

RATING ACTION COMMENTARY

Fitch Revises KIPCO's Outlook to Stable; Affirms IDR at 'BB-'

Tue 16 Dec, 2025 - 13:17 ET

Fitch Ratings - Dubai - 16 Dec 2025: Fitch Ratings has revised Kuwait Projects Company Holding K.S.C.P.'s (KIPCO) Outlook to Stable from Negative and affirmed its Long-Term Issuer Default Rating (IDR) at 'BB-'.

The Outlook change reflects improved leverage following the monetisation of certain KIPCO assets. We now expect its net loan-to-value (LTV) ratio will remain below 40% over the next four years, compared with 51.2% at end-2024, in line with management's target to keep leverage low. KIPCO's weighted-average portfolio credit quality by equity value decreased to 'b' from 'b+' following the asset monetisation.

Rating strengths are high diversification of KIPCO's portfolio across several industries and a presence in the MENA region, a record of long-term returns and asset monetisation, major influence over most portfolio companies, stable dividends through the cycle and supportive shareholders.

KEY RATING DRIVERS

Leverage Reduced after Asset Monetisation: KIPCO monetised its stakes in certain assets via an intragroup transaction in 2025, which resulted in USD936 million cash proceeds. KIPCO's net LTV fell sharply to 37.2% in September 2025 from 52.9% a year ago and we expect leverage to remain below 40% for the next three to four years, excluding the portfolio



appreciation. KIPCO's stressed LTV decreased on net basis to 52.6% at end-September 2025 from 74.6% at end-September 2024 but remains high on gross basis.

Low Leverage Target: The shareholder's priority is to sustain KIPCO's net LTV below 40%, in line with our forecast. KIPCO used proceeds from asset monetisation to make a tender offer for all its USD1 billion Eurobonds and prepaid USD304 million while other bondholders decided to remain invested in the company. The rest is earmarked for future debt repayments. We also expect KIPCO to repay about USD200 million debt a year over 2025-2027.

'b' Portfolio Credit Quality: KIPCO's weighted-average portfolio credit strength by equity value, based on 85% of the portfolio's gross asset value (GAV), deteriorated to 'b' from 'b+' due to asset monetisation. The top two largest entities in the portfolio are now Saudia Dairy and Foodstuff Company and Burgan Bank K.P.S.C. (A/Stable; Viability Rating: bb), at a combined 45% of the portfolio, and have strong credit quality.

Portfolio Entities Performance: Most of KIPCO's portfolio companies have performed in line with our expectations. Most have robust business profiles generating stable cash flow, while some smaller stakes, like OSN, are cash flow-negative and in the process of a business turnaround. The entities that contribute single-digit percentages to the portfolio GAV have lower credit assessment. Some entities have low or zero debt, but their credit assessment is limited by their small scale. Many are market leaders in their sectors in Kuwait or Saudi Arabia. Our credit assessment of these entities considered their standalone profiles, excluding potential state or parental support.

Weak Cash Flow-Based Leverage: KIPCO's gross investment holding company (IHC) debt/recurring cash received is high at above 10x. This has a limited impact on the rating as we expect it to service debt from the sale of holding stakes and refinancing rather than through cash generated by investments.

Diversified Portfolio with MENA Focus: KIPCO focuses on banking, which

represents 25% of gross assets, food and beverage at 22%, petrochemical and oil services 13%, while real estate, financial services and media each contributes about 7%, based on its September 2025 portfolio. The remaining stakes are logistics, education, medicine and other sectors. KIPCO retains a regional focus on MENA. Since 2022 KIPCO has been reshuffling its portfolio to diversify further into the petrochemical and consumer sectors, having previously been weighted towards the financial sector and focused on Kuwait.

High Asset Value Concentration: The portfolio became less concentrated, after the monetisation of certain assets, with the two largest entities in the portfolio each contributing slightly above 22% to GAV. The remaining entities stakes are mainly between 2% and 7% of GAV. Dividend flows are even more concentrated, with the two largest entities expected to contribute around 70% of the total dividend flow.

Supporting Shareholder: KIPCO's major shareholder is Al Futtooh Holding Company K.S.C. (Closed) (AFH), a Kuwaiti company owned by the family office of the ruling family, with a 31.9% stake. The shareholder has a record of providing support to KIPCO by raising equity capital and reducing dividends. KIPCO's merger with QPIC in November 2022 was fully funded by equity, which reduced AFH's stake from 44.9%. KIPCO has not paid dividends for the last three years and has reiterated its target to maintain low leverage.

Moderate Financial Flexibility: KIPCO has considerable influence on most of its dividend streams, including from regulated or government-owned entities. Its dividend stream has been fairly stable, with no more than a 35% annual decline, even during the pandemic. We expect KIPCO to have a weak IHC cash cover of around 1.0x for 2025-2028. Asset liquidity could be limited by the scale of its two largest publicly listed holdings, their small market capitalisation, and concentration of trading on emerging markets exchanges. This is mitigated by KIPCO's limited liquidity needs until early 2027.

PEER ANALYSIS

KIPCO's Fitch-rated peers include Investment AB Latour (A/Stable), Criteria

Caixa S.A., Unipersonal (BBB+/Stable), CDP RETI SpA (BBB+/Stable, Standalone Credit Profile at 'bbb') and Turkish investment holding company (IHC) Ordu Yardimlasma Kurumu (Oyak; BB-/Stable).

Oyak is one of Turkiye's largest IHCs, with solid market positions in steel, automotive and logistics and is less diversified, due to its high exposure to Turkiye (BB-/Stable), which is mitigated by its more conservative leverage with gross LTV forecast at below 30%.

CDP RETI has a highly concentrated portfolio, with large stakes in three Italian gas and electric utility companies. It has a conservative LTV close to 20%, even under our stress assumptions. This is offset by its structurally limited diversification of assets.

Caixa's rating is based on its conservative investment and financial policies, low leverage targets and a comfortable liquidity position. Its gross LTV is forecast to remain well below 20%. Its portfolio is concentrated on Caixabank S.A. (A-/Positive, 39% of GAV at end-2024), Naturgy Energy Group, S.A. (BBB/Stable, 20% of GAV), and Telefonica SA (BBB/Stable, 7% of GAV). The average portfolio credit quality is 'bbb'.

FITCH'S KEY RATING-CASE ASSUMPTIONS

- Dividend received to decrease by around 20% in 2025 due to asset monetisation, before rising on average at 9% a year in 2026-2028
- Debt repayment reducing gross debt towards USD2.1 billion by 2028 from USD2.6 billion expected at end-2025
- Net interest expense averaging USD153 million a year for 2025-2028
- Proceeds of USD0.9 billion relating to asset monetisation received in 2025
- Investments in subsidiaries to average USD40 million a year for 2025-2028
- Largely stable GAV, net of the value of assets sold at public market prices

for listed stakes and using Fitch's assumptions for valuations for unlisted stakes and haircuts for LTV calculations

-- No cash tax paid by Kuwaiti corporates

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Net LTV consistently well above 45%

- Stressed net LTV consistently well above 60%

-- Deterioration of the portfolio credit strength or higher portfolio concentration

- Change in investment or financial policy at the holding company level, resulting in acquisitions or shareholder-friendly actions leading to deterioration of credit quality

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- An improvement in the weighted average portfolio credit strength through stake monetisation or due to improvement in entities' credit assessment

- Net LTV consistently at or below 40%

- Stressed net LTV consistently at or below 55%

LIQUIDITY AND DEBT STRUCTURE

KIPCO's cash balance at 30 September 2025 was USD987 million. Debt maturities were USD19 million in 4Q25, USD504 million in 2026 and USD494 million in 2027. The company plans to roll over some of its bank facilities, as is its usual practice.

We expect KIPCO to generate negative free cash flow of about USD22 million a year for 2026-2027. Hence, available liquidity is sufficient to cover investment outflows and upcoming maturities into January 2027.

ISSUER PROFILE

KIPCO is a Kuwait-based investment holding company with a portfolio of over 10 listed and unlisted holdings in which KIPCO tends to have large minority stakes to influence operations and financial policy.

Criteria Variation

Fitch's Corporate Rating Criteria (Rating Investment Holding Companies section) assess the credit strength of the subsidiaries/investments when calculating the weighted-average portfolio credit strength by equity value. However, in the case of Burgan Bank K.P.S.C., Fitch considered it more appropriate to use the Viability Rating of 'bb' rather than its IDR, to exclude the impact on the IDR of potential support from the Kuwaiti authorities.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance

Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡	PRIOR ⚡
Kuwait Projects Company Holding K.S.C.P.	LT IDR BB- Rating Outlook Stable Affirmed	BB- Rating Outlook Negative

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Corporate Rating Criteria \(pub. 27 Jun 2025\) \(including rating assumption sensitivity\)](#)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 27 Jun 2025\)](#)

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Kuwait Projects Company Holding K.S.C.P.

UK Issued, EU Endorsed

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