# Never Accept Information Blindly

In investing we use many sources for information. Some are reliable and others tend not to be. Once we find that a source is frequently unreliable, we should seek alternatives and stop relying on it.

However, even some generally reliable sources get things wrong from time to time. I will show a recent example that I came across below. This could be a timing issue. It could also be a policy issue. This particular example was a mix of both of those factors.

The stock AP Eagers (APE) came up on one of my recent market scans. The fundamental data that one of my software packages, which is generally reliable, threw up were so unbelievable that they had to be wrong. So, I went to my other software package to see what it showed. Its numbers looked OK, so I spot checked a couple of them from the accounting documents and other internet sources. I was satisfied that my first software was wrong, but my second software was correct. I will explain why this happened below, but first I will show you the comparative numbers. I am deliberately not telling you which software gave which set of numbers, because it has no bearing on the point of this article.

| | **Incorrect data** | **Correct data** |
|---|---|---|
| Market Capitalisation | $99m | $495m |
| Price Earnings Ratio | 2.47 times | 11.45 times |
| Dividend Yield | 25.4% | 5.08% |

Actually, I had a good idea, as many readers will, of what was wrong with the first set of data. However, I made sure that I was correct by checking it out. AP Eagers had recently made a 5 for 1 split of its shares. So, I first looked at the number of shares on issue. The number of shares on issue at the last balance date was 31.4 million. Now the number of shares on issue is 157 million. Clearly, the difference was because the shares had been split. Since I knew that there had been a split, it was not hard to find that was the reason.

Now, to the reason behind this incorrect data: It was part timing and part policy. My correct source had adjusted everything for the split, but my incorrect source had not done so. I suspect that this was because the incorrect source has a policy of not making all the adjustments immediately. Sometimes the data is not adjusted until the end of a month, the next balance date or at least the next half-year report. Even in the shorter term, the adjustments are not always properly/fully made and we have to wait until after the next full year results are out.

If we are going to invest our savings in a company, we should always try to remember to double-check the sources of our information on which the investment decision is made. In particular, check anything that does not seem right.

There is, of course, another reason why data sources can vary. This is that they use different definitions for some ratios. This is not a mistake; it is just that different analysts use their own different methods, just as technical analysts do in their work. This is perfectly legitimate. When using someone's data, it behooves us to make sure we know their definitions. Otherwise we might brand differences unfairly as mistakes, when it is really us who are mistaken.

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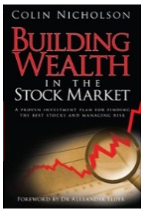


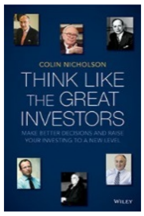


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