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As execs sell, investors snap up Ryerson

By Bob Tita
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Ryerson Tull Inc. executives plan to sell hundreds of thousands of shares, but that isn't scaring away investors from the nation's largest steel distributor.

While news of insider selling can trigger a sell-off, Ryerson's stock is trading at its highest level since 1999. The share price has soared 135% since late April, to $24.20 at Friday's close. Rising steel prices and predictions of industry mergers have stoked the increase.

To stifle speculation that executives see a bleak future for the Chicago-based company, Ryerson took the unusual step last month of issuing a press release announcing the planned sale. Over the next two years, CEO Neil Novich may reduce his stock holdings more than 20%, the company said. So far, Mr. Novich has exercised options on 134,841 shares and sold 110,646 shares for a profit of $1.26 million.

Chief Financial Officer Jay Gratz may reduce his holdings 15%, while Executive Vice-president Gary Niederpruem may trim 22%. Messrs. Gratz and Niederpruem have sold a combined 85,738 shares after exercising options for a total profit of around $1.04 million.

Although insiders are required to report stock sales to the U.S. Securities and Exchange Commission, most companies do not telegraph the sales beforehand.

"We thought it was appropriate to put out an announcement," says Terence Rogers, vice-president of finance and treasurer. "There's little history of management selling shares at Ryerson."

Mr. Rogers noted that top executives accumulated stock options for years but had no incentive to exercise them because Ryerson's stock price had been anemic since the late '90s. The company posted losses for four straight years before 2004. But the recent stock sales have yielded handsome profits, as executives acquired shares for $6.63 each by exercising options and sold them for about $19 each.

Steel industry analysts say investors have been migrating to Ryerson lately on the assumption that the company will be in the thick of any major industry mergers next year.

"I think they'll be a buyer," says Michael Locker, a steel consultant in New York. "They're going to be on the prowl."

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