

BlackRock / GIP – there will be blood

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Now that you've picked your jaw off the floor at news BlackRock is buying Global Infrastructure Partners, what better way to launch the IJGlobal Friday Editorial for 2024 than with a knee-jerk reaction to the biggest deal of the year!

Response from the industry ranged from gasps to streams of expletives.

For those living under an rock (hue unimportant), [BlackRock is acquiring GIP](#) for the princely sum of \$12.5 billion – \$3 billion in cash and some 12 million shares of common stock – to create a monster fund with \$150 billion AUM.

A cheeky pay day for the advisers. BlackRock had Perella Weinberg on financial with Skadden and Fried Frank on legal. GIP was advised by Evercore with legals from Kirkland and Debevoise.

For those with a long enough memory – or an abundance of grey hair – it harks back to the sale in February 2007 of the [Secondary Market Infrastructure Fund](#) which appalled the industry as they trousered £927 million (\$1.82bn at the time).

Shorter memory folk will think of CVC Capital Partners' €1 billion (\$1.08bn) acquisition of [DIF Capital Partners](#). CVC in September (2023) took a majority stake in DIF, with a commitment to acquire the remaining shares "over time".

Again more recent history (also September), London-based Bridgepoint Group acquired New Jersey-based [Energy Capital Partners](#) (ECP) for an enterprise value of £835 million (\$1.05bn). And at the end of last year (11 December) Investcorp acquired 50% of [Corsair's infrastructure business](#).

Add to the 2023 roster the February acquisition of [AMP Capital](#)'s global infra equity investment management business by DigitalBridge in a \$316 million deal, promptly rebranding it InfraBridge.

Looking back to the previous year (2022) in January Colliers acquired a 75% interest in [Basalt Infrastructure Partners](#); followed in February by Patrizia closing the acquisition of [Whitehelm Capital](#); then in April, Schroders' acquired a 75% stake in [Greencoat Capital](#) for £358 million.

All of these deals were preceded in July 2018 by Federated Investors completing its purchase of a 60% stake in UK-based [Hermes Investment Management](#) from BT Pension Scheme for £259.9 million... and there's probably a few more I've forgotten!

But that all pales into insignificance when held against the GIP acquisition which sees Bayo Ogunlesi and the 4 founding partners – Michael McGhee, Jonathan Bram, Matt Harris and Bill Woodburn – become billionaires overnight... if they weren't that already.

And this's something that this column has banged on about for a while – [consolidation of infra funds](#) (editorial February 2023) – but, being entirely honest, had not thought it would happen at this level, creating a mega fund, second only in size to Macquarie.

Market reaction

Beyond gasps and swearing fits, once the dust settled the infra industry wasn't backward in coming forward... off record, obvs. And all of this happening on BlackRock's comp day!

Well now, where to begin? There seemed to be a lot of concerns over culture clash – even moreso than worries over conflicts of interest – and a good deal of speculation over blood on the carpet. In fact, if you think back to a couple of recent exits from GIP, they're starting to make an awful lot more sense.

Word on the street has it that the – how can I put this nicely – rather “rumbunctious” nature of management at GIP might come as a bit of a shock to the slightly more genteel world of BlackRock.

As one source says: “I question how this is going to play out for the employees... how on earth do those 2 cultures integrate?”

Another ponders: “What does it mean for the juniors/next level of originators. How do you slot the very unique GIP culture into a behemoth like BlackRock?”



And some are of the view that it ain't gonna end well (sorry, but someone has to say it): “If that means GIP takes over the current BlackRock infra platform – which hasn't been anywhere near as successful – over time you would assume they would... which means the BlackRock team is probably put to pasture.”

Indeed, it seems fair to assume that the BlackRock infra debt team will now report in to GIP which is going to have a few people pulling together CVs as quick as they can.

Bringing it back to the GIP leadership, some folk around the industry did wonder how they would remain incentivised/engaged to continue to work/provide value for BlackRock given they're now all as rich as Croesus.

The broad consensus is that the senior team is locked in, but all seemed to wonder... for how long. After all, GIP is (was, now I suppose) owned by individuals as the initial sponsors (Credit Suisse and GE) have been whittled down to bit players.

But let's not shed a tear for the GIP top brass. It's not as though they were ever going to worry about heating bills.

From the merger side, one infra fund veteran says: “I'm not sure I really buy the massive synergies story and that being part of BlackRock will add to GIP's ability to originate deals with corporates. Where BlackRock is in the equity there will be conflicts of interest to manage.

“My guess is that the key driver is that BlackRock's own infra business had not grown to the scale they wanted to make a meaningful difference to a business of the size of BlackRock. \$50 billion of AUM out of a total of nearly \$10 trillion AUM at BR is not going to move the needle.

“So, I guess they needed scale and a deal with Brookfield or Macquarie was too difficult. GIP's owners would have just needed the right price, plus continuing involvement for as long as they want... and that's what they've got.”

Some were more of the mind that it was a reverse takeover: “Rumour is that the fundraising for their last fund was 'slow', only north of \$10 billion with a closing date – I think in March – approaching. Not bad for a difficult vintage for fundraising, but far away from their target and from Brookfield.”

And this firmly puts BlackRock's foot in the infra door: “This is BlackRock wanting to be able to claim to have the preeminent infra/energy investment offering in the world. This is an acknowledgement that, despite previous steps it had taken, they were concerned that their direct offering was not as leading as they would like.”

In one fell swoop, BlackRock has shot up the scale to become a big player in the Core/Core Plus infra world where it has historically been “massively underweight”, according to market perception.

It is no secret that BlackRock has struggled to get its infra sector moving and the consensus of opinion is that acquiring GIP was the best way for it to access a market leading team and enhance corporate value.

So there we have it, we launch into 2024 with an example of consolidation in the global asset management space that was entirely anticipated... but at a magnitude nobody had expected.

One infra lag rounds it off nicely: “Is this the start of the GP consolidation that people have been talking about for a year or so... even GIP wasn’t big enough to stay independent.”

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