

Intrinsic Value Weekly

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"Growth in the Spring"

The relative value of the Intrinsic Value Portfolio improved last week by not falling as much as the S&P 500. Nevertheless, the discount to intrinsic value increased. For investors who have cash flow and good common sense, the opportunity to purchase stocks at a greater discount is always good news. That mindset is what sets investors apart from speculators and is in seemingly short supply today. As we explain elsewhere, we expect that any slowdown in business activity to be simply a postponement of purchases to more favorable times: a lower tax rate environment, a lower interest rate environment, or even a lower exchange rate environment. This shifting of activity looks terrible to short-term financial performance and analysts will, no doubt, be surprised. This analysis suggests, though, that growth in activity will resume and markets will once again discount the improvement. The market returns will consequently be improved from what we've seen this year. As Peter Sellers said in the movie "Being There", "Growth will come in the Spring".

Delta Air Lines (DAL - NYSE) is struggling to conclude contract negotiations between its pilots union and its Comair unit, but no resolution has been achieved and the pilots have been reported to have indulged in "sick-out" tactics. This negotiation has been going since 1998 without result and has become a drag on the unit's performance due to cancellation of flights and thus marring its relations with customers. But no resolution is likely in the near future. Meanwhile, **DAL** continues to outperform its industry on both revenue growth and costs.

We are deleting **Gillette (G - NYSE)**, **Intel (INTC - NASDAQ)** and **Honeywell (HON - NYSE)** (which is being acquired by **General Electric (GE - NYSE)**) from the Intrinsic Value Portfolio to avoid any conflict with our activities as co-portfolio manager for several mutual funds. This move should convey no implication of any change in our view about these companies or their intrinsic value.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	12/15/00	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
* HON	Honeywell Int'l Inc.	9/22/00	\$ 47.875	\$59.52	(19.6%)	2.1	(12.2%)
BGP	Borders Group, Inc.	9/22/00	\$ 12.625	\$29.31	(56.9%)	1.0	(0.5%)
BGG	Briggs & Stratton	9/22/00	\$ 38.813	\$98.87	(60.7%)	1.3	1.0%
CTL	CenturyTel, Inc.	9/22/00	\$ 36.688	\$40.74	(9.9%)	1.6	0.7%
DAL	Delta Air Lines, Inc.	3/6/00	\$ 48.125	\$66.30	(27.4%)	0.9	(1.2%)
* G	Gillette Company	9/14/00	\$ 33.813	\$40.84	(17.2%)	3.7	3.6%
* INTC	Intel Corporation	9/11/00	\$ 32.438	\$67.55	(52.0%)	6.8	(4.6%)
LOW	Lowe's Companies	9/22/00	\$ 41.063	\$56.04	(26.7%)	2.2	3.0%
MLHR	Herman Miller, Inc.	3/6/00	\$ 22.813	\$46.28	(50.7%)	2.4	(0.8%)
NYT	New York Times Co.	9/22/00	\$ 40.563	\$46.26	(12.3%)	2.3	(0.9%)
NUE	Nucor Corporation	9/22/00	\$ 37.688	\$60.65	(37.9%)	1.0	(6.2%)
WEN	Wendy's International	9/22/00	\$ 25.813	\$28.69	(10.0%)	1.8	1.7%

Average: (31.8%) Average: (1.4%)

S&P 500 (4.2%)

Bold - Outperformed the S&P 500 for the week

* Company is being dropped from the portfolio this week.

Value Drivers

Standard Market Statistics

Symbol	Sales					Standard Market Statistics				
	Capital Turnover	Growth Last 12M	EBIT Margin %	Return On Capital	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/Book	Price/Market Cap Sales (\$billions)	Market Cap (\$billions)
HON	1.2	0.7%	13.8%	14.0%	3.0%	1.6%	17.7	4.5	1.6	38.2
BGP	1.0	11.4%	5.7%	10.9%	7.2%	0.0%	11.0	1.2	0.3	1.0
BGG	2.2	(6.6%)	12.9%	30.5%	(39.5%)	3.2%	8.1	2.0	0.6	0.8
CTL	0.4	4.8%	30.3%	11.1%	15.1%	0.5%	21.1	2.7	2.8	5.2
DAL	0.6	11.0%	11.6%	8.6%	13.5%	0.2%	4.8	1.2	0.4	5.9
G	0.9	(0.2%)	21.3%	14.5%	(1.4%)	1.9%	28.7	10.8	3.9	35.6
INTC	0.9	15.4%	34.6%	24.3%	19.1%	0.2%	24.5	7.8	7.6	218.3
LOW	2.2	17.9%	7.4%	11.1%	15.2%	0.3%	18.7	3.3	0.8	15.7
MLHR	1.9	11.2%	12.1%	17.6%	11.4%	0.6%	13.3	6.3	0.9	1.8
NYT	1.1	12.1%	18.7%	13.1%	7.9%	1.1%	16.5	4.2	1.8	6.7
NUE	1.4	23.2%	9.3%	14.4%	13.3%	1.6%	8.9	1.3	0.6	2.9
WEN	0.9	9.2%	13.8%	10.2%	8.5%	0.9%	17.7	3.0	1.5	2.9

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ECONOMIC SECTOR VALUATION

<u>SECTORS</u>	<u>S&P 500</u>	<u>S&P MIDCAP</u>	<u>S&P SMALL CAP</u>
BASIC INDUSTRY	(14.0%)	(36.0%)	(17.9%)
CONSUMER CYCLICALS	(34.1%)	(23.3%)	(19.5%)
CONSUMER STAPLES	(6.5%)	(17.4%)	(2.3%)
HEALTH	(19.4%)	20.9%	5.5%
ENERGY	10.7%	94.3%	57.3%
FINANCIAL	(11.9%)	(20.5%)	(26.3%)
CAPITAL GOODS	(17.3%)	(8.7%)	(11.8%)
TECHNOLOGY	(35.5%)	(16.3%)	(2.7%)
COMMUNICATIONS	(33.0%)	27.5%	(59.6%) *
UTILITY	8.1%	(13.9%)	(16.5%)
TRANSPORTATION	(34.7%)	(27.8%)	(7.3%)
Weighted Total:	(19.5%)	(5.2%)	(6.5%)

RED - Overvalued

BLUE - (Undervalued)

Bold - outperformed the relevant index

WEEKLY PRICE CHANGE

<u>SECTORS</u>	<u>S&P 500</u>		<u>S&P MIDCAP</u>		<u>S&P SMALL CAP</u>	
	Weight	Price	Weight	Price	Weight	Price
prices as of 12/15/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.1%	(2.9%)	3.5%	(6.1%)	3.8%	(2.7%)
CONSUMER CYCLICALS	7.2%	(5.6%)	13.0%	(5.3%)	17.0%	(2.4%)
CONSUMER STAPLES	11.1%	(0.8%)	8.1%	(5.2%)	9.3%	(1.4%)
HEALTH	13.3%	(0.4%)	13.1%	(4.4%)	11.3%	(1.8%)
ENERGY	6.5%	(2.2%)	6.4%	1.9%	6.2%	4.0%
FINANCIAL	16.3%	(3.4%)	13.5%	(6.9%)	13.2%	(1.1%)
CAPITAL GOODS	8.9%	(7.7%)	7.0%	(10.4%)	12.9%	(7.3%)
TECHNOLOGY	24.3%	(9.3%)	21.9%	(9.7%)	18.6%	(4.3%)
COMMUNICATIONS	6.2%	3.3%	1.7%	(5.1%)	0.1%	(8.7%) *
UTILITY	3.4%	0.8%	10.2%	(1.7%)	4.0%	1.0%
TRANSPORTATION	0.6%	(6.7%)	1.5%	(9.4%)	3.4%	(4.1%)
Index Total:		(4.2%)		(6.4%)		(2.3%)

* Sector contains only 2 companies

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

Sector Comments: The bleeding in Technology continues unabated, with the largest Tech stock now Cisco Systems exceeding the value of Microsoft by \$85 billion. Microsoft is now only fifth largest US company in market value of its equity. The Technology sector peaked in March at about 37% of the S&P 500 Index market value and is now a lowly 24%; still the largest economic sector by far but now selling at a significant discount to its intrinsic value. Now it is true that if our estimate of the relative growth rate of companies in the Technology sector is too high, then the sector's discount may appear larger than it truly is. But we have not changed our long-term assumptions about the growth of the sector and we especially factored out the short-term effects of Y2K (remember when that was so very important) from our estimates of growth and margins. The current preoccupation with slowing revenue growth is partly a distant echo of the year-to-year comparison with the Y2K-affected fourth quarter of 1999, and partly a quite logical effect of the combination of higher interest rates and currency volatility. For instance, as a purchasing manager might view it, if future interest rates are likely to be lower than today, you might try to postpone your purchases to a time when their financing cost would be lower. Even more, if you are purchasing manager in Europe and you expect the exchange value of the dollar to be lower in the next few months, you would be especially motivated to postpone all but the most essential purchases. The bottom line is: growth will come again, and soon.

Page 3 displays the Value Drivers for the Mid Cap Utility companies which are undervalued and doing well.

(\$millions)	<u>Large Capitalization</u>		<u>Mid-Cap Capitalization</u>		<u>Small-Cap Capitalization</u>
	\$ 11,537,370	90.4%	\$882,916	6.9%	\$ 347,254 2.7%

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Company Name	Ticker	Market Value - Equity	12 Mo. Quarterly Sales Growth	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
AGL RESOURCES INC	ATG	\$1,182	-27.5%	21.8	22.78	14.5	17.4	1.9	7.8	8.61	5.0%
ALLEGHENY ENERGY INC	AYE	\$4,500	42.8%	40.8	54.46	22.8	16.1	2.7	8.1	9.70	4.2%
ALLETE	ALE	\$1,681	5.0%	22.6	12.93	12.4	11.4	2.1	11.4	6.27	4.7%
ALLIANT CORP	LNT	\$2,336	10.0%	29.6	35.76	17.1	6.9	1.2	4.8	7.17	6.8%
AMERICAN WATER WORKS INC	AWK	\$2,532	3.0%	25.8	5.32	23.1	16.0	1.5	8.6	5.50	3.5%
BLACK HILLS CORP	BKH	\$889	106.2%	38.8	35.47	8.3	16.9	3.4	13.3	12.76	2.8%
CALPINE CORP	CPN	\$11,387	171.0%	40.8	(0.25)	29.5	36.7	9.3	57.4	7.11	0.0%
CLECO CORP	CNL	\$1,067	-4.1%	47.4	30.09	14.9	16.5	2.4	10.0	7.90	3.6%
CONECTIV INC	CIV	\$1,700	43.6%	19.2	18.54	9.2	11.5	1.6	4.4	6.02	4.6%
DPL INC	DPL	\$3,907	7.3%	30.5	25.51	30.1	26.0	3.3	14.1	10.88	3.1%
DQE INC	DQE	\$1,606	-5.6%	30.8	22.89	23.8	12.6	1.8	5.5	5.91	5.2%
ENERGY EAST CORP	EAS	\$2,183	14.0%	18.5	59.97	24.0	9.6	1.6	2.3	12.84	4.8%
HAWAIIAN ELECTRIC INDS	HE	\$1,133	13.6%	34.6	23.71	29.0	11.3	1.3	5.1	10.18	7.2%
IDACORP INC	IDA	\$1,756	42.9%	46.9	29.88	26.2	14.0	2.5	10.1	7.39	4.0%
IPALCO ENTERPRISES INC	IPL	\$2,099	-1.7%	23.9	31.81	32.1	11.2	3.0	8.5	12.64	2.7%
KANSAS CITY POWER & LIGHT	KLT	\$1,621	7.9%	26.2	24.11	22.6	14.1	1.9	8.1	7.09	6.3%
KINDER MORGAN INC	KMI	\$5,582	50.8%	48.8	(12.21)	17.4	22.0	2.8	18.4	3.24	0.4%
LG&E ENERGY CORP	LGE	\$3,242	-21.2%	25.0	39.28	18.2	19.2	2.8	7.1	10.55	5.2%
MCN ENERGY GROUP INC	MCN	\$2,402	2.4%	26.6	9.42	7.9	39.0	2.9	16.7	4.91	3.8%
MONTANA POWER CO	MTP	\$2,159	46.5%	20.4	19.40	17.3	26.2	2.5	8.2	8.85	3.9%
NATIONAL FUEL GAS CO	NFG	\$2,221	30.7%	56.6	68.86	20.2	17.5	2.4	9.0	9.47	3.4%
NORTHEAST UTILITIES	NU	\$3,231	27.5%	22.5	15.23	11.7	22.0	1.4	8.3	5.55	1.8%
NSTAR	NST	\$2,092	37.2%	39.4	46.16	19.0	14.6	1.5	6.4	9.03	5.1%
OGE ENERGY CORP	OGE	\$1,791	31.7%	23.0	43.58	15.6	11.3	1.7	5.7	10.71	5.8%
POTOMAC ELECTRIC POWER	POM	\$2,521	-3.0%	22.6	38.14	22.9	15.3	1.4	5.2	8.86	7.3%
PUBLIC SERVICE CO OF N MEX	PNM	\$948	46.6%	24.3	15.77	12.5	9.3	1.1	5.7	5.28	3.3%
PUGET SOUND ENERGY INC	PSD	\$2,259	138.0%	26.4	43.49	20.3	12.7	1.6	6.2	9.01	7.0%
QUESTAR CORP	STR	\$2,285	33.9%	28.4	21.68	19.3	18.6	2.5	9.8	9.12	2.5%
SCANA CORP	SCG	\$2,991	46.0%	28.6	33.82	25.5	13.8	1.4	8.4	7.97	4.0%
SIERRA PACIFIC RESOURCES	SRP	\$1,216	85.9%	15.5	5.82	15.1	(20.5)	0.8	7.3	5.28	6.5%
TECO ENERGY INC	TE	\$3,659	10.6%	29.1	36.20	21.4	15.7	2.6	8.5	10.31	4.6%
UTILICORP UNITED INC	UCU	\$2,639	25.1%	28.3	23.89	2.1	13.7	1.8	7.5	7.23	4.2%
VECTREN CORP	VVC	\$1,469	338.6%	24.0	31.12	18.7	20.7	2.2	8.7	12.01	4.2%
WESTERN RESOURCES INC	WR	\$1,657	17.9%	23.8	3.10	15.9	49.7	0.8	3.9	4.36	5.0%
WGL HOLDINGS INC	WGL	\$1,301	18.4%	28.0	30.91	16.7	15.5	1.8	8.7	9.60	4.4%
WISCONSIN ENERGY CORP	WEC	\$2,564	43.9%	21.2	36.21	21.8	15.7	1.3	5.2	9.04	3.8%

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