

Director Spurs Texas Bank With Stock Buy

By CATHERINE SHU

A DIRECTOR AT CULLEN/FROST BANKERS has continued roping in shares of the Texas-based regional bank one week after its stock hit an all-time high.

Carlos Alvarez, who has been a director at Cullen/Frost since 2001, shelled out a total of \$1.1 million for 20,000 Cullen/Frost shares at about \$57.18 each on Aug. 11. The stock had hit a 52-week intraday high of \$59.48 on Aug. 4 after Cullen/Frost reported second-quarter earnings of \$48.6 million, or 86 cents a share, besting a consensus estimate for a profit of 85 cents a share.

Shares have also been climbing steadily since July 3, when Cullen/Frost announced that it would acquire rival Texas bank Summit Bancshares for \$363.5 million.

Alvarez, chairman and chief executive of San Antonio-based beer importer and brewer Gambrinus Co., has poured a total of \$3.2 million in Cullen/Frost stock since the beginning of the year, including last week's buy. In February, Alvarez put down \$2.1 million on 40,000 shares for about \$53.01 each. With last week's purchase, Alvarez now holds 94,000 shares, which is still less than 1% of Cullen/Frost's 55 million outstanding shares.

"This is somebody who has bought twice [this year] on strength, and twice the stock has gone up," says Ben Silverman, director of research at InsiderScore.com.

Alvarez's buys have also been the only ones at the company since late October 2001 against otherwise neutral insider sentiment at Cullen/Frost, which has seen a steady stream of mostly option-related sells by executives, notes Michael Painchaud, managing director of research at Market Profile Theorems.

In fact, Painchaud says that the accuracy and persistency of Alvarez's buys makes Cullen/Frost stand out from an overall weak finance industry sector, which Painchaud's firm has rated Underweight.

Alvarez first disclosed a purchase of Cullen/Frost stock on Nov. 16, 2001, in a filing with the Securities and Exchange Commission. He had bought 3,700 shares at prices ranging from \$24.92 to \$27.28 between Oct. 24 and Oct. 31. Since then the stock price has soared nearly 124%. Shares closed at \$58.43 on Tuesday.

"[Alvarez] seems to have a good sense of [Cullen/Frost]," says Painchaud. "If past is prologue, his purchases bode well for the future share price of the company."

Cullen/Frost didn't return a call seeking comment.

Analyst Robert Patten of Morgan Keegan & Co. says Cullen/Frost shares look fairly valued. Because of its smaller size and history as a conservative underwriter, Patten notes, Cullen/Frost will grow at a slower pace than other Texas-based banks. With a 15.8 forward price/earnings multiple, Cullen/Frost shares are currently trading at a 3% premium to its five-year average, and a 2% premium to other regional banks in the Western U.S., according to Thomson Financial data.

On the other hand, Patten, who has a Market Perform rating on Cullen/Frost shares, lauds Cullen/Frost's management and business model, including its "balanced package of fee revenues, good trust and asset management, good treasury management" and extensive network of correspondent banks.

Patten also notes that along with fellow Texas-based regional banks Texas Capital Bancshares, Sterling Bancshares and Prosperity Bancshares, Cullen/Frost is located in the eastern third of Texas, home to some of America's largest cities, including Houston, Dallas, Fort Worth, Austin and San Antonio.

"The banks are absolutely in the sweet spot for growth," says Patten.

Silverman of InsiderScore.com also notes that Alvarez has a strong track record with closely held Gambrinus, which Alvarez founded in 1986 as a beer importer that served the Southwest region of the U.S. Since then, Gambrinus has acquired several other small breweries, and its brand Corona Extra has become the No. 1 imported beer in the U.S. since Alvarez first imported it from Mexico 20 years ago.

"It's another positive for [Cullen/Frost] to see a director who's been a successful entrepreneur put some more money into the stock," says Silverman.