

## Insider Preps for Caterpillar's Flight

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**Insider Tables:** [Buyers](#) | [Sellers](#)

*Updated Version*

**INVESTORS SENT** [Caterpillar's](#) stock cowering into its cocoon after the heavy-equipment maker posted disappointing earnings ten days ago. But one veteran director's subsequent bet is already starting to sprout some wings.

At an analysts' meeting Monday, chief executive officer James W. Owens said he expects Caterpillar's sales to jump to \$50 billion by 2010. The stock rose 3%, pushing this year's gains to 8%.

Last week, director Peter A. Magowan paid \$4 million for 80,000 shares on the open market, according to Securities and Exchange Commission filings.

He purchased an additional 70,000 shares on Friday for \$3.6 million, according to forms filed with the SEC after the market closed on Monday.

Including Friday's purchase, Magowan has more than tripled his equity stake in Caterpillar to about 207,000 shares. These recent buys were his largest transactions since he joined the board in 1993.

"That's a vote of confidence," says Michael Painchaud, managing director of research for Market Profile Theorems. Because of Magowan's purchases, he now recommends that money managers buy the stock after having been bearish on it for several months.

Although Magowan doesn't have a strong history of making big stock purchases at Caterpillar, Ben Silverman, research director of data provider InsiderScore.com, says, "When he comes up with a buy that big, you can't not pay attention."

The former CEO of grocery-store chain [Safeway](#), Magowan also is the president and general managing partner of the San Francisco Giants baseball team.

"Magowan is a proven businessman," says Silverman.

Insiders have been selling a record number of Caterpillar shares in 2005, says Jaseem Hasib, a research analyst with Thomson Financial. But, he notes most of the selling

followed options exercises and insiders also held one-fourth of the shares they acquired through exercising options.

Caterpillar recently disappointed Wall Street by missing third-quarter earnings targets and reducing its 2005 earnings outlook.

Analysts have become increasingly bearish regarding Caterpillar's outlook, which apparently flies in the face of Magowan's purchase. "When there is a sharp divergence like this [between analysts and insiders], it is generally won by insiders," says Michael Painchaud, managing director of research for Market Profile Theorems.

At Monday's analysts' meeting, Caterpillar executives said they expect the company to deliver annual earnings growth 15% to 20% through 2010.

Eli Lustgarten, an analyst with Longbow Research, notes in a report that Caterpillar "is in a favorable market cycle this decade which we believe will show strong but not necessarily linear growth over the next five years."

Even with the recent bounce, Caterpillar's stock is down 12% after climbing to a one-year high of \$59.88 in September. It changes hands at about 11x projected earnings over the next four quarters, below its average 16.3x forward earnings.

"With this significant drop in price you're seeing a chance at value at historical levels for Caterpillar," says Thomson's Hasib.

The question now is whether this Caterpillar will morph into a moth or a Monarch. Obviously director Magowan is betting on the latter.

## Recent Insider Activity

### BUYERS

COMPANY NAME	INSIDERS NAME	TITLE	\$ VALUE	NO. OF SHARES IN TRANS.	RANGE OF VALUES	TRANSACTIONS DATES
Oakley	J. Jannard	CB	9,230,808	654,000	13.75-14.38	Oct. 25-27, 2005
Discovery Laboratories	A. Esteve	D	4,472,000	650,000	6.88	Oct. 26, 2005
Caterpillar	P. Magowan	D	4,006,916	80,000	49.96-50.93	Oct. 26-27, 2005
Stryker	W. Parfet	D	4,005,000	100,000	40.05	Oct. 27, 2005
First Advantage	P. Kennedy	D	151,770	6,000	24.97-25.63	Oct. 27, 2005
Ameriprise Financial	W. Turner	D	146,131	4,000	35.97-37.01	Oct. 26-27, 2005
Honeywell International	D. Davis	D	134,151	4,000	33.47-33.58	Oct. 27, 2005

Apria Healthcare	A. Khalifa	CFO	111,876	5,000	22.31-22.40	Oct. 27, 2005
Graco	J. Eugster	D	95,900	3,000	31.70-32.10	Oct. 27, 2005
Flextronics International	T. Smach	CFO	94,900	10,000	9.49	Oct. 28, 2005

(Source: Thomson Financial/Baseline)

## SELLERS

COMPANY NAME	INSIDERS NAME	TITLE	\$ VALUE	NO. OF SHARES IN TRANS.	RANGE OF VALUES	TRANSACTIONS DATES
Yahoo!	T. Semel	CEO	22,465,241	639,218	35.10-35.31	Oct. 25, 2005
Google	L. Doerr	D	20,022,910	58,100	343.50-346.91	Oct. 25, 2005
Yahoo!	T. Semel	CEO	17,709,601	500,000	35.40-35.45	Oct. 27, 2005
Yahoo!	T. Semel	CEO	15,829,437	447,632	35.05-35.58	Oct. 26, 2005
Robert Half International	H. Messmer	CEO	9,636,963	261,700	36.63-36.98	Oct. 26, 2005
Paychex	B. Golisano	CB	6,111,101	160,300	38.12-38.12	Oct. 27, 2005
Altria Group	N. Delisi	O	5,943,535	79,433	74.82	Oct. 26, 2005
Sepracor	D. Southwell	CFO	5,664,813	100,000	56.48-56.85	Oct. 25, 2005
Manor Care	M. Weikel	CO	5,032,242	134,900	37.25-37.40	Oct. 27, 2005
Genentech	R. Garnick	O	4,104,914	45,838	89.55-89.74	Oct. 26, 2005

(Source: Thomson Financial/Baseline)