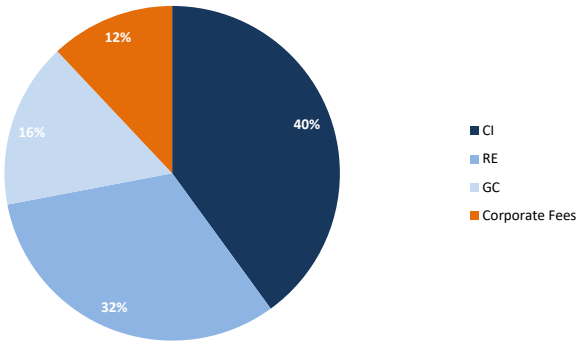
We maintain our net income estimates for FY25 and FY26. Our forecasts imply a low-single-digit growth in NAV during FY25- 27 due to a high dividend payout range of 95% to 100% in the forecast period. Due to the realisation of investment gains, we expect double digit EPS growth for the next few years, with the company inching closer to its IRR target of 11%.

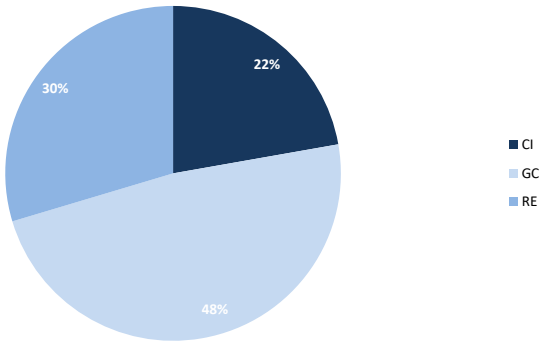
Investcorp Capital (ICAP) executed USD 356m of new investments across Corporate Investments and Real Assets during the quarter, while Credit remained inactive on the deployment front. The firm also realized USD 106m in distributions, with Credit monetizations leading the activity at USD 54m. USD 237m was deployed into a structured portfolio of private assets, sourced via the Investcorp Group, providing ICAP access to high-quality, yield-accretive exposures across North America and Europe. An additional USD 84m was allocated across four direct corporate investments: Epiqoll, PKF O'Connor Davies, Ibexis, and Miebach, all of which were focused on the US and Europe. Realization in Corporate Investments totaled USD 37m, NDTCCS, RESA Power, BinDawood, and ISCP Fund I.

Exhibit 1: CFS Income Breakdown



Source: Arqaam Capital Research, Company Data

Exhibit 2: CDS Income Breakdown



Source: Arqaam Capital Research, Company Data

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Exhibit 3: Key CD Segment Asset Exposure:

Metric	9M 25	H1 25	H2 24	%Δ q/q	%ΔYtd	Key Drivers
Total Capital Deployment Assets	1246	1048	988	+18.9%	6%	Increased allocation to corporate investments and real estate.
Corporate Investments	591	569	520	+3.9%	9%	Strong growth in high-growth sectors in North America and Europe.
Real Estate Investments	185	177	162	+4.5%	9%	Increased demand for income-generating real estate properties.
Global Credit Investments	191	195	242	-2%	-19%	Tactical reallocation
Strategic Capital Exposure	43	43	47	-	-9%	Limited opportunities for deployment

Source: Arqaam Capital Research, Company Data

Exhibit 4: Geographical Allocation of the CD Segment: ICAP plans to lower its CI exposure in emerging markets.

Metric	March 31-25 (9M 25)	31-Dec-24(H1 25)	Δ q/q %	Key Drivers
Total Corporate Investments	591	569	**+5.4%**	Increasing allocation to CI with a lower rate cut expectation.
North America	164	151	**+8.6%**	Higher allocations to private equity in financials & industrials.
Europe	83	72	**+15.3%**	Significant increase in European infrastructure & credit investments.
MENA	182	183	**-0.005%**	Stable allocation, awaiting better macro tailwinds.
Asia	162	163	**-0.006%**	Sector-specific rebalancing in China & India

Source: Company Data, Arqaam Capital Research

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Exhibit 5: Q3 25 Results

(AEDm)	Q3 25A	ACe	vs. ACe	Q3 24A	y/y change	Q2 25A	Δ q/q	9M 25A	9M 24A	%Δ
CFS Revenue	13	17	*(23%)*	11	*18%*	11	*18%*	38	33	*15%*
CDS Income	10	18	*(44%)*	10	*--%*	11	*(5%)*	27	29	*(7%)*
Gross Operating Income	23	35	*(67%)*	21	*10%*	22	*7%*	65	62	*5%*
Operating Profit	21	37	*(43%)*	19	*11%*	16	*31%*	58	56	*4%*
Net Interest Expense	(8)	(4)	*124%*	(4)	*100%*	(4)	*100%*	(17)	(7)	*143%*
Net income	13	34	*(61%)*	15	*(13%)*	12	*8%*	41	49	*(16%)*
ROE	3.8%	9.2%	-5.4 ppts	4.1%	-0.4 ppts	3.4%	0.4 ppts	3.9%	4.5%	-0.5 ppts
ROA	2.9%	7.5%	-4.6 ppts	1.7%	1.2 ppts	2.8%	0.1 ppts	2.5%	3.7%	-1.2 ppts
CFS Yield	9.8%	9.0%	0.8 ppts	5.9%	3.9 ppts	11.9%	-2.2 ppts	9.5%	10.2%	-0.7 ppts
CDS Yield	3.3%	3.4%	-0.1 ppts	4.7%	-1.4 ppts	2.9%	0.4 ppts	2.8%	4.0%	-1.2 ppts
Cost to Income Ratio	8.7%	11.1%	-2.4 ppts	9.3%	-0.6 ppts	11.1%	-2.4 ppts	10.8%	9.7%	1.1 ppts

Source: Company Data, Arqaam Capital Research

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