

Paxar Insiders Buy Before, After News

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WASHINGTON—When insiders buy company stock after bad news, that's supposed to be a sign of confidence—but what does it mean when insiders buy stock before the bad news is disclosed?

Paxar Corp. has had plenty of bad news lately, and plenty of insider buying before and after that news. On the whole, analysts of insider transactions say the pattern reflects favorably on Paxar's prospects.



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"It's very possible much, if not all, of the bad news is out for now, and we're definitely considering taking a position," said Jonathan Moreland, director of research for Insiderinsights.com, a newsletter firm whose investments are based in part on analysis of insider transactions.

On March 5, Paxar shares dropped 20% to close at \$10.50 after the company cut its earnings expectations for the first quarter. In the week after that announcement, company insiders bought more than 60,000 shares on the open market for nearly \$631,000, spending an average of \$10.50 a share, according to filings with the Securities and Exchange Commission.

On April 7, the company again cut its earnings expectations. The shares again fell, and an insider again bought.

Shares of Paxar fell 15% that day to \$9.85. Chief Executive Paul J. Griswold, who in early March reported paying an average of \$10.50 a share to buy 10,000 shares, bought an additional 3,000 shares for \$9.76 apiece last week. Paxar shares traded recently at \$10.22.

"Insiders are telling you, 'Be a buyer around 10 bucks,'" said Michael Painchaud, research director for Market Profile Theorems.

Analysts of insider transactions often consider whether insiders' historical transactions have predicted trends, but in interviews yesterday, the analysts cautioned against placing too much weight on the fact that April's bad news followed the March buys by insiders at Paxar.

"It's tough for them to be 100% right that the stock is going to turn around tomorrow," said Lon Gerber, director of insider research for Thomson Financial.

Messrs. Moreland, Painchaud and Gerber said insider transaction data is most valuable over a longer period of time. "That's our thesis," said Mr. Painchaud, "that insiders are basically looking at the long term."

Mr. Moreland noted that Paxar, a White Plains, N.Y., maker of tags and identification products for the apparel and other markets, is dependent on the retail business cycle, now in a slump.

"I do think you're going to have to be patient," Mr. Moreland said.

The insider analysts did find favorable indications in past transactions by Paxar insiders. For example, director Thomas R. Loemker, who reported paying about \$10.50 a share for 6,600 shares in March, sold 121,100 shares for about \$16.75 a share in April 2002, according to data from Thomson Financial.

"That, I think, is a huge point—that it's a reversal [from selling to buying]," said Mr. Gerber. Insider analysts tend to view such reversals as evidence the in-

sider is trading according to the value of the company's shares.

According to Thomson's data, before last month Mr. Loemker hadn't bought Paxar shares since 1987, when his purchases preceded a significant run-up in company shares.

Mr. Gerber said that although the March purchases weren't perfectly timed in the short term, there could be an advantage to the fact that Paxar's price fell. "Maybe," he said, "it's an opportunity for you to get in at a more advantageous price."