

Intrinsic Value Weekly®

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Trying to keep market swings in perspective takes a lot of patience and study, but without some idea of the central value, or central tendency of stocks, the market becomes a guessing game. The overvaluations of this past summer are returning in sectors deemed to be less economically sensitive. But it is also true that large basic industry stocks continue to reflect the same flight to safety concerns of September. In general, the Midcap and Small Stocks are more attractive in long-term valuation horizons and should return at least double the large cap indices over the next four to eight quarters. In large caps, use stocks from the Consumer Cyclicals and Transports. If you need to own Consumer Staples, concentrate on the MidCap names. In fact we've listed them on page 3 this week.

ECONOMIC SECTOR VALUATION - FUNDAMENTALS AS OF JUNE, 1998

<u>SECTORS</u>	<u>S&P 500</u>	<u>S&P MIDCAP</u>	<u>S&P SMALL CAP</u>
BASIC INDUSTRY	9.1%	(11.4%)	(7.6%)
CONSUMER CYCLICALS	(14.3%)	(31.9%)	(1.9%)
CONSUMER STAPLES	58.1%	(22.7%)	1.6%
HEALTH	4.0%	(26.7%)	(6.1%)
ENERGY	(3.2%)	(7.2%)	(18.6%)
FINANCIAL	(5.7%)	(8.0%)	(23.0%)
CAPITAL GOODS	9.9%	(17.6%)	(22.1%)
TECHNOLOGY	24.7%	(13.4%)	(16.1%)
COMMUNICATIONS	10.3%	(4.8%)	(46.3%)
UTILITY	(7.3%)	(22.3%)	(5.2%)
TRANSPORTATION	(12.9%)	(4.2%)	(18.5%)

Black - Overvalued

Red - (Undervalued)

PRICE CHANGE SINCE SEPTEMBER 30

<u>SECTORS</u>	<u>S&P 500</u>	<u>S&P MIDCAP</u>	<u>S&P SMALL CAP</u>
prices as of 10/23/98			
BASIC INDUSTRY	1.11%	6.62%	(0.68%)
CONSUMER CYCLICALS	11.03%	4.28%	0.30%
CONSUMER STAPLES	11.70%	7.44%	(0.30%)
HEALTH	0.96%	3.47%	5.17%
ENERGY	(1.05%)	8.99%	4.51%
FINANCIAL	7.90%	5.95%	(0.60%)
CAPITAL GOODS	7.94%	6.28%	4.62%
TECHNOLOGY	1.63%	1.98%	4.17%
COMMUNICATIONS	3.55%	(0.17%)	(30.50%) *
UTILITY	(2.32%)	(2.92%)	0.98%
TRANSPORTATION	1.47%	2.68%	11.23%

* Sector contains only 2 companies

Intrinsic Value Weekly

Page 2

Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Price 10/23/98	Intrinsic Value	+/- %	Q Ratio
ALD	AlliedSignal Inc.	\$ 37.563	\$48.89	-23%	1.81
CTL	Century Telephone Enterprises, Inc.	\$ 48.750	\$54.16	-10%	1.63
DAL	Delta Air Lines, Inc.	\$ 98.375	\$148.87	-34%	0.95
G	Gillette Company	\$ 44.500	\$48.20	-8%	4.84
INTC	Intel Corporation	\$ 87.250	\$100.81	-13%	6.35
NUE	Nucor Corporation	\$ 43.938	\$68.82	-36%	1.51
PNM	Public Service Company of New Mexico	\$ 20.625	\$28.66	-28%	0.82
SLB	Schlumberger Limited	\$ 51.250	\$55.18	-7%	2.53
WEN	Wendy's International	\$ 23.188	\$25.43	-9%	1.56

Value Drivers

Standard Market Statistics

	Sales		Leverage		Yield	PE	PB	PS
	Growth 12M	EBIT Margin %	ROC	at Market				
ALD	7.9%	11.4%	11.8%	21.2%	1.6%	15.38	4.50	1.32
CTL	57.1%	29.7%	9.1%	37.2%	0.5%	16.41	3.33	3.40
DAL	4.9%	12.0%	14.2%	63.5%	0.2%	6.83	1.82	0.50
G	2.4%	23.1%	20.2%	7.0%	1.1%	38.64	8.29	4.26
INTC	0.7%	39.4%	33.5%	0.7%	0.1%	24.71	6.54	5.57
NUE	12.8%	11.0%	21.1%	6.0%	1.1%	12.16	1.91	0.81
PNM	20.3%	14.3%	7.0%	51.2%	3.9%	12.26	1.15	0.73
SLB	15.5%	15.5%	14.6%	13.3%	1.5%	17.60	3.78	2.23
WEN	1.5%	14.9%	11.9%	27.5%	1.0%	24.65	2.17	1.44

Notes on Intrinsic Value Portfolio

- As shown by the valuations, above shorting stocks which are undervalued can be a tricky game. Case in point, Intel. The stock has covered a good deal of the value gap in the past few weeks, but remains about 13% undervalued. This in spite of the very high numbers on standard statistical measures.
- Though utilities have performed well this year, companies like PNM are on similar improvement tracks as companies like PE and DUK, but have languished.
- Our valuation of Schlumberger is very conservative, so the modest 7% undervaluation is probably understated. Anything above that requires more reassuring fundamentals in the energy sector over the next several months.
- Finally, Wendy's new stock repurchase program confirms our assessment of the company's ability to generate prodigious free cash flow.

Intrinsic Value Weekly

Consumer Staples - S&P MidCap 400

Page 3

Company Name	Ticker	Market Value - Equity	Last 12 Mo.		ROE	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
			Sales Gr. %	Gr. %							
BANTA CORP	BNTA	\$ 736.8	17.4%	10.46	5.23	16.45	1.80	6.65	9.02	2.08%	
BERGEN BRUNSWIG CORP -CL A	BBC	\$ 2,356.7	16.1%	0.16	12.7	1.0	26.8	3.6	8.72	1.29%	
BOB EVANS FARMS	BOBE	\$ 838.4	8.9%	0.09	10.0	8.4		1.8	14.71	1.59%	
BRINKER INTL INC	EAT	\$ 1,494.2	16.2%	0.16	11.6	9.6	20.4	2.5	12.08	0.00%	
BUFFETS INC	BOCB	\$ 628.2	7.2%	0.07	10.7	5.4	17.9	2.3	8.14	0.00%	
CARTER-WALLACE INC	CAR	\$ 536.0	2.2%	0.02	7.8	7.9		2.1	7.73	1.48%	
CHRIS-CRAFT INDS	CCN	\$ 1,135.3	-0.6%	-0.01	6.8	-8.9	47.9	1.1	-2.16	0.00%	
CHURCH & DWIGHT INC	CHD	\$ 560.7	15.8%	0.16	13.7	3.7	21.7	3.1	7.66	1.66%	
CORRECTIONS CORP OF AMERICA	CCA	\$ 1,525.0	57.7%	0.58	15.5	21.2	21.5	4.3	12.53	0.00%	
CRACKER BARREL OLD CTRY STOR	CBRL	\$ 1,653.0	17.2%	0.17	13.1	9.8	15.8	2.5	14.35	0.08%	
DEAN FOODS CO	DF	\$ 1,976.9	0.4%	0.00	14.2	4.5		3.2	9.77	1.70%	
DIAL CORPORATION	DL	\$ 2,616.2	7.3%	0.07	26.2	11.9	25.1	8.1	23.69	1.26%	
DOLE FOOD CO INC	DOL	\$ 1,788.3	9.4%	0.09	24.0	6.4	11.7	2.7	8.11	1.35%	
DREYER'S GRAND ICE CREAM INC	DRYR	\$ 364.1	12.9%	0.13	4.3	1.6	-668.8	3.4	3.49	0.90%	
FIRST BRANDS CORP	FBR	\$ 1,410.5	7.5%	0.07	13.6	10.5	27.4	3.7	12.65	1.11%	
FLOWERS INDUSTRIES INC	FLO	\$ 2,170.4	90.2%	0.90	18.3	2.8		5.6	4.68	2.21%	
HANNAFORD BROTHERS CO	HRD	\$ 1,820.4	7.7%	0.08	9.9	3.8	28.0	3.0	10.71	1.39%	
HORMEL FOODS CORP	HRL	\$ 2,346.5	-1.5%	-0.02	13.6	5.2	17.3	3.0	12.31	2.01%	
IBP INC	IBP	\$ 2,284.7	0.1%	0.00	9.5	1.4	17.0	1.8	9.43	0.41%	
INTERSTATE BAKERIES CP	IBC	\$ 2,276.3	2.1%	0.02	22.6	4.9		4.1	10.03	0.89%	
INTL MULTIFOODS CORP	IMC	\$ 387.4	-4.1%	-0.04	6.5	2.2	103.1	1.2	7.64	3.88%	
KELLY SERVICES INC -CL A	KELYA	\$ 1,049.5	10.2%	0.10	14.4	2.1	13.9	2.1	11.01	3.04%	
LANCE INC	LNCE	\$ 564.1	-0.2%	0.00	16.1	9.6	18.6	3.0	21.31	5.10%	
LONE STAR STEAKHOUSE SALOON	STAR	\$ 308.8	10.7%	0.11	12.2	17.9	7.6	0.6	19.44	0.00%	
MANPOWER INC/WI	MAN	\$ 2,079.4	20.1%	0.20	26.5	2.5	14.5	3.4	13.38	0.70%	
MCCORMICK & CO	MCCRK	\$ 1,778.6	4.0%	0.04	24.8	7.9	20.2	5.3	15.27	2.29%	
MCKESSON CORP	MCK	\$ 6,704.6	43.2%	0.43	11.0	1.4		4.7	10.74	0.71%	
MODIS PROFESSIONAL SVCS INC	MPS	\$ 1,479.5	30.5%	0.30	12.6	5.1	12.7	1.7	11.64	0.00%	
OLSTEN CORP	OLS	\$ 497.5	15.0%	0.15	11.1	3.9	20.9	0.7	10.86	2.19%	
OUTBACK STEAKHOUSE INC	OSSI	\$ 1,569.9	19.7%	0.20	14.1	8.2	20.5	3.6	15.53	0.00%	
PERRIGO COMPANY	PRGO	\$ 631.5	6.9%	0.07	10.6	7.1	-12.5	1.5	11.23	0.00%	
PSS WORLD MEDICAL INC	PSSI	\$ 1,430.5	26.8%	0.27	4.1	4.2		3.7	12.71	0.00%	
ROBERT HALF INTL INC	RHI	\$ 3,778.6	41.0%	0.41	22.4	12.3	31.3	8.9	41.39	0.00%	
RUDDICK CORP	RDK	\$ 799.1	7.1%	0.07	12.5	4.0	17.7	2.1	8.76	1.87%	
SBARRO INC	SBA	\$ 472.1	5.4%	0.05	16.4	17.3	13.6	2.1	26.65	0.00%	
SMUCKER (JM) CO -CL A	SJM.A	\$ 316.8	4.9%	0.05	12.0	10.1		2.1	16.93	2.55%	
STARBUCKS CORP	SBUX	\$ 3,319.1	36.2%	0.36	10.8	7.7	52.5	5.5	7.03	0.00%	
TCA CABLE TV INC	TCAT	\$ 1,244.5	20.0%	0.20	22.3	27.5	31.0	7.3	12.82	1.28%	
TYSON FOODS INC -CL A	TSN	\$ 2,947.7	9.8%	0.10	11.5	3.9	31.4	3.0	5.89	0.44%	
U S FOODSERVICE INC	UFS	\$ 2,110.0	6.5%	0.07	-6.4	3.8	-54.2	3.6	21.34	0.00%	
UNIVERSAL FOODS CORP	UFC	\$ 1,084.8	3.2%	0.03	17.0	13.9	15.5	2.9	16.33	2.41%	
VLASIC FOODS INTERNATIONAL	VL	\$ 804.0	-10.0%	-0.10	-22.3	2.0	-136.1	@NA	3.13	0.00%	
WHITMAN CORP	WH	\$ 2,043.2	-19.4%	-0.19	2.9	8.3	57.5	3.8	5.86	0.99%	