

## ConAgra Tasty To Insiders Even at Highs

By **CATHERINE SHU**

**TWO CONAGRA EXECUTIVES**, including its chief executive officer, scooped up big helpings of the packaged food company's shares just as the stock hit its highest level in a year.

On Oct. 3, Chief Executive Officer Gary Rodkin and Robert Sharpe, Jr., an executive vice president, spent a total of \$2.1 million on 86,000 ConAgra shares, for prices ranging from \$24.48 to \$24.54 per share.

The stock is currently trading near a 52-week intraday high of \$25.18, which it hit on Oct. 5. ConAgra shares received a boost on Sept. 21 when it raised its fiscal 2007 guidance to above the consensus estimate.

The company's shares have been pressured since the beginning of 2005, falling 15% as ConAgra engaged in a comprehensive restructuring effort, selling a number of its business units and closing several of its plants. Last month, the company said that it expects the streamlining to result in a \$100 million reduction in annual fixed costs by fiscal 2009.

Last month, the company reported first-quarter income of \$108.5 million, or 21 cents a share (the company said it reported only preliminary results from continuing operations because it still needs to finalize results from discontinued operations). Without restructuring costs, earnings would have been 26 cents a share, above the consensus estimate for 23 cents a share. ConAgra also boosted its fiscal 2007 outlook by five cents a share to range from \$1.17 to \$1.22 a share, citing the success of its cost-cutting measures.

Rodkin and Sharpe's purchases seem to signal optimism over ConAgra's prospects. Rodkin's purchase of 75,000 shares for \$24.48 each, or a total of \$1.8 million, doubled his stake in ConAgra stock to 150,000 shares. Sharpe spent a total of \$269,900 on 11,000 shares for about \$24.53 each, upping his total stake to 45,000 shares. In addition, Rodkin holds about 1.48 million options, while Sharpe owns 460,000 options.

ConAgra has 510.3 million shares outstanding, according to its latest proxy filing.

Both men joined ConAgra's management in late 2005. While ConAgra has stock ownership requirements for its executives, insiders "still have to pick and chose when to buy," notes Ben Silverman, director of research at InsiderScore.com.

"The positive here is that they are buying on strength," Silverman says, adding that both men also bought shares on March 24, a few days after the stock hit a 52-week low. In those transactions, Rodkin purchased 75,000 shares for \$20.72 each, spending a total of \$1.6 million, while Sharpe bought 34,000 shares for \$20.80 each, or a total of \$707,000 (see "Loading the Cart with ConAgra shares," Barron's Online, March 28, 2006).

According to its Aug. 18 proxy statement, ConAgra's stock ownership rules require Rodkin to own six times his base salary of \$1 million in shares, while Sharpe is required to own four times his base salary of \$600,000.

Based on Friday's closing price of \$24.99, Rodkin and Sharpe need to increase their stakes by about 90,000 and 51,000 shares, respectively, before the ownership requirement is fulfilled.

ConAgra spokesman Chris Kircher says that the two men's purchases weren't related to their stock ownership requirements and were instead due to "their belief in the company and confidence in the direction things are going."

Michael Painchaud, managing director of research at Market Profile Theorems, says that Sharpe and Rodkin's most recent purchases, coupled with improving earnings and analyst sentiment, pushes his firm's rating on ConAgra shares to a Buy.

"It's simply a positive picture, as far as we are concerned, and we'd rather own this stock than something else," Painchaud says.

David Driscoll, an analyst with Citigroup, shared an equally upbeat outlook on ConAgra after its first-quarter report.

"Cost savings from ConAgra's restructuring program are coming in ahead of schedule, and present the company with added flexibility in its efforts to raise marketing spending levels and grow earnings-per-share above guidance," Driscoll wrote in a Sept. 21 report. Driscoll maintained a Buy rating and \$27 target price.

But while Susquehanna Financial Group analyst Thomas Morabito, who has a Neutral rating on the stock, says that ConAgra has a solid portfolio of products and its restructuring efforts have been "so far, so good," the company continues to face tough competition from its main competitors, including Kellogg, General Mills and Kraft Foods.

ConAgra "is doing all the right things to turn itself around, but most of the positive actions have been priced into the stock," Morabito says.