SECRETIVE short-sellers are gearing up for a bumper 2019 after wiping £2.7 billion off the value of British companies last year.

Data compiled for The Mail on Sunday reveals five mysterious short-selling firms have caused carnage with critical reports on firms they targeted.

And according to one exponent of the controversial tactic, this year is going to be even bigger.

Fraser Perring, a former social worker who exposed accounting irregularities at Poundland owner Steinhoff, said: Money is cheap so it's easy to ignore fraud and aggressive accounting.

When money becomes more expensive - as it is getting - all of a sudden you have to weigh a few more risks. And I think if short-sellers don't have a heyday in 2019, I don't know when they will.'

He pointed to last week's dive in the share price of Apple after it reported a slowdown in iPhone sales. Only two analysts on Wall Street were advising clients to sell ahead of the near-10 per cent fall.

It's about time people speak up,' Perring said. How can you have 20 analysts with a buy note and a share price collapsing? If I walked into your office with all my limbs missing, you'd either call an ambulance or wonder if it's too late. But you wouldn't recommend that I'd go in for the marathon. And that's what they're doing.'

Short-sellers - often hedge funds - borrow shares from an investor, sell them and then hope to buy them back when the share price falls in order to make a profit.

They normally keep a low profile but an increasing number are speaking out about companies they believe are overvalued or, in some cases, guilty of aggressive accounting or even fraud.

Viceroy Research, Perring's little-known firm, last year attacked online gambling outfit Jackpotjoy and packaging giant RPC, causing their shares to dive 30 per cent and 13 per cent respectively.

Its attacks wiped nearly £600 million off the combined stock market values of Jackpotjoy and RPC.

Other firms to have suffered similar fates last year include Babcock, the defence giant whose largest customer is the Ministry of Defence. An anonymous outfit called Boatman Capital Research issued a report in October claiming that Babcock had systematically misled investors by burying bad news about its performance'.

Boatman also attacked chairman Mike Turner and chief executive Archie Bethel, saying they are not up to the job' - and claimed Babcock's relationship with the MoD had broken down.
Babcock dismissed the allegations as false and malicious' but its value has since fallen by around £800?million. Now it has hired corporate investigators at Kroll to discover who is behind Boatman.

There is a reason these figures often remain in the shadows. Two years ago, after Perring had dropped his daughter at school, two men with Eastern European accents trapped him in his car, threatened his family and demanded to know if he was behind anonymous reports into payments firm Wirecard. Perring lied and said he was not.

Last year, it emerged he was behind Viceroy, which published a report in December 2017 on Steinhoff, the South African retailer which in the UK owns Poundland, Bensons for Beds, and Harveys.

Despite never having trained as an accountant, Perring raised questions about Steinhoff's accounts. Two days later, the company shocked the retail industry by confirming accounting irregularities'.

Perring began short-selling full-time in 2012 after he was struck off as a child protection officer for Lincolnshire County Council. He now owns a house in London, one in New York and another in Oregon. He likes to race supercars and recently returned from California where he was testing his £200,000 Mercedes-AMG.

Another victim of short-sellers is IQE, a Cardiff-based semiconductor firm. It has lost £372?million of its value since it was targeted by two research firms last February - Muddy Waters and ShadowFall Capital, which have accused the Welsh firm of manipulating its accounts. IQE strongly denied the claims and pointed out that its critics profit from the ensuing share price fall through short-selling.

Muddy Waters is run by Carson Block, an American who made his name shorting Chinese firms at the start of the decade, many of which he alleged were committing fraud. He claims investors have a duty to go after companies guilty of immoral' behaviour.

He told a New York conference last month: I think activists can occasionally take short-selling to what I say is another level and that we can short a stock for reasons that have to do purely with the immorality of the company. That hasn't been expressly done before, and I think it can be done and it should be done.'

Former analyst Matthew Earl, known in the City as the Dark Destroyer', runs ShadowFall which has also set its sights on First Derivatives, a software consultancy based in Ireland but listed on London's AIM market.

In a note in October, ShadowFall claimed historical profits have been significantly bolstered' through one-off factors or by clever accounting. The note hit First Derivatives' share price and has wiped £500?million off its value.

The Mail on Sunday analysis - by Breakout Point - also includes Kier Group because hedge fund Kuvari Partners set out its case against the troubled construction firm in November, just 24 hours before the share price crashed by a third.

Mayfair-based Kuvari does not produce reports on companies like the others do, but its investment chief Vikram Kumar warned a London short-selling conference of Kier’s narrowing margins in an already low margin sector’ and questioned the true health of its balance sheet.

A day later, Kier shocked the market with an emergency rights issue to raise £250?million which hit the share price and has since cut £500?million off its market value.

Short-sellers have been accused of manipulating the market by cashing in from their damning reports.

However, Perring points the finger at analysts who, he says, publish positive reports far more often than negative ones. He says they are often paid to write research or are hoping to win new clients from it.

Steinhoff is still waiting on the results of an investigation into its accounting scandal after questions were asked by Perring.
A year on, Perring - who is being investigated for market manipulation in Germany for his reports on Wirecard - questions why the analysts who urged clients to buy Steinhoff shares are not being held to account: Where are the prosecutions for all the analysts for Steinhoff? he said.

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