

BlackRock's Strategic Acquisition of Global Infrastructure Partners to Expand Infrastructure Platform

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"Through the combination of BlackRock and GIP, we are well positioned to capitalize on the long-term structural trends that will continue to drive the growth of infrastructure and deliver superior investment opportunities for clients globally." – CEO of BlackRock, Larry Fink

Deal Overview

- Acquiror: BlackRock, Inc. (NYSE: BLK)
- Target: Global Infrastructure Partners (GIP)
- Industry: Infrastructure
- Transaction amount: USD 12.5 billion (USD 3 billion cash and ~12 million BlackRock shares)
- Announcement date: January 12, 2024
- Closing date: October 1, 2024
- Advisors to BlackRock: Perella Weinberg Partners
- Advisors to GIP: Evercore

Deal Summary

On 12 January 2024, BlackRock announced the acquisition of Global Infrastructure Partners (GIP) for USD 12.5 billion. The strategic move will unite a global team of 600 professionals managing USD 150 billion in assets under management (AUM) across 300 active investments in 100+ countries. The acquisition increases BlackRock's private markets AUM by 40% and adds more than USD 100 billion to its infrastructure AUM. The combined entity aims to leverage GIP's infrastructure expertise and BlackRock's financial reach to create a leading platform for infrastructure investments.

Company Overview – BlackRock

BlackRock was founded in 1988 by Larry Fink, Robert Kapito, Susan Wagner, and their partners as a firm focused on risk management and fixed-income investments. Fink saw the need for better risk controls from his time at First Boston and created BlackRock's Aladdin platform. This risk management system is still central to the company today.

Initially specializing in fixed income, BlackRock quickly expanded into equities, alternatives, and private markets. A significant turning point came in 2006 when BlackRock acquired Merrill Lynch Investment Management, boosting its global presence. In 2009, the acquisition of Barclays Global Investors, which included the iShares exchange-traded fund (ETF) platform, cemented BlackRock's position as the largest asset manager in the world.

Now managing over USD 9.1 trillion in assets, BlackRock offers a wide range of investment solutions, including equities, fixed income, alternatives, and private market investments like private equity, real estate, infrastructure, and credit. The firm operates in over 100 countries, serving institutional, retail, and high-net-worth clients.

Sustainability is a core focus for BlackRock, with ESG principles integrated into its investment strategies to drive long-term value.

Company Overview – GIP

GIP was founded in 2006 by Adebayo Ogunlesi and a team of infrastructure experts from Credit Suisse and General Electric. The company focused exclusively on critical infrastructure, recognizing the sector's potential for long-term, stable returns through active management and operational improvements.

One of GIP's early and notable investments was in London City Airport in 2006, which highlighted its ability to manage and improve critical assets. Over the years, GIP expanded its investments into energy, water, and waste management, acquiring high-profile assets such as Gatwick Airport and major U.S. midstream energy projects.

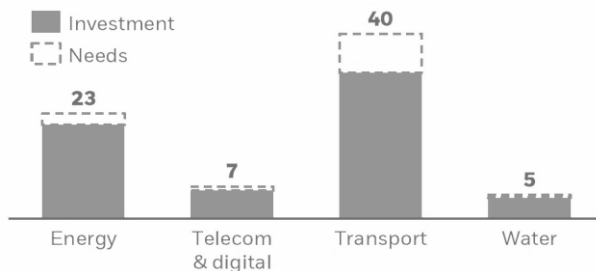
Today, GIP manages over USD 100 billion in assets, making it one of the largest independent infrastructure investment firms globally. The firm operates a diversified portfolio across North America, Europe, and Asia, with a growing focus on renewable energy and the energy transition.

Industry Overview – Infrastructure

The infrastructure sector is projected by McKinsey to expand from USD 1.2 trillion in 2022 to USD 2.5 trillion by 2025, reflecting a compound annual growth rate of 16%. This significant growth establishes the sector as one of the fastest-growing areas within private markets, driven by several emerging trends. Technological advances, particularly in AI and digital infrastructure, are driving unprecedented demand for data centers, telecommunications networks, and energy systems that are essential to support the next generation of

connectivity and data-intensive applications. At the same time, the global energy transition and a renewed focus on energy security are driving investment in renewable energy sources such as solar, wind, and liquefied natural gas as the world seeks cleaner and more resilient energy systems. In addition, recent disruptions and restructuring in global supply chains are fuelling nearshoring, driving demand for more localized infrastructure, including well-connected transport hubs that bring production and distribution closer to key markets. Compounding these trends is the significant funding need, estimated at over USD 75 trillion, as governments struggle with budgetary constraints and increasingly rely on private capital to finance critical infrastructure investments (see Figure 1).

Figure 1: Global infrastructure funding needs (2022-2040, USD trillion)



Source: Global Infrastructure Outlook (github.org), 2024

Deal Structure

The total value of the acquisition amounts to USD 12.5 billion, which is comprised of USD 3 billion in cash and 12 million shares of BlackRock stock, valued at the closing price on January 12, 2024 (see Figure 2). Approximately 30% of the shares will be deferred and issued over five years, contingent on performance. BlackRock will use incremental debt to fund the cash portion while maintaining its leverage profile (AA-/Aa3 credit ratings). The indicative

valuation places the acquisition at 25-29x 2024E P/FR (Price to Fee-Related Earnings) with an estimated IRR of 15%.

Figure 2: BlackRock stock development (YTD)



Source: Google Finance, 26.10.2024

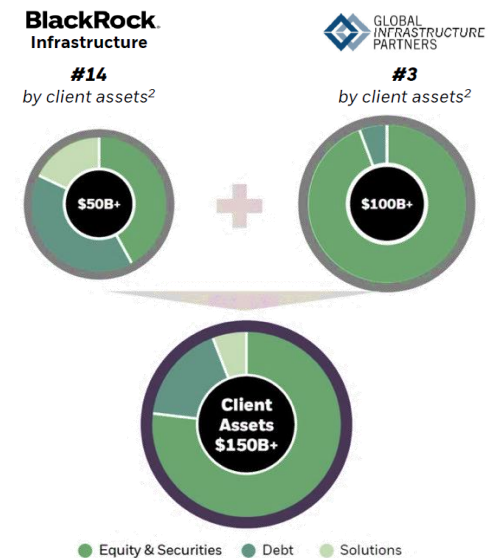
Potential Risks & Upsides

The acquisition of GIP by BlackRock carries several critical risks, particularly around integration and market exposure. Merging two large firms with different processes and cultures could create challenges, potentially delaying synergies and causing inefficiencies. While a USD 650 million retention pool is in place, the risk of losing key talent remains. Client conflicts may also arise despite limited LP overlap, potentially leading to lost business. Regulatory scrutiny could delay the deal, and expanding into new sectors like transport and digital infrastructure brings added market risks, including economic volatility and regulatory changes. Mismanagement of large infrastructure projects could also result in cost overruns and reputational risks.

However, the deal also offers significant upsides. The acquisition combines BlackRock’s mid-cap expertise with GIP’s large-scale infrastructure capabilities, creating the second-largest infrastructure platform globally with USD 150 billion in assets (see Figure 3). BlackRock also expands into new sectors,

diversifying its portfolio and increasing client offerings. The integration brings 600 professionals, led by GIP founder Bayo Ogunlesi, with a retention pool to ensure talent stability. Operational synergies are expected to drive cost savings and improve asset management. Additionally, the deal enhances value through proprietary deal sourcing, a more extensive capital base, and improved fundraising, positioning BlackRock for long-term growth in infrastructure.

Figure 3: Platform synergies



Source: BlackRock, 12.31.2023 and GIP, 09.30.2023

BlackRock’s acquisition of GIP represents a strategic move to strengthen its position in the rapidly growing infrastructure market. The deal capitalizes on critical global trends such as technological advancements, nearshoring, and the energy transition while filling funding gaps. With GIP’s leadership and operational expertise, BlackRock is well-positioned to create long-term value for its clients, diversify its portfolio, and enhance its infrastructure investment capabilities globally.