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Mapics Insiders Buy Shares Following Deal

Purchases by Executives At Software Firm Give Clues to Frontstep Merger

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Dow Jones Newswires

WASHINGTON—Small-cap companies are frequently overlooked by mainstream stock analysts, leaving the field open to other market watchers such as those who track insider transactions.

Mainstream analysts were silent, for instance, when enterprise software company **Mapics** Inc. reached a deal last month to buy **Frontstep** Inc. Insiders at Mapics followed up that deal with purchases of company stock, suggesting that the market's positive reaction to the deal was justified.

INSIDE TRACK

Seven Mapics insiders paid $127,975 to buy 18,000 Mapics shares in the period Dec. 6-11 for an average price of $7.11 a share, according to an analysis of filings made with the Securities and Exchange Commission. In 4 p.m. Nasdaq Stock Market trading, Mapics shares were unchanged at $7.

"Often I find that underfollowed small-caps ... can be extremely profitable," said Jonathan Moreland, director of research at Insiderinsights.com. Mapics' market capitalization is about $125 million, and Frontstep's is about $15 million. Neither company's stock is heavily traded.

Purchases Followed Bid

The purchases by Mapics insiders came in the wake of the company's offer to buy Frontstep, of Columbus, Ohio, in a stock-swap deal of 0.3 Mapics share for each Frontstep share. Mapics, of Alpharetta, Ga., trumpeted the deal as an opportunity to combine its success developing enterprise software using the International Business Machines platform with Frontstep's SyteLine 7, which uses the Microsoft.Net platform.

"The midrange manufacturing market has proven its appetite for applications on both of these leading platforms, and we have a firm commitment to sustain active product development for each," Mapics President and Chief Executive Richard C. Cook said in a statement announcing the merger.

Mapics shares, which closed at $6.80 on Nov. 24, the day before the merger announcement, dropped as low as $6.17 after the deal was unveiled but recovered to end that day at $7.41, up 61 cents. Mr. Cook was one of the insider buyers, paying $21,297 for 3,000 shares on Dec. 6, according to a filing with the SEC.

A Mapics spokesman said the company would have no comment on the insider purchases, except to say that they were timed to take place during a window in which Mapics allows insider stock transactions.

Michael Painchaud, research director for Market Profile Theorems, said insiders at Mapics have a history of buying company stock—which makes the recent purchases less useful as a signal because insiders' purchases have sometimes come before the stock fell in price.

Evaluating Insider Trading

"There's not as much information in an insider purchase at Mapics as there is in sales," Mr. Painchaud said. "They tend to be buyers at this company." Overall, he said, he wouldn't be a buyer of Mapics, but the insider transactions "would convince me to hold it at these prices."

Mr. Moreland said that when evaluating insider transactions in a small-cap company, it is important to keep in mind that the insiders making the purchases are usually not as wealthy as insiders at large-cap companies. For small-cap insiders, smaller transactions may be more significant, he said.

According to Mapics's most recent proxy statement, Mr. Cook was paid about $527,000 in salary and bonus in fiscal 2001, with additional awards of options and restricted stock. Two other company executives who bought stock recently made substantially less, and board members—four of whom were among the recent buyers—are compensated with a $10,000 annual retainer and given stock options.

"Be logical about this," Mr. Moreland said. "Look to see what these guys make in a year."