

Aspen claims manipulation

Aspen Pharmacare CEO Stephen Saad says he wants an inquiry into market manipulation after the company's shares slumped on rumours that Viceroy Research was preparing a report on the group.



Stephen Saad, CEO: Aspen. Photo: *BusinessLIVE*

Viceroy, a US research group that published a report about scandal-hit Steinhoff in December, has said it is eyeing another South African company, and the market has speculated that it is Aspen that is in its sights.

Aspen's share price fell 2.5% to R243.81 on Wednesday after falling 4.6% the day before. The stock is down almost 10% so far in January, meaning that investors with short positions would have profited.

"I think the right thing here is to have an inquiry. I think people who have made money out of this chaos need to be investigated - is it legal what they're doing? That's all I'd like to know, because lots of people have lost money," Saad said by phone from Mauritius.

Given that the market remained jittery after Steinhoff's revelations, "it's perfect timing [to manipulate the market] " Everyone is scared and they can scare them more.

"It's just a nonstop barrage of misinformation. People are scoring and they're feeding this machine with rumours."

He said he would consider approaching the JSE or the Financial Services Board (FSB) regarding the issue.

Last month, Viceroy and other short sellers profited from Steinhoff's spectacular share price fall, after former CEO Markus Jooste left the company when "accounting irregularities" were reported.

Saad said suggestions that Aspen and Steinhoff were similar were unfounded.

For instance, Aspen had paid for its acquisitions using cash, whereas Steinhoff issued new shares to fund takeovers. "You can cover anything if you issue shares, but in Aspen's case, for 20 years, we have almost always paid [for acquisitions] with cash, which meant we have had to generate cash to pay for what we've bought." From what I've read in the popular press, Steinhoff didn't generate cash and they covered that by issuing equity."

Furthermore, he continued, the fact that Aspen and Steinhoff both were multinational companies - another parallel cited in the market - was irrelevant, given that most multinationals were acquisitive.

Aspen had also kept its debt in check.

Saad urged shareholders to wait for Aspen's trading update for the six months to end December, due within the next month. "We don't have accounting irregularities.... The irony of all this is it's probably not even Aspen they're talking about. Indications are that Aspen is not the target of Viceroy's report. "I can only say to shareholders what I say to everybody else, I don't know of anything " we're trading as we should, we've generated lots of cash."

Vestact said in a note that while Aspen's financial position had long been in the public domain, perceptions of the information had changed "due to fear and recency bias".

"Are there skeletons hiding in Aspen's closet? Publicly available information says there aren't." Investors should wait for "concrete facts" before making any decisions, Vestact said.

"There might not even be any new information. It is not unusual for organisations to write negative reports about other companies". Especially companies where the organisation has a short position."

Although Viceroy has not contacted Aspen, the research group had not contacted Steinhoff either prior to the publication of its report on that firm.

Aspen's share price started weakening significantly in late November, though the latest sell-off began early last week.

In October, the stock reached highs of more than R320. That month, the UK's Competition and Markets Authority launched an investigation into the company regarding two of its drugs, which generate combined revenues of £11.1m.

South African competition authorities in October called off investigations into Aspen for suspected abuse of dominance and excessive pricing.

Source: *Business Day*