

November 27, 2006

Crocs Insiders Scale Down Holdings

By CATHERINE SHU

Insider Tables: Buyers | Sellers

FOUR CROCS INSIDERS HAVE been stepping out of the footwear maker's shares, which have nearly doubled since its initial public offering in February.

The sellers, who include Crocs' chief executive officer, a vice president and two directors, sold a total of \$54.6 million in stock in transactions from Nov. 21 to 24.

Crocs shares hit a 52-week intraday high of \$50.25 on Nov. 15 but have slipped steadily since then -- last week's sales came at prices ranging from about \$42 to \$44 per share.

CEO Ronald R. Snyder sold 450,172 shares for \$19.8 million, or \$44 each, on Nov. 21. On the same day, director Michael E. Marks sold 600,229 shares for \$26.4 million, or \$44 per share. Director Raymond D. Croghan grossed \$2.6 million by selling 60,023 shares, also for \$44 each. Meanwhile, Michael C. Margolis, a vice president of sales and marketing, sold 130,477 shares from Nov. 21 to 24 for a total of \$5.7 million, at per-share prices ranging from \$42.44 to \$44.

Crocs, best-known for its brightly colored rubber clogs, has seen its stock enjoy a 99% run up since the company's initial public offering of 9.9 million shares at \$21 each on Feb. 8. The stock closed at \$41.77 on Monday.

Selling by Crocs insiders has been routine since the IPO. Since Feb. 13, executives and directors have sold 5.5 million shares for a total of \$161.4 million, according to data from Thomson Financial.

In addition, there was a secondary public offering of 8.3 million Crocs shares for \$27.66 each on Aug. 17. The stock was sold by shareholders, meaning that the company did not receive any of the proceeds from the offering.

The selling at Crocs does not necessarily point to bearish insider sentiment, says Michael Painchaud, managing director of research at Market Profile Theorems. While insiders have been "consistent sellers" over the past six months, their sales have been "mostly wrong, if one looked at them on an opportunistic basis," says Painchaud, since the stock continued climbing after most of the transactions.

In addition, Painchaud notes that the only two insiders who purchased Crocs stock after its IPO -- Thomas J. Smach, a director, and Chairman Richard L. Sharp -- have held onto the shares. Smach and Sharp spent a total of \$3.3 million for 120,000 shares on Feb. 13. "They are not sellers at the present time, and that's a positive," says Painchaud.

Ben Silverman, director of research at InsiderScore.com, says that other Crocs investors may want to take note of "their own cost basis in the stock and portfolio weighting, especially if aggressive selling continues."

Silverman adds, however, that he considers last week's transactions a "continuation of IPO selling," and believes that "these insiders are using an opportunity to reap the benefits of a successful public offering."

Silverman also notes that CEO Snyder's total compensation in 2005 was \$1.2 million -- about half of which was in restricted stock awards. Noting that Snyder's \$640,000 cash compensation is relatively low compared with other executive salaries, Silverman says that Snyder's recent selling is "a reward for a successful IPO and putting up some good numbers."

A spokesman for Crocs said that the company does not usually comment on stock sales by insiders.

After the sales, Snyder holds 842,876 Croc shares and options for 755,452 shares, totaling about 4% of Crocs' 39.02 million outstanding shares. Marks holds 1.2 million shares and options for 87,608 shares, or a 3% stake. Croghan holds 171,742 shares and options for 87,608 shares, while Margolis owns 84,065 shares and options for 280,345 shares; both Croghan and Margolis hold less than 1% of outstanding shares.

Crocs' third-quarter results, reported on Nov. 2, kicked consensus estimates to the curb, but at least one analyst is looking askew at the stock's prospects.

Robert W. Baird & Co. senior research analyst Mitch J. Kummetz, who has a Neutral rating and \$47 price target on the stock, says that he believes the shares are fully valued. While Kummetz says that global expansion efforts and new marketing deals with Walt Disney and partnerships with universities will provide growth opportunities, he remains cautious on Crocs shares because of the seasonality of the company's products and concentration on its signature clogs.

"We don't want to say we are skeptical, but we are conscious of that concentration, and how significant it is in terms of overall company results," says Kummetz.