

## **Investcorp Reports Full Year Results for FY 2012**

- Third year of positive net income since global financial crisis
- Net income lower than previous year, although fee income grew 20% year on year as a result of strong acquisition and placement activity
- Successful completion of \$529 million loan refinancing
- Proposed dividend of \$7.50 per share for ordinary shareholders, in addition to the preference share dividend of 12%
- Plans to expand office network in the Gulf in response to client demand

Bahrain, 1<sup>st</sup> August 2012 - Investcorp, the asset management firm specializing in alternative investments, today announced its results for the 12 months ended June 30, 2012 (FY 2012).

Investcorp reported a third consecutive year of positive income since the global financial crisis of 2008-09, demonstrating a solid franchise in the Gulf and continued investor appetite for attractive alternative investment opportunities. Whilst net income, at \$67.4 million (FY 2011: \$140.3 million), was down versus last year due to lower returns on the Firm's portfolio of co-investments, the result showed strong fee income growth of 20% year-on-year, continued deleveraging of the balance sheet and prudent control of operating expenses. The Board of Directors has proposed a dividend of \$7.50 per ordinary share (FY 2011: \$15.00 per ordinary share), along with the full dividend of 12% on the preference shares.

Fee income grew, largely as a result of a significant increase in acquisition and placement activity. Investcorp's corporate investment business has continued its trajectory of strong recovery from the global financial crisis, and over the year has distributed \$474 million in proceeds to investors.

Asset based income was significantly down year on year due largely to the European crisis, accentuated by a slowing global economic environment. Despite this, in the second half of the financial year, Investcorp's hedge fund business showed a modest recovery from the exceptionally difficult return environment in the first half to record a 1.2% gain. Asset based income was also affected by Investcorp's cautious view towards valuation of its corporate investments in light of prevailing high levels of market uncertainty, particularly in Europe.

Ongoing efforts to manage fixed operating expenses, together with lower incentive compensation accruals in line with the lower income, led to a 30% reduction in operating expenses to \$150.7 million (FY11: \$215.2 million). Investcorp's continued program to progressively delever the balance sheet resulted in a lowering of interest expense by 15% to \$47.8 million.

Investcorp completed a new \$529 million multi-currency loan facility in June with close international and Gulf relationship banks. The facility, which has a final maturity in September 2015, has early refinanced loans that become due in 2013 and will help maintain a strong level of operational liquidity and a robust long-dated funding profile.

Total assets at 30 June 2012 were \$2.7 billion, a slight decrease from \$2.9 billion in the previous fiscal year, reflecting a lower level of aggregate balance sheet co-investments. Liabilities also decreased from \$1.8 billion to \$1.7 billion and Investcorp's capital adequacy ratio increased to 26.9%, well in excess of regulatory minimums.

Nemir A. Kirdar, Executive Chairman & CEO, said: "We are encouraged by the significant progress made in such a challenging year, not least from our core transactional business which saw strong pick up of our placement activities. This response shows the enduring strength of our model in offering investors the opportunity for international portfolio diversification and it underpins our plans to expand our office network across the Gulf in order to be closer to our clients. We also took further measures to delever, reduce our operating costs and ensure we are properly funded for the future. We continue to plant seeds for the years ahead in order to continue generating returns for investors and shareholders alike."

**Highlights for the period:**

- FY12 saw strong fundraising and a total of \$1,339 million was raised in the period. Corporate investment deal placement was \$214 million and real estate raised \$207 million through the placement of five real estate portfolios and the first close of the new debt fund. New subscriptions into hedge funds from institutional investors totaled \$917 million.
- Following the successful acquisition and placement of Sur La Table in the first half of the fiscal year, during the second half Investcorp successfully placed the acquisition of GL

Education. Acquired for £48 million, it was very much in line with the Firm's strategy of looking for companies with strong cash flow and leadership position in high growth sub-sectors within their industries. Towards the end of the fiscal year Investcorp agreed to buy Esmalglass Itaca for €72 million and Archway Marketing Services for \$146 million. Both transactions are expected to close in Q1 FY 2013.

- Investcorp's Gulf Opportunity Fund finalized its fifth growth capital investment with a 30% stake in Orka, one of Turkey's leading fashion groups. The Fund also agreed to buy a significant minority stake in another GCC-based company in early July.
- Investcorp followed up a strong volume of US commercial real estate transactions in the first half with the acquisition of properties in the Copperfield community in Houston, an investment in a portfolio of office buildings in Petaluma near San Francisco and the acquisition of a mezzanine loan secured on the Southland Mall, South Florida. In May 2012, Investcorp had an initial close of \$100 million on a new real estate debt fund. The fund's first investment was finalized in early July when, as part of a refinancing of the debt at the Paramount Hotel in New York, Investcorp's bridge loan investment of \$40 million was repaid and replaced with a new debt package from third parties including a \$30 million investment by the fund. During FY 2012 Investcorp deployed \$184 million of acquisition capital in US real estate.
- Investcorp delivered \$649 million in proceeds from realizations and other distributions this year. Significant profitable exits made during the year included the exit of Accuity Inc, the sale of the W South Beach Mezzanine Loan and the sale of the Gulf Opportunity Fund investment - Redington International.
- During the second half, Investcorp successfully completed a new bank loan facility to refinance its existing facilities falling due in 2013. Investcorp was pleased to see the strong response from leading international lending institutions that participated in this refinancing.
- Second half net income was \$62.2 million.
- Responding to client demand and subject to regulatory approval, Investcorp is set on an expansion plan in the Gulf, while maintaining its significant historical presence in the Kingdom of Bahrain. This plan includes opening a number of offices in the region and expanding its office in Riyadh.

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**About Investcorp**

Investcorp is a leading provider and manager of alternative investment products. Investcorp has offices in the Kingdom of Bahrain, London and New York and is publicly traded on the Bahrain Bourse (INVCORP). Investcorp has three business areas: corporate investment in the US, Europe and MENA, real estate investment in the US and global hedge funds. As at June 30, 2012, Investcorp had \$11.5 billion in assets under management. Further information is available at [www.investcorp.com](http://www.investcorp.com).

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