

FINANCIAL REVIEW

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HD **Macquarie shows support for DTZ bidders**
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Macquarie **Group** has offered funding to two of the four United States private equity firms chasing UGL's **property** consultancy outfit, DTZ, in yet another sign the investment bank is ramping up its exposure to the real **estate** sector.

A number of global banks have also pledged support to the final contenders ahead of Friday's bid deadline.

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Texas-based TPG remains one of the strongest candidates given its knowledge of the terrain but its three rivals in the race, Warburg Pincus, the Los Angeles-based Ares Management and the New York and Toronto-based buyout **firm** Onexs, are also gunning hard for the business.

Global **property** services firms have jumped in value by close to 30 per cent since the start of 2014, according to research from Bank of America Merrill Lynch, and the improving outlook for DTZ may intensify demand above the widely-specified \$1.3 billion to \$1.5 billion value range. UGL's management has consistently argued it will spin off the **property** consultancy into a separately listed entity if offers fail to meet its value threshold.

Yet many in the market remain sceptical about the merits of a demerger, given the need to eliminate UGL's debt burden as well as the rise in costs associated with two listed vehicles.

In a recent note BAML calculated DTZ could be worth as much as \$1.6 billion in the wake of the strong performance from its global peers, CBRE and Jones Lang La Salle.

Ben Brownette at Commonwealth Bank also took a bullish stance, pointing out Savill's \$US260 million **purchase** of Studley, a US-based **commercial** real **estate firm**, earlier this month was struck at a multiple of 14 times earnings. He claimed that deal made a price tag of \$1.4 billion to \$1.6 billion for DTZ – 12 times the EBITDA multiple – far more achievable.

One of DTZ's chief drawcards has been its facilities management business in **China**. But the **property firm**'s United Kingdom and US operations also account for the diverse private equity interest, with consolidation in both these markets forecast to continue over the next few years.

CO arecml : Ares Management LLC | mcqbnk : Macquarie Group Limited | dtc : DTZ Holdings plc | uncont : UGL Ltd.
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