Perspective
Investment Management

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Exchanges made a mistake not to suspend Steinhoff

The core mandate of an exchange is to enable, ensure and regulate fair and efficient price discovery, without prejudice and in the best interest of minority investors.

The established rules that govern fair and efficient price discovery were developed over the past 200 years and have stood the test of time. It is clearly defined all over the world and usually consistently applied.

Even after declining by over 93% since early December, Steinhoff remains a substantial R22bn listed market cap company that continues trading despite not having produced financials well past the official cut-offs and grace periods. Furthermore, yesterday's formal update by the company states that no timeline can be provided for finalisation of the financials.

The Frankfurt Stock Exchange is allowing Steinhoff's equity to continue trading. I question the basis of this choice and I propose that they may be failing their mandate. If you can convince me that current buyers and sellers of this company are making informed decisions with the publicly available information at hand, please enlighten me.

To me, this is no joke. The probability that Steinhoff equity could ultimately be worthless OR worth a lot more than the current price per share of R4 and change is not nil. It is impossible to know at this time. So it could be a zero. Or literally anywhere between a zero and an imaginary higher number. This means that *anyone* transacting - buyers and sellers - are flying blind. Unless it is actually worth the current price, which is highly unlikely, at least half of these people are guaranteed to eventually be materially prejudiced.

The usual and sensible decision in such a situation is and correctly must be to suspend the stock until the company can provide sufficient information in public for all investors to be in a position to digest it and make informed decisions before the suspension is lifted and fair and efficient price discovery occur.

Our work continues...

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