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TriMas remake stirs investors; stock prices score record high

By [Chad Halcom](#)

A turnaround strategy by diversified holding company **TriMas Corp.** is paying off on Wall Street.

Debt has fallen, analyst consensus is climbing, share prices hit another all-time high of \$24.52 a few weeks ago, and several investment fund and pension plan managers are buying up large stakes in the Bloomfield Hills company -- even as many of its traditional major holders are selling.

Moody's Investors Service this month slightly upgraded TriMas' (Nasdaq: TRS) corporate family rating, a measure of its ability to cover debt obligations -- improving its outlook from stable to positive.

Why the newfound confidence? Analysts generally are convinced that a turnaround strategy carried out after David Wathen became CEO in 2009 has worked. It included streamlining management, changing incentive criteria for executives, refinancing debt, building sales in developing global markets and improving its new product pipeline.

Also helping TriMas, and its competitors, is a stronger financial market and overseas opportunities for U.S. manufacturers.

Some threats linger too, like rising oil and commodity prices and U.S. currency exchange rates. But Wathen, 58, is convinced the holding company's mix of manufacturing businesses is well-positioned for the risks.

"I felt coming in, and I'm even more convinced now, that TriMas had been under-investing in two things," he said.

"One is what I call the 'front end' -- automating functions like a computer system (for purchase orders) that's more accessible to customers, which meant fewer people devoted to clerical work and greater resources for intellectual work. The other area was investment in product."

Two years ago, TriMas' stock price reached a low of around \$1, its debt-to-EBITDA ratio was more than 5 to 1, and the company reported a \$136.2 million net loss for 2008 on revenue of \$1.01 billion. Revenue fell further in 2009, but grew in 2010 to \$942 million and is expected to surpass \$1 billion this year -- with a profit.

The company first closed plants and cut more than 10 percent of its 4,000-plus workforce, eliminated one group of executives to streamline management and developed an incentive system for more than 75 remaining executives. A new incentive system tied performance to a mix of sales, new product development, earnings per share and other criteria.

Since then sales have advanced heavily in new products and new global markets such as Brazil, Thailand and India. Wathen said non-U.S. sales in 2011 should account for more than 28 percent of the top line.

TriMas even started hiring again in mid-2010, a trend that accelerated into the first quarter. The headcount is now around 3,900, and Wathen estimates total new hires are around half of the previous job cuts. Debt is down almost \$25 million since last spring, and the debt-to-EBITDA ratio is now about 3 to 1.

White-collar hires have been mainly in intellectual property management and engineering, as part of the new product development focus.

The emerging market focus at TriMas is not unique, said Kenneth Julian, senior communications director at **Harsco Corp.**, a Camp Hill, Pa.-based diversified holder of metals, rail and infrastructure companies.

Julian said about 25 percent of Harsco's \$3 billion-plus in sales last year came from outside its core markets of North America and Western Europe.

"Going back about five years ago, more like 15-20 percent of sales in that period would have come from the rest of the world," he said. "There's no question we've made emerging markets a part of our growth strategy."

Richard Hoss, research analyst at **Roth Capital Partners** in Newport Beach, Calif., said TriMas is faring better than some in its peer group, and he maintains a "buy" rating for its stock.

He also said energy and materials prices remain a risk for its high-margin packaging business segment as well as **Cequent**, the Plymouth-based trailer and recreational vehicle accessory division, its largest by revenue.

"As far as oil prices, the majority of the hit comes on the raw materials side that affects their packaging segment. And they've been able so far to push nearly 50 percent of the material costs along to customers," Hoss said.

The company forecasts 8 percent to 11 percent sales growth and annual earnings per share of \$1.45 to \$1.60 in 2011, a projection Wathen said considers those risks. Most growth is organic, though Wathen also said TriMas may complete one or two small "bolt-on" acquisitions this year as it did in 2010.

"We have already taken that (energy costs) into account in our projections, because I'd rather be labeled a bit conservative, if anything," Wathen said.

As its prospects and share price have improved, major stakeholders also have unloaded millions of TriMas shares.

Heartland Industrial Partners LP, the private equity fund and largest holder with more than 20 percent of its shares, sold 4.5 million shares to **DeutscheBank Securities Inc.** in April and another 3 million last November to **Goldman Sachs & Co.** Taylor-based **Masco Corp.** (NYSE: MAS), previously the third-largest shareholder, sold 2.1 million of its 3.6 million shares in March, while TriMas Executive Chairman Sam Valenti III also in March filed a notice of intent to sell up to 110,000 of his 150,000 shares.

The company has seen large buys in recent months from investment fund managers, who traditionally seek stable long-term growth prospects, as opposed to hedge funds or speculative investors seeking short price gains.

Goldman and Deutsche Bank both were expected to pass on most of their shares to other investors, and Wathen said TriMas management has been consulted by several prospective investors in recent months.

Chicago investment banking and asset management firm **William Blair & Co.** picked up nearly 3.6 million shares after the Goldman Sachs offering.

Other new buyers in 2011, according to the **U.S. Securities and Exchange Commission** and **Bloomberg**, include **Lazard Asset Management**, **Marshall & Ilsley Corp.**; and **Loomis Sayles & Co.**

A few analysts have noted TriMas has shown more volatility than others in the same industry, but Wathen said that may be connected to the "lack of longevity" as a public company since its 2007 IPO.

"Generally, the message I leave is keep watching whether there continues to be growth and if we meet our goals," he said. "And eventually we'll show you."

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