

# Fund manager Jupiter in talks to sell 10% stake in £2.5bn Starling Bank

Jupiter Fund Management is in talks to sell its entire stake in Starling Bank months after the digital lender's valuation passed £2.5bn.

Sky News has learnt that Jupiter, which owns close to 10% of Starling's equity in its UK Mid Cap Fund and elsewhere across its funds portfolio, has instructed bankers at Citi to find buyers for the holding.

City sources said the stake was likely to be worth more than £200m, although Jupiter may have to accept a modest discount on disposing of the Starling Bank shares.

The sale does not include the near-10% Starling shareholding owned by Chrysalis, the London-listed investment trust managed by Jupiter fund managers Richard Watts and Nick Williamson.

Chrysalis's shares have been hurt by the global rout in the valuations of technology companies, with unicorns such as the payments business Wise and buy-now-pay-later specialist Klarna held by it.

A recent row about performance fees at Chrysalis has been partly mitigated by forecasts of a recovery in the value of its unlisted holdings.

Like industry peers, Jupiter's UK Mid Cap Fund has a 10% ceiling on the value of its unlisted holdings – which Starling's rising valuation has at times threatened to impact.

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The fund's other private holding is a modest stake in Secret Escapes, an online travel company which has a much lower valuation than Starling.

Sources close to the bank, which was established by Anne Boden in 2014, said its profitability was expected to grow significantly during a period of rising interest rates.

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In its most recent financial results, Starling pointed to an industry-leading return on tangible equity (ROTE) of 17.5%, against an average of 11% for major high street lenders.

It is said to be working on a number of substantial contracts for its software-as-a-service subsidiary Engine, with Ms Boden and Engine executives understood to be travelling to Australia next month to negotiate deals.

Starling's most recent funding round, which was announced in April, saw it raise £130.5m at a pre-money valuation of £2.5bn.

It has been one of the big winners to date from Britain's fintech boom, with other major scale-ups in the sector including Monzo, Oaknorth and Revolut.

Since launching its app in 2017, it has opened nearly 3m accounts, including more than 450,000 SME accounts, giving Starling a 7.5% share of the UK small business banking market.

It has, however, become embroiled in a war of words with the former Treasury minister Lord Agnew about its deployment of taxpayer-backed COVID loans.

Dozens of prospective investors are said to have been invited to make offers for Jupiter's Starling Bank stake as part of a price discovery process.

There is said to have been "strong interest" from financial investors.

Further progress towards a deal or series of transactions is expected next month, according to insiders.

One person close to Jupiter described the sale as "active portfolio management", and denied that it was an enforced disposal triggered by the unlisted assets threshold.

Jupiter, one of Britain's best-known asset managers, has seen its shares slump by more than 60% during the last year.

It is in the process of changing its chief executive, with Andrew Formica to be replaced shortly by Matthew Beesley.

Neither Jupiter nor Starling would comment on Saturday.