Online comparions volume

Post Publication Comment on **Steinhoff** Tuesday, 10 September 2019

Steinhoff 2018 audited annual report (August 2019)

For Europe most of the issues are resolved. For South Africa the case rolls on and will do so for sometime.

The accounts show a loss of comprehensive loss of over Euros 4 billion in 2017 and a loss in 2018 of well over Euros 1 billion in 2018. The report is peppered with lock-up agreements[1] and sell-offs. These include kika-Leiner, the German retailer POCO (ownership was disputed), bankruptcy for the US Mattress Form (Chapter 11), a partial sell-off of the French Conforama, raising money on KAP, the sell-off of Unitrans, among a host of other arrangements and CVAs (some of which are still disputed).

The report can be found at:
http://www.steinhoffinternational.com/annual-reports.php

Steinhoff to sell assets in push to survive debts and lawsuits (Aug 2019)

The FT commented on its current strategy[2]:

> Steinhoff International, the global retailer that is battling to overcome the legacy of South Africa's biggest accounting scandal, has pledged to slim its business and sell assets in order to survive heavy debts and shareholder lawsuits.
> The owner of store chains including the UK's Poundland and Conforama in France is considering the sales as it tackles "too high" debts of $10bn that were left by its 2017 collapse, Louis du Preez, Steinhoff's chief executive, said on Tuesday.
> "Where appropriate, divestments are being considered," the company said in its first presentation to investors since the group revealed a hole in its accounts of billions of dollars two years ago.
> The scandal wiped $15bn from Steinhoff's shares and was linked to faking of significant income by former executives. It led to €13bn of writedowns as Steinhoff restated its accounts amid a forensic probe.
> The collapse, which Steinhoff only survived through doing a deal with creditors, abruptly ended a spate of international dealmaking under Markus Jooste, the longtime chief executive who resigned after the scandal.
> "We believe the only way for Steinhoff to survive is for it to become a pure investment holding company," Mr du Preez said. "The group cannot trade itself out of this debt," he added.

---

[1] A lock-up agreement is a legally binding contract between the underwriters and insiders of a company prohibiting these individuals from selling any shares of stock for a specified period of time

[2] Cotterill, J., Steinhoff to sell assets in push to survive debts and lawsuits, *Financial Times*, 13 August 2019. Available at:
https://www.ft.com/content/01eca674-bde4-11e9-89e2-41e555e96722
Accessed August 2019.

PwC Probe Uncovers Euros 6.5 billion Steinhoff Accounting Fraud (March 2019)

Of course, despite the evidence against him Markus Jooste, the ex-CEO still claims that he had no knowledge of any accounting irregularities. Such statements have been met with incredulity and disbelief elsewhere. The FT reported[3]:

> Steinhoff's former chief executive Markus Jooste has told South African MPs he was unaware of an accounting black hole at the global retailer before its collapse last year. Mr Jooste's testimony to a parliamentary committee on Tuesday was his first public appearance since Steinhoff revealed the existence of multibillion-euro accounting irregularities last December, triggering a collapse in its shares and Mr Jooste's resignation after decades at the helm.
>
> But Mr Jooste denied knowledge of any irregularities to MPs, and said that the company had previously investigated allegations of false accounting.
> "By the time that I left Steinhoff, I was not aware of any financial irregularities at the company, as it was alleged," he said.

The FT also reported on the PwC forensic investigation into Steinhoff. he PwC report found, in general, that the fictitious and/or irregular transactions had the effect of inflating the profits and, or asset values of the Steinhoff group. The PwC 14 page summary was very revealing. The full report cannot be released because of intended and current court cases[4]:

> The 14-month investigation by PwC was commissioned after the discovery of an accounting black hole that wiped $15bn from Steinhoff's shares in 2017. Markus Jooste, the group's longtime chief executive, resigned in the wake of the scandal which Steinhoff only survived through doing a deal with creditors.
>
> The alleged scheme involved creating fictitious or irregular income that was distributed among underperforming group operations, the report said. The suspect income totalled €6.5bn in transactions with third parties going back to 2009, according to the findings. The transactions "were supported by documents including legal documents and other professional opinions that, in many instances, were created after the fact and backdated", the report added.

[3] Cotterill, J., Ex-Steinhoff boss denies knowledge of accounting irregularities, *Financial Times*, 5 September 2018.
Available at:
https://www.ft.com/content/7465e5fc-b0f3-11e8-99ca-68cf89602132
Accessed February 2019

[4] Cotterill, J., Ex-Steinhoff executives used €6.5bn in fake transactions, report says, *Financial Times*, 15 March 2019.
Available at:
https://www.ft.com/content/45d44220-4742-11e9-b168-96a37d002cd3
Accessed March 2019

PwC Probe Uncovers Euros 6.5 billion Steinhoff Fraud (March 2019)/Continued

PwC put the blame firmly on the ex Steinhoff executives. With the PwC report, the way is cleared for Steinhoff to restate their accounts for 2015 and earlier, and to produce 2016, 2017 and 2018 accounts (not yet produced). There are half year unaudited accounts ended 31 March 2018. These show continuing losses and a write-down of equity by about € 11 million (to one third the previous level). There were 11 board resignations. That said it seems that the group is now on a much sounder trajectory. Annual group revenue remains at about €17 billion (but this may be revised).