# A **prince's** promise

Prince Alwaleed Bin Talal Alsaud is the world's wealthiest hotel investor with stakes in Four Seasons, Fairmont Raffles, the George V in Paris and London's Savoy. He tells **Christian Sylt** why certain properties will never leave his grasp.

He is the grandson of the founder of Saudi Arabia. In 30 years he has amassed a fortune of £13bn ($21bn) according to Bloomberg, and his secret is buying shares in companies with strong global brands but depressed share prices. Along the way his company, Kingdom Holdings, has snapped up shares in Citigroup, Canary Wharf, Disney and Apple.

"We are a very diversified holding company," says Alwaleed. "We are invested in real estate, aviation, petrochemicals, financial services, media and publishing, entertainment, healthcare, education, retail, agriculture and hotels in two parts: hotel management and hotel real estate. We have strategic hotels that we will keep and many others that we buy, renovate, brand and then sell. So hotels and hotel real estate are a very big component of our holdings."

> " I would never sell the George V, the Savoy and the Plaza. They are one of a kind and irreplaceable. "

Kingdom's hotel assets range from a 33.3% stake in Mövenpick to 35% of the Fairmont Raffles group and a 47.5% stake in Four Seasons. In addition to its investments in management companies, Kingdom owns California's Fairmont Sonoma, New York's Plaza, the Savoy in London, and the George V in Paris.

Alwaleed practices the art of synergy between his various investments. Citigroup's European headquarters is at Canary Wharf and close by is the UK capital's second Four Seasons hotel. Similarly, it is no coincidence that at Euro Disney, a Planet Hollywood opened along with a hotel run by Mövenpick.

## Unusual hours

Alwaleed made his name in 1991 when, at the bottom of the recession, he invested £295m in Citicorp which merged with Traveler's Group seven years later to create Citigroup, the world's biggest bank. Alwaleed's investment in the company soared in value.

When not travelling with his 75-strong entourage, an unusual working regime allows him to say in touch with many of the different time zones under which his investments fall.

"My schedule is straightforward. It is like a machine," says Alwaleed, who is based in northern Riyadh. He gets by on five hours' sleep and that sets his rhythm for the day. From 10am to 11am he exercises; from midday until 5pm he works at his office; lunch with his children lasts until 8pm when he returns to the office for four hours. He then burns the midnight oil by exercising and reading until 4am. At 5am he is finally ready to go to bed after saying morning prayers.

He says that, right now, things are looking up for hotels. "We are already seeing major pick-up in the world economies. We are seeing a lot of pick up in Europe, the United States and the Far East. Clearly, there are still some weak points in the Middle East, like Egypt for example and Syria, but in general, there is a major pick-up in the hotel industry."

## Flagships

The most astute of Alwaleed's hotel investments have been the acquisition of actual properties.

By owning flagships for the chains which he also invests in, Alwaleed ensures that the operators of management contracts of those brands always have a benchmark to which they can compare their own properties. It is for the same reason that large chains, such as InterContinental and Hilton, tend to own and manage their most renowned properties even though the bulk of their portfolio is run under management contracts.

The trick up Alwaleed's sleeve is that when Kingdom sells hotels they remain under one of the chains it owns a stake in. This is because it signs long-term management contracts whenever it buys into a property. In fact, Alwaleed says that Kingdom goes one step further than this and "if we buy a hotel that has a different brand, we make a point to change that brand into one of our brands."

He has a long-term view since he has no financial need to sell his most prized assets. On the contrary, he sees the strategic importance and reaps financial benefit from holding on to his flagships. So whilst some investors talk about five or ten year plans, Alwaleed says: "Kingdom Holding has a forever plan." What this means is that some of his hotels will never be sold and the Savoy is on that list.

"I would never sell the George V, the Savoy and the Plaza," he says, of the hotels he stayed in as a child. Testament to this, in April, Kingdom rebuffed a £370m ($600m) offer for the Plaza from Indian conglomerate Sahara, which also owns London's Grosvenor House hotel.


*Left: Princess Ameerah, Prince Charles, Prince Alwaleed and Kiaran MacDonald FIH at the Savoy's reopening.*

*Below: The Prince and Princess with Bill Gates, who also owns a stake in Four Seasons.*

*Above: Princess Ameerah, Prince Alwaleed and Warren Buffett at the 14th Mircosoft CEO Summit.*

*Right: Prince Alwaleed in front of The Plaza Hotel, New York, February 2010.*

The Prince with Four Seasons founder Isadore Sharp.

He describes his flagship hotels as "one of a kind irreplaceable ones," whereas those which are sold are "recyclable." In the past six months alone he has sold his stake in the Fairmont San Francisco for £125m ($200m) and got £57m ($93m) for his interests in the Four Seasons Hotel Jakarta and the Mövenpick Dar es Salaam in Tanzania. At the end of April the Four Seasons Toronto was added to the list when Kingdom sold it for £90m ($145m). Alwaleed says it is not hard to decide which hotels will never be sold.

## Savoy gamble

After buying into Four Seasons, Alwaleed acquired a stake in the Canadian Fairmont hotel chain which later merged with Raffles. In December 2004, the chain set up a £930m ($1.5bn) acquisition fund with HBOS (now Lloyds Banking Group) and Alwaleed at the helm. Through this alliance, Kingdom and Lloyds have a 50-50 share in The Savoy which was sold to the Fairmont fund in 2005 for £230m. Alwaleed could see that it was worth much more.

The Savoy was closed for over two years until October 2010 and its £220m renovation was funded with bank borrowings and shareholder loans. It was a big gamble and Alwaleed says: "Frankly, it was very courageous of us and our partners to take that hotel, close it down and renovate everything. Now this has proven to be the right decision."

By the end of 2010 the Savoy's parent company, Breezeroad, had net debt of more than £400m with £230m being bank borrowing, £160m coming from the shareholders and £32m owed to Fairmont itself. The bulk of the bank loans were provided by Lloyds and are due by the end of this year.

## Refinancing

To extend this deadline the hotel's owners are in the process of refinancing it. This involves getting a new loan to pay off the existing one and sovereign wealth funds are believed to be queuing up to provide the debt. Interest is so high that the new loan is expected to be syndicated which means that the right to repayment will be split between multiple investors. It will delay the need to repay the bulk of the debt and has no effect on the hotel's 50-50 ownership split.

The reason that the debt is in such hot demand is that it is a safe bet. The Savoy's average daily room rate is currently running close to £500 and underlying earnings this year are expected to hit £20m, up from £17m in 2011.

Even if Alwaleed sets his heart on something he still has strict limits. "There will be a maximum price that will not hurt our Internal Rate of Return (IRR). The moment that the seller asks for a price higher than our IRR we walk out. You can't let sentiment get involved in the situation."

True to his word, Alwaleed has walked out on many hospitality transactions, most notably, the acquisition of the Le Méridien chain which was eventually sold to Starwood.

"You have to see what the cost is per room. Once you shut it down and renovate it how much return on investment and IRR will it give you? Gut feeling is one factor but also you have to look at return on investment, IRR and how much you can make on your equity return. There are very specific criteria."

## Risk

With such a broad portfolio, Alwaleed can't always get it right. His aim is for the profits to cancel out the losses and across his portfolio generate an annual average of at least 20% return on investment. Risk is at the heart of his success since the greater it is, the bigger the rewards are likely to be.

Sometimes it doesn't pay off and Kingdom owned 1% of the now-bankrupt photography firm Kodak. Euro Disney nearly went the same way but was rescued by Alwaleed.

Euro Disney still needs to pay back £1.5bn (€1.8bn) of the debt used to finance its construction 20 years ago. Making interest payments prevents Euro Disney from making a profit, and in the past five years alone it has made total net losses of £172m (€212m). However, the debt is gradually being paid down and Alwaleed points out that Euro Disney still has huge potential because only around 30% of the site has been developed. He adds: "The CEO of Euro Disney was with me recently and he was very bullish about the next two or three years where we could break even and make some profits."

***Christian Sylt is a freelance journalist.***

## Prince Alwaleed at a glance

- Prince Alwaleed, 57, is the Arab World's richest capitalist and the **29th wealthiest** man in the world (Forbes).
- He garners most of his **£13bn** ($21bn) net worth from a 95% stake in his Saudi-listed investment vehicle, Kingdom Holding Company, whose assets include shares in Apple, Citigroup, Canary Wharf and News Corporation.
- His hotel assets include shares in Mövenpick, Four Seasons and the Fairmont Raffles group. In terms of individual assets, he owns California's Fairmont Sonoma, New York's Plaza, the **Savoy** in London, and the George V in Paris.
- In December 2011, he announced a **$300 million** investment in Twitter.