Stock: Asian Pay Television Trust (16% yield?!?)

Description

A few of you asked me to write about my thoughts on Asian Pay Television Trust (APTT), a stock I've looked at previously. #bbinvestments

It was, together with Rickmers, an extremely attractive stock not too long ago because of its high historical yields. At 10% back when I first was tempted by it, it meant that I only needed to hold it for 10 years to get my money back.

Sounds good right?

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At 16% yield today (Google), that makes APTT an extremely attractive stock for passive income. It has also risen quite a bit in recent months.

Ever heard of "high risk high returns"?

We know now what happened to Rickmers, and how those invested in them hoping to make big bucks have been wiped out. That, together with APTT, inspired me to write this classic blog post:



You can read this to learn more about why a high dividend yield should actually be read as a red flag, and not a plus point.

Also, there's a link in this article where I explained why I stayed away from Rickmers even though they were giving 14% yield.

Back to APTT.

What does it do?

APTT is in the cable TV and broadband business. You could compare them to Starhub, except that they don't have the mobile offering or 3-in-1 bundles that Starhub customers can get.

Any APTT or local telco investor worth their salt should know these are sunk costs. Once you build the cables and infrastructure, money from there just keeps growing. Maintenance costs leh? Nah, pretty insignificant.

Their IPO yield was about 8% and that has risen drastically to 16% today. Impressive. #dayrefinance

Backstory of why they IPO ed

The main asset you're buying into when you purchase the stock is Taiwan Broadband Communications (TBC), which is one out of three providers in Taiwan. Similar to our local telco scene, there isn't much room for too many competitors as you typically require high starting capital. That gives them a so-called "economic moat".

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If you wanna invest, I highly encourage you to look into TBC's competitors to see where they stand. Rank them, just like how we know in Singapore:
#1 Singtel
#2 Starhub
#3 M1

I didn't confirm their market share but I read reports suggesting that they're not #1. Aiyo.

My friend didn't buy APTT when they IPOed for various reasons, but the main one was because the parent company first tried to sell it off at a higher price, but were unsuccessful. Then they went for IPO.

He said then that if investors buy in at IPO, they would be buying something that other investors had already rejected. Second hand goods, anyone?

Make a guess who they borrowed from.

The parent company. That's perfectly fine, except that the interest rate charged is exorbitant.

It has been paying interest of more than S$50 mln each year ð??§ð??§ð??§

Who earns the most from APTT?

APTT is a highly leveraged business. Its debt includes a US$135 million facility in 2010 at an interest rate of 8.25% above LIBOR to refinance its older debt. Er, seriously? #dayrehome owners should know this is way too high above prevailing interest rates, especially back in 2010.

I loved what an analyst called it" "you could even finance a Zimbabwe gold mine for a lower interest rate than that!"

Another thing I didn't understand what why it opted for a loan in USD instead of the local TWD currency.

The USD has appreciated quite a bit too. What does that mean? Hahaha you guys should know right!

MORE MONEY TO BE REPAID, duh. So I really don't get the logic of this move. What was the company thinking?!?!

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Teaching my O level Burmese girl today and this cracked me up HAHA "all fingers but no bones" ð??? gotta give her credit for being creative!

Really happy with her work today cos she gave me an A1 English essay! The homework question I set her was:

"Sticks and stones may break my bones, but words will never hurt me". Describe an occasion when you were deeply affected by someone's words.

â?³ More red flags that I don't like about APTT:

â?³ Its senior managers made high incentive payments to themselves which were partially funded by the money they raised during IPO.

I'm not making any accusations here k, for it was clearly stated in their listing prospectus: "S$26 mln will be paid to the senior management on the listing date, which will be partly paid from the IPO proceeds of S$13.9 mln". My guess is that many investors missed this out, or maybe they just didn't bother reading in detail.

â?³ it has had many years of losses.

I don't like loss-making companies, simple as that. It is up to you whether you believe their reasons for it but I feel like there's more than meets the eye.

â?³ why were shares only given to larger investors at IPO?

Most of the shares allocated went to investors who applied for more than 500 lots. That's err, close to $500,000. I sure don't have that much money.

Smaller retail investors didn't get much. Not that they were disadvantaged in any way, since the share price now is about half of the IPO price lol. Heng ah!

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I don't know about you, but there were so many stuff I found about APTT during my qualitative analysis stage that it was enough to deter from buying the stock no matter how high the dividend yield.

And since my decision was already made, I didn't bother to waste time on their financial statements or the quantitative analysis of the company. No time, and I lazy la.

"Eh but BB, what if I buy now, collect the dividends, then sell off? 16% gain in a short time, not bad mah!"

That could be a strategy, but I'll just caution you that you could end up getting burnt. There's no guarantee that the share price won't slip after the dividend payout date, and you'll probably have to pray for a lot of luck and good timing if you want to make a quick buck from this strategy.

High risks, high returns mah. You decide.

I hope this gives you guys a better idea of how to potentially look at APTT! And this concludes my analysis for a stock I've looked at before! Really quite challenging to micro-blog a stock analysis on a small screen ð??• I also can't really do fact-checking as easily vs when I blog on the laptop so some of the numbers might not be as updated since I relied on Google only, so if you wanna invest I highly urge you to do your own analysis and update the numbers.

What stock should we look at next?

Category

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