

## Sales Draw Interest to Drew Industries

By NAUREEN S. MALIK

**DREW INDUSTRIES MAY HAVE HIT** another bump on the road to recovery. With shares of the parts supplier for manufactured homes and recreational vehicles already dragged down by a slowing economy, insiders have been taking profits off the table.

Two-thirds of the company's revenue (\$669.2 million in 2005) is from recreational vehicles and a third is from manufactured homes through its two subsidiaries: Lippert Components and Kinro. Lippert's steel-fabrication business manufactures parts ranging from hydraulic systems to mobile home and trailer chassis.

So far this month, L. Douglas Lippert, chairman of the Lippert division, and two of his sons have sold 146,100 [Drew](#) shares in the open market for \$3.88 million, according to the Securities and Exchange Commission.

Among these shares, 55,100 were acquired through options (priced from \$4.15 to \$16.16) for \$506,000. The shares were all sold in the \$26 range.

There were 21.5 million outstanding shares of Drew as of July 31.

This third-quarter selling spree dwarfs the five-year average of \$1.49 million for this period, according to Thomson Financial data.

Drew Chief Financial Officer Fred Zinn declined to comment on personal motives, but says "people make their own decisions to sell as long as they don't possess insider information."

Drew shares have fallen sharply since July despite the company posting strong second-quarter results and initial third-quarter sales figures.

The stock, which traded at \$5 five years ago, raced to a record high of \$38.90 on April 20, 2006, before tumbling 34% amid mounting concerns over consumer spending, gas prices and fears over high-inventory levels.

After issuing positive comments in July, Ben Silverman, director of research at InsiderScore.com says, "there seems to be a disconnect between insider activity and what the company has implied for the third quarter in terms of sales."

L. Douglas Lippert, sold 91,000 shares within the past 10 days for \$2.4 million on behalf of family trusts. Including trust holdings, he still beneficially owns about 1.1 million shares.

His son Jason Lippert, president and chief executive officer of the Lippert unit since February 2003, exercised options for 32,700 shares for \$282,000 and sold them for \$862,000. The options, expiring between November 2007 and 2009, were priced at \$4.55 to \$16.16. Jason still owns about 118,000 shares including restricted shares and options, based on the April proxy statement.

Joshua Lippert, who will serve as an independent consultant for a year after stepping down as treasurer of the division on Nov. 30, acquired 22,400 shares through options for \$233,724 and sold them in the open market for \$593,000. The options, priced at \$4.55 to \$12.78, were set to expire in either late 2007 or 2009. He still holds 1,148 shares directly.

Michael Painchaud, managing director of research at Market Profile Theorems, says the cluster selling by the Lipperts caused insider sentiment to drop to a score of two from seven on a 10-point scale, as analysts lowered their expectations as well over the past month. Painchaud's scale ranges from Sell (1) to Buy (10).

"Insiders were right earlier in the year and now that we see this exodus, it does not bode well going forward," says Painchaud. A previous spate of heavy selling took place in January before it stopped altogether. That month, three insiders -- including L. Douglas Lippert along with directors James Gero and David Reed -- collectively sold 315,600 shares for nearly \$9.4 million.

Jonathan Moreland, director of research at InsiderInsights.com, says Gero "was a smart buyer back in 2001 and he is the type of insider I would expect to see buying [on the open market] when there is value back in the stock. That's obviously not yet."

Last week, Gero, a private investor and Drew director since 1992, did add to his stake by exercising 10,000 options for \$46,250, or \$4.63 per share. The options were set to expire at the end of this year. Gero beneficially owns more than 88,000 shares.

Gero had purchased 40,000 shares for \$175,000 in December 2001 and then acquired 10,000 shares each in December 2002 and 2003 for \$62,375 and \$58,960, respectively. The options were priced from \$5.90 to \$6.24.

Gero sold shares after they raced toward record highs starting late last year. He grossed \$320,300 selling 11,200 shares in November 2005, but his big payday came when he sold 188,800 shares for \$5.5 million this past January. The shares were sold at \$28 to \$29.

His option exercises appear to support a long-term view on the company compared to the near-term weakness indicated by the Lipperts. Avondale Partners analyst Kathryn Thompson says Drew has "demonstrated a better ability in the past to manage cyclical downturns" by becoming a leader supplying niche markets. She rates the stock at Market Perform with a \$40 price target.

For the near term, Moreland says, "it doesn't look good with these guys continuing to sell after the stock came down -- it's just adding insult to injury."