



9/26/2005

## Insiders Hitch a Ride With **Fleetwood**

By **NAUREEN S. MALIK**

**FLEETWOOD ENTERPRISES**, the maker of recreational vehicles and manufactured homes, is revving its engines for growth and some insiders are picking up shares for the ride.

Last week, four insiders purchased 13,000 shares for roughly \$150,000.

Elden L. Smith, Fleetwood's chief executive officer, purchased 10,000 shares one week ago at \$115,000, boosting his equity stake by 10%. In March, he bought 100,000 shares shortly upon taking his post as CEO.

Smith's return ended a seven-year retirement from the company after his successful management of Fleetwood's RV business for over two decades, says Kathy Munson, director of investor relations.

This month's "burst of buying activity" reversed an overall selling trend by insiders stretching back a year, says Michael Painchaud, managing director of research at Market Profile Theorems. "On our system, basically the best thing [**Fleetwood**] has going for it is the behavior of its insiders" in an industry that is subdued by high oil prices, he says.

Meanwhile, three **Fleetwood** directors each purchased 1,000 shares last week, according to Securities and Exchange Commission filings. Margaret S. Dano, who sits on the audit and the governance nominating committees, increased her stake in the company by 50% for a total of 3,000 shares. J. Michael Hagan, who is chair of the compensation committee and sits on the strategic planning committee, owns 4,000 shares. And John T. Montford, who sits on the compensation and the governance nominating committees, now holds about 1,600 shares.

The purchases made by the chief executive and the directors bolster some confidence in a stock that has had a tumultuous ride in recent years.

Fleetwood's stock, which launched as a public company in the 1960s, really started to gain momentum in the 1980s. It cruised higher for nearly two decades to a peak of \$42 in 1998 before plunging to its IPO level of less than \$5 just two years ago.

**Fleetwood** shares dipped to a one-year low in April after reporting sales were flat for the year, pressured by lower sales of its recreational vehicles. The stock is up 70% since hitting the low this past spring, but it is still down 8% for the year.

Even so, analysts are taking a more optimistic stance on the stock as the company makes aggressive moves in its restructuring program, indicating this could be the quarter it moves back into the black. Early September, **Fleetwood** reported an earnings loss of 12 cents per share, 20 cents better than what analysts expected.

Fleetwood's Munson says that a growing group of baby boomers and younger tailgaters are boosting sales in recreational vehicles, while manufactured homes continue to post solid sales.

Ian Zaffino, research analyst at Oppenheimer & Co. says, "They've cut costs beyond my expectations," laying off 14% of their workforce and terminating half of their corporate staff.

Earlier this year, **Fleetwood** also sold its retail and financial services businesses, connected to the manufactured homes group, to subsidiaries of Warren Buffett's Berkshire Hathaway. In response, Zaffino initiated coverage on the company with a Buy and a price target of \$14.

Yesterday, **Fleetwood** announced that it received purchase orders from the Federal Emergency Management Agency (FEMA) for 7,500 travel trailers and 3,000 manufactured homes under the agency's disaster relief program in the wake of Hurricane Katrina

Bill Gibson, senior analyst at Nollenberger Capital Partners, says that he dropped coverage of **Fleetwood** earlier this year because of his outlook on the industry (see Weekday Trader, "[Mobile Homes Are On a Weak Foundation](#)," June 30, 2004).

"The company is making all the right moves," says Gibson. But, "my problem was in the intermediate-term outlook" -- they are picking the company up in the middle of a slowdown in consumer spending."