

Investcorp reports improved interim results as it continues to deliver on its growth strategy

Bahrain, February 5, 2019 – Investcorp, a leading global provider and manager of alternative investment products, today announced its fiscal half year (H1 FY19) results for the six months ending December 31, 2018.

Despite the challenging macroeconomic environment, the Firm's net income for the period was \$58 million, up 5% compared to \$55 million for the six months ended December 31, 2017 (H1 FY18). On a fully diluted basis, earnings per ordinary share were \$0.74 for H1 FY19, up 6% from \$0.70 for H1 FY18. Investcorp attributes its resilient performance to the Firm's continued focus on delivering the strategic objectives.

- Growth in net income delivered alongside significant strategic progress
 - Completed the acquisition of a strategic stake in Banque Paris Bertrand
 - Successfully closed a \$185 million continuation vehicle with HarbourVest
 - Signed a secondary transaction with Collier Capital (expected to close in late Q1 2019, subject to receipt of relevant regulatory approval) to create a European private equity buyout fund of c. \$1 billion
 - First private equity deal, United Talent Agency, fully placed in the United States
 - Launched debut investment in China and, after period end, acquired IDFC Alternatives Limited's private equity and real estate investments businesses in India
- Deal by deal placement for H1 FY19 was \$571 million, up 23% compared to \$463 million in H1 FY18, reflecting strong client demand in both private equity and real estate
- As of December 31, 2018, the capital adequacy ratio was 33%, up 150 basis points compared to June 30, 2018
- As announced on January 22, 2019 Investcorp is undertaking an important proposed transition towards an organizational structure more aligned with its global asset management peers and believed to be better suited to support our business strategy and better serve our clients.

Commenting on the results, Mohammed Alardhi, Executive Chairman, said: "Our improved first half results are a testament to Investcorp's ability to perform well despite ongoing challenges in global markets. This is due to our determination to expand globally, to increase our commitments from institutional clients, and to offer more products to our clients. Over the period we have achieved several firsts; our first private equity investment in China, our first acquisition of a private equity investment to be fully placed in the US and, after the period end, our first foothold into India with the acquisition of a private equity and real estate investment business. This diversification strategy continues to be supported by our robust balance sheet position.

"We will remain focused on achieving our ambitious growth targets of reaching AUM of \$50 billion in the coming years while prudently managing our balance sheet and liquidity, and we are well

positioned to continue delivering shareholder value and interesting investment opportunities for our clients.”

Results Commentary

Gross operating income was \$199 million in H1 FY19 compared to \$208 million in H1 FY18. Fee Income was \$150 million, up 7% compared to \$140 million for H1 FY18 as AUM fees grew by 5% from \$79 million to \$83 million and deal fees increased to \$67 million, up 10% from \$61 million in H1 FY18 resulting in further improvement in Investcorp’s quality of earnings. This was offset by lower asset-based income of \$49 million compared to \$68 million in H1 FY18, largely attributable to lower private equity and absolute investment returns.

Operating expenses for H1 FY19 were \$111 million, down 5% compared to \$117 million in H1 2018 in line with reduced revenues for the period but also reflecting an improved cost-to-income ratio (calculated by dividing operating expenses by net income before operating expenses and taxes) of 64% compared to 66% in H1 FY18.

Interest expense for H1 FY19 was \$26 million, down 16% from \$31 million in H1 FY18 due to a decrease in average outstanding debt and a more favorable funding mix.

Total comprehensive income for H1 FY19 was \$56 million, compared to \$54 million in H1 FY18.

AUM remained stable at \$22.5 billion as compared to \$22.6 billion at June 30, 2018. AUM of clients, affiliates and co-investors reflected a marginal increase which was offset by a decrease in Investcorp’s co-investment AUM.

Investcorp remains well capitalized with total assets of \$2.4 billion and total equity of \$1.1 billion as of December 31, 2018 as compared to total assets of \$2.5 billion and total equity of \$1.1 billion as of June 30, 2018. It’s capital adequacy ratio of 33.0%, up from 31.5% at June 30, 2018 is more than double the requirements of the Central Bank of Bahrain (12.5%). The Bank maintains a conservative leverage ratio with significant headroom in all financial covenants.

Total accessible liquidity increased to \$1.2 billion as of December 31, 2018 from \$1.0 billion at June 30, 2018.

Investcorp’s credit rating was confirmed at Ba2 and Stable Outlook by Moody’s and Fitch’s rating was confirmed at BB with Stable Outlook.

Good performance across the business

Private equity

Investcorp’s private equity business witnessed strong growth over the period. New investments included United Talent Agency in the US, the debut investment in China in partnership with China Everbright Limited, Softgarden and Ubisense as part of Technology Fund IV and another US-based company that will be announced shortly. The most notable realizations were Nobel Learning, Leejam, Gulf Cryo and the secondary sale of the two remaining Technology Fund III

companies to a successor fund supported by HarbourVest. As mentioned above, a further proposed secondary transaction involving Collier Capital was also signed during the period.

- Investment activity was \$416 million, up 39% compared to \$300 million in H1 FY18
- Placement and fundraising more than doubled to \$548 million from \$247 million in H1 FY18
- Distributions also more than doubled to \$952 million from \$432 million in H1 FY18
- AUM grew 5% to \$5.0 billion from \$4.8 billion at June 30, 2018

Following the period end, Investcorp announced the launch of its India strategy with the completion of its first deal in the region. Investcorp acquired the private equity and real estate funds businesses of IDFC Alternatives Limited, a subsidiary of IDFC Limited which is listed on the National Stock Exchange of India.

Real estate

- The real estate business line was stable over the period. New investments included the 2018 and 2019 US Multifamily Portfolios and a UK Industrial and Logistics portfolio. Most notable realizations included the sale of the final properties from 2015 Residential Portfolio I, National Hotel Portfolio and 2014 Office and Industrial Portfolio. Investment activity was \$242 million, down 4% compared to \$252 million in H1 FY18
- Placement and fundraising was \$281 million, up 13% from \$248 million in H1 FY18
- Distributions were \$221 million, down 9% from \$244 million in H1 FY18
- AUM grew 5% to \$2.3 billion from \$2.2 billion at June 30, 2018

Absolute return investments

AUM declined by 9% from \$3.7 billion as at June 30, 2018 to \$3.4 billion. New subscriptions over the period more than tripled to \$576 million from \$171 million in H1 FY18. The decline in AUM, however, reflects a higher rate of redemptions over the period which was largely attributable to the anticipated roll-off of older, less profitable, AUM.

Credit management

The bottoming of the credit cycle impacted credit management, with the rising interest rate environment leading to wider spreads which translated into lower levels of refinancing and resets. However, despite the external cyclical factors influencing the performance of this business line, the AUM were resilient.

- Investment activity across two European CLOs and one US CLO was \$579 million, down 26% compared to \$780 million in H1 FY18
- One new European CLO and one new US CLO were issued during the period totaling \$855 million, compared to \$608 million for one new US CLO in the same period last year
- AUM remained stable at \$11.4 billion.

-Ends-

About Investcorp

Investcorp is a leading global manager of alternative investments. Led by a new vision, Investcorp has embarked on an ambitious, albeit prudent, growth strategy. The Firm continues to focus on generating value through a disciplined investment approach in four lines of business: private equity, real estate, absolute return investments and credit management.

As at December 31, 2018, the Investcorp Group had US\$ 22.5 billion in total AUM, including assets managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of AUM.

Since its inception in 1982, Investcorp has made over 185 Private Equity deals in the U.S., Europe, the Middle East and North Africa region and Asia, across a range of sectors including retail and consumer products, technology, business services and industrials, and more than 600 commercial and residential real estate investments in the US and Europe, for in excess of US \$59 billion in transaction value.

Investcorp employs approximately 400 people across its offices in Bahrain, New York, London, Abu Dhabi, Riyadh, Doha, India and Singapore. For further information, including our most recent periodic financial statements, which details our assets under management, please visit:

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