

BlackRock: connecting scale to private-markets capability

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BlackRock manages assets across index, active and private markets and operates technology platforms used by investors and financial institutions. Its acquisition of HPS Investment Partners brought a large private-credit business into the company. BlackRock has described both a combined Private Financing Solutions (PFS) platform and continued HPS branding for flagship strategies. The design raises a strategic question: where can shared capabilities improve the client proposition, and where does value depend on specialist investment teams retaining control?

This is a hypothetical planning exercise based on public information. It does not represent an actual unresolved management or board decision, internal debate, or pending project.

The assignment

Assume you advise a hypothetical strategy committee preparing for BlackRock's next planning cycle. Recommend how the company should sequence integration of acquired private-markets capabilities. Choose which interfaces-such as client coverage, technology, data, financing or operations-should be shared, and which investment decisions should remain with accountable specialist teams. State what evidence would justify a deeper step, a pause or a reversal.

Your recommendation should address client outcomes, investment-team capability and retention, flows and fee-paying assets, operating costs, controls and conflicts. The case does not provide a quantified synergy estimate, HPS acquisition-return analysis or prescribed performance thresholds. Label any numerical thresholds you propose as classroom assumptions.

Scale, growth and the limits of attribution

At June 30, 2026, BlackRock reported \$15.3 trillion in assets under management (AUM). AUM measures client assets managed; it is not BlackRock-owned capital and does not translate directly into revenue or profit. The company operates across index, active, cash and private-market strategies and offers technology products including Aladdin, eFront and Preqin.

In the first half of 2026, private-markets AUM increased from \$322.6 billion to \$329.1 billion. The company reported \$24.5 billion in net inflows, \$14.7 billion of realizations, a \$2.5 billion decline from market changes and a \$0.9 billion decline from foreign exchange. Realizations include return of capital and return on investments under BlackRock's definition. The exact filing values reconcile to \$329.1 billion; the rounded displayed components differ by \$0.1 billion due to rounding. The filing does not split HPS from legacy strategies or identify how much AUM is

fee-paying. Realizations alone do not indicate client dissatisfaction.

BlackRock reported second-quarter revenue of \$7.084 billion, up 31% year over year. It attributed growth to multiple factors: markets, organic base-fee growth, HPS transaction fees, performance fees and technology services and subscriptions. Technology services revenue was \$566 million, up 13%, and HPS transaction fees were about \$230 million in the quarter. These reported figures show activity across the platform; they do not isolate integration benefits or the profitability of acquired strategies.

Operating income was \$2.461 billion under GAAP, with a 34.7% operating margin. Adjusted operating income was \$2.916 billion and adjusted margin was 45.9%. The adjusted measures are non-GAAP and exclude specified items, including acquisition-related costs. Neither adjusted results nor management's attribution of higher costs establishes cash savings or a steady-state HPS contribution.

An acquisition and a hybrid design

BlackRock completed its acquisition of HPS Investment Partners on July 1, 2025. At close, HPS added \$165 billion in client AUM and \$118 billion in fee-paying AUM. The filing reported \$12.221 billion of acquisition consideration net of cash acquired, including closing and deferred or contingent Subco units and debt repayment. The total is not cash paid. Separately, BlackRock granted employee retention awards valued at \$675 million and \$260 million; these are compensation awards, not purchase consideration.

The organizational design has both shared and distinct elements. BlackRock created PFS to combine private-credit, general-partner/limited-partner and private/liquid collateralized-loan-obligation capabilities alongside public fixed income. HPS flagship strategies retained their branding as “HPS, a part of BlackRock.” The public record describes a platform design, not evidence that cross-selling, retention or investment outcomes have improved.

At its 2025 Investor Day, BlackRock set targets of at least 5% organic base-fee growth and at least 45% operating margin through the cycle. It also stated a 2030 ambition of more than \$35 billion in revenue, with at least 30% from private markets and technology. These are management goals, not achieved outcomes. They provide a rationale for expanding these businesses, but do not determine how much integration is desirable or how value should be measured.

The design trade-off

Sharing distribution, data, technology or financing interfaces could make it easier to serve clients across public and private strategies, coordinate financing capabilities and use BlackRock's broader infrastructure. A common platform may also create coordination costs. Private-market sourcing, underwriting and portfolio construction may depend on specialist knowledge, distinct mandates and close relationships. Applying common processes too broadly could disrupt those capabilities, weaken client fit or put key people at risk. Keeping acquired businesses largely separate could preserve specialist routines, but may leave shared capabilities underused and create duplicated effort.

Academic research offers a lens, not a company-specific answer. A study of historical U.S. active-equity mutual funds found that larger individual funds were associated with weaker future risk-adjusted performance, while larger fund families did not show the same adverse association. The study discusses liquidity and organizational hierarchy as possible mechanisms. It does not measure acquisition integration, BlackRock or private credit, so its estimates cannot be used as a forecast for HPS. Research on post-merger integration likewise describes choices

ranging from absorption to preservation, with design depending on interdependence and the acquired capability's need for autonomy.

The available public disclosures do not show HPS-specific cross-sell conversion, employee-retention outcomes, risk-adjusted performance attribution, integration costs or a quantified synergy run-rate. Growth may reflect market appreciation, standalone acquired fees, flows, performance fees or other platform activity. A sound policy must therefore specify what to learn before moving further.

Three policy paths

1. **Integrate broadly.** Move toward common client coverage, data and technology, infrastructure and investment-platform processes. This could coordinate capabilities at scale, but increases the risk of disruption, cultural friction and loss of specialist judgment or talent.
2. **Preserve specialist franchises.** Retain distinct teams, brands, processes and client channels, coordinating only where required. This may protect specialist capabilities, but can slow joint client solutions and leave potential scale benefits unrealized.
3. **Integrate selectively in stages.** Share specific interfaces where a client or operating case is visible, while retaining strategy-level underwriting and portfolio accountability. Expand only when evidence supports it. This limits irreversible changes but adds coordination, measurement and governance costs.

The choices need not apply uniformly across all strategies. The committee can define different decision rights for technology, client service, financing, underwriting and portfolio construction. It must also decide who owns the measures, how often results are reviewed and what evidence would change the policy.

Discussion questions

1. Which interfaces should BlackRock share, and which decision rights should remain with specialist teams? Explain the value mechanism and the risk for each.
2. What measures would help distinguish integration benefits from markets, flows, performance fees and acquired-business scale?
3. How should the committee balance potential coordination benefits against talent, client, investment and control risks?
4. What sequence of reversible and harder-to-reverse steps would you recommend? What evidence would trigger expansion, pause or reversal?
5. What additional company data would most change your recommendation, and why?

Exhibits

Exhibit 1. Private-markets AUM bridge

Six months ended June 30, 2026	\$ billions
Beginning AUM, Dec. 31, 2025	322.6
Net inflows	+24.5
Realizations	−14.7
Market change	−2.5
Foreign exchange	−0.9
Ending AUM, June 30, 2026	329.1

The exact filing values reconcile to \$329.1 billion; the rounded displayed components total \$329.0 billion, a \$0.1 billion difference due to rounding. AUM is not fee-paying AUM; the table does not separate HPS from legacy strategies. BlackRock defines realizations as return of capital and return on investments.

Exhibit 2. HPS acquisition and organizational design

Publicly reported item	Detail
Acquisition close	July 1, 2025
AUM added at close	\$165B client AUM; \$118B fee-paying AUM
Consideration	\$12.221B net of cash acquired; includes \$8.452B closing Subco units, \$3.400B deferred/contingent Subco units at fair value, \$613M debt repayment and \$(244)M cash acquired
Employee awards	Approximately 680,000 RSUs valued at \$675M and 270,000 RSUs valued at \$260M; compensation, separate from purchase consideration
Structure	PFS combines private financing capabilities; HPS flagship strategies retain HPS branding

Unit values are equity or deferred consideration, not cash paid. The net-of-cash-acquired consideration total also is not cash paid. AUM is not revenue.

Exhibit 3. Q2 2026 reported results and attribution

Measure	Q2 2026	Context
Revenue	\$7.084B	+31% year over year; management cited markets, organic base-fee growth, HPS transaction fees, performance fees and technology services/subscriptions
Technology services revenue	\$566M	+13% year over year
HPS transaction fees	About \$230M	Company-reported Q2 amount; not a measure of integration synergy
GAAP operating income / margin	\$2.461B / 34.7%	Reported measure
Adjusted operating income / margin	\$2.916B / 45.9%	Non-GAAP; excludes specified items, including acquisition-related costs

Exhibit 4. Investor Day goals

Management statement (2025 Investor Day)	Status
At least 5% organic base-fee growth	Through-cycle target
At least 45% operating margin	Through-cycle target
More than \$35B revenue by 2030; at least 30% from private markets and technology	Ambition; revenue assumption stated using flat markets

These are management targets and ambitions, not realized performance or a forecast supplied by the case.

Exhibit sources

- BlackRock, Q2 2026 Form 10-Q, filed August 6, 2026: [SEC filing](#). HPS acquisition, Note 3, pp. 11-13; company overview, p. 37; MD&A, pp. 39-41; private-markets AUM and realizations, pp. 47-49.
- BlackRock, Q2 2026 earnings release and supplement, July 15, 2026: [earnings release](#), [supplement](#).
- BlackRock, “BlackRock Completes Acquisition of HPS Investment Partners,” July 1, 2025: [company release](#).
- BlackRock, 2025 Investor Day, June 12, 2025: [remarks and presentation](#).
- Chen, Hong, Huang and Kubik, “Does Fund Size Erode Mutual Fund Performance? The Role of Liquidity and Organization,” *American Economic Review* 94(5), 2004, pp. 1276-1302: [full article](#). The study's sample and transfer limits are summarized in the case; its estimates are not applied to BlackRock.
- Bodner and Capron, “Post-merger integration,” *Journal of Organization Design* 7, article 3, 2018: [full text](#).

Case source boundary: Company results and organizational descriptions are attributed to BlackRock. The case uses information available by August 6, 2026, 4:30 p.m. ET. It contains no post-cutoff outcomes, invented management intentions, or unsupported integration targets.