CIC Crédit Mutuel Groupe - The French branch banking networks in search of a fair price

Crédit Mutual-CIC agreed to acquire the network of Banco Popular in France for 85 million euros, i.e. 4.7 million per branch.

The French landscape of the banking branches continues its transformation. One by one, the foreign groups leave the country to the benefit of national establishments well determined to take advantage of these consolidation opportunities. The handing over within the HSBC and Banco Popular networks point out among others the price paid per branch, without making it possible however to establish a standard fair price.

A month after having announced the opening of exclusive negotiations, Crédit Mutuel CIC (CM-CIC) and the Spanish bank announced the past week the signing of the contract of acquisition of the 18 branches of Banco Popular France, for an amount of 85 million euros, or 4.7 million euros per branch. The contract includes the commitment to conclude during the next months, a mutual commercial cooperation agreement, allowing the customers of each group to benefit from services in the neighbouring country.

The multiple is in line with the previous transactions. The Banques Populaires paid 2.1 billion euros for 400 branches of the regional chain of HSBC France, i.e. 5.25 million a sales outlet. A price justified by the "strategic interest" of the operation in comparison in particular with the top-of-the-range character of the acquired customers.

The mutualist group then underlined the "coherence" of the price paid with that observed at the time of the last transactions carried out in France. Since the acquisition at the end of 2002 of the branches of Crédit Lyonnais by Crédit Agricole for 5.9 million euros apiece, the Groupe Caisses d'Epargne acquired those of San Paolo then of Millenium BCP (13.1 and 2.2 million respectively per branch), before Boursorama took in hand, in 2006 the destiny of Caixa France, for 4.3 million euros per establishment. In addition, according to Banques Populaires, the analysts on average value today the branches of the Société Générale, BNP Paribas and Crédit Agricole networks at 5.9 million euros each. HSBC is in parallel pleased with the multiple effects for the transaction in terms of results of the branches, i.e. 21 times the 2007 earnings, and of shareholders' equity, as it happens valued 3.7 times. The potential of synergies of costs and revenues also dictates its influence. In Italy, another ground very active these last years in terms of convergences of networks, the transactions concluded these last two years bring up an even higher price, of 9 million euros on average.

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