

DISRUPT AND DEVELOP

How Omani investment expert *Dr. Jalal Saleh Al Hadhrami* created international venture capital fund Celebrity Global Holdings – and is using it to create new ideas by sweeping old legacies aside

IN A SMART OFFICE SUITE ON THE 17th floor of the upmarket Fairmont Dubai hotel, eight sharks circle in a huge tank. Omani businessman Jalal Al Hadhrami says he installed the tank in the office of his \$320m assets under management (AUM) firm because it “calms him down”. “It is symbolic because in New York, venture capitalists are called sharks,”

he laughs. “It’s not in a bad way; it’s just because they’re shrewd,” he says, before adding that he’s not afraid to tell it like it is.

Since arriving in Dubai from Oman ten years ago, without so much as a business plan, the 39-year-old former fighter pilot has set up, invested in and rehabilitated around 20 companies. Under the umbrella of his international venture





▲ The World Bank expects Oman's economic growth to pick up in 2018 as the sultanate implements its economic diversification plans

capital fund, Celebrity Global Holdings (CGH), headquartered in New York, he helps rear young entrepreneurs so that they can lay golden eggs. Motioning to the dead-eyed sharks he says: "I don't show them to the entrepreneurs in case it freaks them out."

The path to success

Growing up in the tiny village of Hadash, in the western Hajar mountain range of Jebel Akhdar, it was Al Hadhrami's dream to be a pilot. "Since I was four years old I loved playing with aircraft. But not commercial aircraft – military planes."

He graduated as a fighter pilot from Oman's Royal Airforce Academy in 1996, going on to fly jets for 19 years. In 2003 he became an air captain weapons instructor, training young recruits in using fighter aircraft before a near-fatal crash broke his neck, ending his aviation career forever.

"So that's when I did my MBA at the University of Wales, specialising in strategic management," he recounts. "And then I came to Dubai because I thought maybe I could start a business away from my family. I wanted to start from scratch."

Seeking opportunity and independence, Al Hadhrami took out a loan for AED120,000 (\$32,670) and arrived in



▲ CGH invests in businesses that demonstrate a capacity to disrupt markets and industries

Dubai in 2007 knowing nobody. He set up his business consultancy after walking into the Mohammed Bin Rashid Foundation fund in the UAE, started by Sheikh Mohammed Bin Rashid Al Maktoum,

Vice President and Prime Minister of the UAE and Ruler of Dubai. Noted as one of the largest charitable organisations in history, the fund was set up to bridge the knowledge gap between the Arab region and the developed world.

"It took one day to get a contract," Al Hadhrami says of the process. "I didn't know where to start so I asked for somebody to sit with, and within three hours I was sitting with the CEO."

Three days later he had office space, a trade licence and started investing in his first companies, fed to him by the MBR Foundation.

Operation start-up

Today, Celebrity Global Holdings has grown into a business juggernaut, with offices in New York, Hong Kong and the UK. A new office was inaugurated in Saudi Arabia in September.

The private holding company engages in venture capital, private equity and mergers and acquisitions. CGH invests in different projects in specialised fields that can demonstrate their ability to disrupt markets and industries. It invests at different stages of the business' life cycle to provide education and mentoring to help them grow and create

wealth and add value. A three-month course teaches entrepreneurs the legal and practical considerations of starting a business. It also takes budding business owners through a series of steps such as due diligence, scalability of their business, and evaluating whether the idea is credible and worthy of investment. After the entrepreneurs graduate, they have

VC LAW IN THE UAE

The new UAE regulations announced in January stipulate that in order to operate as a venture capital in the UAE, the fund's net asset value should be equal to or greater than its risk exposure.

Venture capital funds with assets under management over AED180m (\$48.9m) are obliged to issue an annual report according to the IFRS standards and appoint a risk management officer. Funds with assets under management of AED180m or less are obliged to draft an annual report summary.



▲ CGH is present in a number of markets including (clockwise from left) New York, UK and Hong Kong



▲ CGH is also looking at Saudi Arabia for growth



▲ CGH engages in venture capital, private equity and mergers and acquisitions

a full business plan which they have developed during the course to use as a blueprint or “road map” for their business. “Then they enter into a six-month bootstrapping period at our premises and using our facilities, where we also provide further mentoring.”

After this acceleration period, in which time they have hopefully generated enough revenue to become sustainable, the entrepreneurs rent their own premises and employees. “That’s when we start weaning them off our services and we enter the monitoring and guidance phase,” Al Hadhrami says.

Of course, this hand up for new businesses has to provide a return, but CGH has developed a fair way of allowing entrepreneurs to take control of their destiny. Once the company starts generating profits and returns the initial investment, CGH rescinds ownership of the equity in the company.

“Once they start generating profit, we share 30 percent of the profit until they buy us out or they find an investor who will

buy us out,” he says of the arrangement.

He initially registered the venture capital arm of CGH in New York as the GCC region doesn’t yet have the legal framework in place to regulate VC ventures. He was the first to bring the Islamic Venture Capital (IVC) model used in Malaysia to the US and this region. This means that, unlike other venture capitals, CGH takes the full risk and doesn’t ask for a guar-

“We study the market, and then we go ahead with our strategy, our secret recipe, and we use a tactic we call ‘reshaping through disruption’”

45,000

The number of jobs Oman needs to create annually for its citizens, the IMF said



▲ Al Hadhrami says UGER has provided schools in Oman with faster delivery and better service

antee like conventional VCs. “The only difference between us and a conventional VC company is that we have no interest in the business,” Al Hadhrami says, explaining that in cases where small businesses have no assets to leverage then the risk is on his firm.

He hopes to be one of the UAE’s first registered venture capitalists when the Supreme Council is expected to push through the necessary laws later this year. “Having the law protects us because we’re not a finance company or a bank,” says Al Hadhrami. “As a venture capitalist we need some sort of guarantees when we take over a business.”

Another way his version of VC differs from others is that he focusses on spotting and nurturing local talent in the region, which he does in the spirit of a true ‘Khaleeji’ patriot.

Rebuild to grow

Al Hadhrami first started consulting young entrepreneurs in the depth of the 2008 financial crisis. Amid the chaos he spotted the opportunity to restructure companies and equip them for recovery. As a result he launched the second phase of his business, which was to restructure companies as part of a management contract.

Al Hadhrami’s modus operandi for fixing businesses falls somewhere between a shark circling its prey and a fighter pilot zeroing in on its target. But instead of decimating his target he disrupts it. Remembering the skills he learned as a fighter pilot, Al Hadhrami says 95 percent of his missions were about planning, while only five percent was actually flying.

“It’s the same with business,” he explains. “Plan, plan, plan, then go and execute your business.”

Before going into any business, the research arm of CGH sends a team of experts to conduct rigorous studies of everything related to the company, industry and country. They research growth rates and the different forces driving the industry, to find out where they can be most disruptive.

“We study the dynamics of a market, and then we go ahead with our strategy, our secret recipe, and we use a tactic we call ‘reshaping through disruption’. I know where I want it to be and this is how I get it there.”



▲ CGH invests in sectors that are not tied up in government spending projects such as real estate

Educating the educators

After nine years running his global operations from Dubai, he returned to Oman in 2016 to set up an educational resources distribution company called United Global Educational Resources (UGER). His team of consultants ran a battery of studies, gathering research on the textbook supply market. They realised it had reached its optimum growth rate and had been mature for 24 years.

“We engaged with the schools first so that we understood their problems. They told us how the textbook suppliers were monopolies that were fixing the prices and were late with their deliveries.”

Al Hadhrami turned to the stakeholders in the supply chain, the international publishers, who complained that suppliers were late with payments, weren’t selling enough, and weren’t generating new business. They had no marketing mechanism in place to promote or sell the products he explains. “We saw an opportunity there, so we went into the market and told publishers that we wanted to be authorised as sellers. Then we started acquiring ailing distributors, training them and allowing them to buy through us.”

Since acquiring those publishers and engaging with the Ministry of Education to provide them with services on fighting piracy in Oman, Al Hadhrami says UGER has provided schools in Oman with faster delivery and better service. He is now

repeating the model in the much bigger markets of Dubai and Saudi Arabia.

Community principles

Al Hadhrami says he spends his weekends in Oman and his work week in Dubai, where he says he has always been accepted by Emirati society as an equal. “The UAE is where I started everything and taught me everything I know about business,” he explains.

The industries he is currently targeting for growth or disruption include fintech and education, he says. He prefers sectors that aren’t tied up in government spending projects such as real estate or oil and gas, as declining revenues on the back of low oil prices have slashed growth rates in these sectors. “Our condition is that the project must be within our targeted industries and they have a plan to hire locals within the company to increase localisation.”

He finishes by returning once again to the ‘Khaleeji’ spirit of community and dynamism that carried him from his small Omani village, to success in the air force, and then his move into business, helped by the generosity of the Mohammed Bin Rashid Foundation, with all the success that has followed. “I want everyone to know that Celebrity Global is there to help the community and create jobs. It’s about building shared values.”

For more information on Celebrity Global Holdings visit celebrity-global.ae