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Dune tycoon

The Saudi prince who shook up the system

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Deals in the desert

Prince Alwaleed of Saudi Arabia amassed a phenomenal fortune by picking up fallen stars such as Apple and Disney. Now the world's fifth richest man is adding political clout to his portfolio. **Christian Sylt** tracks his moves from high-tech hotel to higher-tech tent. Photograph by **Karim Ramzi**

At the George V hotel in Paris, security guards, secretaries and waiters surround one man. A video camera records his movements and a television showing the Bloomberg business channel is brought to his side. The 17th-century tapestries adorning the walls are straightened and the potted palms moved at his request. Prince Alwaleed bin Talal bin Abdul Aziz Al Saud, the world's fifth richest man and owner of the hotel, is holding court.

The grandson of the founder of Saudi Arabia, King Ibn Abdul Aziz Al Saud, Prince Alwaleed is unlike many of his Saudi Arabian countrymen in that not one digit of his \$24 billion fortune comes directly from oil. Born in Riyadh in March 1955, he is a member of the Al Saud clan, which has 6,000

back to profitability. (This was to herald in the spring a slight narrowing of losses.) The prince had saved the company from bankruptcy in 1994 by buying \$345 million of its shares but, after being badly hit by the global downturn in tourism over the past few years, it needs a restructuring deal. As a major shareholder, Alwaleed's endorsement is again required to ensure that the doors don't close on Mickey Mouse's French home. He is buying \$33 million worth of new shares in the company as part of the agreement.

He carries in his head total recall of such deals. Without hesitation, he can recount detailed information about any of the companies he invests in, which is no mean feat as his portfolio ranges from

chip companies as well as many major heads of state; personal friends include Bill Gates, Silvio Berlusconi, and the Clinton and Bush families.

Alwaleed's position has led him into the realms of international power-broking and politics. Geoff Porter, an analyst for the consulting firm Eurasia Group, explains his reach: 'His greatest strength is his single-handed ability to influence the economies of countries. Most prominent in Lebanon, he went furthest in establishing Gulf-investor confidence, both in the commercial sector and in real estate. This also went a long way towards building confidence in the political stability within Lebanon itself.'

Despite the fact that a lot of that stability had eroded since the assassination last February of the prime minister Rafik al-Hariri, Porter says that 'Gulf investors are still following his lead.' Alwaleed is spoken of as a possible prime minister, although he denies this. Among pro-Syrian loyalists he is viewed as someone to respect but to be wary of, whereas the opposition is blunter in its criticism of him as an interloper.

Porter further explains that the prince's willingness to take an active role in the internal affairs of Saudi Arabian neighbours without having an official position within the Saudi establishment is one of the aspects that makes him most dangerous to Crown Prince Abdullah. 'At times, Alwaleed's activities work against the crown prince in Saudi Arabia, even though he is related to him,' Porter says.

How does Alwaleed manage his global agenda? Efficient transport arrangements for his extensive 'court' are an article of faith. He has an Airbus and three Boeings, including a specially outfitted 747 which carries his entourage of 75 people on every trip with him. He claims that on trips abroad he has 'a secretarial department, a communications department and an investment department'. On every trip he carries a telephone which acts as a hotline to ring his palace in Riyadh from anywhere in the world.

Expressing the opinion that it is a 'total myth' that relaxation requires one to cut off work routines, the prince adds, 'I relax by interacting with

Untypically in Saudi Arabia, not one digit of his \$24 billion fortune comes directly from oil. 'What drives me is performance and achievement,' he says. 'I adore success. I hate failure'

princes. As Hasher Maktoum, the nephew of the Crown Prince of Saudi Arabia, commented in a recent newspaper interview, 'All we hear about is bin Laden and terrorists. The Arab world needs its Bill Gates. Prince Alwaleed bin Talal is the only one of us who is recognised for business.'

The wealthiest investor outside the United States, the prince has made his fortune over the past 20 years by buying shares in companies with strong global brands but depressed share prices. As markets have recovered, his wealth has soared. Along the way he has rescued some of capitalism's most famous fallen stars, including Apple, Planet Hollywood and Disney. He says, 'What drives me right now is performance and achievement.' And he adds that watching his shares go up gives him the ultimate kick: 'I adore success. I hate failure.'

It is January 2005, and Prince Alwaleed is in Paris for a meeting with the French president Jacques Chirac and André Lacroix, the (now former) chief executive of Euro Disney. The ailing theme park is a business in which Alwaleed has a 10 per cent stake. A deal is being hammered out with the park's French creditor banks to give it more investment, which they hope will bring it

banking, technology and media stocks to investments in hotels, hospitals and schools. His responses to questions are delivered in rapid-fire bursts, and are concise and to the point.

Alwaleed stands about 5ft 8in tall and, although he wears traditional Arabic garb at home in Riyadh, he wears western clothes everywhere else. Today he is kitted out in a black leather jacket, blue jeans, blue-tinted sunglasses and blue shirt slightly unbuttoned. He has a strikingly youthful appearance for a man of his years, notwithstanding his punishing schedule.

He was up until 6.30 this morning doing business in his presidential suite at the hotel and was awake again a few hours later. It is now early afternoon and he shows no signs of tiredness, although he sips away at a series of espressos, constantly clutching his prayer beads.

He is a man whose life is catalogued and ordered down to the last half-hour; his trips abroad often involve travelling to more than 10 countries in several bursts of only a few days. They allow him to stay in face-to-face touch with his network of contacts. On his visiting list are the chief executives of the world's biggest blue-

Prey day Prince Alwaleed prepares to let fly his falcon, Waseem, at the desert encampment near Riyadh where each weekend he dispenses charity to needy petitioners



nature and through that, without any doubt, by interacting with God, because I am very religious.' His recreation, if not relaxation, is 'in summer, with the sea, with the sky – in the south of France I feel at ease. And in winter, with snow, skiing.'

His preferred place to ski is Jackson Hole, Wyoming; he likes to fly in his ski instructors from Aspen in the neighbouring state of Colorado. On a visit last year, sports shops stayed open for him to take private shopping sprees during his unconventional hours. Shopping presents an opportunity for him to top up his reported several-hundred-strong collection of sunglasses and thousands of pairs of shoes.

Deal-making continues whatever, whenever and doesn't stop when he is on the water. Alwaleed's 282ft yacht is moored in Cannes every summer, which allows him to entertain a number of socially prominent people who are also likely to be those with whom he does business, such as Sir Rocco Forte and Prince Albert, Monaco's new ruler. Alwaleed named his floating palace Kingdom 5-KR after his Riyadh-based investment vehicle, Kingdom Holdings, his lucky number, five, and his two children, Khaled and Reem. The yacht's glitzy interior was already in place when Alwaleed bought it in 1991 for \$18 million from the American tycoon Donald Trump, then on the brink of bankruptcy during the recession. It is now worth nearly four times that amount.

The prince admits that his determination to succeed comes from his parents. Not only did

they lack the fortunes of his ultra-rich uncles, who became billionaires when the value of their oil reserves exploded in the 1970s, but they were also seen as outsiders. Alwaleed's father, Talal, raised eyebrows in Saudi's staunchly conservative society by marrying outside the ruling family (he wed Princess Mona El-Sohl, the daughter of Lebanon's first prime minister). Talal fell into greater disgrace when he and his four brothers rebelled against the thousands of other Al Saud princes in 1962 by showing support for the Egyptian revolutionary Gamal Abdel Nasser, who was calling for a more open political system. Eventually Talal was allowed to come home after swearing loyalty to the then Saudi King Faisal. In return he was given a large amount of land which he sold back to the government for a good profit during the 1970s.

'My father is a disciplined man, a structured man,' Alwaleed says. To instil this in his son, Talal enrolled him at Riyadh's King Abdul Aziz Military Academy. Aged just 14, Alwaleed was the youngest man in Saudi Arabian history to get into the military. 'This changed my life,' he says. 'Any hesitancy, any doubts or any tenderness disappeared.'

Alwaleed cites military training as the first of three 'thresholds' that changed his life, and even the minute details are still stuck in his mind. 'You have to wake up at five o'clock in the morning, your breakfast was lentil soup, spaghetti and Kraft cheese. You have to fix the toilets, you have to clean like a janitor on a daily basis and you have to climb mountains.' At the same time, his

Above Alwaleed speeds away from his yacht Kingdom 5-KR with his children, Khaled and Reem.

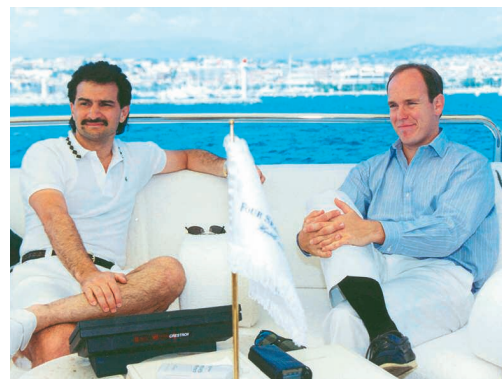
Opposite Alwaleed with, *clockwise from top left*, the Queen at a polo tournament, Windsor 2003; the Sultan of Brunei, 2001; president Bashir al-Asad of Syria, 2004; Prince Albert of Monaco, 1995; Bill Gates, 2002; Hank Greenberg, the then CEO of AIG, the world's largest insurer, in 2004; Jacques Chirac, 2003.

Below right Alwaleed and Khaled on Kingdom 5-KR

love of business was growing. 'I began taking life very seriously when I was 15 years old,' he admits. Alwaleed started soaking up business information at that age by listening to the BBC news on the radio every day, as well as reading political magazines and newspapers. But it wasn't until he landed in America in 1976 that he earned his passport to fulfil his ambitions.

That year he began his undergraduate studies in business at California's Menlo College, which he describes as the second threshold of his life. 'Going to America alone gave me confidence,' he says. He enjoyed American culture so much that he went on to take a masters degree in social science at Syracuse University, to back up his business know-how. 'Back then, big names were at the back of my mind,' he admits. 'For example, Time Warner.' Alwaleed remained loyal to his instincts; he now has more than \$1 billion invested in the company.

His break into business was kickstarted by a \$30,000 loan from his father. Talal also gave him a \$1.5 million house which Alwaleed mortgaged,



raising about \$400,000, and each month, as a grandson of King Ibn Saud, he receives a \$15,000 allowance. But it was savvy that enabled him to make his first billion. When Alwaleed returned to Riyadh in late 1979, oil prices were breaking records, and Saudi Arabia was getting a gold rush of government money to increase construction in the country. Rather than getting involved with oil, which Alwaleed says has a cyclical value, he instead sought secure returns. His first niche was in property speculation, a talent inherited from his father.

Under Saudi law, every foreign company working in the country had to have a local sponsor which, for the privilege, pocketed about five per

cent of any contract. In 1982 Alwaleed set himself up as a sponsor, working from a tiny prefabricated office. He soon landed an \$8 million deal to build a bachelors' club for a South Korean contractor, and as oil prices soared, so did his business. He was soon bringing in \$50 million profits per year. Alwaleed used this new stream of cash to play for high stakes in the white-hot Riyadh property market, and his 14 square miles of property just outside the city makes him the largest private landowner in the Saudi capital today.

Alwaleed demonstrated his grasp of American business tactics when he launched the first successful hostile takeover of a bank in Saudi Arabia,

seven years later to create Citigroup, the world's biggest bank. Alwaleed's investment in the company soared almost 20 times in value, and his four per cent stake is now worth \$10 billion. No wonder he refers to Citigroup as his 'home brand'. Alwaleed says this was the best business decision of his life. The shares recovered 80 per cent of their peak price.

His stockpicking strategy is surprisingly straightforward. The common factors to the companies Alwaleed invests in are that they 'have a global presence and are facing difficulties, either because of cyclical events, economic downturn or management which isn't solid'. Once Alwaleed has isolated a potential target, he analyses its balance sheet to assess whether it can deliver his demand of a minimum 20 per cent annual return on his investment.

His secret is investing in brands. Alwaleed's genius is to home in on stocks that rebound but continue to grow at the sort of rate which saw the value of his five per cent holding in Apple rise by more than 200 per cent between 1997 and 2000.

The birth of his son in 1978 was the third threshold in Alwaleed's life, since he says it gave him a sense of responsibility. Alwaleed raised Khaled and his daughter Reem (four years younger) Islamically and 'with high principals', but he is far from a strict parent. 'They decide what they want, it's a laissez-faire situation,' Alwaleed says. When Khaled became interested in cars his father bought him a \$250,000 Lamborghini Diablo. He was 16. Reem

In 1991, at the bottom of the recession, he invested \$590 million in Citicorp, which later merged with Travelers Group to form Citigroup. Alwaleed's four per cent stake is now worth \$10 billion



winning the United Saudi Commercial Bank (USCB). But he didn't stop there. Alwaleed merged USCB with two local rivals to create Samba, the Middle East's most profitable bank. And with an 85 per cent increase in the Saudi stock market during 2004, Alwaleed says that most of the growth in his wealth still comes from the Middle East.

This deal brought Alwaleed his first billion but while it made his name in Middle Eastern business, he wanted global renown. In 1991, at the bottom of the recession, he invested \$590 million in Citicorp, which merged with Travelers Group

liked Donna Karan clothes so much that Alwaleed bought \$20 million of the company's shares, giving her a one per cent share in it when she was 15. Khaled and Reem now work for their father.

Alwaleed has been twice divorced, first from Princess Dalal, the mother of his children, in 1994. Princess Dalal is an artist who paints romantic desert themes and has exhibited in Geneva. Her racehorses have run in the UK. The prince's second marriage was to Princess Kholood, 23 years his junior. He is now single.

Al Saud princes live in a kind of royal ghetto in northern Riyadh, where Alwaleed's palace is the grandest of them all. His \$130 million sand-coloured home looks like a luxury hotel; inside, its 75ft-high foyer is framed by dual winding staircases. The palace has 10 acres of living space, 317 rooms, eight lifts, 520 televisions and 400 phones. Among the 180 walkie-talkie-carrying palace staff, Alwaleed has a personal physician and full-time barber. Where he and the children have their fun is in the palace's \$20 million entertainment complex complete with bowling alley, indoor and outdoor pools and tennis courts, football pitch and 45-seat cinema – de rigueur in Saudi Arabia since all forms of public entertainment are banned.

Alwaleed says his hobbies are walking, cycling, camel-riding and horse-riding. He regularly plays football with Khaled at the palace, and they test their mettle against professional players flown in for them. He is also a fan of polo, as I found when I accompanied him to watch a summer event from a specially erected Bedouin tent at the Guards Polo Club in Windsor, where Alwaleed had been invited by the Prince of Wales in June 2003.

He doesn't smoke, drink or gamble and he has expressed an antipathy to fatness in people. He says he has 'no dinner, only salads' – which in practice he eats as a very late lunch (this despite his palace having 17 dining-rooms, and four kitchens for Lebanese, Arabic, Continental and Asian cuisines, and a fifth kitchen just for dishing up desserts). He explains that in Riyadh, 'My schedule is straightforward. It is like a machine.' He gets by on five hours' sleep and that sets his rhythm. From 10 to 11 he exercises. Then 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.



The palace in northern Riyadh has 317 rooms, 520 televisions and 400 phones. Here, Alwaleed regularly plays football with his son – they test their mettle against professional players specially flown in

At 5am he is finally ready to go to bed after saying morning prayers.

The closest Alwaleed comes to being relaxed is in the desert. He goes to his encampment there every weekend that he is in Saudi Arabia for what he calls 'complete unwinding, complete serenity'. In spite of his intention to escape Riyadh's bright lights, in practice he has created his own temporary city amid the sand dunes. In a complex of many tents, 45 miles from Riyadh, each week hundreds of men gather in one the size of a football field. They present Alwaleed with petitions asking for assistance and he delivers. His uncle, Crown Prince Abdullah, who runs the country, does the same thing. It's democracy Saudi style and somewhat explains Alwaleed's ego.

The silence of the desert in this scene is broken by the constant wail of mobile phones and live

From top Alwaleed with Steve Jobs, CEO of Apple; donating \$2 million to the Grand Mufti of Lebanon, to buy land for a mosque in Beirut, 2002; with Michael Eisner of Disney, 2004; with Crown Prince Abdullah at the opening of Riyadh's Kingdom Centre in 2003



news reports on plasma-screen televisions. Satellite dishes surround the camp, and faxes, PCs, printers and laptops litter the rugs. As back-up Alwaleed has a truck packed with \$700,000 of telecoms equipment, and it's all set up by the former head of communications for the White House during the Reagan administration.

While others only talk about it, Alwaleed practises the art of syn egry b e tew nhis various investments – Citigroup's European headquarters is in Canary Wharf, London, and close by is the capital's second Four Seasons hotel. Although the bulk of Alwaleed's investments were bought at bargain-basement prices, by swooping on Four Seasons in 1994 he proved that he is prepared to pay 50 per cent above market value when he sees something he wants.

The George V, which has brought him his greatest gains in the sector, has come a long way since he bought it in 1996 for \$190 million. The hotel had made a loss of \$360,000 the previous year and Alwaleed paid over the odds for it. He then commissioned a \$125 million renovation project. Within its art-deco elegance, it is a high-tech haven for the 21st century. The rooms look like aircraft flightdecks, with multi-line telephones equipped with data ports and satellite televisions that broadcast a wealth of Arabic programming in addition to the usual channels. Access to the internet is from anywhere in the hotel using its 'wayport' system. The hotel now averages 80 per cent occupancy at a room rate of €700. Alwaleed has made a 300 per cent return on his investment in the George V.

In the same year as he acquired his Four Seasons shares, Alwaleed bought a 50 per cent stake in the Canadian Fairmont hotel chain. Until recently it had no European hotels. Then, in December last year, the chain set up a \$1.5 billion acquisition fund with Halifax Bank of Scotland and Alwaleed at the helm. Its first purchases were Monaco's run-down Grand hotel and the Savoy, which was acquired for \$420 million.

The prince's biggest challenge is finding opportunities that will maintain the annual return on his investment, which he says is more than 30 per cent across his portfolio. He admits that he is a trader at heart, and his portfolio isn't all long-term. Short-term for him means holding on to shares for anything from five to 15 years. And when he realises a deal, it is planned with the same precision as his purchases. Proof of this is the 2001 sale of part of his stake in the Canary Wharf property company. In 1995 he bought \$72 million of Canary Wharf's stock as part of a consortium which funded the Canadian entrepreneur Paul Reichmann's bid to pull the Docklands project out of bankruptcy. Alwaleed then sold two-thirds of his stake in 2001 for \$178 million, making a 50 per cent annual rate of return over each of the six years. 'You invest, you make 300 per cent, you get all your money back and you keep a small portion,' is how Alwaleed describes his idea of a good deal.

Reichmann describes Alwaleed as 'traditional and religious, yet modern', and adds, 'I know that when a transaction is completed, it conforms 100 per cent to the initial formulation.'

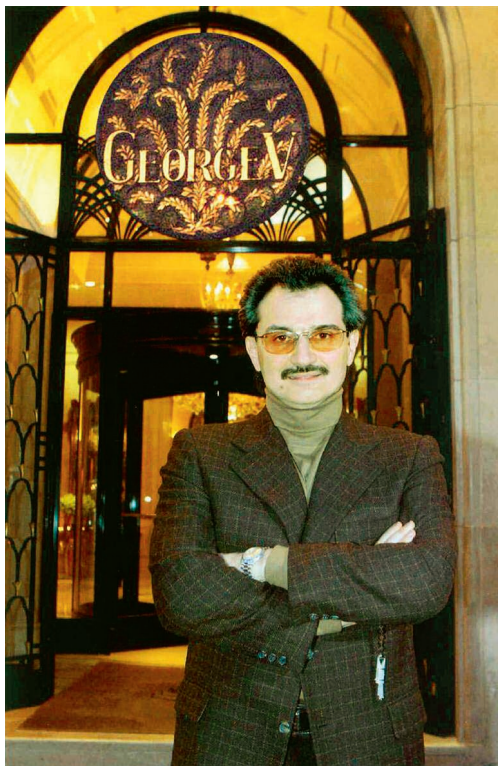
The prince takes great care in choosing the people who work with him. He has 10 crucial employees who assist him in his decisions. Five come from Citigroup's private banking arm and he is always accompanied by one of them on his travels. Employees must be able to work 24 hours

in a day in cases of emergency fluent in English and Arabic, and able to type in them; and believe in God. All his associates refer to him as 'Your Highness'.

One who slipped away is Ramsey Mankarious. For nine years he had been Alwaleed's head of European hotel development, but he left last year to start his own hotel investment firm. Mankarious confirms that 24-hour stints on the job were common and says of Alwaleed, 'he is the ultimate multi-tasker. His office is very dark and he has it freezing cold. He has a large U-shaped black desk and built into it are four security cameras which show everyone in the office.' On the wall opposite Alwaleed's desk are eight television screens and Mankarious says that he also has a television built into the side of the desk. 'When you're sitting in his office, your eyes can simultaneously watch the eight screens, just like he does.' Alwaleed has become a data junkie out of his conviction that information is the key to successful investing. His wired world is powered by a pair of servers linked to four top-speed broadband connections hooked to a network node in Boston.

Despite his wisdom, Alwaleed has still taken a hit on some of his investments, such as the \$110 million of stock he held in the US telecoms company Worldcom. Alwaleed had a lucky escape when he sold his shares in May 2002 before the company filed for bankruptcy. Other interests, including a \$110 million investment in Planet Hollywood and his famed bail-outs of Euro Disney, have yet to give him the returns he wants, but he says he is there for them.

His business investments in the Middle East provide him with direct access to Arab heads of



Prince Alwaleed bought the George V in Paris in 1996 and has made a 300 per cent return on his investment

state, on whom he may have a moderating influence since many of his international partners are Jewish and support Israel. And he has a strong vested interest in Palestine. He has a \$10 million stake in the Palestinian Development and Investment Company. In addition to visiting

Palestine many times over the past few years, the prince has given Palestinians donations of more than \$50 million as well as investments aimed at developing the country's infrastructure. In 1998 he presented a Boeing 727 to the Palestinian state.

Many of his investments within Saudi Arabia already have had significant social impact. For example, his private Kingdom school development puts emphasis on English and technical subjects, giving Saudi students an alternative to government institutions that are strong on religious education. Another project that has further cemented Alwaleed's stature is the Kingdom Centre – a 980ft monolithic skyscraper dominating Riyadh's skyline. Alwaleed part-owns the building, and Kingdom Holdings' headquarters, as well as the first five-star hotel in Saudi Arabia – a Four Seasons – are located inside. But the shopping mall is its most groundbreaking aspect since its second floor is dedicated solely to women. This allows women to shop freely, and without a veil, because in Saudi Arabia they may not shop with men other than their relatives.

'I am really advocating the ladies' cause and putting them in key positions,' Alwaleed says. At the end of last year he hired Saudi Arabia's first female pilot to fly one of his planes. This was a historic move in a country that forbids women from even driving cars.

For Alwaleed, retirement is inconceivable. He stresses that there is nothing that keeps him awake at night and, to use his own words, he has 'ultimate serenity' from performing his duties to his religion, to his nation and to the world. And although it is tough to see how a man who tirelessly toils really can be serene, this describes Alwaleed exactly. ■

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