

## Investcorp reports solid full-year results as growth strategy gathers momentum

*Continued year-on-year growth in assets under management and profitability driven by robust levels of investment and fundraising activity and the completion of several strategic inorganic and organic initiatives*

**Bahrain, August 7, 2019** – Investcorp (the “Firm”), a leading global provider and manager of alternative investment products, today announced its fiscal year (FY19) results for the twelve months ended June 30th, 2019.

Despite a slowing macroeconomic backdrop and increasing trade and geopolitical tensions, the Firm has delivered a solid set of results with net income of \$131 million for the period, up 5% compared to \$125 million for the twelve months ended June 30, 2018 (FY18). On a fully diluted basis, earnings per ordinary share were \$1.47 for FY19, up 13% from \$1.30 for FY18 while total comprehensive income of \$124 million for FY19 was 3% higher than \$121 million in FY18. The Firm’s assets under management (AuM) increased by \$1.9 billion to \$28.2 billion during the period. Investcorp attributes its robust financial and operating performance to its continued progress in delivering on its strategic objectives of reaching AuM of \$50 billion over the medium term via both organic and inorganic initiatives.

### **FY19 Semiannual and Annual Results in Summary**

	H2 FY19	H2 FY18	Change
Net profit (\$m)	73	70	4%
Fee income (\$m)	226	181	25%
Gross operating income (\$m)	266	246	8%
Fully diluted EPS (\$)	0.73	0.60	22%
	FY19	FY18	Change
Net profit (\$m)	131	125	5%
Fee income (\$m)	376	321	17%

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Gross operating income (\$m)	465	454	2%
Fully diluted EPS (\$)	1.47	1.30	13%

## Financial and operational highlights

- Broad-based growth in assets under management by \$1.9 billion to \$28.2 billion, as the Firm moves closer to reaching its medium term target of reaching \$50 billion AuM. During the course of the year the Firm adopted prevailing market practices for calculating AuM for the real estate business by considering the market value of the managed assets.
- A record level of deal by deal placement of \$1,416 million was achieved, up 29% compared to \$1,099 million in FY18, reflecting strong client demand in both private equity and real estate.
- Continued growth in net income of 5% (15% excluding fair value losses on legacy investment) delivered alongside a number of key strategic initiatives:
  - The creation of a European private equity buyout fund with Coller Capital as an anchor investor, the successful debut offering of a Chinese investment fund, and the establishment of a joint venture with Aberdeen Standard for a GCC infrastructure fund;
  - Further globalization of the distribution platform with fundraising outside of the Gulf over \$4.3 billion out of total fundraising of \$5.7 billion;
  - Completion of the acquisitions of a strategic, minority stake in Banque Paris Bertrand and the acquisition of the real estate and private equity businesses of IDFC in India. The acquisition of Mercury Capital Advisors and the acquisition of a majority stake in CM Investment Partners were also agreed and will close in FY20 subject to regulatory and other approvals;
  - De-risking of balance sheet profile through secondary private equity transactions with Coller Capital and HarbourVest. These transactions and other realizations have led to a 19% reduction in private equity co-investments to \$505 million from \$625 million; and
  - As previously announced, Investcorp has been working towards an organizational structure more aligned with its global asset management peers and believed to be better

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suites to support our business strategy and clients. The Central Bank of Bahrain recently issued its final approval on the delicensing of the whole sale bank (Investcorp Bank B.S.C) and the process of converting into a holding company and the voluntary surrender of the Bahrain wholesale bank license is expected to be completed this Summer.

- As of June 30, 2019, the capital adequacy ratio was 33.8%, up 230 basis points compared to 31.5% at June 30, 2018.
- Proposed dividend increased by 25% from \$0.24 per share to \$0.30 per share.

**Commenting on the results, Mohammed Alardhi, Executive Chairman, said:** “Our strong full-year results and ability to deliver on several strategic initiatives demonstrate Investcorp’s resilience and focus on strategic growth and profitability goals, despite various economic and geopolitical challenges. This is attributable to our relentless effort in globalizing our products and distribution platform, while remaining responsive to our clients’ demands and needs. Our expansion into new geographies, such as China and India, and new products, such as direct lending and infrastructure, is mirrored by similar ambitions in diversifying our client base, both by geography and segment.

Our ambitious growth strategy of reaching \$50 billion in AuM over the medium term is unchanged as we remain focused on delivering profitable growth, while retaining a prudent approach to balance sheet and liquidity management. We are well-positioned to continue delivering superior shareholder value and interesting investment opportunities for our clients.”

### Results commentary

Gross operating income was \$465 million in FY19 compared to \$454 million in FY18. Fee Income was \$376 million, up 17% compared to \$321 million for FY18 as AuM fees grew by 5% from \$173 million to \$181 million and deal fees increased to \$195 million, up 32% from \$148 million in FY18. This was offset by lower asset-based income of \$106 million (excluding fair value change of a legacy investment) down 23% compared to \$137 million in FY18, largely attributable to lower private equity returns.

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Operating expenses for FY19 were \$268 million, up 5% compared to \$256 million in FY18 resulting in a stable cost-to-income ratio of 65%.

Interest expense for FY19 was \$51 million, down 9% from \$56 million in FY18 due to a decrease in average outstanding debt and a more favorable funding mix.

AuM increased by 7% to \$28.2 billion as compared to \$26.3 billion at June 30, 2018. AuM increased across all the business lines with India contributing \$387 million. Associate's AuM, not part of the consolidated AuM figures, stands at \$5.7 billion.

Investcorp remains well capitalized with total assets of \$2.4 billion as of June 30, 2019, down 5% from \$2.5 billion as of June 30, 2018, and total equity of \$1,145 million as of June 30, 2019, up 2% compared to \$1,123 million as of June 30, 2018. The level of co-investments reduced by 12% to \$1,017 million from \$1,162 million as of June 30, 2018. Investcorp's capital adequacy ratio of 33.8%, up from 31.5% at June 30, 2018 is more than double the requirements of the Central Bank of Bahrain (12.5%). Gross and net leverage ratios have further improved to 1.1x and 0.4x respectively from 1.3x and 0.5x.

Proposed dividend increased by 25% to \$0.30 per share from \$0.24 in FY18 while the Firm's return on equity also increased to 12% from 11% in FY18. Fully diluted book value per share increased by 9% from \$12.13 to \$13.26.

Total accessible liquidity increased to \$1.1 billion as of June 30, 2019 from \$1.0 billion at June 30, 2018. During FY19 Investcorp has amended and extended one of the revolving credit facilities resulting in an upside to \$436 million from \$425 million, improved economics, and extended maturity to 2023 with an option to ask for an additional year extension.

Investcorp's credit rating remains unchanged at Ba2 and Stable Outlook with Moody's and BB with Stable Outlook with Fitch's.

## **Good performance across the business lines**

### **Private equity**

Investcorp's private equity business saw strong levels of activity over the period as client appetite remained strong and valuations have been supportive of realizations.

- Investment activity was \$750 million, up 37% compared to \$548 million in FY18
- Placement and fundraising were \$1,869 million, up 222% from \$580 million in FY18
- Distributions were \$2,242 million, up 184% from \$789 million in FY18
- AuM grew 21% to \$5,781 million from \$4,782 million at June 30, 2018

### **Real estate**

The real estate business line experienced healthy levels of activity driven by US and European portfolios.

- Investment activity was \$670 million, up 19% compared to \$565 million in FY18
- Placement and fundraising were \$639 million, up 12% from \$569 million in FY18
- Distributions were \$662 million, down 7% from \$713 million in FY18
- AuM grew 4% to \$6,126 million from \$5,900 million at June 30, 2018

### **Absolute return investments**

AuM increased by 2% from \$3,734 million as at June 30, 2018 to \$3,800 million.

- Fundraising was \$1,212 million, up 115% from \$563 million in FY18. The lower growth in AUM reflects a higher rate of redemptions during the period which was largely attributable to the anticipated roll-off of older, less profitable AuM

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## **Credit management**

Credit markets have been impacted by the weakening macroeconomic environment. However, Investcorp successfully issued four new CLOs, between Europe and the United States, showing the strength of the franchise among the investor community.

- Investment activity was \$1,470 million, down 13% compared to \$1,695 million in FY18
- Placement and fundraising increased to \$2.0 billion from \$1.8 billion in FY18
- Net refinancing and reset activity declined significantly from \$3.9 billion in FY18 to \$127 million in FY19
- AuM increased slightly by 4% to \$11,870 million compared to \$11,466 million as of June 30, 2018
- During FY19 a third-party originator vehicle was set up to satisfy risk retention rules for future European CLOs issuances

**-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 June 30, 2019, the Investcorp Group had \$28.2 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 650 commercial and residential real estate investments in the US and Europe, for in excess of \$60 billion in transaction value.

Investcorp employs approximately 427 people across its offices in Bahrain, New York, London, Abu Dhabi, Riyadh, Doha, Singapore, and Mumbai. For further information, including our most recent

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periodic financial statements, which details our assets under management, please visit:  
[www.investcorp.com](http://www.investcorp.com)

[www.twitter.com/Investcorp](http://www.twitter.com/Investcorp)

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