



# Grenke – Selective Blindness 2

A quick review of Wolfgang Grenke's statement.

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**September 18, 2020** – Wolfgang Grenke issued a tepid and intentionally opaque response to Viceroy's accusations of undisclosed related parties yesterday. You can find the statement below:

<https://www.dgap.de/dgap/News/corporate/grenke-wolfgang-grenke-aeussert-sich-zum-franchisesystem-der-grenke-ag/?newsID=1398435>

The statement asserts that the supervisory board was aware of these undisclosed related parties and off-balance sheet trading entities since their inception, about 10 years ago.

Viceroy believes that the proper course of action following Wolfgang Grenke's incriminating statement is for the supervisory board to:

- Reject their knowledge of Wolfgang's invested interest in CTP, and remove him from the board
- Resign

Wolfgang Grenke's obscurely mistakes IFRS interpretations of control, and astonishingly asserts that Grenke had direct involvement in even the beneficial ownership structure of these subsidiaries. KPMG must now take action to ensure all of these off-balance sheet trading entities are properly accounted for in Grenke's financial statements – past, present and future.

## IFRS 10 – Establishing control

Grenke's supervisory board have incorrectly asserted to their investors that "ownership = control". This is patently false. If Grenke had a CFO with chartered accounting designation, they would know this is not the case. To bury themselves even deeper, the board specifically state that they **engineered this minority ownership specifically not to establish control. Ironically, this is control.**

The acquisition of CTP at the beginning of 2020 has been handled transparently since the beginning of the contract negotiations in 2018 and the result is welcomed by GRENKE AG. This takes account of the growing influence of the GRENKE AG franchise system. As early as 2014, Garuna AG acquired 10% of individual franchise investments from CTP GmbH with the aim of reducing CTP's stake in the franchise companies to below 50% and thus preventing majority control. The shares of Garuna AG are held by a personal confidante of Mr. Grenke, Mrs. Corina Stingaciu, as beneficial owner.

IFRS 10 – which outlines requirements for the preparation of Consolidated Financial Statements – dictates rules surrounding control and establishes what dictates control. No element of establishing control relies on ownership of shares. This was *specifically* designed to stop companies such as Grenke, Steinhoff and Wirecard from running off-balance sheet trading entities to obscure their financial results.

### Control

An investor determines whether it is a parent by assessing whether it controls one or more investees. An investor considers all relevant facts and circumstances when assessing whether it controls an investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. [IFRS 10:5-6; IFRS 10:8]

An investor controls an investee if and only if the investor has all of the following elements: [IFRS 10:7]

- power over the investee, i.e. the investor has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns)
- exposure, or rights, to variable returns from its involvement with the investee
- the ability to use its power over the investee to affect the amount of the investor's returns.

- It is blindingly obvious that Grenke has full power over the trustee and ability to direct relevant activities

<sup>1</sup> <https://www.iasplus.com/en/standards/ifrs/ifrs10>



- Grenke holds call options as right to variable returns from its involvement, and bears financial risk from the financing of the same franchisees<sup>2</sup>
- Franchisee returns are entirely dependent on Grenke's support

We come to the harrowing conclusion that Grenke's auditors will likely have to restate its historical financial accounts to give a true representation of the business' conduct.

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*Is Grenke management aware that ownership does **not** constitute control?*

*How many off-balance sheet Grenke entities exist in the wild today?*

*How many off-balance sheet Grenke entities are now owned through CTP, WGW Investments, and any other investment vehicle beneficially owned by Wolfgang Grenke?*

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### There curious case of CTP

Grenke's press release asserts to investors that CTP was neither controlled, represented or associated with Wolfgang Grenke until his indirect takeover of the business in 2020.

Bis zur (mittelbaren) Übernahme der CTP GmbH durch Herrn Grenke Ende Januar 2020 waren die GRENKE AG und Herr Grenke selbst  
- weder an der CTP GmbH oder mit dieser verbundenen Strukturen beteiligt  
- noch haben sie diese kontrolliert  
- noch haben sie diese vertreten.

It is a slap to the face for investors to suggests that Wolfgang Grenke had no personal invested interest in CTP, despite:

- His "personal confidant", Ms Carina Stingaciu, owning 10% of CTP through Garuna AG – which operates from the same office as Sacoma AG (the previous majority owner of CTP) in Switzerland; and
- The former Grenke CFO Thomas Konprecht – also likely "personal confidant" of Mr. Grenke – having been the director of the business since 2014.

It is astounding that Grenke expects investors to believe Mr Grenke was moonlighting relationships at CTP for zero personal invested interest.

It is blindingly obvious that Grenke does not want to disclose who the prior beneficial owners of Sacoma were, or how much Mr Grenke and Ms Stingaciu paid for their respective beneficial interests in CTP.

Besides the point, anyone personally benefitting from Grenke franchise acquisitions is void until we can establish that these undisclosed related party transactions were not purely set up to hide fake earnings/cash. We have described the nature and structure of these deals akin to numerous other frauds in our original report.

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*Who was the beneficial owner of CTP/Sacoma prior to Mr Grenke?*

*How much did Mr Grenke pay for his stake in CTP/Sacoma?*

*What is Mr Grenke's relationship with Carina Stingaciu?*

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<sup>2</sup> You can find descriptions of these call options in Grenke DIP prospectuses



## How much did Ms Stingaciu pay for her stake in CTP/Garuna?

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### Takeaways

Wolfgang Grenke has done a fantastic job of throwing Grenke's supervisory board under the bus.

The board must now make a decision as to whether:

- they knew about these related party transactions, continue to hide beneficiaries of the transactions and personal interests of insiders, and resign; or
- Suspend Wolfgang Grenke from the board, investigate these franchisee transactions properly, and restructure the continuing franchise structure.

Regardless, Mr Grenke has established Grenke AG controlled these franchisees, per IFRS 10. KPMG faces the dilemma of likely having to consolidate these entities to give a true and accurate representation of the consolidated business.

Per our assessment of Grenke's responses, we remind viewers to keen in mind the following questions when navigating Grenke's calculated and opaque statements:

- Did Grenke disclose that all franchise purchases from CTP Handel-und Beteiligungs GmbH, **a company controlled by Wolfgang Grenke** and Thomas Konprecht, were **related party transactions**?
- If the prior owner of Sacoma AG was not related to Grenke AG, what were Wolfgang Grenke and Thomas Konprecht doing moonlighting as directors of their investment management company?
  - Who is the prior beneficial owner of Sacoma AG?
  - **Why are Pro Gulf FZE and Garuna AG (controlled by Konprecht) also taking stakes in franchises?**
- Did the supervisory board, who deliberated and resolved on the acquisition of associated companies, know about the control, purpose, directors and ownership of CTP and Sacoma AG?
  - If so, why did they choose not to disclose these transactions in breach of IASS 24?
- Are Grenke aware that **money launderers tend to be dishonest** about their intentions when opening bank accounts?
  - Does Grenke bank only check its customers for AML and KYC regulations at the time they register their account, and not as a live and continuous process?
  - Is Grenke aware their banking customers were on **active fraud alert with 3 different regulators**, including BaFin<sup>345</sup>?
- Why does Grenke continue to load up on expensive unsecured debt, enter expensive asset backed commercial paper programs, and issue capital and hybrid notes if it's sitting well above capital adequacy requirements with 2 years of revenues on its balance sheet?

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<sup>3</sup> <https://www.fma.govt.nz/news-and-resources/warnings-and-alerts/coinbrokerz/>

<sup>4</sup> <https://www.fca.org.uk/news/warnings/coinbrokerz>

<sup>5</sup>

[https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Verbrauchermitteilung/unerlaubte/2018/meldung\\_180822\\_FinTech\\_Service\\_en.html](https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Verbrauchermitteilung/unerlaubte/2018/meldung_180822_FinTech_Service_en.html)



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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](mailto:viceroy@viceroyresearch.com).

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