



Rothschild family plans to take investment bank private

Description

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The Rothschild family is planning to take its investment bank, Rothschild & Co, private in a move that values one of the most renowned names in global finance at €3.7bn. Concordia, the Rothschilds' family holding company that owns 38.9 per cent of the shares and 47.5 per cent of the voting rights, said on Monday it was in talks with banks and investors to finance an offer for the Paris-listed group. Rothschild & Co has three divisions: global advisory, wealth and asset management, and merchant banking. Concordia said that none of these businesses needed access to capital from the public equity markets and, given their long-term nature, it made more sense for the group to be private. It said in a statement: "Each of the businesses is better assessed on the basis of their long-term performance rather than short-term earnings." The move comes amid a global slump in dealmaking driven by rising interest rates and economic uncertainty that brought a period of frenzied activity during the peak of the pandemic to an abrupt close. The drop in mergers and acquisitions has hampered advisers who depend on such activity to generate their lucrative fees, including investment banks such as Goldman Sachs, which have cut thousands of jobs and slashed bonuses in the wake of plunging profits. The Rothschild family's intention to take their boutique company private runs counter to the trend of the past two decades when a wave of smaller advisories such as Evercore and Lazard sought public listings in the US. Rothschild's origins go back more than 200 years, but the roots of the current structure of Rothschild & Co date to a 2012 merger between the then-separate French bank and UK merchant bank NM Rothschild & Sons. The deal, which was orchestrated by then-chair David de Rothschild, unified its corporate structure under the French parent group and put an end to decades of cross-Channel rivalry. Four years ago, there was a changing of the guard at the group, when de Rothschild stepped aside and passed the reins to his son Alexandre, who became the seventh generation of the family to lead the bank. Under the younger de Rothschild's leadership, it has sought to diversify from its core French and British advisory business, expanding in the US where it has historically struggled and into private equity. Concordia plans to offer €48 per share, a 19 per cent

premium to Friday's closing price. This values the group at €3.7bn. It includes a dividend of €1.4 per share and an exceptional distribution of €8 per share, if Concordia files its offer. The enlarged Rothschild family concert, which includes Concordia, holds 54.5 per cent of the share capital and two-thirds of the voting rights of Rothschild & Co. Partners in the investment bank own about 5 per cent of the share capital. Shares in the company jumped 16 per cent to €46.85 in early trading in Paris on Monday. Rothschild & Co has worked on some of the biggest deals in Europe over the past year, including Volkswagen's initial public offering of Porsche, Covéa's \$9bn acquisition of Partner Re, the nationalisation of German energy group Uniper and the combination of satellite operators Eutelsat and OneWeb. It recorded revenue of €864mn in the third quarter of 2022, up 30 per cent year on year. Revenues in global advisory, its largest business, increased 18 per cent year on year to €547mn during the same period. The group warned that 2023 was likely to be a more challenging year given the macroeconomic and geopolitical environment.

At the end of the third quarter, Rothschild & Co had €98.6bn of assets in its wealth and asset management businesses. In a statement, Rothschild & Co said it had "taken note of the proposed transaction" and had appointed Finexsi, a Paris-based financial advisory company, as an independent expert to deliver a fairness opinion. Rothschild & Co is separate from Edmond de Rothschild, the Geneva-based private banking and asset management group. In 2018, the two Rothschild factions announced they had settled a dispute over the family name. As part of this, they unwound cross-shareholdings in one another.

Category

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