

Deal of the Week: Blackstone to Buy Aon Unit for \$4.8B

Announcement Date	<ul style="list-style-type: none"> February 10, 2017 	
Acquirer	<ul style="list-style-type: none"> The Blackstone Group L.P. (NYSE: BX) 	
Acquirer Description	<ul style="list-style-type: none"> Publicly owned investment manager Founded in 1985 and headquartered in New York, NY 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$35.8 billion EV: \$24.7 billion LTM Revenue: \$5.0 billion 	<ul style="list-style-type: none"> LTM EBITDA: NA LTM EV / Revenue: 5.0x LTM EV / EBITDA: NA
Target Company	<ul style="list-style-type: none"> Insurance broker Aon's human resources outsourcing business 	
Target Description	<ul style="list-style-type: none"> Largest benefits administration platform in the United States and a provider for cloud-based human resources management systems Serves about 15% of the United States' working population at more than 1,400 companies 	
Price / Consideration	<ul style="list-style-type: none"> Price: \$4.8 billion 	<ul style="list-style-type: none"> Consideration: Cash
Acquirer Advisors	<ul style="list-style-type: none"> Citigroup, Credit Suisse and SMB Capital 	
Target Advisor	<ul style="list-style-type: none"> Morgan Stanley 	
Rationale	<ul style="list-style-type: none"> "We are excited to acquire a world-class leader of scale in health, retirement and HR services," Peter Wallace, a Blackstone senior managing director, said in a news release. "Blackstone sees tremendous opportunity for investing in leading businesses within the technology-enabled services sector, where we believe there is a significant opportunity to accelerate future growth." Private equity firms have been keen investors in businesses that help companies cut costs by outsourcing large parts of their administrative functions, since such operations can generate strong cash flows "This transaction sharpens our focus on growing our core professional services capabilities and accelerates our ability to invest in emerging client needs, while ensuring that clients continue to receive the level of service and performance they have come to expect," said Gregory C. Case, the Aon president and chief executive London-headquartered Aon said it expected the deal to improve its return on invested capital and add to adjusted EPS in 2018 The deal allows Aon to exit a mature, capital-intensive outsourcing business and focus on growth areas such as cybersecurity and health insurance 	
Deal Points	<ul style="list-style-type: none"> Aon would receive \$4.3 billion in cash, plus up to another \$500 million based on future performance Blackstone will have to pay Aon a termination fee of \$215 million if the agreement falls through 	
Of Note	<ul style="list-style-type: none"> Aon acquired the human resources outsourcing business in 2010 as part of its \$4.9 billion takeover of Hewitt Associates 	