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## Standard Life's merger with Aberdeen Asset Management a bold gamble, says Berenberg

Standard Life plc's (LON:SL.) shares have dropped today after Berenberg downgraded the stock to 'hold' from 'buy' and cut the target price to 380p from 400p following the announcement of the fund manager's £11bn all-share merger with Aberdeen Asset Management plc (LON:ADN).

Standard Life last week said it will buy Aberdeen for £3.8bn to create the UK's largest fund manager with assets under management of more than £660bn.

Aberdeen shareholders will have a 33.3% stake in the merged group while Standard Life's shareholders will own 66.7%.

The merged company is reportedly set to cut 1,000 jobs and make overall savings of about £200m for Aberdeen, which recorded its 15th consecutive quarterly outflow of assets of £10.5bn in the three months to 31 December.

Berenberg said it believes the merger offers "little upside, but substantial risk".

"We believe that the benefits, if any, rely more on a major change in fortune for Aberdeen's funds than they do on any cost savings, and the level of disruption that could be caused to Standard Life's business is high," the broker said.

"The risk/reward profile for Standard Life shareholders has become skewed to the downside, in our view."

Given that Aberdeen has been struggling for an extended period, Berenberg said it find the terms of the deal "intuitively unattractive". The broker noted Aberdeen's worrying net outflows over the past three years, averaging more than 10% of opening assets each year at a total of £87bn.

"We find little to like about the merger: we think Standard Life is giving away too much value to Aberdeen shareholders, and in return taking on a lot of risk," Berenberg added.

"On our base case there is very modest earnings accretion for Standard Life shareholders by 2019, but not enough to justify this proposed transaction."

Shares fell 1.39% to 374.70p in early trading.

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### Share Information

**Code:** SL.

**Listing:** LSE

**Sector:** Insurance

**Website:** [ukgroup.standardlife.com](http://ukgroup.standardlife.com)

### Company Synopsis:

*Standard Life Plc is a FTSE 100 insurance, pensions and general financial group with operations across the globe. &nbsp;*

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