

BCE Third-Quarter Profit Rises 46% on Wireless Gains (Update4)

By Chris Fournier, (Bloomberg)
Published Wednesday November 7, 2007

BCE Inc., Canada's biggest telephone company, reported a 46 percent increase in third-quarter profit after luring more wireless customers with new handsets.

Net income rose to C\$440 million (\$484 million), or 50 cents a share, from C\$302 million, or 36 cents, a year ago, Montreal-based BCE said today in a statement. Revenue climbed 2 percent to C\$4.49 billion, compared with the C\$4.46 billion average of estimates compiled by Bloomberg.

Wireless revenue advanced 8 percent after BCE introduced phones such as Research In Motion Ltd.'s BlackBerry 8830 e-mail device, which can play music and surf the Web. BCE has focused on mobile-phone sales, which accounted for a fifth of revenue last year, to make up for declines in the landline business, which lost 93,000 customers in the latest quarter.

"People are buying into BCE's promotions," **Veritas Investment Research's Neeraj Monga** said in an interview. Selling handsets such as the 8830 to Bell's corporate customers may be behind the gains, the Toronto-based analyst said. He advises clients to hold onto the shares, and doesn't own any.

Bell competes with Telus Corp. for business clients, which account for a third of sales. Wireless sales to Canadian companies will rise 12 percent to C\$5.45 billion this year from 2006, according to IDC Canada analyst Lawrence Surtees in Toronto.

Teachers' Offer

BCE has agreed to a C\$52 billion buyout offer from the Ontario Teachers' Pension Plan, which the companies expect to close in the first quarter next year. In September, shareholders voted to accept the offer of C\$42.75 a share, plus C\$16.9 billion in debt, preferred shares and minority interests.

Excluding investment gains and restructuring costs, third-quarter profit rose to 54 cents a share from 48 cents. Analysts on average projected 52 cents. Last year the company incurred 3 cents a share in costs to turn the Bell Aliant unit into an income trust, as well as 9 cents to revamp operations.

BCE shares dropped 24 cents to C\$40.55 at 4:10 p.m. in Toronto Stock Exchange trading. They have climbed 29 percent this year.

BCE added 137,000 wireless subscribers in the quarter, topping the 70,800 estimate of National Bank Financial analyst Greg MacDonald. Back-to-school promotions and new handsets such as the Samsung u740 Double Flip, which has two screens, contributed to the increase, the company said.

Wireless revenue growth trailed rivals' in the latest period. Last week, Rogers Communications Inc., Canada's biggest mobile-phone company, reported sales growth of 18 percent for that division, while Telus posted an increase of 9.4 percent.

Costs to acquire wireless customers dropped 11 percent to C\$371, on average, BCE said. Rogers last week said costs to gain customers increased 8 percent to C\$392.

Last month, BCE said Bell Canada operations chief George Cope will take over as chief executive officer from Michael Sabia, who has led BCE since 2002.

To contact the reporter on this story: Chris Fournier in Montreal at Cfournier3@bloomberg.net

Last Updated: November 7, 2007 16:17 EST