

# Value Seeker

Bahrain-based Investcorp cites Indonesia as key market for its Asia expansion.

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**Founded in 1982**, Bahrain-based alternative asset manager Investcorp has grown rapidly in the past few years under the lead of Mohammed Alardhi. Since being appointed as executive chairman in 2015, Alardhi, a former jet fighter pilot, has had big ambitions for the company. He plans to grow Investcorp's assets under management (AUM) from \$11 billion in 2015 to \$50 billion in the mid term. So far, the company has already made it more than half way to the target. One of the strategies to achieving the target is to expand into new markets, namely Asia.

Investcorp made a name in the 1980s and 1990s by taking stakes in and successfully turning around the business performance of luxury groups Gucci and Tiffany. However, the company has since expanded its portfolio further, beyond private equity.

In Asia, Investcorp has operations in Singapore as well as in Mumbai, through the acquisition of real estate and private equity businesses from IDFC in India. The company has also launched its debut investment in China with the offering of a Chinese tech investment fund in partnership with Hong Kong-based China Everbright Ltd., and a \$500 million food fund in partnership with Chinese state-owned conglomerate China Resources



Mohammed Alardhi (left) and Hazem Ben-Gacem

and Fung Investments, the private investment arm of the families of Hong Kong's Victor and William Fung.

And now, the company is eyeing Indonesia as one of the key markets in Asia. In early January Alardhi paid

a visit to Jakarta, his second visit to the city in a year, to look for partnerships and opportunities. His visit was also only days before President Joko Widodo headed to Abu Dhabi to witness the signing of a dozen investment deals including with Mubadala Investment Company, which happens to be Investcorp's biggest external shareholder.

Forbes Indonesia had the opportunity to sit down with Alardhi and Investcorp co-CEO Hazem Ben-Gacem to hear their plans for Asia and Indonesia. Here are edited excerpts from the interview:



**It's your second visit to Indonesia, what kind of opportunity do you see in the country and in Asia?**

**Mohammed Alardhi:** Investcorp is almost four decades old and until 2015 our concentration on activities and

businesses has been on the Gulf region, Middle East, America, and Europe. In 2015, we took a major overview of our strategy and business, we said we wanted to have \$50 billion AUM and we wanted to open new markets. Obviously, Asia is an important new market. Obviously, India and China are the two biggest markets, we've identified Singapore as our launching pad because of the ease of doing business and the regulatory requirements, and Indonesia also as a major market. I am happy to say from zero AUM in 2015, we have now almost \$2.6 billion AUM in Asia. The huge opportunities that we see in the region are the economic growth, the population growth, and the economic visions of the different countries. We also see a good journey toward building better infrastructure, connectivity, food security, and communications.

**What is your specific objective in the region and in Indonesia?**

**Alardhi:** We want Asia to play a good part of the growth toward our \$50 billion AUM target ... Our strategy for India is to get \$2 billion in five years. I think it will be sensible and maybe within limits to expect the same AUM in China, Indonesia, Thailand, and Singapore. So I think it's not a big stretch to say within the next five to six years that we could generate \$10 billion AUM or more from this region.

**Hazem Ben-Gacem:** On the investment front, we will lead with the private equity asset class. As you know Investcorp has six asset classes, private equity, real estate, credit, hedge funds, infrastructure, and strategic capital. Private equity is the oldest and within private equity there are certain sectors and industries that we have built a solid expertise across in multiple geographies: food, consumer products, business services and technology. These are the four anchors of the industry that have been successful investments, all have been in the West. Now, we want to take that skill set and apply it in Indonesia, most likely in partnership with existing privately owned businesses and family conglomerates. So we are in discussion with some of the groups looking at some of the specific projects.

On the investor front, we will be looking to develop partnerships. There is a significant level of wealth that is developing in Indonesia both in the private sector and institutional funds. Investcorp is fortunate that within our \$30 billion AUM we have a very healthy balance between ultra-high net worth, family offices and large institutions. We suspect we will likely form some type of partnership with some of the existing well-known Indonesian financial institutions where we can join forces with them to offer global alternative investments. I hope that in the next

# “We want Asia to play a good part of the growth toward \$50 billion AUM target.”

12 months we will be making some interesting announcements around some of those partnerships and some of those relationships. And we do hope in the medium term, Investcorp will be a household name in Indonesia.

## **In Asia, what has been done so far?**

**Hazem:** In Asia we currently have two investment vehicles. First is the \$500 million dollar technology fund and partnership with China's Everbrite. The partnership is exclusively focusing on Chinese pre-IPO tech unicorns, some of the largest artificial intelligence, and consumer products. The second one, which is somehow relevant to Indonesia, is a food investment fund. This is also a \$500 million dollar fund in partnership with China Resources, which is China's largest food player. The purpose of this fund is to invest in the broader Asian condiments and snacks businesses. We are looking at particular projects here in sauces and spices and the idea is to seek small- and medium-sized food investments throughout Asia with the primary purpose of pushing them into the Chinese consumer market. I hope we will make a number of Indonesian investments out of that fund and with this partnership be able to push Indonesian food brands into the much larger China market.

## **Indonesia has the most tech unicorns in the region, would the technology and startup scene appeal to Investcorp?**

**Hazem:** Investcorp has long experience in investing in the tech sector. Our very first tech investment was in 1989 buying the largest hardware seller and reseller of tech equipment in the UK. Over the last 10 years alone we probably invested close to \$5 billion in the tech sector in the US, Europe, and the Middle East. Tech investing varies, there's the startup scene, the middle-scale market, and the larger business. Historically we have been focused on the middle- and the large-scale

tech businesses. However, Southeast Asia is probably 10 years behind Europe and the US. So, it has a more robust venture capital scene and less so of the more established businesses. We are exploring it, we may team up with a local partner to create a venture capital fund based here in Jakarta, which will be looking to make those investments. It is unlikely we will directly invest in the startups because we need feet on the ground, the check size is also relatively small. It's very impressive in Indonesia, just to give a reference point there are as many unicorns in Indonesia as there are in France for the last 10 years, which gives a feeling of the depth and the potential of the market.

## **The global economy has been challenging, how has it affected Investcorp's portfolio bucket and what is the company's outlook for 2020?**

**Alardhi:** We've been investing in the US for the last four decades. And we have gone through these up and down cycles. When we come, we are not here for two or three years, but for the long-term. It depends on where you look, there are countries that will feel the slowdown, but we are positive toward the big engines of the global economy. We are positive about what is happening in the US, the opportunities that we see in Europe, the growth that is happening even in the Gulf region. The privatization schemes, the infrastructure development, the government policies after the collapse of the oil prices to find ways to diversify and grow, and we are positive about the countries we focus on in Asia.

Our biggest AUM is currently in credit because the nature of it: we can scale it up very fast. Private equity brings the most return, but it's a complex business, buying a company and managing people, as well as targets. Real estate has its own nature. In all of those buckets, we are in a perfect place despite disruptions happening. For instance the disruption that is happening in the retail has made us focus on technology. We look at these things and try and see how we position our business for success. And so this is a continuous journey.

**Hazem:** Being an investor across multiple sectors for the last four decades, we've learned and appreciated that even in a down cycle there are always pockets that benefit from the demise of one industry. A part of a lot of what we do is identifying those areas where you will still get 15% growth despite the GDP growing at 4%. Our average return in the private equity business in the US and Europe has been 20% IRR in a macro environment that at best has grown by 3.5% over the last decade. So we hope to bring our expertise to this region regardless of which point in the cycle Indonesia and the rest of Asia are in. 