

Home Savvy Bank Insider Buys Again

By Teresa Rivas 821 words 28 April 2009 Barron's Online BON English

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Tables: Buyers | Sellers

A RECENT EARNINGS disappointment may have cooled some investors' interest in Cullen/Frost Bankers (CFR). However, one director, who has a history of making timely purchases, is betting big on the financial-services holding company's stock.

On April 23, director Carlos Alvarez purchased 50,000 shares for \$2.2 million, an average of \$44.43 a share. He now owns 252,000 shares directly, and 1,203 deferred stock units, less than 1% of Cullen/Frost's shares outstanding.

Alvarez has been one of the few buyers at Cullen/Frost, which has a long history of insider selling. His last purchase of 100,000 shares for \$5 million in November was the largest insider buy at the company in more than five years. Aside from a small purchase by another director, he is also the only insider to buy the stock in that time.

According to Thomson Reuters, Alvarez's track record of buying is also encouraging. Historically, Cullen/Frost shares have gained an average of 13% in the six months following his eight prior stock purchases.

Alvarez, who has been a director at Cullen/Frost since 2001, is also the founder of Gambrinus Co., a San Antonio, Texas-based beer brewer, of which he remains chairman and CEO. Alvarez's company became the U.S. importer for Corona in the 1980s, making it into the country's best-selling imported beer.

A spokeswoman for Cullen/Frost told Barrons.com that the company does not comment on directors' activities.

San Antonio-based Cullen/Frost has weathered the recession better than most stocks. In the last 12 months, its shares have lost 17.2%, while the Dow Jones U.S. Banks Index tumbled 58.9%.

Still, Cullen/Frost's performance in the most recent three months has slightly lagged its peers. While the Index rallied 19.2%, the stock gained 11.7%.

On Tuesday the stock gained 72 cents to close at \$47.03. While it has recovered from a six-year low of \$35.40 reached last month, it is still well below its September 52-week intraday high of \$73.

The stock also sports an impressive 3.7% dividend yield.

Alvarez's purchase came a day after Cullen/Frost reported first-quarter earnings below analysts' expectations, as it nearly doubled provisions for possible loan losses.

Still, SunTrust Robinson Humphrey analyst Jennifer Demba reiterated her Buy rating and \$53 price target for the company. "We believe Cullen/Frost is a uniquely positioned bank with a large capital base, liquid balance sheet, a substantial fee income stream and an excellent deposit franchise," she wrote in a research note following the earnings announcement.

On average, analysts have a Hold rating or the equivalent on Cullen/Frost, with a 12-month target price of \$48.40.

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