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At Power-One, 'Who' Revealed More Insight Than 'How Much'

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WASHINGTON—A comparison of recent stock purchases by three insiders at Power-One Inc. offers instruction on how analysts judge such transactions. When evaluating insider buying, the answer to the question "How much?" can be less important than the answer to the question "Who?"

Power-One, of Camarillo, Calif., is a designer and maker of power-conversion products, mostly for the communications infrastructure market. In March and April, a major Power-One shareholder added nearly \$550,000 of stock to his stake, but two significantly smaller purchases by insiders on Monday may be more significant because of the identity of the buyers.



INSIDE TRACK

The Monday purchases, by Power-One General Counsel and Secretary Randall H. Holliday and company director Kendall R. Bishop, involved a total of 11,000 shares for \$97,626, or \$8.88 a share, according to Securities and Exchange Commission filings. Shares of Power-One traded yesterday afternoon at \$9.13.

Those purchases followed buys in the previous two months by Wilton R. Stephens Jr., who after the purchases reported direct and indirect holdings of 2,452,761 shares held through family trusts and other entities. Mr. Stephens reported the purchase of 50,000 shares from March 29 through April 13 for an average price of \$10.99 a share.

Mr. Stephens, however, isn't an insider in the commonly understood sense, said David Coleman, editor of Vickers Weekly Insider Report. As a direct and indirect holder of more than 10% of the company's shares, Mr. Stephens is obliged to report his transactions as an insider even though he holds no position in the company's management or on its board. "Beneficial owners aren't the guys in there making decisions and seeing what happens day to day," Mr. Coleman said.

Michael Painchaud, research director for Market Profile Theorems, said that because members of the Stephens family have been consistent buyers of Power-One stock, their recent purchases carry relatively little weight,

even though the buys do represent a long-term belief in the company's prospects.

Mr. Painchaud regards a reversal from selling to buying as being more useful than consistent buying in predicting the performance of a company's stock. Mr. Holliday's recent purchase, Mr. Painchaud said, "is very interesting because historically he was a seller in May 2003." The reversal, Mr. Painchaud said, "becomes a real positive in my opinion." Likewise, Mr. Painchaud said, Mr. Bishop's recent purchase carries more weight because he was a timely buyer in the past, acquiring 19,500 shares in September 2002 for \$2.58 a share.

Mr. Painchaud said his data shows that the size of a purchase is relatively unimportant. "There is a modest...excess return that you can assign to size," he said, "but it isn't as large as people think."

Mr. Coleman said the recent weakness in Power-One stock suggests a motive on the part of insiders. "It would appear that the latest two purchases are evidence that the stock has been oversold," he said.

Power-One's Mr. Holliday endorsed that view—though he said his past sales weren't motivated by a belief that the stock was overvalued. "If you can spell 'college tuition,' you can understand some of the timing" of the sales, Mr. Holliday said. On the other hand, Mr. Holliday said, he believes the stock's recent slide—it was more than \$14 for a while in January—"offered a good entry opportunity."

Mr. Holliday said Power-One's stock has declined "for reasons I can't figure out. I don't think it's reflective of anything at Power-One."