

WSJ(12/29) Selling Heats Up For Martha Stewart
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Insiders at Martha Stewart Living Omnimedia Inc. have been trimming their holdings recently.

Since mid-November, seven Martha Stewart Living insiders have reported selling more than four million company shares, some from the exercise of options, for about \$90 million total, according to data from Washington Service. The insiders include company founder Martha Stewart, who recently sold more than \$8 million of stock, and former Chief Executive Sharon Patrick.

In the recent transactions, VA Partners LLC -- the firm that is Martha Stewart Living's second-biggest shareholder and includes company director Jeffrey Ubben -- disclosed in regulatory filings last week the sale of 475,000 shares at prices from \$27.43 to \$30.87 each.

Including those sales, the investment firm has reported in recent months selling 70% of its holdings -- about three million shares -- for nearly \$58 million, according to Securities and Exchange Commission filings. VA Partners' sales have slashed the firm's stake in Martha Stewart Living to 6.1% from about 21% as of the spring.

George Hamel, a managing partner at the firm, said he had no comment on VA Partners' transactions.

A spokeswoman for Martha Stewart Living, who declined to comment on individual sales, said, "Our current senior executives continue to hold significant equity in the company, thus aligning their interests with our shareholders."

Analysts say insiders are culling gains from the recent run-up in the media and merchandising company's share price, which recently touched a four-year high. The stock price has posted the gains, analysts say, in part on hype surrounding Kmart Holding Corp.'s proposed takeover of Sears, Roebuck & Co. and planned television shows starring company founder Ms. Stewart, two recent events seen bolstering the company's financial fortunes.

Overall, Martha Stewart Living's stock price has tripled in 2004, a year in which Martha Stewart reported to federal prison after being convicted of lying about a stock sale, and the company is expected to post a net loss for the second straight year.

"At these levels, they should take the money, say 'Merry Christmas' and go home," says Dennis McAlpine of insiders at Martha Stewart Living. The founder and analyst at McAlpine Associates said the recent rise in the company's share price is unjustified, and pegs Martha Stewart Living's value at \$5 or \$6 a share, based on a formula combining the company's cash holdings of about \$3 a share with about \$3 more a share to represent the rest of the company.

Michael Painchaud, who tracks insider transactions as director of research at Market Profile Theorems, agrees the stock is overvalued.

He said he expected Martha Stewart Living's stock to perform well in 2004, based on positive insider behavior and reasonable expectations from analysts. Now those signals point to the stock underperforming the market next year, he said.

The company's share price has risen about 70% just since Nov. 17, when retailers Kmart and Sears Roebuck announced their proposed transactions, which is expected to offer more outlets for distribution of "Martha Stewart Everyday" merchandise. The brand already is carried in Kmart stores and Sears stores in

Canada.

Martha Stewart Living shares were up \$1.01 to \$30.94 yesterday at 4 p.m. in New York Stock Exchange composite trading.

Susan Lyne, recently appointed as Martha Stewart Living's chief executive, said this month that the company sees revenue opportunities from increased advertising interest in its magazine, potential new brand extensions from the Kmart-Sears deal and possible programming opportunities leading from planned television shows for Martha Stewart.

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