FINANCIAL TIMES

MONDAY 24 SEPTEMBER 2018

FTfm

FACE TO FACE: BRUCE FLATT

Bruce Flatt of Brookfield on owning the backbone of the global economy

Brookfield Asset Management
Founded Traces its roots to 1899
Assets $285bn
Employees 1,500
Headquarters Toronto
Ownership Publicly traded on NYSE and TSX; partners own 20%

INTERVIEW

What we do is behind the scenes, Brookfield's chief executive tells *Judith Evans* and *Peter Smith*

It is a windy Tuesday in London and from Canary Wharf, Bruce Flatt, chief executive of Brookfield Asset Management, surveys a corner ofhis global empire. Close by is Newfoundland, 62 storeys ofhomes for rent beside the Thames. In the distance, in the City, is 100 Bishopsgate, a 37-floor office building under construction. To the right, in Shoreditch, the 50-storey residential Principal Tower is taking shape.

What about the West End, which is studded with cranes? No, nothing there is big enough for Brookfield. "The sites are small and our advantage is scale," Mr Flatt says.

The Toronto company keeps a low profile but its scale is vast. In 20 years under Mr Flatt, it has become one of the largest real estate and infrastructure investors, working in 35 countries. On the scale ofits $285bn portfolio even Canary Wharf, which Brookfield bought with Qatar's sovereign wealth fund for £2.6bn three years ago, looks small.

In just one of Brookfield's megadeals this year, it took the US mall operator GGP private for $15bn. Many countries are too small to have any assets worth Brookfield's time: "We paid nearly $12bn for a real estate company [Forest City Realty Trust] in the US. Some countries, their entire investment stack is not $12bn," he says.

Now, Mr Flatt is on a mission to acquire infrastructure, with Brookfield at the centre of a global shift as indebted governments transfer assets to the private sector. "We're in a 50-year transformation of the infrastructure world. We're 10 years in. By the end of that 50 years most infrastructure in the world will be transferred to private hands."

A rough calculation indicates some $100tn could go private, he says, adding only "maybe 10 per cent" has switched. In developing countries, existing assets are being sold; in developing markets, infrastructure is being built by the private sector.

That is a huge opportunity for Brookfield, he believes. "We're in the business of owning the backbone of the global economy. [But] what we do is behind the scenes. Nobody knows we're there, and we provide critical infrastructure to people that somebody pays a small amount for . . . the road you drive on, most people think it's owned by the government. Even if it is a toll road, they wouldn't actually know who owned it."

CV

Born *1965*

Pay $6.84m

Education *1986* Manitoba university, bachelor of commerce

Career
1987 Chartered accountant, EY
1990 Corporate finance, Brascan (predecessor of Brookfield Asset Management)
1993 Chieffinancial officer, Brookfield Properties
1998 President and chief executive, Brookfield Properties
2002 Senior managing partner and chief executive, Brookfield Asset Management

At first sight, billionaire Mr Flatt is understated. As with his company, though, his discretion belies immense ambition. Overall, he expects group assets to double to between $500bn and $600bn in five to 10 years, including more than $100bn in India and China.

Mr Flatt began his career at Canadian conglomerate Brascan. It foundered in the 1990s. Mr Flatt bought stock cheaply and helped it rebuild. The collapse of Olympia & York — a Canadian company felled by losses on Canary Wharf, where we sit — gave an opportunity to acquire prime US real estate assets through buying its debt.

Brookfield did not buy Canary Wharfitself until 2015, but the Olympia & York assets formed the core of a new real estate division: Mr Flatt was on the road to taking control of Brascan and turning it into Brookfield. In a complex structure, the parent company has four listed affiliates handling property, renewables, infrastructure and private equity.

Buying where there is distress remains Brookfield's hallmark. Mr Flatt says: "There's a lot of stress in the banking market in India . . . and we've been finding the opportunity to buy virtually in all of our sectors [there]. Over the past 36 months . . . there was an enormous void of foreign direct investment into Brazil, therefore we bought a lot of things at what we deemed to be fractions of the replacement cost." In Brazil, for example, a consortium led by Brookfield bought a gas pipeline network from state-run Petrobras for $5.2bn.

This year in the US, home to half the group's assets, Brookfield's private equity division bought Westinghouse Electric, the nuclear services company, out of bankruptcy for $4bn; the group took control of two subsidiaries of the bankrupt solar group SunEdison for $1.4bn. Last month it struck a deal for control 666 Fifth Avenue, in Manhattan, the tower owned by the Kushner family, represented in the White House by Jared, Donald Trump's son-in-law. Mr Flatt deflects questions about the chance of success for Mr Trump's $1.5tn infrastructure programme. "Not much is happening in infrastructure in the US," he says deftly.

He won't say if infrastructure is a bigger opportunity than real estate: "It is like [asking] which of your children you like better." But in 2015 Brookfield was overtaken by Blackstone as largest real estate investor.

GGP, the mall group, was under pressure as the crisis in the retail sector hit demand for physical stores. "We don't buy into the thesis that all retail is going to go online," says Mr Flatt. The GGP purchase is primarily a redevelopment play, he says.

Is Brookfield preparing for a crash? "We're almost ten years into a recovery, which means that the recovery or the expansion may last for one year, two years, three years, four years more. Four years would be maybe a record, [so], just because we're very conservative people, our view is we should hold more cash, be more conservative," Mr Flatt says.

He recalls 2007 when Brookfield "began preparing" for a downturn. At the end of June, Brookfield Asset Management held almost $6bn of cash and equivalents, almost double the figure at the end of 2016. "It's when enormous dislocations happen and you can buy, and the only way one can do that is be prepared."

He warns: "I wouldn't want this to come across that we're preparing for Armageddon."

Mr Flatt is understandably reluctant to compare a potential downturn with the financial crisis of 2008. September 11, the day we meet, marks a different disaster. At the time of the 9/11 attacks in 2001, Brookfield owned the World Financial Center, now Brookfield Place, across the street from the Twin Towers, along with One Liberty Plaza next to the World Trade Center.

Mr Flatt was in Toronto when the attacks occurred. With flights grounded, he drove for 10 hours to reach Manhattan. "I got there September 12 at 1am and went downtown. We didn't know whether our people were OK. Only later did we find that out."

The glass in Brookfield's buildings shattered up to 30 storeys; there were fears that One Liberty Plaza could collapse. However, Brookfield found that all its staffhad survived and the buildings reopened two months later.

Initially many employees were too traumatised to return. "I, in fact, was the only person I think down there two months later on my phone, phoning people . . . [who] came back slowly. Today, leaving aside the whole tragedy, the remake of Lower Manhattan was enabled because of the tragedy." The following year, Mr Flatt became chief executive. What did this experience teach him? He pauses before concluding: "Make sure you're at the wheel."