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Brookfield Eyes More Money Moving Infrastructure Assets

by Swetha Gopinath
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Moving money

After agreeing some big deals and partnerships involving the likes of First Abu Dhabi Bank and Network International in recent years, Brookfield set up a dedicated financial infrastructure strategy within its private equity business. In April, the team agreed its first deal—a stake in Barclays' payments unit. I caught up with Sir Ron Kalifa, who's been leading the push, to hear about Brookfield's plans for more investment in the space. Here are some highlights from our chat. – Swetha Gopinath

Ron Kalifa *Photographer: Simon Dawson/Bloomberg*

What sectors does your financial infra strategy target?

There are three or four areas we are particularly keen on and all of them relate to critical financial infrastructure, or, put another way, the rails that enable the movement of money. The first one is around payments. The second one is principally around wealth management. Thirdly, we are keen on capital markets. And finally, we are thinking about banking technologies.

Nearly all financial assets, then?

Those four sectors, more or less, cover the spectrum of financial services, so there's nothing that is out of bounds for what we're doing because financial infrastructure is such an important part of the future of finance. We are pursuing an asset light strategy. So we will not buy a bank or an insurance company or a wealth manager but it's the platforms and capabilities that make them so important and interesting for us.

Having recently bought a stake in Barclays' payments business, are you looking at corporate spin-offs?

There are many assets, which quite often are sitting in large organizations, which typically haven't had the focus or attention they need. What I mean by that is that they haven't had the investment. They've never been talked about at the top table because they're buried in the organization and quite often senior people don't know about them. So they're great opportunities for a business like ours to take ownership of and to put the capital in. But more importantly to put the operational capability in because what we do know is that this sector is going through a massive transition.

How important is that operational expertise?

The most important bit is that it actually is not just about capital, it's essentially about the operational know-how. What convinced Barclays to work with us was the fact that we've got the proven operational know-how, the capability, and a proven track record. We've invested over five billion dollars over the years in financial infrastructure assets globally.

Can you talk about your plans for the Barclays business?

Our plan for the business is focused on the SME, corporate and enterprise sectors. As a platform, as a starting position, it's really well placed. It has got 30% market share in the UK. That's a fantastic starting position, but there's a level of investment that's needed going forward to propel the business. We don't see the need to pursue inorganic growth here at the moment, it has the technology and the people needed to capture a larger part of the market.

What attracts you and your investors to financial infra?

In many ways it is almost a new asset class and it's a natural bridge from where we are, given Brookfield's strong heritage and infrastructure expertise on a global basis. The characteristics of financial infrastructure or infrastructure are the same irrespective or where it is, it's about scale. It's principally about access to markets and distribution and where you're going to get customers from. In the financial services space, it's about regulation and it's about technology. Every financial services business is going through that journey of analogue to digital to data, to AI and we are very well placed to help take companies on that journey.

As one of the architects of UK's fintech reforms, how do you see London's status as a finance hub?

The UK's global market share of fintech is still at about 10%, so it's naturally a leader. We've got more startups coming through here than most other countries. The challenge is less about the startup culture, it's more about scaling up. When you get to series-B size, that's when capital historically has dried up. And that's why some of the reforms that you're starting to see—in terms of capital markets, insurance and pension reform—are needed to start plugging that gap.