

Intrinsic Value Weekly

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Much of the undervaluation created by the sharp August-October sell-off has been repaired in the large capitalization stocks as shown by our valuations this week. Intrinsic Values do not change much in the short-run barring changes in tax rates, inflation or war. The almost-war of last week does seem to have a moderate impact, but not enough to offset what is now general over-valuation of six large cap sectors. Only three large cap areas remain somewhat interesting: **Consumer cyclicals, Utilities and Transports.**

Looking for value using this broad brush leads us still to the mid-cap and small cap markets. **Mid cap Consumer and Health, Capital Goods and Utility** areas remain undervalued. But nearly all sectors, except consumer issues, in the small cap market are still undervalued. Page 3 looks at **Mid cap Health** this week.

While some snapback from the absence of missiles in the Iraqi airspace should carry stocks up this week, we do not expect much boost from the large cap stocks for the balance of the year.

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	14.3%	(8.2%)	(5.5%)
CONSUMER CYCLICALS	(8.9%)	(27.2%)	0.6%
CONSUMER STAPLES	57.5%	(11.9%)	5.9%
HEALTH	7.7%	(21.2%)	(4.6%)
ENERGY	(0.9%)	(7.2%)	(20.1%)
FINANCIAL	(1.6%)	(1.4%)	(19.6%)
CAPITAL GOODS	14.9%	(12.5%)	(17.0%)
TECHNOLOGY	37.1%	2.6%	(4.8%)
COMMUNICATIONS	14.0%	4.0%	(22.7%)
UTILITY	(5.2%)	(20.0%)	(4.7%)
TRANSPORTATION	(10.7%)	7.1%	(6.2%)

Black - Overvalued

Red - (Undervalued)

WEEKLY PRICE CHANGE

<u>SECTORS</u>	<u>S&P 500</u>	<u>S&P MIDCAP</u>	<u>S&P SMALL CAP</u>
prices as of 11/13/98			
BASIC INDUSTRY	(1.96%)	(0.71%)	(2.77%)
CONSUMER CYCLICALS	(1.12%)	(3.57%)	(3.97%)
CONSUMER STAPLES	(0.55%)	(2.81%)	(4.94%)
HEALTH	0.33%	(1.03%)	(2.76%)
ENERGY	(1.21%)	(8.98%)	(6.37%)
FINANCIAL	(3.32%)	(3.50%)	(2.97%)
CAPITAL GOODS	(1.91%)	(0.88%)	(2.13%)
TECHNOLOGY	4.35%	0.54%	(0.32%)
COMMUNICATIONS	(2.90%)	0.08%	3.79% *
UTILITY	0.04%	(0.25%)	(1.14%)
TRANSPORTATION	(5.97%)	(3.72%)	(3.71%)

* Sector contains only 2 companies

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol Name	Price 11/13/98	Intrinsic Value	+/- %	Q Ratio
ALD AlliedSignal Inc.	\$ 41.000	\$48.89	(16.1%)	1.96
CTL Century Telephone Enterprises, Inc.	\$ 56.563	\$54.16	4.4%	1.83
DAL Delta Air Lines, Inc.	\$104.250	\$148.87	(30.0%)	0.98
G Gillette Company	\$ 48.188	\$48.20	(0.0%)	5.63
INTC Intel Corporation	\$103.750	\$112.11	(7.5%)	6.60
NUE Nucor Corporation	\$ 45.250	\$68.82	(34.2%)	1.67
PNM Public Service Company of New Mexico	\$ 22.375	\$28.66	(21.9%)	0.82
SLB Schlumberger Limited	\$ 51.813	\$55.18	(6.1%)	2.60
WEN Wendy's International	\$ 19.438	\$25.43	(23.6%)	1.50

Value Drivers

Standard Market Statistics

	Sales Growth 12M	EBIT Margin %	ROC	Leverage at Market	Yield	PE	PB	PS
ALD	7.9%	11.4%	11.8%	19.9%	1.5%	16.93	4.96	1.45
CTL	74.6%	29.7%	9.1%	33.9%	0.5%	18.83	4.01	3.56
DAL	4.9%	12.0%	14.2%	62.2%	0.2%	7.42	1.98	0.55
G	2.4%	23.1%	20.2%	6.5%	1.1%	45.52	9.77	5.02
INTC	0.7%	39.4%	33.5%	0.6%	0.1%	25.70	6.81	5.79
NUE	6.0%	11.0%	21.1%	5.8%	1.1%	14.29	2.12	0.92
PNM	20.3%	14.3%	7.0%	49.5%	3.6%	12.19	1.15	0.73
SLB	9.6%	15.5%	14.6%	13.1%	1.4%	24.88	3.91	2.18
WEN	-1.5%	14.9%	11.9%	31.0%	1.2%	25.00	2.05	1.39

Notes on Intrinsic Value Portfolio

Intel said last week that it's back on track for higher revenue growth, consistent with our view that Intel is a cyclical stock with a high trend growth rate in revenue. Our former target of \$101 has now been exceeded in the market. The drop in the cost of capital since our April, 1998 estimate now puts Intel's target at \$112.11. Still not much undervaluation. Only a further bump up in the trend growth of revenues or a further drop in the cost of capital would cause us to increase the target.

The drop in Schlumberger's price last week is likely due to its CEO's statement that 1999 revenues could drop 10% from this year's total. He confirmed the longer term "at least 10%" revenue growth forecast in our October 1998 Intrinsic Value report, and as such very little in the intrinsic value is changed. Further, Mr. Baird estimated that non-oil divisions have higher than 10% growth targets. With SLB only 6% undervalued, we expect that even better buying prices will follow soon.

Wendy's International continues to reflect short-term concerns driven by re-franchising the store base, but continues to build intrinsic value though not yet understood by the street.

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Health - S&P Mid cap Index

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Company Name	Ticker	Last 12		ROE	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
		Market Value - Equity	Mo. Sales Gr. %							
ACUSON CORP	ACN	\$ 401.0	8.5%	10.65	6.81	19.88	1.92	9.2	13.55	0.00%
ALLEGIANCE CORP	AEH	\$ 4,274.5	4.7%	0.05	9.7	4.1	36.9	17.7	7.76	0.56%
APRIA HEALTHCARE GROUP	AHG	\$ 207.1	-17.7%	-0.18	-366.1	-0.5	-0.5	-0.6	-0.56	0.00%
BECKMAN COULTER INC	BEC	\$ 1,388.6	56.6%	0.57	-323.2	7.7	-4.4	-9.0	7.49	1.24%
BEVERLY ENTERPRISES	BEV	\$ 761.5	-11.9%	-0.12	6.8	6.4	14.5	5.1	7.67	0.00%
BIOGEN INC	BGEN	\$ 5,953.9	36.7%	0.37	16.6	36.0	46.4	39.1	23.37	0.00%
CENTOCOR INC	CNTO	\$ 3,453.1	37.2%	0.37	4.3	11.0	-30.1	-37.0	6.77	0.00%
CHIRON CORP	CHIR	\$ 4,100.8	@SF	@SF	5.8	8.8	42.7		5.99	0.00%
CONCENTRA MANAGED CARE INC	CCMC	\$ 500.1	30.3%	0.30	1.3	11.1	13.4		13.25	0.00%
COVANCE INC	CVD	\$ 1,639.3	21.2%	0.21	25.3	9.1	35.3	20.1	10.52	0.00%
DENTSPLY INTERNATL INC	XRAY	\$ 1,388.9	9.8%	0.10	17.6	12.3	23.2	14.6	14.07	0.78%
FIRST HEALTH GROUP CORP	FHCC	\$ 955.0	57.4%	0.57	24.4	49.2	10.5		42.35	0.00%
FOREST LABORATORIES -CL A	FRX	\$ 3,735.0	61.7%	0.62	6.0	9.2	99.7	85.0	6.36	0.00%
FOUNDATION HEALTH SYS -CL A	FHS	\$ 1,734.4	20.8%	0.21	-7.6	5.0	-59.3	20.3	21.14	0.00%
GENZYME CORP	GENZ	\$ 3,513.2	10.4%	0.10	1.3	7.5	211.9		3.46	0.00%
HEALTH MANAGEMNT ASSC	HMA	\$ 5,337.2	27.2%	0.27	19.3	14.6	39.4	28.5	18.85	0.00%
ICN PHARMACEUTICALS INC	ICN	\$ 1,622.7	33.0%	0.33	13.6	17.8	-18.0	-30.8	13.51	1.09%
IVAX CORP	IVX	\$ 1,193.1	-8.4%	-0.08	-50.5	-19.7	-17.4	-37.4	-12.64	0.00%
LINCARE HOLDINGS INC	LNCR	\$ 1,902.1	13.6%	0.14	20.4	22.9	24.9	15.6	24.73	0.00%
MYLAN LABORATORIES	MYL	\$ 4,298.9	28.4%	0.28	13.5	24.2	34.4	29.2	17.91	0.46%
NOVACARE INC	NOV	\$ 269.7	47.8%	0.48	10.0	7.2	5.0	2.5	10.76	0.00%
OMNICARE INC	OCR	\$ 2,861.2	63.6%	0.64	7.2	9.3	39.5		8.96	0.25%
OXFORD HEALTH PLANS INC	OXHP	\$ 854.1	18.2%	0.18	-83.4	-9.8	-1.0	-1.1	-88.59	0.00%
PACIFICARE HEALTH SYS -CL B	PHSYB	\$ 1,067.7	21.7%	0.22	-1.5	1.8	185.1	22.4	7.75	0.00%
QUINTILES TRANSNATIONAL CORP	QTRN	\$ 3,465.4	44.7%	0.45	14.3	9.9	45.8	27.2	13.58	0.00%
QUORUM HEALTH GROUP INC	QHGI	\$ 1,225.4	5.2%	0.05	13.9	13.8	13.4	6.9	16.18	0.00%
STERIS CORP	STRL	\$ 1,651.5	16.3%	0.16	18.2	11.8	22.8	16.8	15.82	0.00%
STRYKER CORP	SYK	\$ 4,044.2	6.9%	0.07	20.5	11.8	28.3	23.8	13.26	0.26%
SYBRON INTL CORP	SYB	\$ 2,512.4	16.2%	0.16	22.3	14.1	34.1		10.49	0.00%
TOTAL RENAL CARE HLDG -CL A	TRL	\$ 2,168.1	60.7%	0.61	13.5	12.8	149.0	28.1	9.50	0.00%
WATSON PHARMACEUTICALS INC	WPI	\$ 4,543.0	75.6%	0.76	16.0	43.7	42.8	34.3	28.00	0.00%