Intrinsic Value Weekly

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"Stasis"

Stasis is the condition of being unchanged or invariable. This term is not often used in describing markets. Markets were nearly unchanged last week; it won't continue. The drivers for many large stocks are eroding. Not so for the rate investors discount future cash flows. The equity discount rate has been coming down slowly as the evidence that inflation is stable continues to dribble in. The big problem for stocks is top-line growth - revenues. Without revenue growth, companies have to cut costs to maintain their idea of a target growth for profits. And as the optical equipment suppliers have been learning, if your customer cuts back, you suffer. So, while the GDP stuff doesn't look too bad, total revenue growth is suffering in several sectors now. Most of all in the sectors where fast revenue growth has been seen as a driver for keeping productivity improving: technology. As these markets mature, their growth rates must slow down. And the life cycle of technology products seems to get shorter with each new wave. Perhaps its only an illusion driven by advancing age.

But, if overall revenue growth is slowing, the numbers will show up in the aggregate GDP. Lower growth means lower intrinsic value. And lower intrinsic value may or may not mean lower stock price. If a stock has already cratered, the price may over-discount the lower growth rate and provide investment opportunity. The difficulty is picking the bottom in the growth rate. And that may be at least as hard as picking a bottom in a stock price. Nevertheless, in bear periods like this, searching for the jewels among the rocks is a useful activity and we are actively searching for them. As with our recommendation of **Intel Corp. (INTC - NASDAQ)**, we may not get the exact low in the price range, but if we can construct a reasonable estimate of the future growth rate that gives an intrinsic value well above the current price, and a business assessment that is conservatively based, we'll likely be adding some cratered stocks to the Intrinsic Value Portfolio.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	11/17/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
HON	Honeywell Int'l Inc.	9/22/2000	$ 51.000	$59.52	(14.3%)	2.3	(4.4%)
BGP	**Borders Group, Inc.**	**9/22/2000**	**$ 12.875**	**$29.31**	**(56.1%)**	**1.1**	**1.0%**
BGG	**Briggs & Stratton**	**9/22/2000**	**$ 37.000**	**$98.87**	**(62.6%)**	**1.2**	**3.7%**
CTL	**CenturyTel, Inc.**	**9/22/2000**	**$ 35.688**	**$40.74**	**(12.4%)**	**1.8**	**0.2%**
DAL	**Delta Air Lines, Inc.**	**3/6/2000**	**$ 48.188**	**$66.30**	**(27.3%)**	**0.9**	**4.6%**
G	**Gillette Company**	**9/14/2000**	**$ 35.750**	**$40.84**	**(12.5%)**	**3.8**	**3.2%**
INTC	**Intel Corporation**	**9/11/2000**	**$ 41.500**	**$67.55**	**(38.6%)**	**8.0**	**12.2%**
LOW	**Lowes Companies**	**9/22/2000**	**$ 40.813**	**$56.04**	**(27.2%)**	**2.5**	**2.2%**
MLHR	**Herman Miller, Inc.**	**3/6/2000**	**$ 25.188**	**$46.28**	**(45.6%)**	**2.6**	**3.0%**
NYT	New York Times Co.	9/22/2000	$ 35.375	$46.26	(23.5%)	2.5	(5.8%)
NUE	Nucor Corporation	9/22/2000	$ 34.188	$60.65	(43.6%)	1.0	(1.1%)
WEN	**Wendy's International**	**9/22/2000**	**$ 24.688**	**$28.69**	**(13.9%)**	**1.6**	**3.7%**
				Average:	(31.5%)	**Average:**	**1.9%**
						S&P 500	0.1%

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Capital Turnover	Sales Growth Last 12M	EBIT Margin %	Return On Capital	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/ Book	Price/ Sales	Market Cap ($billions)
HON	1.2	0.7%	13.8%	14.0%	3.0%	1.5%	17.7	5.0	1.6	40.7
BGP	**1.0**	**11.4%**	**5.7%**	**10.9%**	**7.2%**	**0.0%**	**11.4**	**1.3**	**0.3**	**1.0**
BGG	**2.2**	**(6.6%)**	**12.9%**	**30.5%**	**(39.5%)**	**3.2%**	**7.8**	**1.9**	**0.5**	**0.8**
CTL	**0.4**	**4.8%**	**30.3%**	**11.1%**	**15.1%**	**0.5%**	**23.1**	**2.9**	**2.9**	**5.0**
DAL	**0.6**	**11.0%**	**11.6%**	**11.9%**	**13.5%**	**0.2%**	**4.8**	**1.2**	**0.4**	**5.9**
G	**0.9**	**(0.2%)**	**21.3%**	**14.5%**	**(1.4%)**	**1.8%**	**29.6**	**11.1**	**4.0**	**37.6**
INTC	**0.9**	**15.4%**	**34.6%**	**24.3%**	**19.1%**	**0.2%**	**28.9**	**9.2**	**8.3**	**279.3**
LOW	**2.2**	**17.9%**	**7.4%**	**11.1%**	**15.2%**	**0.3%**	**22.3**	**3.7**	**0.9**	**15.6**
MLHR	**1.9**	**11.2%**	**12.1%**	**17.6%**	**11.4%**	**0.6%**	**14.8**	**6.9**	**1.0**	**1.9**
NYT	1.1	12.1%	18.7%	13.1%	7.9%	1.3%	17.2	4.4	1.8	6.0
NUE	1.4	23.2%	9.3%	14.4%	13.3%	1.8%	8.9	1.3	0.6	2.7
WEN	**0.9**	**9.2%**	**13.8%**	**10.2%**	**8.5%**	**1.0%**	**14.3**	**2.4**	**1.3**	**2.8**

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ECONOMIC SECTOR VALUATION

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	(18.0%)	(37.2%)	(19.5%)
CONSUMER CYCLICALS	**(34.1%)**	**(20.8%)**	(16.3%)
CONSUMER STAPLES	(4.6%)	**(19.5%)**	**(0.4%)**
HEALTH	(20.5%)	23.1%	4.8%
ENERGY	**18.2%**	**96.5%**	**53.3%**
FINANCIAL	(13.3%)	(26.9%)	(29.7%)
CAPITAL GOODS	(14.7%)	**4.5%**	0.2%
TECHNOLOGY	**(23.3%)**	**(9.5%)**	**4.6%**
COMMUNICATIONS	(34.1%)	**26.1%**	(61.0%) *
UTILITY	**11.6%**	(15.5%)	**(15.8%)**
TRANSPORTATION	**(31.1%)**	**(16.7%)**	**(2.6%)**
Weighted Total:	(16.0%)	(2.7%)	(3.6%)

RED - Overvalued

BLUE - (Undervalued)

Bold - outperformed the relevant index

WEEKLY PRICE CHANGE

SECTORS	S&P 500 Weight % of Total	S&P 500 Price % Change	S&P MIDCAP Weight % of Total	S&P MIDCAP Price % Change	S&P SMALL CAP Weight % of Total	S&P SMALL CAP Price % Change
prices as of 11/17/2000						
BASIC INDUSTRY	1.9%	(0.7%)	3.3%	(4.0%)	3.7%	(1.7%)
CONSUMER CYCLICALS	**6.9%**	**4.9%**	**13.4%**	**4.0%**	17.6%	0.8%
CONSUMER STAPLES	11.1%	(0.4%)	**7.7%**	**0.9%**	**9.1%**	**4.9%**
HEALTH	12.4%	(2.4%)	14.2%	(2.5%)	11.2%	(15.1%)
ENERGY	**6.6%**	**0.9%**	**6.0%**	**2.1%**	**5.7%**	**4.4%**
FINANCIAL	15.3%	(4.0%)	11.7%	(0.5%)	12.2%	(6.5%)
CAPITAL GOODS	8.8%	(1.0%)	**7.9%**	**5.0%**	14.4%	(0.3%)
TECHNOLOGY	**27.0%**	**3.1%**	**23.0%**	**2.9%**	**18.5%**	**2.3%**
COMMUNICATIONS	5.9%	(3.1%)	**1.7%**	**4.1%**	0.2%	(7.9%) *
UTILITY	**3.4%**	**0.5%**	9.6%	(3.1%)	**3.9%**	**4.2%**
TRANSPORTATION	**0.6%**	**2.4%**	**1.6%**	**5.3%**	**3.4%**	**9.6%**
Index Total:		0.1%		0.4%		1.7%

* Sector contains only 3 companies

Weekly price changes may not match prior issues due to changes in composition of sectors.

Sector Comments: Technology rebounded briefly last week, along with Consumer Cyclicals, Energy and Transportation. Transport rose in every subcategory. Energy was up, but drilling stocks dropped. Even with an undeclared war in the Mideast, Energy only rose modestly. Valuation may have something to do with the price movement of both Energy and Transportation.

Among losers, Communications continued its downtrend. Now the cost of auctioned licenses is being blamed for the high debt loads in that group. Of course, regulators might have had something to do with the logjam in several sectors in the Communications and Tech sectors. The outcome of the pending election will likely have a sharp effect on this group. Any move toward true deregulation of Comms stocks will have an enormously positive effect. Unlike the trucking and airline stocks of the 1970's where regulation was propping up the capital returns of those industries, and deregulation caused a severe contraction of the participants. A communications deregulation will have a very positive effect, allowing companies to implement a rapid expansion into each other's businesses, by line and geographically. Allowing the unfettered use of technology to drive down costs and expand the communications market will revitalize even the long distance business. This view is not currently discounted in the market prices of communications stocks and prices are reflective of an analysis gap. On Page 3 this week, we present the drivers for Communications stocks: large, mid and small. Though the data reflects only the difficult recent past, some success can be seen there.

($millions)	Large Capitalization		Mid-Cap Capitalization		Small-Cap Capitalization	
	$ 12,039,753	**90.5%**	**$903,807**	**6.8%**	**$ 354,456**	**2.7%**

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Communications Stocks have suffered mightily; Could Deregulation Help?

Company Name	Ticker	Market Value - Equity	Quarterly Sales Growth	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/ Book Ratio	Price/ Cash Flow	Return on Capital	Dividend Yield
ALLTEL CORP	**AT**	**$19,013**	**10.7%**	**60.8**	**33.94**	**17.3**	**10.5**	**4.8**	**11.9**	**11.34**	**2.1%**
AT&T CORP	T	$75,340	4.3%	20.1	18.18	13.3	13.1	0.9	5.9	7.01	4.4%
BELLSOUTH CORP	BLS	$78,605	7.5%	42.1	28.11	18.2	21.9	6.1	9.8	11.06	1.8%
BROADWING INC	BRW	$5,140	107.7%	23.9	(14.63)	11.6	(35.8)	2.7	21.9	3.13	1.7%
CENTURYTEL INC	**CTL**	**$5,016**	**15.1%**	**35.7**	**37.73**	**30.3**	**23.1**	**2.9**	**8.5**	**11.07**	**0.5%**
GENERAL COMMUNICATION -(	GNCMA	$312	12.7%	6.0	(5.95)	4.1	(23.7)	2.1	9.1	1.62	0.0%
GLOBAL CROSSING LTD	GX	$14,345	297.1%	16.3	(9.64)	4.5	(11.3)	2.0	52.3	0.73	0.0%
NEXTEL COMMUNICATIONS	NXTL	$25,541	59.3%	33.6	(32.69)	(16.7)	(24.6)	12.4	(93.1)	(3.55)	0.0%
PAC-WEST TELECOM INC	PACW	$240	-2.8%	6.7	16.71	54.4	29.0	2.9	9.7	26.50	0.0%
POWERWAVE TECHNOLOGIES	PWAV	$3,372	45.5%	53.4	7.32	9.8	69.7	17.1	105.5	21.58	0.0%
PRICE COMMUNICATIONS COR	PR	$1,123	7.6%	20.2	(2.60)	23.8	40.0	7.1	20.7	6.29	0.0%
QWEST COMMUNICATION INTL	Q	$69,303	6.9%	41.9	47.29	20.6	42.3	19.6	6.1	11.06	5.1%
SBC COMMUNICATIONS INC	SBC	$189,815	-22.6%	56.0	31.31	19.4	23.3	7.3	12.6	13.46	1.8%
SPRINT FON GROUP	FON	$19,828	2.4%	24.9	25.29	14.7	13.7	1.9	5.1	9.67	2.0%
SPRINT PCS GROUP	PCS	$23,092	98.2%	25.0	(60.84)	(80.8)	(17.7)	11.3	(23.7)	(15.03)	0.0%
TALK.COM INC	TALK	$144	-13.4%	2.2	11.81	11.0	(44.2)	5.0	2.2	80.47	0.0%
TELEPHONE & DATA	TDS	$5,538	11.3%	92.3	25.19	15.0	42.5	2.6	8.5	5.21	0.5%
VERIZON COMMUNICATIONS	**VZ**	**$140,996**	**99.4%**	**51.9**	**47.03**	**21.5**	**15.3**	**5.7**	**7.7**	**12.19**	**3.0%**
WORLDCOM INC	**WCOM**	**$45,193**	**11.7%**	**15.8**	**23.84**	**23.3**	**14.1**	**1.3**	**5.4**	**7.53**	**0.0%**

@AF - Annual Figure | @NA - Not available | @CF - Combined Figure | @SF - SemiAnnual Figure | Red - Warning

Bold Blue - Favorable Drivers Source: Standard & Poors Corporation Compustat Research Insight®, Intrinsic Value Associates, LLC

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