Press release - Steinhoff updates market on liquidity and waiver proposals to certain financial creditors

18 January 2018

Steinhoff today provided an update on its financing arrangements and liquidity measures as the company implements its stabilisation plan.

The company said that the steps it had taken had maintained liquidity across the group following the uncertainty resulting from its early December announcement that PwC had been appointed to investigate certain accounting irregularities. The company said that it would provide an update on the progress of the independent accounting investigation being undertaken by PwC as soon as it was able to do so.

The update highlighted that the group's operating companies in the United States and the United Kingdom have independently obtained credit facilities, Conforama in France is exploring options for its own financing should such a requirement arise, and at a central European level, the company is working on liquidity and cash management requirements to support its European business units and assets.

Steinhoff also explained that its South African and Australian operations are in a good financial position and that a proposed refinancing and redemption of some or all of the group's financial indebtedness in South Africa would release funds to provide any additional necessary liquidity for the remainder of the group.

"The Company has received support from its financial creditors in recent weeks in its efforts to maintain stability," Steinhoff said.

"The Company has been engaged with lenders, bondholders, other financial creditors and its key credit insurers to ensure that sufficient liquidity has been maintained for the Group's underlying operations and to seek additional liquidity funding for the central treasury functions of the Group and the various operating businesses."

Steinhoff is addressing a short-term need for liquidity at its central functions within Europe and today announced that it has obtained the support of its lenders in South Africa for interim liquidity support for the group's European operations. Steinhoff is seeking support in the amount of €200 million. The first instalment of €60 million will be received in the week ending 19 January 2018 (for which the Steinhoff has obtained the approval of the group's lenders in South Africa and the necessary regulatory consent). Steinhoff is seeking the necessary approvals and consent for further instalments of the balance. It is expected that any funds will be available to meet business critical payments during the next phase of the group's stabilisation plan.

"The Company has also been in recent discussions with several potential funders to provide liquidity facilities to the Group, including those who are existing creditors and/or investors in the Group. To date, additional external liquidity has not been obtained in the time available," the announcement said.

Steinhoff said that it expects to be in a position to pay cash interest on all its existing financial indebtedness at the ordinary contractual rate over the near term forecasted period.

In addition, Steinhoff said that it will shortly be recommending that certain of its financial creditors support the group by providing limited waivers under certain of the group's existing European financing arrangements.

“It is important to note that the waivers will not be proposed in respect of: (i) the new and any subsequent financings of the Mattress Firm business; (ii) the recent financings of the Pepkor Europe (which includes Poundland UK) and Steinhoff UK sub-groups (and any subsequent financings for those sub-groups); (iii) the financing arrangements of the South African businesses of the Group; (iv) the financing arrangements of the Australian businesses of the Group; or (v) the local financings of the Conforama sub-group” the announcement said.

Steinhoff said it will be seeking responses to its proposals for the above-mentioned waivers in the coming weeks and will provide an update in due course. “While the Company is confident that it will receive sufficient support from its finance providers to obtain these limited waivers (once proposed), there can be no assurance that the Company will be able to reach agreement with its finance providers on acceptable terms or at all,” Steinhoff said.

The announcement also highlighted the actions the company had taken since its announcement in early December that PwC had been appointed to investigate certain accounting irregularities that had come to light and that its consolidated financial statements for the year ending 30 September 2017 would be published when it was in a position to do so.

“The Company has acted on a number of fronts in order to stabilise the Group’s operations,” it said.

The actions included the appointment of Moelis & Company ("Moelis") and AlixPartners as independent financial advisor and operational advisor, respectively. Moelis continues to support and advise the group on its debt financing and its discussions with lenders, while AlixPartners continues to assist with the group’s liquidity management and operational measures.

Several steps had been taken to strengthen the governance of the company. On 8 December 2017, it was announced that the Supervisory Board had established a sub-committee of three independent non-executive directors (Heather Sonn, Johan van Zyl and Dr Steve Booysen) to provide a regular interface with the senior management team.

On 14 December 2017, Steinhoff announced that Heather Sonn had been appointed as the acting Chair of the Supervisory Board, which comprises non-executive directors. Following recent changes, the Management Board now comprises: Danie van der Merwe (acting Chief Executive Officer) and, pending formal appointment at the general meeting of the Company, Philip Dieperink (Group Chief Financial Officer and continuing Chief Financial Officer of the Steinhoff UK sub-group), Alexandre Nodale (deputy Chief Executive Officer and continuing Chief Executive Officer of the Conforama business) and Louis du Preez, who joined the group in June 2017 as Group Legal Counsel after more than 20 years in private practice (Commercial Director).

On 4 January 2018, Steinhoff announced that it is looking to appoint an external independent Chief Restructuring Officer. Steps to secure this appointment are underway. The supervisory board continues to keep the governance of the group under review and a number of candidates are in the process of being approached to strengthen the independence of the supervisory board.

Regarding PwC’s independent investigation into accounting irregularities, it said PwC had been working with Steinhoff and its legal advisers in relation to the accounting irregularities and the necessary preliminary steps in relation to their investigation had been taken.

“The Supervisory Board has instructed that the scope of the investigation is not limited in any way, so as to allow those investigations full access to the Group. The Group aims to provide an update on progress with the accounting enquiries as soon as it is able to do.”

Outlining the way forward, Steinhoff said its objective of achieving stability within the group and, more specifically, its financing arrangements, was being sought by the implementation of the following measures:

- maintaining trading performance of the individual business units;
- detailed cash management actions and liquidity support for the group; and
- a commitment to resolve, as soon as possible, the uncertainties around any accounting issues.

In the coming months, the group expects to undertake the following measures to put in place further stabilization measures and a de-leveraging plan, namely:

- a refinancing and redemption of some or all of the financial indebtedness within South Africa. It is anticipated that this will have the effect of releasing additional funds which will be used to provide any additional necessary liquidity for the remainder of the group. Steinhoff aims to complete this process as soon as practicable with the support of its lenders in South Africa;
- the realisation of a limited number of assets to support additional liquidity for the group as required, together with any external financings if needed; and
- development of a plan to address the group's financial indebtedness.

Steinhoff said that it expected, as in previous years, to report at the end of February on the trading performance of its underlying businesses for the quarter ending 31 December.