Daniel's Perspectives – April 13th, 2018

## Responsibility to rat on a dud IPO attempt

I read the 212-page prospectus of the intended JSE listing of Sagarmatha Technologies. I will spare you the details. This stinks to high heaven. Buyer beware. You bet that this sort of thing upsets me a great deal.

This attempted listing is a super-charged and conflicted attempt to raise between R3bn to R7.5bn from investors to prop up a basically bankrupt business and the people behind it by re-packaging it in gold foil and providing excessive financial incentives to promoters and sales agents.

Three facts drawn from the prospectus for your consideration;

1) A promotion company owned by a major shareholder and two directors are "entitled to a success based fee of up to **R52.5mn** should the full amount be raised…" This is a serious conflict of interest.

2) The "…company can pay **anyone** a brokerage commission of up to **10%** to procure subscriptions…" This creates a juicy incentive to sell *anything*.

3) A so-named 'independent valuation firm', Redwood Valuation Partners from San Francisco, is applying an **exit revenue multiple of 10** times in their valuation. This is nuts.

Ordinarily I would keep this sort of information to myself and my colleagues and use it to the benefit of our clients. On further reflection, I feel responsible to do more on this occasion because it is such a blatant attempt at hoodwinking the general public. My concern is that the combination of financial incentives with a potentially uninformed and trusting public are so powerful that they may still be able to raise capital and list on the JSE!

Our work continues…

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