

Steinhoff unable to give details of irregularities

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Steinhoff's eagerly awaited presentation to a group of its bankers was met with dismay on Tuesday, as the global furniture retailer said that it could still not quantify the magnitude of the "accounting irregularities" that had led to the bombshell resignation of its charismatic CEO Markus Jooste two weeks ago.



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Its stock, which has lost most of its value since Jooste's abrupt departure, had recently recovered from its lows of R6 a share, but plunged afresh, closing 17.45% weaker at R7.

Steinhoff said its credit lines were being cancelled or withdrawn and the company was still unable to announce when its 2017 financial results would be available.

Steinhoff could also not say when its restated 2016 financials would be released. However, the owner of Pep, Conforama, Poundland and Mattress Firm has clarified the extent of its outstanding debt at 14 December - 10.7bn, or about R161bn. Most of that debt sits within Steinhoff Europe, followed by SA and the US.

One analyst, who asked not to be named, said on Tuesday that Steinhoff appeared to have a "liquidity problem" rather than a "solvency" issue.

The presentation, delivered by the newly installed acting CEO, former chief operating officer Danie van der Merwe, revealed that Steinhoff "did not have detailed visibility" of subsidiaries' cash-flow forecasts.



Reshuffle of Steinhoff's management board sees three new appointments

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It has distributed a 13-week rolling cash-flow forecast template to all "entity managers" under the guidance of management consultancy AlixPartners, which has been brought in to help with "liquidity management and operational issues".

The poor cash-conversion rate at Steinhoff was flagged by research group Viceroy as one of its biggest shortcomings.

Acting chairman Heather Sonn, Christo Wiese's replacement on Steinhoff's supervisory board, has also appointed Conforama CEO Alexandre Nodale as deputy CEO under Van der Merwe, alongside commercial director and corporate attorney Louis du Preez.

They join chief financial officer Ben la Grange, who Steinhoff has defended as having no involvement "in the matters under investigation", notwithstanding his oversight of the company's accounts.

Steinhoff has been scrambling to raise cash in the wake of what may be corporate SA's biggest meltdown to date and last week sold 20.6-million PSG shares for R4.7bn.

While Steinhoff's audited 2017 accounts remain elusive, it has given some details on the trading performances of its various divisions. Conforama, the French discount furniture retailer purchased for 1.2bn in 2011, has posted revenue growth of 3.47bn for the year to the end of September, with "positive like-for-like sales" in October and November.

Pepkor Europe's earnings before interest, tax, depreciation and amortisation margin stood at 9.3% at 30 November, with like-for-like sales growth "in excess of 20%", according to the report. However, there was scant detail on the profitability of Steinhoff's two most recent purchases - Poundland and Mattress Firm. Poundland's like-for-like sales, had grown 4% "after a strong turnaround".

Meanwhile, bedding company Mattress Firm, for which Steinhoff ponied up almost \$4bn in 2016 - is seeing an improvement in average sales per store, according to the presentation.

Steinhoff said Mattress Firm would require a further \$200m to "achieve its long-term vision".

Source: Business Day

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