

The Christmas capital-injections

6/1/20

During the course of December, our research shows that Wirecard moved over €230M from Germany to its Asian and Australasian subsidiaries in the form of capital injections, with no explanation and no apparent need to do so at that time:

Subsidiary	Date	Capital increase (EUR)
Wirecard NZ Limited	10/12/2019	105,890,145
Wirecard Australia A&I PTY LTD	19/12/2019	6,912,525
Wirecard Hong Kong Limited	23/12/2019	5,160,220
Wirecard Payment Solutions Hong Kong Limited	23/12/2019	13,768,300
Wirecard Asia Pacific Holding	26/12/2019	73,285,614
Wirecard Singapore	30/12/2019	27,871,042
Total		232,887,846

Sources: New Zealand Companies Registry, ASIC Register, Hong Kong Companies Registry, ACRA. Links to all below.

Why this money has been moved should be of concern to all stakeholders. Wirecard reported EBITDA of €280M in the APAC region for the first nine months of 2019. No acquisitions have closed in 2019, and total group capex has been just €75M. On this basis, we believe there should be substantial cash balances building up in the APAC region which would, in turn, have eliminated the need for such substantial capitalization from Germany. Why do they need this so close to year end? We recently highlighted Wirecard's [history of peculiar December transactions](#) close to the audited balance sheet date.

These capital injections include >€110M into Singapore, where the CAD investigation continues, and where auditors recently disclaimed their opinion on Wirecard accounting.

We urge analysts to ask Wirecard for an explanation.

Why is this money needed?

More round-tripping transactions?

We have previously written about several strangely circular transactions that Wirecard is involved with:

- [India](#): Not only did Wirecard pay €326M for an asset that changed hands for €39M one month earlier, but some of the proceeds generated by EMIF1A in the Hermes acquisition were almost immediately returned to Wirecard as software revenue;
- [Singapore](#): Our research suggests that undisclosed €115M loan made to Ocap/Senjo may have been used to pay down aged receivables held at the Wirecard subsidiary CardSystems Middle East (CME).

Or are there Citi portfolio integration issues?

We have heard from multiple local sources that Wirecard's integration of the Citi APAC portfolios has been very challenging and costly. The original deal, announced in March 2017 included a December 31st 2019 cut-off date for accessing Citi systems. Our research shows that few, if any, of the acquired portfolios have so far transitioned from Citi to Wirecard systems due to technical and regulatory challenges. As a result, this money may be needed to post as collateral to continue operating on Citi's platform.

Capital increase sources:

[Wirecard NZ Limited](#)

[Wirecard Australia A&I](#)

[Wirecard Hong Kong Limited](#)

[Wirecard Payment Solutions Hong Kong Limited](#)

[Wirecard Asia Pacific Holding](#)

[Wirecard Singapore](#)