



Grenke Conference Call Rebuttal

Company's conference call vague, misleading, and intentionally opaque

September 22, 2020 – On Friday September 18, 2020 Grenke management hosted a conference call in response to our research. Grenke management's pro-transparency virtue signaling and intentionally opaque and censored responses are the real slap in the face to investors, regulators, and creditors.

Management have:

1. Defended the existence of Grenke's cash from its allegedly very profitable leasing business by pointing investors to Grenke Bank depositor funds, to which they have no claim. The key mechanism through which Grenke would hide fake earnings: through undisclosed related party acquisitions, has been completely censored by Grenke, furthering our conviction. **The alternative, if we are wrong, is the enrichment of insiders since 2000.**
2. Repeatedly stonewalled questions regarding the identity of the previous ultimate owner of CTP Handels- und Beteligungs GmbH. Investor capital is being throw into independent investigations to assess the third-party nature of these investors in a narrative controlled by management, where informed investors could make their own assessment. It is an easy answer.
3. Emphasized that CTP reduced Grenke's exposure to financial risk despite admitting Grenke fully financing franchisees and providing them with financial guarantees that exceed \$72m. Grenke appears to have borne the full risk of their franchisees since their first transaction in **2000**, and have provided **zero transparency** into their performance.
4. Dismissed their obligation to disclose Wolfgang Grenke's acquisition of CTP as "irrelevant at the time", and have still not addressed related party transactions from Wolfgang Grenke's other franchisee investment vehicle from 2018, WGW investments.
5. Announced that Mr. Grenke has offered to sell CTP franchisees back to Grenke (an offer with an expiry date), but refuses to disclose how much he paid for them, who the prior beneficiaries were, and who bore financial risk for these franchisees.
6. Claimed to be a victim of the Viewble fraud, despite currently undertaking legal action against the consumer victims of the fraud. Grenke claim to have concluded their business with Viewble of their own volition, when in reality it was Viewble's complete collapse that caused this. They also failed to acknowledge that they then became the finance lease provider to Rhino Media, who were running the exact same scam – while allegedly conducted 'enhanced due diligence.'
7. Announced that they had engaged current auditor KPMG to conduct a "very fast" report as opposed to one focused on thoroughness. Further, the harrowing realization that CTP-owned franchises should have been consolidated at their inception is a formidable task requiring at least several months worth of investigation and a restatement of historic financial statements.

Investors are now left with more questions than ever. Management clearly intended to answer only questions it had pre-packaged responses to: not those that the market wanted answered. Our research so far only accounts for what we have been able to find: what else has been undisclosed.



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Grenke Group, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

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CTP's owner

The burning question on every analysts' lips: Who was the previous owner of CTP? Grenke's oddly phrased statement that they were not "a related party according to corporate law" failed to reassure anybody with one analyst even asking what relationships might be exempted from this definition.

discussion? And related to this, for me not being a lawyer, you have in the press release said the previous owner has and has no affiliation to Grenke consolidated group and corporate law. Does it exclude Grenke employee? Does it include members of Mr.Grenke's family? What is the message here?

Figure 1 Grenke Conference Call Bloomberg Transcript

"Effective" CFO Sebastian Hirsch confirmed that it was not a member of Wolfgang Grenke's family but he could not speak for the company's 1,700 employees. They are, in his words a "typical third party".

Management failed to even disclose the purchase price paid by Wolfgang Grenke to CTP, misconstruing the question to be one about the arms-length nature of franchise purchases. When asked how they could ensure that CTP, as an unrelated true third party whose name they could not even disclose, was acting in their best interests they stonewalled again.

Q - Marius Fuhrberg (BIO 20599642 <GO>)

Yes, thanks for follow-up question from my side. So did I get you right that CTP is a pure financial investor and with this relation, I have another question. How did you ensure that they -- he or she or whoever it is follow your interests with the franchise company? And what if your relation or not relation, but yes, is there an interest of contract or whatsoever?

And the second one, you mentioned that the (inaudible) scheme is one case where you also was a victim. What is I guess, this is not the only case throughout the last years. Can you tell us that an average yearly rate or something in this direction of contract with resellers being terminated due to fraud or misbehavior and what is the proportion of the business on average?

A - Antje Leminsky (BIO 17678798 <GO>)

To your first question regarding CTP, yes, CTP is a true financial investor and as I said earlier, Grenke Bank took over the company at the beginning of this year. So you can suggest that, of course, his interest is to develop the company aligned with the interest of Grenke for us as the Grenke board. It is just important to develop that there is -- as a

Q - Marius Fuhrberg (BIO 20599642 <GO>)

Yes. Hi, thanks for taking my question. First of all, could you go through the typical ownership of the franchise company once Grenke purchase this company and how much is the typical share of the initial call or so to say ex Grenke employee at the point Grenke exercises its call option? And maybe one follow-up, I guess, you can't really tell us but to try -- could you elaborate a bit on the purchase price of the CTP by Grenke?

A - Sebastian Hirsch (BIO 15183696 <GO>)

Yes. We can -- give a bit slighter because it is a very detailed. The franchisee means the (inaudible) maybe the former Grenke employee normally have shares of 42% and the rest (inaudible) shares are for the other shareholders and the other investors and the purchase price is determined by a formula with the stick from the very beginning on and the system of that formula is a bit like is that on the one hand, we are looking to the performance of the franchise, the performance of the business taking care of our contribution margin fees, (inaudible) of the operating income for the existing business and (inaudible) business, we are taking care for the real cost of the franchises is also very important.

And then we try to go via market for all over, say, discounted cash flow methodology and both are nearly in the same way when you look at revenues nearly the same level of purchase price and that's the level of purchase price you have, yes. So taking into account the operating income, the cost, of course the tax rates that's important and on one hand, maybe a (inaudible) But it's on arm's length principle and when we look to the purchase price, it doesn't matter it is a purchase price to CTP to Mr.Grenke or to another third-party, the process probably is the same.

Figures 2 & 3 Grenke Conference Call Bloomberg Transcript

Its clear that Grenke's management are actively hiding the identity of CTP's former beneficial owner, likely because while they may not be a related party "according to corporate law" they probably are according to common sense. The IAS 24 definition of related parties is:

A related party is a person or an entity that is related to the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel.
- An entity is related to a reporting entity if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party.

Figure 4 IAS 24 Related Party Disclosures

Note that by this definition neither Thomas Konprecht nor Simona Stingaciu are considered "related parties" despite their status as "confidants". Failure to identify the ultimate beneficial owner involved in a purchase is a failure of KYB/AML regulations.

We point out the existence of WGW Investment GmbH, the successor to CTP wholly owned by Wolfgang Grenke and the partial owner (along with Garuna AG) of Grenke Arizona. It appears Grenke's anticipated expansion into the US will ultimately benefit Wolfgang Grenke again. WGW Investment was formerly held by CTP.



| WGW Investment GmbH (FM-ID 779814) | | | | |
|---|--------------------|-------------------|------------------------------------|--------|
| FB No.:489143d | | | | |
| Address: Marc-Aurel-Straße 5/6 | | | | |
| ZIP: 1010 | | | | |
| Place: Vienna | | | | |
| In the role of managing director were or are reported: | | | | |
| Details | first notification | last notification | Person details | status |
| ⓘ | 04/24/2018 | 04/24/2018 | Grenke Wolfgang | 🟢 |
| ⓘ | 04/24/2018 | 04/24/2018 | Conferences Thomas | 🟢 |
| ⓘ | 04/10/2018 | 04/24/2018 | Bielicka Joanna | 🔴 |
| In the role of shareholders, the following were or are reported: | | | | |
| Details | first notification | last notification | Person details | status |
| ⓘ | 04/24/2018 | 04/24/2018 | Grenke Wolfgang | 🟢 |
| ⓘ | 04/10/2018 | 04/24/2018 | CTP Handels- und Beteiligungs GmbH | 🔴 |
| The following were or are reported in the role of authorized officer: | | | | |
| Details | first notification | last notification | Person details | status |
| ⓘ | 04/24/2018 | 03/10/2020 | Bielicka Joanna | 🟢 |

| Principal Information | | | | | |
|----------------------------------|---------------------|-----------|--|-----------------------|--------------|
| Title | Name | Attention | Address | Date of Taking Office | Last Updated |
| Member and Manager | GARUNA INC. | | 1230 PEACHTREE STREET NE, SUITE 3100, ATLANTA, GA, 30309, Fulton County, USA | 11/13/2019 | 11/15/2019 |
| Member and Manager | WGW INVESTMENT INC. | | 1230 PEACHTREE STREET NE, SUITE 3100, ATLANTA, GA, 30309, Fulton County, USA | 11/13/2019 | 11/15/2019 |
| Member and Manager | THOMAS SAUERTEIG | | BURJ KHALIFA AREA (BUSINESS BAY), AL SA'ADA, REGAL TOWER, OFFICE 2506-2507, DUBAI, ARE | 11/13/2019 | 11/15/2019 |
| Page 1 of 1, records 1 to 3 of 3 | | | | | |

Figure 5 & 6 WGW Investment GmbH¹ and GC Leasing AZ LLC Information²

Note: there appear to be no such businesses as Garuna Inc or WGW Investment Inc; we believe these to be misspellings of Garuna AG and WGW Investment GmbH, respectively

While Wolfgang Grenke has extended the offer to Grenke AG to acquire all CTP's current subsidiaries, no such offer for WGW Investment has been extended. His hand is still in the company kitty.

Missing cash

The payments to CTP are either removal of fake cash from the balance sheet or embezzlement and insider profiteering.

We levied the accusation that material portions of cash did not exist, and material portions of fake cash/earnings have been disguised as goodwill. This is the same scheme perpetrated by Steinhoff, Wirecard, Lernout, Enron, and the vast majority of countless frauds that have had to hide fake earnings. Central to this scheme is the existence of an undisclosed, off balance sheet, related parties.

Here is how the scheme works:

The 2000 collapse of Lernout & Hauspie involved the faking of their accounts by selling everything to undisclosed related party entities – in this case software developers. For example, they would sell \$100m of core technology to the entity booking \$100m or so of profit. The incremental margin on software is 100%.

The entity would then owe Lernout & Hauspie \$100m, which it had no ability to repay as it was often just a shell company. Lernout & Hauspie would then purchase the entity for \$1 but in the accounts the consideration would be \$100,000,001 – \$100m debt assumed plus a \$1 payment.

That balance would be represented in the accounts as goodwill. Lernout & Hauspie had turned a dodgy sale and profit generated from a dodgy party into fake goodwill.

The easiest way for Grenke to disprove that these franchise acquisitions are actually being paid for in real cash, not just a journal transaction to hide accrued fake earnings, is to disclose who the beneficial owners of Sacoma/CTP are.

Instead, Grenke have completely censored all details around CTP, and defended the existence of Grenke's cash from its allegedly very profitable leasing business by pointing investors to Grenke Bank depositor funds, to which they have no claim.

The alternative to this missing cash, is that Grenke is syphoning off millions of dollars from CTP acquisitions since at least 2000 – yes, 2000.

¹ <https://www.firmenmonitor.at/Secure/CompanyDetail.aspx?CID=779814&SID=5fd19cbc-4409-4aff-ae36-cdb2a7f89a22&PID=1>

² <https://ecorp.azcc.gov/BusinessSearch/BusinessInfo?entityNumber=23037352>



It is crystal clear that whatever the outcome of Grenke's independent investigation, and whoever the beneficial owners of CTP were, investors will be disappointed.

We are well aware that ~€800m of Grenke's cash is kept at Bundesbank as of H2 2020. Show us that the cash from your very profitable business which accounts for 95%+ of Grenke's revenues and profits exists.

Exposure to franchises

The conference call attempted to paint the actions of CTP and Wolfgang Grenke in a saintly light in regard to their involvement with franchise operations.

strategy because we can see the positive track record that it has. On the other hand, if you look at financial investors, which are in a position that they were many, many years. There is also a certain risk that this development might not go into a direction on a long-term basis that you want. So I think since Wolfgang Grenke left his position as CEO, and I took over two years ago, it is reasonable -- was reasonable for him to think, "Okay. Can I do something to make sure that this business develops in favor of investors, in favor of Grenke group on the long-term basis and step in as a risk -- capital taker in person." And that was probably the reason why he took this decision and got into those talks. And the transaction happened then finally in January this year.

Figure 7 Grenke Conference Call Bloomberg Transcript

This is patently false: franchises sell their receivables to Grenke Finance who from then bear the full risk of default and impairment. We can see from Grenke Finance filings that this is the case, further, franchises are paid a premium to take non-performing leases off Grenke's book.

The key audit matter

The franchise model involves engaging independent franchise entities who may not be able to repay the loans extended by the Group and Company.

There is a risk that the value of the franchise loan receivables are not fully recoverable and is therefore overstated.

GRENKE Finance PLC pays a premium to agents who are a franchise to buy leases which become non performing. The franchisees to whom these premiums were paid have all since become GRENKE AG group companies. The amortisation relates to leases written when they were franchise companies. The obligation of the former franchisee to purchase non performing leases which were written when they were franchise companies remains when the franchisee joins the GRENKE AG Group. The amortisation of those premiums is written off to the

Figures 8 & 9 Grenke Finance Annual Report 2018

As a final slap in the face, when asked why this structure still existed for no apparent reason when the company was flush with cash, the response was a weak assertion that this provides a greater incentive for the former employee.

On the other hand, and that is probably at least important is the fact, and we do have experience that we have seen the difference between people going into a country or a new region and working there as a managing director. So as part of the Grenke AG compared to those who go into the country as an entrepreneur, we can see that there is a huge difference, and it is a high incentive for those people who know our company for many, many years, who know our systems, our processes, who know the business model, to work there as entrepreneurs and gain from it. And that's for us a much easier position to grow the business in a new country very, very fast.

Figure 10 Grenke Conference Call Bloomberg Transcript

Not only is this response not actually a response: its clearly overlooking the fact that a traditional expansion would work in much the same way with the added upside of not having to pay CTP large amounts of money for non-profitable companies.

CTP acquisition by Wolfgang Grenke "Not relevant until now"

CEO Antje Leminsky claimed that CTP's acquisition by Wolfgang Grenke "was not relevant until now" and further that "we didn't have the concrete situation of takeovers".



Q - Analyst

You send out -- you notified (inaudible) and Bundesbank in connection with the (inaudible) -- yes, did you notify the stock exchange?

A - Antje Leminsky {BIO 17678798 <GO>}

Not so far because it wasn't relevant until now, because we didn't really have the concrete situation of takeovers. And so it was point for us.

Q - Analyst

Was that irrelevant information you think?

A - Antje Leminsky {BIO 17678798 <GO>}

It was irrelevant at that point in time from our perspective.

Figure 11 Grenke Conference Call Bloomberg Transcript

We fail to see what changed between Wolfgang Grenke's CTP purchase and the present day, except that Viceroy made public certain information that should have already been disclosed by Grenke. A more honest statement would have been "now the market knows, and the regulators are knocking, we view this information as relevant".

Crying Victim

Grenke made some effort to distance themselves from the Viewble Media scam both in the UK and Australia claiming they terminated the relationship as soon as they knew what was going on. What was actually going on at the end of 2018 was Viewble's move into insolvency.

And however, the customer relationship mentioned in this report only accounted for about 0.1% of all customer contract at that point in time. We have terminated it at the end of 2018 as soon as we have realized what was going on. And we are working on solutions for all the customers affected the same as us by this fraud. We've also taken these

Figure 12 Grenke Conference Call Bloomberg Transcript

As we pointed out in our first report, Viewble was succeeded by Rhino Media who not only acquired Viewble's victims but kept signing on more victims with Grenke once again providing the leasing finance. Customers were made to sign a release form expelling Rhino Media from liability.

5 By signing this agreement between The Owner and The Hirer, you acknowledge and confirm that any revenue generated through third party media advertising or promotions with this equipment is strictly between your business and these providers. This has no bearing on your commitment to the monthly repayments of £299 inc. VAT per month over 36 months with The Owner.

Figure 13 Extract from Grenke Rhino Media financing agreement

In this sense they clearly misled participants on the call as to their involvement with the Viewble Media/Rhino Media scams. We note that we received an email from former Viewble Media Director David Reid claiming Grenke had full knowledge of the situation.

Grenke did find the majority of clients in the UK and yes had complete knowledge of the business and what was happening in Australia

Figure 14 Correspondence with David Reid, former Viewble Media Director

Grenke's further assertion that they were working with customers to find a solution that helps is also laughable. Viceroy have interviewed several customers and retail advocacy groups regarding Grenke's efforts to enforce their contracts after the collapse of Viewble. We fail to see how suing customers for payment is "[a] solution that helps."



in time noticed that it was a model that we usually not work with. At the moment we became aware of we closed this relationship of not only in the U.K., but also especially in Australia where a couple of dozens of contracts arrived in the meantime. And we try to look for solutions for those customers small and medium sized companies that we generally serve and also in this case to find solution that helps.

Figure 15 Grenke Conference Call Bloomberg Transcript

KPMG

We question the use of KPMG as the investigating party considering they are Grenke's current auditor, moreover their choice as investigating party due to speed.

A - Antje Leminsky {BIO 17678798 <GO>}

I can start with the last question. Mr.Huenseler, as I said before, we have a clear interest in being passed in terms of more detailed analysis. Right now, we just had three days to look into it and approve. Of course, we need a little bit more time and it was the fastest way of getting to this level of detail to work with KPMG. We are not saying that this is the end. We absolutely have the interest to give as much transparency as possible. And of course, you are absolutely right that an additional neutral position, of course, would be helpful. And so, we will definitely talk about that further.

Figure 16 Grenke Conference Call Bloomberg Transcript

A full investigation of the results of our research is an extensive task: historic impairments must be verified, franchise acquisitions must be reexamined and their accounts reintegrated due to what we believe to be effective control over them by Grenke.

To elaborate: Grenke had effective control of franchises since their inception despite their ownership belonging to CTP. They should therefore be consolidated, and previous accounts revised to reflect their inclusion. Expecting this to happen in "days rather than months" timeframe is ridiculous.

Q - Analyst

But this time another press release or what would you expect?

A - Antje Leminsky {BIO 17678798 <GO>}

Maybe even more details. We will talk about that later. But yes, we will -- we want to do it fast, and we are talking rather about days rather than months.

Figure 17 Grenke Conference Call Bloomberg Transcript

Let's use the example of Austrian franchise Grenkeleasing GmbH, formerly Grenke Mobilien Leasing GmbH which was founded by Wolfgang Grenke and Soft-Line AG in 1997. The company was acquired by Grenke AG on March 11, 2000 although by that time they had a 49.9% holding according to their 2000 annual report. Soft-Line AG would later establish CTP GmbH³.

| Shareholdings shown in % | 31/12/2000 | 31/12/1999 |
|--|---------------|--------------|
| GLG Grenke-Leasing GmbH, Baden-Baden | 100.00 | 100.00 |
| Grenke Location S.A. Schiltigheim/France | 100.00 | 100.00 |
| Grenke-Leasing AG, Basle/Switzerland | 100.00 | 100.00 |
| GRENKE Mobilien Leasing GmbH, Schwechat/Austria | 100.00 | 49.99 |

37051. FN 164049z GRENKE Mobilien Leasing GmbH, Vienna, Am Concorde Park 1 / A2 / Top 13, 2320 Schwechat;

GS: (B) **Wolfgang Grenke** (02/03/1951), deleted;

(C) Soft-Line Aktiengesellschaft Vaduz to Reg.No. H773 / 97 deleted;

(D) Grenke Leasing Aktiengesellschaft Baden-Baden Local Court, HRB 1836, ATS 7,000,000 contribution;

paid ATS 7,000,000;

Commercial Court Vienna, **March 11 , 2000**

Figure 18 & 19 Grenke AG Annual Report 2000 & Grenke Mobilien Leasing GmbH filings⁴, respectively

³ <https://fintelegram.com/grenke-case-the-smoking-gun-was-found-in-vienna/>

⁴

<https://www.firmenmonitor.at/Secure/AnnouncementDetail.aspx?AID=2626023&Highlight=Wolfgang%20Grenke&PID=1&SID=74fa9aa6-144e-4b6a-a6be-73464302a845&CID=393102>



This was Grenke AG's first overseas expansion, and it took the same structure as the franchise system the company now uses. KPMG must go through two decades worth of acquisitions, several of them with undisclosed related party aspects to determine whether these were a) properly announced to the market and b) already under Grenke's control at the time, therefore requiring a restatement of historic financials.

Before the company claims this was an isolated incident, we would like to point out that the same sequence of events occurred at Grenke Leasing Ltd⁵ (UK). Founded in 2003 by CTP, it was acquired by Grenke AG in 2008 without disclosing CTP's involvement. 2003 was also the year Grenke announced its franchise program without a single mention of CTP or any third parties being involved. The idea that a company as small as Grenke at the time would resort to a franchise model to expand is ludicrous and indicates the depth and length of this issue.

And all within a matter of "days not months".

Warth & Klein Grant Thornton audit

On September 24, 2020, Grenke announced the appointment of Warth & Klein Grant Thornton to conduct an audit into franchise acquisitions:

GRENKE AG mandates Warth & Klein Grant Thornton for an independent audit

Baden-Baden, September 24, 2020: GRENKE AG, a global financing partner for small and medium-sized enterprises, has mandated Warth & Klein Grant Thornton, one of the leading auditing companies in Germany for medium-sized companies, for an independent audit. The reason behind this mandate is the review of takeovers of franchise companies by an independent auditor that was announced on September 21. The audit will cover, among others, the market conformity of the valuations, the advantageousness for GRENKE AG and the validation of the purchase agreements concluded, including the parties involved.

Figure 20 GRENKE AG mandates Warth & Klein Grant Thornton for an independent audit⁶

This does not mean that the identity of these related parties will be released to investors: we expect Grenke will take every opportunity to keep their identities hidden. As mentioned above regarding KPMG's special investigation, we expect this audit to take a considerable amount of time as undisclosed related part franchise acquisitions have been taking place since 2000.

Update summary

The conference call hosted by Grenke Finance on September 18, 2020 was an exercise in obfuscation and stonewalling. All significant questions remain unanswered including:

- Who was CTP's ultimate beneficial owner prior to its acquisition by Wolfgang Grenke?
- Why was Wolfgang Grenke's acquisition of CTP viewed as irrelevant by the supervisory board?
- Why did Grenke AG provide finance leasing to Viewble Media when it was clearly a scam, and later to Rhino Media how were running the exact same scam?
- Why are Grenke management so focused on a "fast" investigation, the proper conduct of which will require reviewing two decades worth of transactions?
- Will WGW Investment GmbH also offer to sell its existing franchise operations to Grenke AG or will it continue to be owned by Wolfgang Grenke?

Given management's continued obstinacy, we withhold a price target on Grenke, given that so many questions remain unanswered.

⁵ <https://beta.companieshouse.gov.uk/company/04539806>

⁶

https://media.grenke.com/download/downloadgateway.dll/getfile?p_inst_id=32279944&p_session_id=&p_obt_id=3229405&p_spec_id=1