

BCE A 'buy' for analyst

Barry Critchley, *Financial Post*

Published: Thursday, October 16, 2008

Toss in the decisions by a group of countries to bail out the banks, add in the low share price of BCE Inc. and what emerges is a "buy" recommendation for the telecommunications company.

That's the view of **Neeraj Monga**, an executive vice-president at **Veritas Investment Research**, an independent investment research company. "With a 75% chance of failure embedded in a price of \$33 or thereabouts, unless the private-equity consortium has lost its stomach to do the deal, we believe that an opportunity for unlevered Canadian investors to profit from the situation exists," **Monga** wrote in what is his third report on BCE in the past six months.

To show how **Monga's** views have changed, he has given his third recommendation to the company, which is slated to be bought by a consortium led by the Ontario Teachers Pension Plan Board on Dec. 11. Previously (last April), **Monga** rated BCE a "sell" but changed that view to a hold in June.

He says based on the probabilities of the deal closing, at current prices, BCE is undervalued. It closed yesterday at \$32.49. "We believe that at these levels, it is time to jump and be part of the BCE roller coaster," he wrote. "At [around \$33] it is a good entry point for investors. The downside is protected to \$30 but the upside is \$42.75."

Indeed, **Monga** argues the actions of the British and U. S. governments -- which are funding Royal Bank of Scotland and Citigroup Inc., respectively, two of BCE's key bankers -- increase the likelihood of the deal going through. "The governments' main focus has been to recapitalize the banks so that there is no run on the deposits. The process of recapitalizing banks is to promote lending. The banks will go ahead and lend the money they have agreed to," he said.

Those who studied the classics will have no problem understanding the front-page title of **Monga's** report: A Sisyphean Challenge. For those who didn't, Sisyphus was a king who was punished by being forced to roll a huge boulder up a hill, only to watch it roll down again, and to repeat this for eternity. A more general meaning is an activity that is unending and/or repetitive. After almost 18 months, BCE's shareholders want the deal to end as quickly as possible, though

one has written to this columnist arguing the deal should be put off to the early part of 2009, so he can defer his capital gains.

For those who had any doubts Wildeboer Dellelce, the Torontoheadquartered law firm that is home to about 30 lawyers, is "different," then an event held last night should put those doubts to rest.

The 15-year-old firm kicked off its 2008/2009 speakers series last night. It invited Bill Bamber, a former managing director at New York-based Bear Stearns, to speak about his book Bear Trap: The Fall of Bear Stearns and the Panic of 2008. These events are in line with the approach implemented by Perry Dellelce, managing partner. "Our firm serves the legal needs of a diverse client base of both public and private businesses, while managing to have a great time doing so." Not too many other law firms would have such a mix. Indeed, Dellelce views his firm as the only one of its size in Canada "that competes effectively and successfully against the full-service national law firms in the corporate, securities and tax areas."

Delelce, who went to school with Bamber, said his speakers receive a pool cue (for the in-house pool table) and a \$5,000 cheque that's given to the speaker's favourite charity.