

## **Potential owner of Kleinwort Benson needs to reassure clients and advisors, says MilleniumAssociates' Soudah**

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Interested parties running the rule over Kleinwort Benson should have received a sales memorandum for the private bank by now - but buyers should be prepared to pay 2002 prices, according to Ray Soudah, founder and chief executive of Swiss-based private banking M&A advisory boutique MilleniumAssociates.

Goldman Sachs has been charged with putting together a brief for KB, after its German parent Commerzbank was ordered to divest the London private bank as one of the conditions set by the European Union in return for EUR 18 billion of state aid.

"Valuations are down from their peaks and rest around 2002 levels. The valuation depends on the business plan of the buyer and one who can generate growth will be able to justify a premium to the rest," said Soudah.

Soudah estimates that a stand alone valuation for a private banking business is in the 1.5 percent to 2 percent range of assets under management - as long as they are "generating decent margins at present". According to PAM data from 2008, Kleinwort Benson had just over £7 billion in AUM. Valuing it with this metric would give it an estimated price tag of between £100 million and £140 million, although this is very much an estimate as it fails to distinguish between 'value added' discretionary services and more prosaic advisory services.

The sale has attracted interest from a reported 20 trade buyers as well as up to 10 private equity firms interested in backing an MBO. While Standard Chartered, Royal Bank of Canada, Evolution Group and Credit Suisse are among names that have been touted as potential suitors, it is the private equity option that has sparked the most debate, with some commentators arguing that private equity ownership could lead to instability as the 'owners' could look to sell off the bank after a period of time and cash in.

For Soudah, the Best option for KB is "one which allows the business to grow faster than its peers in order to justify the cost of acquisition."

"Consequently whilst private equity players may seem attracted to the business, which has a perceived low valuation in line with most financial companies at present market conditions, the ideal acquirer will be one that gives reassurance to the client base and client

advisors as well as enables a growth in asset accumulation."

The deal will be decided some time in the third quarter of this year, with bids expected by the end of next month. However, *thewealthnet* is offering readers the chance to have their say on the future of Kleinwort Benson with an exclusive poll. To vote go to the home page of *thewealthnet*. Results will announced on Tuesday May 26 and a name will drawn from the hat to win a bottle of Louis Roederer champagne.

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