

Soaring PCS stock dazzles Howe Street

BY MATHEW INGRAM
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Riding an explosion of interest in the brave new world of personal wireless telephones, the stock price of tiny PCS Wireless Inc. of Vancouver has climbed into the stratosphere in recent days — rising fourfold since the beginning of March. Not bad for a company with hardly any sales and no earnings.

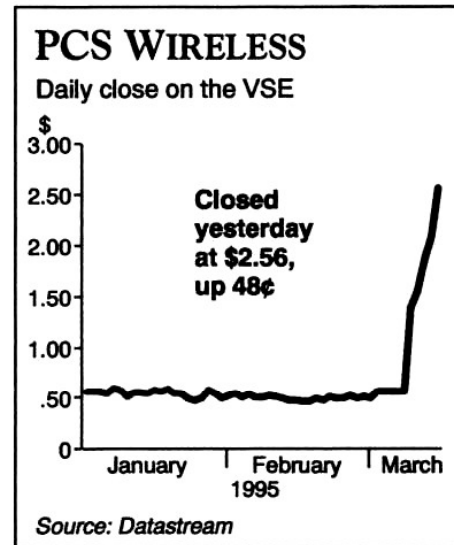
Even seasoned veterans of the somewhat speculative Vancouver Stock Exchange scene say they find the pace PCS shares have set in the past few days dizzying.

“Someone said even [legendary Howe Street financier] Murray Pezim could never do this on his best day,” said one Vancouver broker.

PCS shares traded for 57 cents on March 2 before being halted for four days pending an announcement. When they resumed trading, they hit \$1.39 on volume of 5.4 million shares in a single day — more than the stock had traded in the previous six months and almost half of the company's outstanding equity.

The stock yesterday hit \$2.56 on volume of 7.5 million shares. In the six months to August, 1994, the company had sales of \$905,000 but it expects to end the year with sales of about \$4-million.

The spark that ignited the stock was the announcement March 9 of a major supply agreement with U.S. telecommunications giant Motorola Inc. of Schaumburg, Ill. The



announcement came just as the market's attention was focused on the multibillion-dollar auction of PCS frequencies in the United States.

The company's release didn't provide any details of the arrangement but several analysts have estimated that the three-year deal is worth about \$5-million (U.S.). Company officials couldn't be reached yesterday.

The PCS auction, which closed on Monday, saw the federal government collect more than \$7-billion in bids from three consortiums for the right to use certain frequencies to broadcast PCS — personal communications services. These would allow consumers to use small portable phones anywhere within the broadcast area of a PCS base station.

The attraction of PCS, analysts say, is that it is a higher-quality

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signal than cellular telephones provide, is more reliable because it is digital, and is likely to be cheaper. In the auction, a group composed of Sprint Corp. and several cable companies spent \$2.1-billion for 29 licences. A group led by AT&T Corp. spent \$1.7-billion for 21 licences and a group of regional Bell phone companies bid \$1.1-billion for 11 licences.

In a well-timed news release Tuesday, PCS president Ralph Scobie noted that his company "has conducted technology trials with member companies from all groups," including Cox Enterprises Inc., AT&T Corp., US West Inc. and Telesis Technology Laboratories.

Analysts say the systems PCS supplies, known as Distributed Antenna Arrays, allow PCS providers to extend the reach of their base stations by piggy-backing the telephone signal on existing coaxial cable networks. This is extremely attractive to PCS companies, supporters of the company say, because it promises to significantly reduce the cost of building their networks.

"Now that the auctions are over, networks can now be deployed — and part of that is orders for hardware," says analyst Matt Cicci of

Canaccord Capital in Vancouver, which has done underwritings for PCS in the past.

"We think [PCS systems] will eventually make up about 5 to 10 per cent of the market. What is attracting the telephone companies is that this technology is significantly less expensive."

Richard Piotrowski of Sprott Securities in Vancouver, whose firm has not done work for PCS, says he has talked to executives with AT&T, Motorola, Cox and Comcast.

"I am very, very comfortable that PCS is a real company," he said. I talked to someone at Motorola and said: 'This is a VSE stock, I'm concerned about fraud.' And he said 'This is a real company.'"

PCS's patented technology is irresistible to large telecommunications companies because it will cut costs and that is likely to be a key competitive factor, according to market analyst David Goodtree of Forrester Research in Cambridge, Mass.

"There's going to be a brutal price war and if you can shave a cent off a call, that's a huge margin you can use to undercut your competitors. Anything that helps that is good," he said.

"PCS is right there with the technology — and they have all the right dance partners," Mr. Cicci said. "Sure, the company has a market cap of \$50-million to \$60-million now, up from about \$10-million a few days ago. There's no question that's extreme. Could it be worth even more? No question."