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Bullish Bosses at Province Healthcare

By Tony Cooke
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WASHINGTON—When analysts of insider purchases want to confirm a bullish signal, they ask: Are there lots of buyers? Do the buyers hold executive positions? Are they spending lots of money? Are they increasing their stakes substantially? Have their past transactions predicted stock performance?

For **Province Healthcare** Co.—a company that is no favorite of analysts—the answers to those questions are: Yes, yes, yes, yes and yes.

INSIDE TRACK

Last week, 10 insiders—seven executives and three directors—bought 467,985 company shares for just over $3.5 million at an average price of $7.50 a share, according to filings made with the Securities and Exchange Commission. Shares of the Brentwood, Tenn., hospital company closed at $7.78 yesterday, up seven cents in 4 p.m. New York Stock Exchange composite trading.

The biggest buyer, Chairman and Chief Executive Martin S. Rash, paid $992,560 for 130,600 shares on March 3, raising his stake in the company to 640,985 shares.

Michael Painchaud, director of research for Market Profile Theorems, said Province Healthcare has a bullish insider rating near the top of the 2,517 companies whose insider filings are assessed by his firm. "We have a cluster [of buyers], we have a reversal from selling [and] most of the people who are buying were selling at higher prices," Mr. Painchaud said. "I would take this to be a very positive change."

Merilyn Herbert, Province Healthcare's vice president of investor relations, said the insider buying reported to the SEC actually understates the optimism of employees because only 14 executives and directors are obliged to report their transactions to the SEC. Many other employees—including Ms. Herbert herself—bought stock without reporting it, she said, although she declined to offer any details about her purchase.

Nine out of the 10 buyers who reported their transactions said they bought shares March 3—with the straggler picking up his shares the next day. Ms. Herbert said the buyers acted at the same time because the company has a "very conservative and very restrictive trading policy," and a window opened that allowed employees to trade beginning March 3.

Analysts have been less eager to recommend the stock.

In January, the company said it had been hurt in 2002 by the loss of 51 high-revenue-producing physicians. The physicians left for a variety of reasons, including retirements, disability, insurance problems and a contract dispute, the company said.

"We just had a very, very unusual year and it all culminated in the fourth quarter," said Ms. Herbert. "We lost a large number of what we call 'major contributing physicians.' That means they generate more than $200,000 in revenue."

With fewer referrals to Province Healthcare hospitals from referring physicians, the company did a "poor job of adjusting expenses," Ms. Herbert said. "We found ourselves in a position where we had lower admissions, lower revenues and not proportionally lower expenses." However, she said employees are confident the company can acquire more referring physicians and adjust costs appropriately.

Analysts express less confidence. Clifford Hewitt of Legg Mason Wood Walker is one of few analysts with a "buy" rating on Province Healthcare, but even he expresses his confidence tentatively. He described his buy rating in turn as "speculative," "short-term" and "high-risk," and said it's based on confidence that the company can meet his first-quarter profit projection of 20 cents to 22 cents a share. But he doesn't dismiss concerns about Province Healthcare in the long term.

"When the stock is down like it is right now, it's for good reason," said Mr. Hewitt. Mr. Hewitt said the company depends on its ability to recruit physicians and its ability to acquire and turn around underperforming hospitals—two areas with substantial risk.