

Hot Stock By Mark Evans

A sudden surge in PCS Wireless

PCS Wireless Inc.

CEO: Ralph Scobie
Shares outstanding: 12.9 million
Market value: \$35.5 million
Ticker symbol: PCS
Listed: VSE
Head office: Vancouver
Data supplied by company reports

If "potential" was an investment fundamental, PCS Wireless Inc.'s stock would be on everyone's buy list.

Despite a limited track record and modest sales, the Vancouver-based telecommunications equipment maker has cultivated a growing number of followers as investors realize it could become a key player in the development of new wireless telephone networks in the U.S., and down the line in Canada.

PCS Wireless makes antennas that telephone companies such as Bell Atlantic Corp., Wireless Co. LP and Pacific Telesis will need to build digital wireless networks.

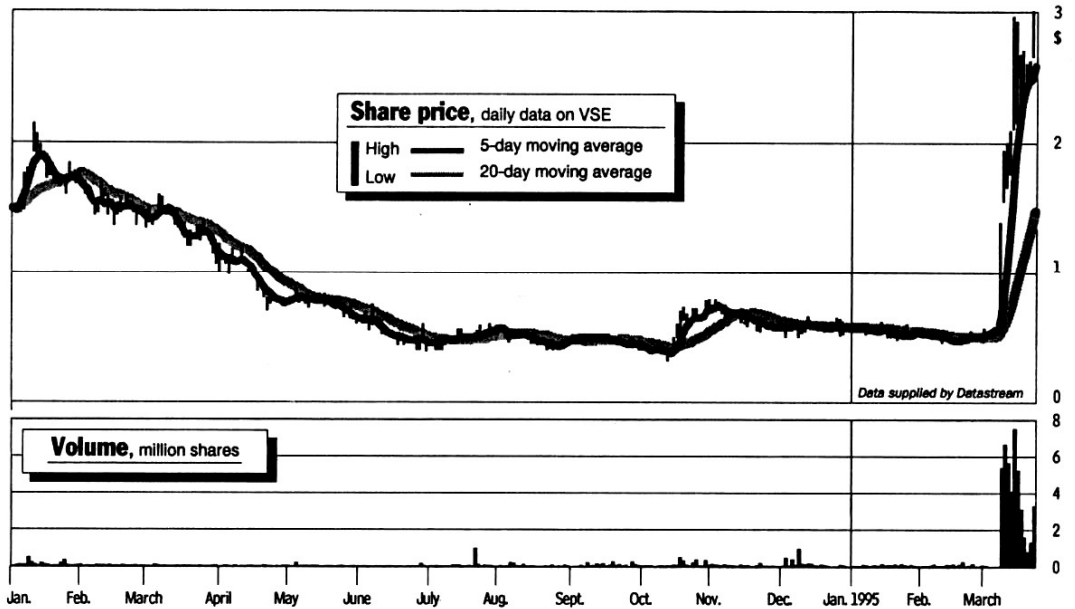
The U.S. Federal Communications Commission recently awarded wireless licences to three consortiums, and construction of US\$7.6 billion in competing coast-to-coast wireless networks is expected to start soon.

The stakes are high as it is estimated the wireless market could be worth US\$8 billion a year in 10 years. More importantly, capital costs for new wireless networks could hit US\$50 billion — great news for equipment makers such as PCS Wireless.

In light of this development, PCS Wireless's stock (PCS/v), which had traded under \$1 for nearly a year, was pounced on by investors.

The thinly traded stock began moving from 57¢ after PCS Wireless announced March 8 the signing of a US\$5-million supply agreement with Motorola Inc.

On March 10, the company's management helped stir the pot by issuing a press release announcing it had been granted a patent by the U.S. Patent Office for its cordless telephone and switching system for antennas.



By March 15, the stock had soared to \$2.56 on daily volume during the previous week of more than five million shares. Since then it has hit a 52-week high of \$3. It closed on Friday at \$2.80, down 5¢.

Investors have had even more information to chew on with news of an agreement with Huntsville, Ala.-based Avex Electronics Inc. to make parts for wireless telecommunications equipment. It has also signed a strategic product design and consulting agreement with Cadence Design Systems of San Jose, Calif.

Given all this activity and the stock's new-found health, PCS wasted little time capitalizing on the situation by making a private placement of between \$7 million and \$10 million through Canaccord Capital Corp. and Sprott Securities Ltd.

"This [story] is for real," said Richard Piotrowski, an analyst at Sprott Securities Inc. in Vancouver, who has been looking at PCS Wireless for the past

nine months.

"Everyone wants their technology. Cox Enterprises [Inc.] ran trials using PCS Wireless equipment in San Diego and it met or exceeded their expectations. Cox will probably be running using PCS equipment."

Piotrowski said PCS's equipment is attractive because it reduces the number of base stations required by wireless telephone operators and can lead to cost savings of about 40%.

Canaccord analyst Linda Allison, who has a buy recommendation and a 12-month target price of \$7 on the stock, said PCS Wireless has a bright future provided it can meet the strong demand for its products.

"It's young, it's emerging and it's got good technology," she said. "They organized themselves the right way for the right time, and positioned themselves well."

Despite the stock's climb and favorable analyst coverage, PCS Wireless does have its critics, who believe the

stock is a speculative investment with an uncertain future.

For the nine months ended Nov. 30, the company posted a net loss of \$1.7 million (8¢ per share) based on revenues of \$1.01 million.

One analyst, who declined to be identified, said PCS Wireless's supply agreement with Motorola does not guarantee minimum orders, and it remains to be seen when these wireless telephone networks will start to roll out.

He is also concerned about the status of the company's U.S. patents.

"People are going to go after PCS Wireless' patent and chances are it will be overturned. That's the risk. They're a little company and they could get squashed."

To date, PCS Wireless has proved resilient, scuttling the plans of short-sellers who have been forced to cover their positions as the stock headed upward. The latest report indicates short positions have tumbled to 173,400 shares from 525,504.