

HKG Group 5

Monthly Report

October 2024

The OIC Group

OIC Research Group | Analyst Group Report

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October 2024

BlackRock's US\$2.5bn Acquisition of Global Infrastructure Partners

Transaction Summary

Announcement Date	Jan 12, 2024
Transaction Size	US\$ 12.5 bn
Close Date	Oct 1, 2024
Deal Structure	\$3 bn Cash and 12 mn BlackRock shares
EV / Net Income	25x - 29x

Deal Background

- BlackRock has announced the acquisition of Global Infrastructure Partners (GIP). The deal, valued at \$12.5 bn, significantly positioning BlackRock as a major player in the global energy transition and infrastructure modernization efforts.
- This acquisition represents a significant investment by BlackRock in the **\$1 trillion infrastructure sector**, focusing on **power grids, renewable energy, and data centers**. Investors have increasingly favored this sector for its potential long-term stable returns, particularly in the context of the **post-pandemic recovery**, which underscores the need for resilient infrastructure. The global push for decarbonization has also created investment opportunities in renewable energy projects, while **government funding constraints** necessitate greater reliance on private capital. This landscape positions infrastructure investments to mitigate higher inflation risks while addressing critical societal needs.

Deal Rationale

Acquirer

- Rising Demand for Infrastructure-Focused Funds:** BlackRock aims to capitalize on rising demand for long-term investment funds focused on decarbonization, energy security, and power grids, driven by the **growing need for new infrastructure**, including digital systems and upgraded logistics hubs.
- Shift Towards Higher-Fee Investments in Illiquid Funds:** The acquisition reflects a new conviction that large institutions are willing to **pay higher fees for investments in illiquid funds**. Illiquid funds are pooled investments in infrastructure assets that require longer time horizons to realize returns, distinguishing them from more liquid, publicly traded options.

Seller

- Scaling Advantages:** The merged entity would be better positioned for **increased fundraising opportunities and compliance benefits**, as the market landscape favors larger, well-resourced entities in the face of scarce liquidity and heightened regulatory oversight.
- Enhanced Offerings:** The merger allows GIP to extend its established infrastructure presence in emerging markets, such as Africa and Latin America, into **developed market networks**, while leveraging BlackRock's platform to expand beyond its traditional equity focus into **complementary solutions** across debt and renewable energy.

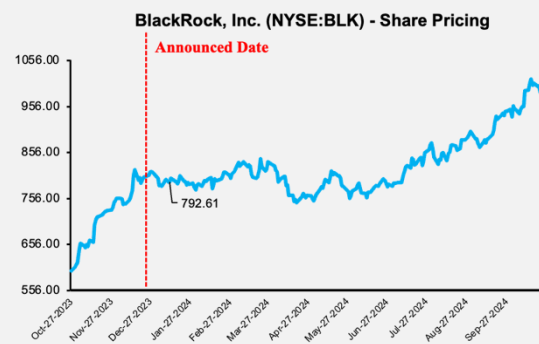
Acquirer

BlackRock

BlackRock (U.S.: NYSE)

BlackRock, recognized as the world's largest money manager, has approximately **\$50 bn in infrastructure AUM** as of September 2024. BlackRock in recent years, participated in various multibillion-dollar investments in pipelines intending to strengthen the infrastructure sector, which has been a growing corner of the alternatives market.

Founded Year	1988
HQ	The United States
Sector	Investment Management
Market Cap	US\$ 139 bn
FY24 Revenue	US\$ 17.9 bn
FY24 EBITDA	US\$ 2.25 bn



Target

Global Infrastructure Partners (GIP)



World's largest independent infrastructure manager with over **\$100 bn in AUM** and a strong reputation for driving **operational improvements** in its portfolio companies and **proprietary origination**.

Founded Year	2006
HQ	The United States
Sector	Investment Management
AUM	> US\$100 bn

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Short-term Implications

- Financial impact:** This deal is not expected to cause significant financial stress for BlackRock. Although the \$3 bn cash payment is funded by additional debt, BlackRock's **strong credit ratings (AA- from S&P and Aa3 from Moody's)** indicate that this **level of debt is manageable** for the company.
- Revenue potential:** The alternatives of BlackRock currently account for approximately **3% of its AUM**, but they generate around **10% of the fees**, indicating a significant revenue potential from this sector.
- Market optimism:** This acquisition, coupled with BlackRock's June acquisition of Preqin, has sparked **positive sentiment in private markets**. Recent deals, such as General Atlantic-Actics, HMC Capital-DigiCo REIT, and Symphony-Blackstone, further bolster this outlook. BlackRock's multiple expansion and improved analyst projections reflect this momentum, with **deal volumes expected to grow 10% year-over-year in 2024**.
- AI Infrastructure stimulus:** Private capital is being mobilized into data centers and power facilities through the **Global AI Infrastructure Investment Partnership (GAIIP)**, a joint venture between BlackRock, Microsoft, and Abu Dhabi's MGX, launched post-merger. The partnership aims to raise \$30 bn in equity and \$100 bn in debt, focusing on data centers, sustainable power, and decarbonization in the US. Using an open architecture model to enable broad ecosystem access, this initiative could unlock a multi-trillion-dollar long-term investment opportunity.

Long-term Implications

- Infrastructure sector expansion:** The expansion of both physical and digital infrastructure is expected to further accelerate, as governments prioritize **self-sufficiency and security** through **increased** domestic industrial capacity, energy independence, and onshoring or near-shoring of critical sectors. In the US alone, there are 5000 data centers, with demand projected to grow 9% annually through 2030.
- Public-private synergies:** The BlackRock-GIP merger is poised as a **potential challenger to China's Belt and Road Initiative** in the global infrastructure market. Leveraging synergies and extensive global reach, post-merger advantages include the capacity to undertake large-scale projects, reduce costs through transparency and competition, and offer alternatives to government-led financing. However, BlackRock's influence will hinge on its future risk appetite, which could shift significantly due to current macroeconomic headwinds.

Precedent Transaction

Announcement Date	Target	Acquirer	Target Location	% Acquired	Deal Size (US\$)	Offer Value / Net Income
Jan 12, 2024	GIP	BlackRock	US	100%	12.5 bn	25x - 29x
Apr 3, 2022	Life Storage, Inc.	Extra Space Storage Inc.	US	100%	12.7 bn	33.96x
Sep 15, 2022	Store Capital LLC	GIC Real Estate, Inc.; Oak Street Real Estate Capital, LLC	US	100%	14 bn	27.74x
May 10, 2022	Duke Realty Corporation	Prologis, Inc.	US	100%	26 bn	21.21x
Aug 4, 2021	MGM Growth Properties LLC	VICI Properties L.P.	US	100%	17.2 bn	57.49x
Dec 12, 2017	Westfield Corporation	Unibail-Rodamco-Westfield SE	US	100%	15.7 bn	10.43x
Nov 13, 2017	Brookfield Property REIT Inc.	Brookfield Property Partners L.P.	US	100%	14 bn	32.81x
Mean						30.61x
Median						30.28x