# When insider selling matters

*Daniel's Perspectives: February 21st, 2020*

**Transaction Capital** is an impressive business, founded by Messrs. Jonathan Jawno, Michael Mendelowitz and Roberto Rossi. It listed on the JSE in 2007 and delivered consistent strong business performance and shareholder returns. They built this business up from the ground and to their credit kept significant ownership stakes throughout. Earlier this week it was disclosed they had *sold* a combined total of 69mn shares valued at R1,62bn via a market mechanism known as an 'accelerated bookbuild'.

There is nothing wrong with smart businesspeople doing something as sensible as buying low and selling high. In fact, as an investor I expect, greatly admire and respect this behaviour.

I do take issue with the way the announcement is framed to make it sound appealing: "*Both new and existing <u>institutional</u> investors participated in the Bookbuild, further diversifying the Company's investor base and increasing <u>foreign ownership</u>. The Bookbuild has increased the Company's <u>free float</u> which is expected to improve <u>share liquidity</u>*"

I know full well it is standard for companies to communicate in this way, but frankly it is sugar-coating. Our numbers show clearly the alleged lack of domestic & foreign institutional ownership and share liquidity has not been a hindrance whatsoever to share price performance and business valuation.

I don't know about you, but when three key people who created and built a business and by definition knows it better than *anyone* take R1.62bn [*One point Six Two Billion Rand*] [*R1,620,000,000.00*] off the table by selling to outside passive minority investors, I submit it is worth paying attention.

Our work continues…

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