

# Don't Bet On BCE, Veritas Analysts Say

**Barry Critchley, Financial Post**

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On the eve of BCE Inc.'s (BCE/TSX) challenge before the Supreme Court of Canada, **Neeraj Monga** and **Dharmesh Samji**, two analysts with **Veritas Investment Research**, have taken a fundamental look at the company. And they don't like what they see.

Without a successful result from the Supreme Court, BCE's equity value will stabilize around \$29 a share, they say. And they have placed a sell on the stock with the comment that "we wouldn't bet our money on BCE."

In their 16-page report, the two analysts presented three scenarios proposed \$52-billion leveraged may end, and their odds for each:

-A 49% chance of winning. The analysts chose 49% because that's the percentage of all cases which were successful on appeal to the SCC over the past 10 years. Under that scenario, BCE's expected value is \$34.32.

-A 40% chance of success. That percentage was chosen because over the period Jan. 1, 1997 to May 28, 2008, it represented the chance of winning an appeal judgement based on commercial and tort law cases. Under this scenario, BCE's expected value is \$33.64.

-A 20% chance of negotiating a settlement agreement with the bondholders. That scenario generated an expected value of \$34.31 a share.

The analysts also have a dim view on whether shareholders should expect to receive the current offer of \$42.75 a share, saying the probability of getting full price "even under the most optimistic of scenarios is bleak," they wrote. The two argue that if BCE is successful in its litigation against the bondholders, "then a realistic expectation, given the Clear Channel settlement, should be a 10% re-price or approximately \$38.50 per share."

Under a negotiated scenario, the two analysts believe that shareholders will receive a price in the range of \$35.35-\$37.49.