

Aldermore

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Aldermore shares jump as it agrees £1.1bn takeover by FirstRand

Aldermore Group (LON:ALD) shares gained after the UK challenger bank agreed a £1.1bn takeover by South African financial services firm FirstRand.

FirstRand will pay 313p a share for Aldermore, representing a 22.3% premium to the closing share price of 245p on October 12, the day before the companies disclosed they were in discussions.

FirstRand said the offer implies a multiple of 1.8 times Aldermore's reported tangible book value of £607.1m on September 30.

Shares in Aldermore jumped 2.45% to 309.80p in morning trading.

Aldermore confirmed the deal in its third quarter results on Monday, saying it has recommended the offer to its shareholders.

"With the backing of their considerable resources and wider capabilities, we will be able to accelerate the delivery of our strategy and further expand the products and services we offer our customers," said Aldermore chief executive Phillip Monks.

Aldermore reports quarterly growth in net loans

In its results for the three months to September 30, the challenger bank reported a 12% increase in net loans to £8.4bn, boosted by £2.4bn of new lending.

Customer deposits grew 8% to £7.2bn and the net interest margin remained broadly flat at 3.5%.

The company also boosted its capital buffers with the common equity tier one ratio rising 30 basis points to 12.1%.

"Ongoing delivery against our strategic and financial targets extends our track record of performance and provides us with continued confidence in our future prospects," said Monks.

"Both of these factors have been reflected in the offer received from FirstRand, which the Board is recommending to shareholders."

FirstRand says takeover will diversify UK business

FirstRand chief executive Johan Burger said the deal would build shareholder value by diversifying its UK business.

He said the combination of Aldermore and MotoNovo, its UK second-hand motor finance business, would form a platform for cross selling and developing other financial services products.

"It will allow the FirstRand Group to allocate more financial resources to our operations in Africa, whilst diversifying earnings in the UK," he said.

"In making this offer FirstRand carefully considered how current and potential macroeconomic future scenarios in the

Share Information

Code: ALD
Listing: AIM
Sector: Banks
Website: www.aldermore.co.uk

Company Synopsis:

Founded in 2009, Aldermore is a modern, legacy-free bank which challenges the established view of what banking should be. We deliver award-winning commercial finance, mortgages and savings to Britain's small and medium-sized enterprises (SMEs), homeowners and savers.

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UK could impact the broader business.

"We are very comfortable that the financial impact of this transaction is supportive of FirstRand's previous guidance to shareholders on growth, returns, capital position and dividend policy."

Numis cuts rating to 'hold'

Numis downgraded its rating on the stock to 'hold' from 'add' and adjusted its target price to the 313p offer price from FirstRand.

"We expect the UK to see a significant slowdown and/or a mild recession in 2018 driven by weaker consumer and business confidence following the election result and the on-going Brexit concerns," Numis said.

"We were not so concerned following the Brexit vote as the underlying macro picture was reasonably strong at that time. The UK economy has, however, weakened significantly in the first half (H1 GDP growth was just 0.5%) of 2017 and that, combined with the election result, drives our forecasts."

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