

Intrinsic Value Weekly

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Catch of the Day

Our screen last week turned up several interesting companies that investors appear to expect not to grow. One of these was Herman Miller Company, the number two maker of office furniture in the U.S. The company recently indicated that orders have slowed and the stock sank like a stone. In that same release, the company estimated FY1999 sales at between \$1.75-1.79 billion, a growth of at least 1.8%, year-to-year. We used a 6% long-run growth rate as a forecast from here, a conservative estimate we think. We also incorporated the company's strategy of stock repurchases. The tremendous free cash flow being generated in this company implies an estimate of intrinsic value of \$38. Even if the company doesn't repurchase as much stock as our estimate suggests, the stock is worth far more than \$16. A year ago, the stock traded at \$35. We think the value is here and recommend purchase.

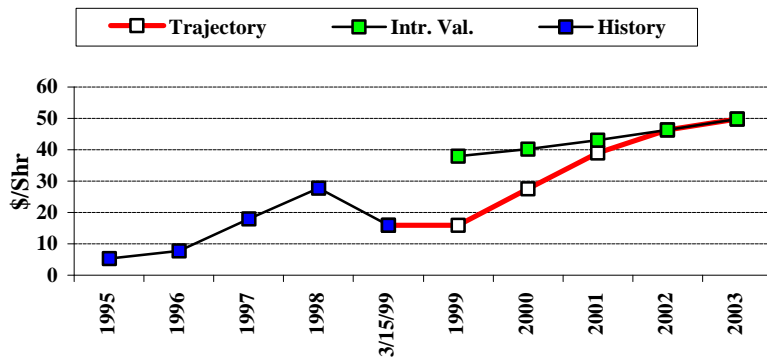
Herman Miller, Inc. (MLHR - NASDAQ)

Current Price	\$16.00	Simple Return to FY2002 (a.r.)	33.3%
Intrinsic Stock Value 3/15/99	\$37.95	Current Q	2.98

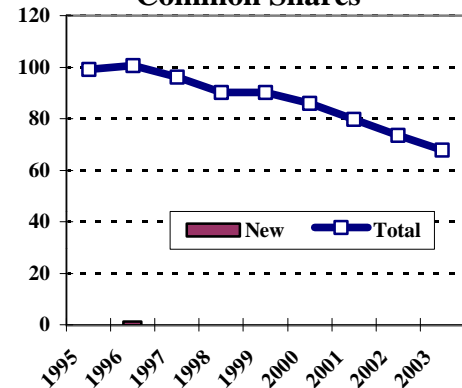
Intrinsic Value Drivers

	<u>1999</u>	<u>2005</u>	<u>2026</u>
Sales Growth	1.8%	6.0%	6.3%
COGS Ratio	60.0%	60.0%	65.7%
SG&A Ratio	23.4%	23.4%	25.6%
R&D Ratio	1.7%	1.7%	1.8%
Advertising Ratio	0.0%	0.0%	0.0%
Change in LIFO Reserve Growth	0.0%	0.0%	0.0%
D&A Ratio	10.0%	10.0%	10.0%
Non Operating Income Ratio	-0.8%	-0.8%	-0.8%
Other Equity Income Ratio	0.0%	0.0%	0.0%
Taxes Ratio	35.0%	35.0%	35.0%
Interest Rate Ratio	6.2%	6.2%	6.2%

Stock Price Forecast



Common Shares



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ECONOMIC SECTOR VALUATION

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	7.8%	(24.7%)	(20.1%)
CONSUMER CYCLICALS	4.9%	(8.9%)	(11.8%)
CONSUMER STAPLES	10.2%	(10.8%)	(4.3%)
HEALTH	(8.3%)	(17.7%)	(21.6%)
ENERGY	2.6%	(5.6%)	(29.5%)
FINANCIAL	8.5%	(9.5%)	(15.7%)
CAPITAL GOODS	10.7%	(12.6%)	(13.2%)
TECHNOLOGY	19.4%	(6.4%)	0.6%
COMMUNICATIONS	24.8%	27.9%	(36.2%)
UTILITY	(13.4%)	(16.4%)	(7.6%)
TRANSPORTATION	(5.5%)	(2.1%)	(15.9%)
Weighted Total	8.9%	(10.6%)	(11.9%)

Black - Overvalued

Red - (Undervalued)

WEEKLY PRICE CHANGE

SECTORS	S&P 500		S&P MIDCAP		S&P SMALL CAP	
	Weight	Price	Weight	Price	Weight	Price
prices as of 3/12/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.0%	2.3%	5.5%	(3.1%)	4.5%	(0.4%)
CONSUMER CYCLICALS	9.4%	0.6%	17.0%	(0.8%)	19.6%	1.1%
CONSUMER STAPLES	14.4%	(1.6%)	7.8%	(2.7%)	9.4%	(0.3%)
HEALTH	12.2%	1.5%	9.6%	(0.3%)	10.8%	(0.0%)
ENERGY	5.6%	7.0%	3.6%	17.0%	2.8%	21.1%
FINANCIAL	15.9%	2.6%	15.2%	1.4%	16.8%	1.9%
CAPITAL GOODS	8.0%	2.2%	8.6%	(2.7%)	12.2%	0.5%
TECHNOLOGY	19.3%	(4.2%)	17.3%	(2.9%)	17.1%	(4.1%)
COMMUNICATIONS	8.3%	0.5%	2.0%	3.1%	0.2%	14.6% *
UTILITY	2.8%	0.4%	11.6%	(1.2%)	4.7%	(0.6%)
TRANSPORTATION	0.9%	(0.3%)	1.9%	(3.9%)	3.5%	(1.0%)
Weighted Total:		0.31%		(0.60%)		0.39%

* Sector contains only 2 companies

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

Sector Comments We don't mean to be repetitive, but our 2/8 comments about the effects of a rebound in basic industry and energy sectors still hold. If these groups get in gear for a positive trend, the rest of the market could lose traction. In the past, when commodity prices rose enough to make basics and energy attractive, the PE of the market had big problems and the bond market also had trouble. The current bounce in energy could just be temporary. After all, crude oil prices will now have a 2 million barrel per day production overhang dampening any resurgent enthusiasm. Note that the under-priced Mid-Cap and Small Cap Energy out-performed Large Cap Energy. As to overall valuation, the mid-caps retreated last week and the small caps out-performed large caps. Finally, it is odd that in a week when energy stocks rocketed up, financial stocks improved across the board.

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Price 3/12/99	Intrinsic Value	+/- %	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	\$ 45.500	\$50.08	(9%)	1.3	1.8%
CTL	Century Telephone Ent.	\$ 68.500	\$63.77	7%	1.9	5.9%
DAL	Delta Air Lines, Inc.	\$ 64.000	\$66.79	(4%)	1.0	0.9%
G	Gillette Company	\$ 62.000	\$52.66	18%	6.6	7.5%
HD	Home Depot	\$ 65.250	\$53.65	22%	7.2	4.8%
INTC	Intel Corporation	\$118.250	\$118.34	(0%)	8.7	3.2%
LOW	Lowes Companies	\$ 64.875	\$52.28	24%	4.9	4.6%
NYT	New York Times Co.	\$ 29.875	\$48.21	(38%)	1.7	(5.2%)
NUE	Nucor Corporation	\$ 42.563	\$57.99	(27%)	1.6	(1.0%)
SLB	Schlumberger Limited	\$ 56.438	\$51.09	10%	2.6	2.6%
WEN	Wendy's International	\$ 27.125	\$29.86	(9%)	1.8	(0.7%)
(0.5%) Average:						2.2%

Value Drivers

Standard Market Statistics

	Sales		EBIT Margin %	Leverage at		Yield	PE	PB	PS
	Growth Last 12M	ROC		Market					
ALD	4.5%	12.9%	13.0%	0.0%	1.5%	17.5	5.3	1.5	
CTL	74.9%	9.1%	29.7%	30.0%	0.4%	24.7	4.4	3.5	
DAL	3.2%	14.2%	12.0%	58.9%	0.2%	8.4	2.3	0.6	
G	-1.7%	20.2%	23.1%	5.2%	0.8%	56.2	11.7	6.0	
HD	25.1%	11.8%	8.3%	5.5%	0.2%	54.3	12.3	2.9	
INTC	4.8%	33.5%	39.4%	0.5%	0.1%	32.9	9.2	7.5	
LOW	20.8%	10.4%	6.2%	7.5%	0.2%	43.3	8.0	1.7	
NYT	2.5%	16.0%	17.5%	0.0%	1.3%	20.4	3.5	2.0	
NUE	-0.8%	21.1%	11.0%	6.2%	1.1%	14.9	2.1	0.9	
SLB	2.4%	11.3%	15.5%	11.3%	1.3%	26.0	3.6	2.0	
WEN	-4.4%	22.5%	14.9%	11.9%	0.9%	24.9	2.3	1.6	

Notes on Intrinsic Value Portfolio

The Intrinsic Value portfolio now has only four stocks with substantial under-pricing to keep the performance going as strong as it has so far this year. The equal-weighted average total return has exceeded the Standard & Poors 500 Index by more than 2.5% so far this year. But, we don't expect that spread to continue to increase much since the average under-pricing is now .05%. These companies however are adept at surprising investors on the upside. Nevertheless, we encourage attention to ALD, NUE, NYT and WEN.

We expect to add more companies to the Intrinsic Value Portfolio over coming weeks as the new annual data from Standard & Poors Compustat® becomes available.