

Altria CEO Lightens Up on Holdings

By CATHERINE SHU

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ALTRIA GROUP CHIEF EXECUTIVE OFFICER Louis Camilleri recently unloaded \$2.8 million in shares of the food and tobacco behemoth, but the sell might not be the proverbial smoking gun for investors.

Camilleri sold 35,000 shares for \$80.20 each on July 27. The chairman and CEO is selling into strength: [Altria](#) shares hit an all-time high of \$80.98 on July 26, the day after the company reported that second-quarter earnings rose 1.6%. In addition, the stock price has climbed nearly 9% since July 6, when the Florida Supreme Court tossed out a \$145 billion judgment against Philip Morris USA, one of Altria's tobacco units, and four other companies, the latest victory in a series of lawsuits alleging that the companies had misled smokers about the health risks of cigarettes.

Ben Silverman, director of InsiderScore.com, notes that whenever investors see selling on historic strength like Camilleri, "that's a good-time to take a look at whether you as an investor feel it's time to take profits."

Meanwhile, Michael Painchaud, director of research at Market Profile Theorems, says that although Altria's lower multiple and good cash flow makes the stock attractive to value managers, his firm would be hesitant to purchase Altria shares now because of Camilleri's recent sell.

"There are other large-cap value stocks that have better insider characteristics," Painchaud points out.

On the other hand, Silverman notes that Camilleri "still has a lot of money tied up in the company."

According to Altria's most recent proxy filing, executives at the company need to own up to 12-times their base salary in stock, not including unexercised stock options.

Silverman notes that with 732,278 shares at approximately \$80 each, Camilleri's remaining holdings are worth \$58.6 million, well above the \$21 million threshold his \$1.7 million base salary would require him to hold, although his shares represent less than 1% of the company's 2.1 billion outstanding shares. Camilleri also holds options for about 2 million shares.

Jonathan Moreland, director of research at InsiderInsights.com, says that another factor mitigating the potential sell signal from Camilleri's transaction is that several past notable insider sells at the company have come right before share prices leapt on good news.

For example, Philip Morris International Chief Executive Officer and President Andre Calantzopoulos unloaded 10,000 shares for \$66.80 each on Aug. 15, three days before Altria jumped 3.7% to \$70.39 after the Illinois Supreme Court ruled that a lower court had made a mistake in certifying a suit against State Farm Insurance as a nationwide class. That ruling portended well for a \$10.1 billion class-action suit that Altria faced alleging that the company misled smokers about the health risks of light cigarettes.

Altria scored again four months later with a 3.9% gain in share price to \$76.62 when the Illinois high court threw out that lawsuit on Dec. 16, but not before Mexican billionaire and Altria director Carlos Slim sold 2.7 million shares at prices ranging from \$72.97 to \$73.23 in late November (Barron's Online, "[Insiders Slim Down on Hot Altria Stock](#)," Dec. 12, 2005).

To be fair, Moreland says, "I don't think anybody knew what would come of this industry, and Altria in particular, as a result of the lawsuits."

Moreland adds, "it's pretty much clear [Altria insiders] weren't omniscient about factors affecting the stock and their selling now doesn't portend a weaker stock in the future."

Silverman points out a May 17 Securities and Exchange Commission filing that noted that Camilleri had transferred about 12,000 Altria shares to his ex-wife as a part of a divorce settlement.

"Insider selling is obviously less predictive than buying," Silverman says.

An Altria spokesman said that the company does not comment on employee financial transactions.

Analysts have been bullish on Altria's prospects following its second-quarter earnings release and most recent legal coup. In a July 25 research note, Morgan Stanley analyst David J. Adelman maintained an Overweight rating and \$82 price target on the stock. Adelman noted that while the company's board of directors may wait for a ruling in the Department of Justice's ongoing civil racketeering lawsuit against Altria and other cigarette-makers before splitting Altria into two or three separate companies, including a separate Kraft Foods unit, it is unlikely to wait very long.

Meanwhile, Merrill Lynch analyst Christine Farkas maintained a Buy rating and \$85 price target, noting that Philip Morris USA's net take per cigarette pack sold increased by 6.5% in the second quarter, while Philip Morris International enjoyed share gains in several tough European markets, including Italy, France and Germany.