

Kleinwort parent pressured to spin off assets

By Stanley Pignal, Private Equity Correspondent

The parent company of Kleinwort Benson, one of the oldest names in British banking, is facing pressure from activist shareholders to break itself up and spin off all its assets.

Kleinwort, the private banking and wealth management group with roots stretching back to 1786, was acquired in October 2009 by [RHJ International](#), a Brussels-listed private equity fund, from Commerzbank, the German lender.



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Disgruntled shareholders holding more than 3 per cent of RHJ have written to the company's directors to demand an extraordinary dividend that would in effect abort its plan to create a larger banking franchise around Kleinwort.

Separately, Equilibria Capital Management, a Bermuda-based hedge fund coordinating the shareholder revolt, demanded the board consider a break-up of RHJ and a spin off of Kleinwort Benson, its biggest asset.

"The best way forward for shareholders is through a break-up of RHJ, and it begins with the payment of an extraordinary dividend," said Daniel Tafur, chief investment officer at Equilibria, which itself controls about 1.5 per cent of the shares.

The minority bloc say there is more value in the sum of RHJ's parts than in its €343m market capitalisation – much of which comes €266m in cash on its balance sheet.

They are demanding a special dividend of €2.40 per share, which would drain about €200m of RHJ's cash reserves.

Their view was backed by analysts at ABN Amro, which wrote in a research note "we see more upside in a case of a break-up," but said it was unclear if the activist shareholders would get the required votes at the June 19 annual general meeting.

The immediate impact of an imposed change in strategy would be to pull the plug on RHJ's planned acquisition of BHF, a private banking arm of [Deutsche Bank](#) which it has been in negotiations to buy for coming up to a year.

Beyond Kleinwort, RHJ owns a handful of minority stakes in industrial and financial company stakes, concentrated in Europe and Japan.

The company's second-biggest shareholder, Tim Collins, made his name a decade ago scooping up Long-Term Credit Bank of Japan alongside US financier Christopher Flowers.

RHJ is a 2005 spin-off from the Ripplewood Holdings private equity fund he founded in 1995, which itself has run into trouble following a string of investments at the top of the credit bubble.

Touted by Mr Collins as a European version of Warren Buffett's Berkshire Hathaway, the US investment firm, it tried and failed to buy out General Motors' Opel subsidiary in 2009 before bidding for Kleinwort.

A top five RHJ shareholder supportive of management said the activists' requests were not in the best interests of the company. "There is an opportunity to invest in financial assets in Europe, which RHJ is well positioned to do," the shareholder said.

RHJ declined to comment.

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