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# Insiders Betting on Hayes Lemmerz

By TONY COOKE  
Dow Jones Newswires

Insiders at Hayes Lemmerz International Inc. are showing signs of optimism that the auto-parts maker can reverse its skid.

Shares of the Northville, Mich., maker of wheels, brakes and other automotive products traded at \$5.38 at 4 p.m. yesterday in Nasdaq Stock Market composite trading, down 39% for the year but up 4% for the day as the markets reacted positively to April sales reports from auto makers. In recent weeks, six Hayes Lemmerz insiders bought 70,000 shares for nearly \$350,000, paying an average price of \$4.95 a share.

"It does appear to be a strong indicator [of optimism] that they are buying significant numbers of shares on price weakness," said David Coleman, editor of Vickers Weekly Insider Report.

Company spokeswoman Marika P. Diamond said Hayes Lemmerz, as a matter of policy, doesn't discuss the motives for insider transactions, which she described as "personal investment decisions."

Anthony Marchese, general partner for Insiders Trend Fund LP, bases his investment strategy in part on the activity of insiders, and he said that insiders can sometimes signal a turnaround for an ailing company. "That's where the biggest rewards generally come, when you're swimming against the tide," he said.

After looking at Hayes Lemmerz, however, Mr. Marchese said he isn't prepared to buck the trend in the auto industry. "I'm staying away because I don't like the industry," he said.

For the year that ended Jan. 31, Hayes Lemmerz derived about 44% of its net sales from Ford Motor Co., DaimlerChrysler AG and General Motors Corp., whose troubles have depressed not only their own stocks, but those of their suppliers. The Dow Jones U.S.

Auto Parts Index has declined 24% since the beginning of the year.

Mr. Marchese said he looked for something to like about Hayes Lemmerz—some indicator that might set it apart from its industry—but came up empty-handed. The company last month reported earnings declined in the year ended Jan. 31; other measures of value, such as its tangible book value or its debt level, don't offer strong reassurance, either.

Michael Painchaud, research director for Market Profile Theorems, said the fact that six insiders are adding company shares offers a strong argument in favor of optimism. "We see quite a few purchases by many different individuals here," Mr. Painchaud said.

That consensus, he said, helps offset the fact that some of these insiders have been wrong before. Chairman and Chief Executive Curtis Clawson, along with Chief Financial Officer James Yost, were recent buyers, but each also bought shares in the first four months of last year, paying from \$13.74 a share to \$18.05 a share, according to data supplied by the Washington Service. Later

in the year, Mr. Clawson bought more shares at about \$10 each.

"Bullishness is tempered somewhat by the lack of historical accuracy in 2004 by insiders there," Mr. Painchaud said. "That, however, is offset by the fact that we do have many more individuals involved at this time. So I would look at this [company] at this point, and I would consider it a buy."

Mr. Coleman said he wasn't yet ready

to add Hayes Lemmerz to his newsletter's model portfolio. He noted that a number of company vice presidents sold shares last year at or above \$13 a share, and said those executives haven't stepped up to buy shares now.

"I do think it's a reasonably solid bullish sign," he said of the recent insider stock purchases. "It would be significantly better if the insiders were joined by the executives who sold when the stock was higher." Mr. Coleman said he "will certainly keep my eyes on it—look for additional purchases to bolster these April buys."



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