

Steinhoff hammered by claim of CEO probe

For the second time in less than two years, retail group Steinhoff's share price has been pummelled by allegations relating to its tax and accounting practices.



Steinhoff CEO Markus Jooste

On Thursday, the share price slumped almost 13% in early trade after reports in a leading German business magazine that a public prosecutor in Germany was investigating Steinhoff CEO Markus Jooste on suspicion of accounting fraud.

The share fell to R57 in heavy trade after opening at R66 before recovering marginally to close at R60.

The magazine describes founder Bruno Steinhoff's ambition of creating a second Ikea, referring to the largest furniture retailer in Europe. It asks: "Is Europe's second-biggest furniture group about to implode?"

On Thursday afternoon, Steinhoff dismissed the allegations as wrong and misleading. It said the source of some of the allegations in the Manager Magazine article was a former joint-venture partner with whom the group's subsidiaries were embroiled in litigation.

The article says that the prosecutor is also investigating three other Steinhoff executives and that the prosecutor suspects "excessive revenues have been included in the balance sheets of group-owned companies".

The Public Investment Corporation's (PIC's) Fidelis Madavo said on Thursday he could not comment until he had spoken to Steinhoff's management. "The story is alarming, but it would not be fair to comment until we have clarity from management."

The story comes at a difficult time for Steinhoff as it is about to finalise a substantial transaction with Shoprite. The PIC, which is the second-largest shareholder in Steinhoff after Christo Wiese, has undertaken to support the deal, which will result in Steinhoff getting control of Shoprite.



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The German investigation includes documents relating to transactions between companies within the Steinhoff group that the prosecutor says involve hundreds of millions of euros.

One signatory party to one of the documents said he had never seen the papers before and had laid charges of forgery against Steinhoff.

The prosecutors have been looking into Steinhoff since 2015 on suspicion that it inflated its revenue figures, according to the magazine. In late 2015, tax investigators searched Steinhoff's German offices just ahead of the group's listing on the German stock exchange.

At the time, Steinhoff said the investigators were reviewing its balance-sheet treatment of certain transactions.

On Thursday night, Steinhoff said it had appointed legal and audit firms to investigate the tax matter. These experts had concluded that no evidence existed of any contravention of German commercial law.

"The group has engaged constructively with the authorities to find a solution. No further investigations have been initiated nor any searches conducted as alleged in the article," Steinhoff said.

It did say though that certain companies in the group were involved in disputes in which the outcomes were uncertain.

"The directors are confident that they will be able to defend these actions successfully and that the potential impact on the group will not be material."

Source: Business Day

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