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HD **And on the ninth day, TPG buys DTZ**

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Inside the deal Agreement was found after eight days of 'excruciating' talks.

It was TPG Capital's unsolicited bid for UGL's property services division DTZ that spurred a competitive auction for the unit. So it seemed only fitting that six months later, TPG's co-head for Asia, Ben Gray, put his right-hand man, Simon Harle, on a plane to Sydney to finally close the deal.

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Melbourne-based Harle expected an overnight trip. TPG was the last bidder standing and it was Harle's task as chief negotiator to settle on the final price and **sale** conditions.

But it quickly became clear UGL chief executive Richard Leupen and chairman Trevor Lowe would not give up their $1.2 **billion** crown jewel without a fight.

Harle was staying at The Westin in Sydney's Martin Place, which does not do overnight dry cleaning. So each night he would get home at 2.30am after a long day's negotiations, handwash his shirt, sleep for a few hours, **iron** the shirt and start all over again.

The overnight trip turned into eight long days, before Harle went back to TPG's Melbourne office with a deal still in the balance.

It was up to Gray to end the impasse. He called his opposite number, Leupen, and the pair finally agreed to a $1.215 **billion sale** price. They made a verbal agreement over the phone – resembling a pair of newlyweds rehearsing their wedding vows – and the papers were signed a few hours later.

For TPG, advised by UBS's Michael Stock as well as JPMorgan and Credit Suisse, the agreement was more than a year in the making. For UGL, advised by Goldman Sachs' Christian Johnston and Ed Wittig, it marked a successful dip into the global real estate services market and set up a brighter future for its engineering business.

Gray started assembling his team for "Project Drone" in February last year, when he reached out to former CBRE chief executive Brett White. The pair worked on the buyout of CBRE by Blum Capital some 14 years earlier, and had stayed in touch. White agreed that TPG should take a look at UGL's DTZ, the industry's third-largest player to CBRE and Jones Lang Laselle.

TPG spent the next six months looking for a real estate services business that could buy DTZ and instantly become the third-biggest player in the world. After its search failed, TPG approached UGL directly about injecting **equity** into DTZ so it could then go and buy another big player.

But UGL was fixed on a path to separation, having appointed Goldman Sachs to consider and later implement a demerger. UGL's engineering and property businesses were headed in opposite directions, and it was agreed both parts would be better able to participate in their respective industry's consolidation as pure plays.

It was keen to push ahead with a demerger. There were fears a trade sale would only disrupt the business, without any guarantee of a transaction.

In October, TPG invited another private equity firm and real estate specialist, PAG Asia Capital, to form a consortium. PAG is headed up by Weijian Shan, who used to be Gray's boss at TPG in Asia, and has a $10 billion real estate fund. TPG wanted to tap into PAG's strong real estate business across Asia, and particularly in China.

But the connections did not stop with Gray and Shan.

Richard Blum, whose wife is United States senator Dianne Feinstein, is a CBRE director and also founded Newbridge Capital which became TPG Asia, while White briefly sat on PAG's board.

The consortium went straight to UGL with an indicative offer for DTZ in November.

The initial bid, pitched at about $1.25 billion and to be funded by UBS, Mizuho, HSBC and Credit Agricole, was rejected, and TPG and PAG went back to the drawing board, considering whether it would be better off trying to buy UGL in its entirety.

News of TPG's approach leaked soon after, and UGL received a handful more expressions of interest. The company decided to change track and run an auction for DTZ rather than pushing ahead with the demerger.

DTZ's auction was pitched at private equity buyers. The company did not want competitors looking at its books and needed to keep a demerger as a realistic alternative should a buyer not be found.

Fourteen indicative bids were received, before UGL and Goldman Sachs took four parties through to the second round. TPG and PAG were joined by Warburg Pincus, Ares Management and Canada's Onex.

After management presentations in Los Angeles and final offers, TPG was the last bidder left standing. Gray and Harle went to Sydney to nut out a transaction with Leupen and Rowe, and over a 24-hour period on May 24, a deal was sorted.

But it was subject to the sale and purchase agreement. It was towards the end of that two week period that Gray sent Harle up to Sydney. He bunkered down with his colleague Sid Khotkar, investment banking advisers and Gilbert + Tobin lawyer Neil Pathak, and butt heads with UGL's team, including chief financial officer Robert Bonaccorso, M&A head Jayson Schoonens and the Goldman bankers.

Herbert Smith Freehills partners Philippa Stone and Philip Hart did UGL's legal work.

Both sides said the eight days of negotiations were intense – "excruciating" even – but the two sides finally agreed to a deal which was right at the edge of where they wanted to sign.

TPG's $1.215 billion offer was funded by its original lenders – UBS, Mizuho, HSBC and Credit Agricole – along with JPMorgan, Bank of America Merrill Lynch and Citi.

The new owners are expected to take DTZ to the United States term loan B market to secure $700 million finance, which is worth about six times DTZ's earnings.

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