

Anheuser-Busch Not Pitcher Perfect

By **NAUREEN S. MALIK**

ANHEUSER-BUSCH'S RALLYING STOCK may belie how much the company has on tap, judging by the actions of insiders.

Seven executives and directors grossed \$29 million by selling nearly 580,800 shares, of which 66% were acquired through options, in the open market from July 28 to Aug. 2, according to the Securities and Exchange Commission. An additional 63,300 shares were sold to cover transaction costs.

The shares sold were priced from \$47.80 to \$48.07 compared to options that were exercised at prices in the \$20-\$21 range.

This is the highest level of selling by Anheuser-Busch insiders in the third quarter in the past five years, according to Thomson Financial data.

In an e-mail, Anheuser-Busch vice president and secretary JoBeth Brown said executives buy or sell shares "for personal reasons" and that "all of our executive officers continue to have substantial holdings in the company." She also notes the options exercised "were granted many years ago."

Michael Painchaud, managing director of research at Market Profile Theorems, says "your sense of awareness in changes in analyst behavior or changes in technical behavior should be heightened."

He says that bullish analysts and traders have been driving momentum at the brewer at a time when the market favors defensive stocks like Anheuser-Busch that offer high dividend yields. (The company recently raised its quarterly dividend to 29.5 cents, a 9.3% yield, up from 27 cents.)

The day before insiders started selling, the stock hit a fresh 52-week high of \$48.81 after Anheuser-Busch posted better-than-expected second-quarter results, with an optimistic note about the second half of the year, due to stronger wholesale, retail and international sales.

The shares have gained 11% year-to-date, compared to a 9.5% gain by the Dow Jones U.S. brewers index. U.S.-listed competitor Molson Coors Brewing is down 1% this year.

August A. Busch III, chairman since 1977 and former chief executive, sold 300,000 shares for \$14.4 million, his largest sale and the largest by any insider at Anheuser-Busch in five years, Thomson Financial data show.

These were "sold shares for estate and tax planning purposes," according to Brown.

The company's March proxy indicated Busch beneficially owned more than 9.7 million shares through direct and indirect holdings. There were 768.7 million outstanding shares at the end of June.

Several executives also made their largest sales at the company, including Chief Financial Officer W. Randolph Baker; Joseph Castellano, vice president of human resources; and James Hoffmeister, group vice president of procurement, logistics and agricultural resources of subsidiary Anheuser-Busch Inc.

Baker exercised options to acquire 130,000 shares for \$2.6 million and sold a total of 127,000 shares for \$6.1 million. Among the sales, about 56,000 were sold to cover transaction costs. Castellano exercised options on 79,900 shares for \$1.7 million and sold 70,400 for nearly \$3.4 million. Hoffmeister sold 45,000 shares for nearly \$2.2 million; he had acquired those shares through options for \$917,000.

Meanwhile, Douglas Muhleman, group vice president of brewing operations and technology at subsidiary Anheuser-Busch Inc., sold about 42,600 shares for \$1.94 million after spending \$970,000 to exercise options on 45,400 shares.

This was Muhleman's second-largest sale. The largest took place in December 2004 when he sold about 45,000 shares for \$2.3 million, which preceded a 6% decline in the stock over the next six months.

The remaining shares were sold by John Kelly, controller, who sold all 4,914 shares acquired through options for \$235,900, and Thomas Santel, vice president of corporate development, who exercised options on 51,000 shares and sold off 49,800 for more than \$2.3 million.

These Anheuser-Busch insiders indicate that it may be time to "get while the getting's good," says Thomson Financial senior quantitative analyst Mark LoPresti.