IN THE BLACK

with John Beveridge

Satellite shares could go into orbit

ONE of the hardest decisions in investing is knowing when to sell a stock.

Buying is easy and any fool with money can do it, but knowing when to sell is really tough, particularly if you are already sitting on significant profits.

One of my best performed **speculative buys** from late last year, satellite company NewSat, has really taken off with its market capitalisation more than tripling this year.

The reason is not hard to find — a long overdue 1 for 50 share consolidation took the stock out of the penny-dreadful, day-trader territory and NewSat signed enough contracts with blue chip corporates to make even the most dismissive of investors sit up and take notice.

So do you take a profit and look for something else or hang in and hope that the momentum continues?

I think this satellite will gain a lot more altitude because NewSat has many more company transforming events to come.

Chief executive Adrian Ballintine has long stated that he wants to see the company enter the ASX 200 and the launch of its series of Jabiru satellites has the potential to do that.

In the past week alone NewSat signed a contract with Lockheed Martin to build its Jabiru-1 satellite and Arianespace to launch it in 2014.

It now has $US346 million of customer contracts for Jabiru-1 after yesterday adding a $US67 million contract with an unnamed Middle Eastern telecommunications carrier.

Using a real estate analogy, NewSat now owns 7 "dress circle" satellite slots, which can accommodate several satellites each.

Many of the slots cover high growth areas such as Asia, Africa, the Middle East, along with Australia, PNG, Timor-Leste, the Pacific and the Americas.

Next year, NewSat will be raising the debt and equity funds needed for Jabiru-1 at the same time as it is selling contracts and garnering expressions of interest all the way through to Jabiru-4.

Interestingly, as the satellites come on stream, NewSat's existing teleport business become much more profitable as it moves from being a reseller of satellite capacity to selling its own bandwidth.

It is a little like Telstra in reverse, with NewSat adding a wholesale arm just as Telstra progressively cedes its copper network to the National Broadband Network.

Having operating satellites should also spark a significant increase in NewSat's value given a 15-year profitable operating life for satellites.

As you might expect, the main contracts for high speed data services are with the military, large mining and other companies and telecommunications companies. NewSat is already a global player that is more of a household name offshore than it is at home.

Perhaps contrary to popular perceptions, the growth of terrestrial fibre optic links should significantly increase satellite traffic rather than replace it and it is a very safe bet that global data usage is heading in one direction — up.

There are undoubtedly many risks ahead for NewSat as it raises funds and eventually keeps those fingers crossed as Jabiru-1 is launched in 2014, but it remains a **hold** for earlier buyers and a **speculative buy** for everyone else given the considerable share price upside potential.

AMADEUS Energy has fallen off the radar since a failed takeover scheme, but it is worth a second look.

After selling a Kansas project it is debt free and has a modest portfolio of producing oil and gas wells in Texas, Oklahoma and Louisiana.

Those wells may not throw off enough cash to finance another J.R. Ewing, but the cash flow is funding another share buyback, and drilling, which is adding to reserves.

Amadeus is hardly exciting but is a cheap and cheerful value play — **speculative buy**.

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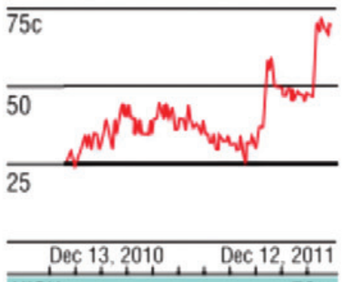

HIGH	72c
LOW	25c