

# Intrinsic Value Weekly

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## ECONOMIC SECTOR VALUATION

<u>SECTORS</u>	<u>S&amp;P 500</u>	<u>S&amp;P MIDCAP</u>	<u>S&amp;P SMALL CAP</u>
BASIC INDUSTRY	25.1%	(14.5%)	(8.8%)
CONSUMER CYCLICALS	(2.5%)	(7.0%)	(8.6%)
CONSUMER STAPLES	6.2%	(9.6%)	(2.1%)
HEALTH	(10.6%)	(18.5%)	(26.3%)
ENERGY	13.2%	15.2%	(8.4%)
FINANCIAL	8.7%	(3.0%)	(17.5%)
CAPITAL GOODS	19.9%	(2.7%)	(1.1%)
TECHNOLOGY	9.3%	6.6%	(7.2%)
COMMUNICATIONS	18.4%	10.6%	(22.9%) *
UTILITY	(13.3%)	(19.3%)	(7.0%)
TRANSPORTATION	4.1%	(17.4%)	(20.6%)
<b>Weighted Total</b>	<b>7.1%</b>	<b>(5.4%)</b>	<b>(10.1%)</b>

RED - Overvalued

BLUE - (Undervalued)

## WEEKLY PRICE CHANGE

<u>SECTORS</u>	<u>S&amp;P 500</u>		<u>S&amp;P MIDCAP</u>		<u>S&amp;P SMALL CAP</u>	
	Weight	Price	Weight	Price	Weight	Price
prices as of 4/23/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.5%	0.8%	5.8%	0.0%	4.8%	2.3%
CONSUMER CYCLICALS	9.6%	2.1%	18.4%	0.1%	20.2%	1.3%
CONSUMER STAPLES	13.4%	2.1%	8.0%	4.4%	9.5%	1.0%
HEALTH	11.7%	3.0%	8.7%	2.6%	10.0%	0.5%
ENERGY	6.0%	(1.9%)	4.1%	0.1%	3.7%	3.1%
FINANCIAL	16.2%	2.8%	14.3%	4.2%	14.6%	2.5%
CAPITAL GOODS	8.3%	1.2%	9.1%	2.9%	14.1%	2.3%
TECHNOLOGY	19.3%	6.7%	18.6%	5.9%	15.3%	(0.2%)
COMMUNICATIONS	8.2%	1.1%	1.3%	2.8%	0.3%	8.0% *
UTILITY	2.7%	1.8%	10.4%	2.9%	4.4%	(0.3%)
TRANSPORTATION	1.0%	0.4%	1.4%	1.1%	2.9%	3.8%
<b>Weighted Total:</b>		2.9%		2.5%		2.0%

\* Sector contains only 2 companies

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

**Sector Comments** The halt of rotation into cyclicals may have resulted from a simple lack of value in relation to the sectors fundamentals. With continuing shrinking of revenues, the best that cyclical sector bulls could do was point to the gloom represented by analysts estimates. We don't expect that the follow-through needed to boost intrinsic values in the Basic, Capital Goods and Energy sectors will develop until second quarter reports show a change in revenue trends.

The under-pricing in Health and Consumer Cyclicals is continuing. Political uncertainty with Medicare reform should wane over the summer as the Presidential cycle moves action on the topic to the back burner. Consumer Cyclicals could be hurt by rising interest rates, but with inflation indicators quiescent, the bond market may simply be going through another of its traditional growth-averse shudders. So we'd expect that Consumer cyclicals will be an area of above-market returns by year-end.

Speaking of market returns, with so many of the Large Cap sectors selling above intrinsic value, a valuation rotation could begin this summer with over-priced sectors ebbing and Health, Consumer Cyclicals and Utilities rising. This week, Page 3 looks at the fundamentals of Transportation stocks.

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## Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Price 4/23/99	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	\$ 55.813	\$50.08	11.4%	2.1	(1.2%)
CTL	Century Telephone Ent.	\$ 44.625	\$42.51	5.0%	2.0	0.3%
DAL	Delta Air Lines, Inc.	\$ 66.563	\$66.79	(0.3%)	1.1	0.4%
G	Gillette Company	\$ 50.688	\$52.66	(3.7%)	6.9	1.4%
HD	Home Depot	\$ 62.438	\$53.65	16.4%	6.8	(1.4%)
INTC	Intel Corporation	\$ 61.750	\$59.17	4.4%	7.7	7.9%
LOW	Lowes Companies	\$ 59.563	\$52.28	13.9%	3.6	2.7%
MLHR	Herman Miller, Inc.	\$ 19.750	\$37.95	(48.0%)	2.8	(1.3%)
NYT	New York Times Co.	\$ 34.563	\$48.21	(28.3%)	2.1	6.3%
NUE	Nucor Corporation	\$ 55.438	\$57.99	(4.4%)	1.5	(5.6%)
SLB	Schlumberger Limited	\$ 60.875	\$51.09	19.2%	2.6	(0.5%)
WEN	Wendy's International	\$ 28.500	\$29.86	(4.6%)	2.1	1.3%
<b>Average:</b>				<b>(1.6%)</b>	<b>Average:</b>	<b>0.9%</b>
					<b>S&amp;P 500</b>	<b>2.9%</b>

## Value Drivers

## Standard Market Statistics

	Sales Growth		EBIT Margin %	ROC	Leverage at Market	Yield	PE Last 12M	Price/ Book	Price/ Sales
	Last 12M								
ALD	1.9%		13.0%	11.5%	18.4%	1.2%	20.2	5.2	1.8
CTL	74.9%		30.4%	10.9%	29.9%	0.4%	28.1	4.2	4.1
DAL	4.3%		12.0%	11.0%	58.0%	0.2%	9.3	2.6	0.7
G	-2.8%		23.1%	18.5%	7.8%	1.0%	61.9	13.9	6.7
HD	25.1%		8.8%	20.1%	0.0%	0.2%	56.6	12.8	3.0
INTC	11.2%		32.5%	25.8%	0.5%	0.1%	29.3	8.4	7.2
LOW	20.8%		6.8%	13.8%	-9.5%	0.2%	44.2	8.2	1.7
MLHR	8.1%		12.1%	24.0%	18.7%	0.7%	11.1	6.9	0.9
NYT	2.0%		17.5%	11.9%	17.2%	1.1%	18.8	3.4	1.8
NUE	-9.4%		9.9%	12.6%	5.7%	0.9%	17.1	1.9	1.0
SLB	-5.2%		14.7%	11.9%	15.4%	1.2%	45.3	4.0	2.9
WEN	-4.4%		12.6%	9.7%	23.3%	0.8%	29.6	3.3	1.9

**Notes on Intrinsic Value Portfolio** The average stock in the portfolio rose slightly last week; no surprise; the average under-pricing is only 1.6%. The emphasized stocks of last week, **NYT** and **MLHR**, rose 6.3% and fell 1.3% respectively, on average better than the S&P 500. Beginning with next issue, May 3rd, we will be replacing the Intrinsic Value Portfolio with a new list. The concentration will be on stocks which are at least 20% under-priced. Any move to fair value will be grounds for dropping a stock from the list. Unless something spectacular happens by Friday, we expect **NYT** and **MLHR** will continue on the list.

**Follow-up on the Trolling for Value List:** The table below shows the performance of the cheapest ten Trolling for Value stocks in terms of ratio of Enterprise Value to "No-growth" Value.

TICKER	NAME	CHANGE SINCE 3/5/99	TICKER	NAME	CHANGE SINCE 3/5/99
CSL	CARLISLE COS INC	14.9%	MLHR	MILLER (HERMAN) INC	17.9%
CYT	CYTEC INDUSTRIES INC	4.9%	OMX	OFFICEMAX INC	0.0%
FHS	FOUNDATION HEALTH SYS -CL A	42.5%	ROST	ROSS STORES INC	-5.4%
LEA	LEAR CORP	26.5%	TRN	TRINITY INDUSTRIES	-2.7%
MTG	MGIC INVESTMENT CORP/WI	35.2%	WAC	WARNACO GROUP INC -CL A	8.4%

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Transportation Stocks - All Markets

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Company Name	Ticker	Market Value Equity	Last 12MM Sales Growth	ROE	NOPAT Margin	PE Ratio	Price/ Book Ratio	Price/ Cash Flow	Return on Capital	Dividend Yield
AIR EXPRESS INTERNATIONAL CP	AEIC	\$ 778	-1.9%	14.1	4.6	11.9	1.6	8.4	20.3	1.04%
AIRBORNE FREIGHT CORP	ABF	\$ 1,770	5.6%	17.8	6.2	11.2	1.9	4.7	11.0	0.44%
ALASKA AIR GROUP INC	ALK	\$ 1,259	9.4%	15.8	13.4	9.0	1.6	5.0	9.0	0.00%
ALEXANDER & BALDWIN INC	ALEX	\$ 922	-3.3%	4.5	6.3	26.5	1.2	7.1	4.4	4.30%
AMERICAN FREIGHTWAYS CORP	AFWY	\$ 511	12.5%	10.7	5.4	13.1	1.6	4.6	7.2	0.00%
AMR CORP/DE	AMR	\$ 11,577	2.5%	19.5	11.7	8.8	1.4	4.0	8.7	0.00%
ARKANSAS BEST CORP	ABFS	\$ 176	1.3%	14.0	3.1	4.8	0.8	1.7	7.7	0.00%
ARNOLD INDUSTRIES INC	AIND	\$ 400	5.4%	15.5	14.3	10.9	1.6	5.6	20.1	2.73%
BRLNGTN NTHRN SANTA FE	BNI	\$ 15,144	4.9%	14.9	22.5	13.8	2.0	7.8	8.1	1.49%
CNF TRANSPORTATION INC	CNF	\$ 1,987	15.7%	16.8	5.4	11.7	2.1	5.9	8.5	0.96%
COMAIR HOLDINGS INC	COMR	\$ 2,307	16.3%	28.2	21.7	18.3	6.5	13.2	12.1	0.45%
CSX CORP	CSX	\$ 9,065	-7.3%	9.1	10.5	15.8	1.4	7.5	4.5	2.87%
DELTA AIR LINES INC	DAL	\$ 9,420	4.3%	24.6	13.7	9.3	2.6	4.9	11.0	0.15%
EXPEDITORS INTL WASH INC	EXPD	\$ 1,561	11.5%	21.8	5.0	28.1	6.1	21.2	20.8	0.22%
FDX CORP	FDX	\$ 17,099	4.5%	12.6	7.0	23.6	3.5	8.7	8.7	0.00%
FRITZ COS INC	FRTZ	\$ 388	6.0%	7.2	2.0	14.6	1.0	5.8	7.0	0.00%
FROZEN FOOD EXPRESS INDS	FFEX	\$ 113	10.5%	10.2	4.5	10.8	1.1	5.4	14.0	1.75%
GATX CORP	GMT	\$ 1,713	4.0%	18.0	23.4	12.1	2.2	4.0	6.6	3.17%
HEARTLAND EXPRESS INC	HTLD	\$ 431	-3.6%	17.7	19.2	13.9	2.4	8.9	27.3	0.00%
HUNT (JB) TRANSPRT SVCS INC	JBHT	\$ 654	18.5%	12.5	5.4	15.6	2.0	4.0	11.0	1.09%
KANSAS CITY SOUTHERN INDS	KSU	\$ 6,733	21.4%	20.5	24.2	32.8	6.8	23.7	10.8	0.26%
KIRBY CORP	KEX	\$ 392	-4.2%	7.2	6.4	43.0	2.8	10.8	5.1	0.00%
LANDSTAR SYSTEM INC	LSTR	\$ 422	4.7%	30.8	2.7	9.5	3.1	7.3	14.4	0.00%
M S CARRIERS INC	MSCA	\$ 369	25.9%	12.4	8.6	12.2	1.6	4.1	12.0	0.00%
MESA AIR GROUP INC	MESA	\$ 206	-34.2%	(44.1)	0.6	41.7	1.5	6.5	0.3	0.00%
NORFOLK SOUTHERN CORP	NSC	\$ 11,027	0.0%	10.6	24.6	15.9	1.7	9.4	6.0	2.75%
OVERSEAS SHIPHOLDING GROUP	OSG	\$ 460	-13.7%	(3.4)	11.0	(17.6)	0.6	9.2	2.5	4.80%
PITTSTON CO-BAX GROUP	PZX	\$ 198	6.7%	(4.4)	0.8	(10.2)	0.5	9.7	1.8	2.53%
RAILTEX INC	RTEX	\$ 125	8.2%	8.9	14.9	8.2	0.7	@SF	6.8	0.00%
ROLLINS TRUCK LEASING	RLC	\$ 635	6.4%	17.8	18.0	10.3	1.9	2.4	9.1	1.84%
RYDER SYSTEM INC	R	\$ 1,844	6.3%	14.5	10.4	14.0	1.8	2.6	8.1	2.32%
SKYWEST INC	SKYW	\$ 675	33.6%	10.4	13.2	19.1	3.3	@CF	6.9	0.43%
SOUTHWEST AIRLINES	LUV	\$ 11,672	11.0%	18.1	16.3	21.9	4.2	14.6	11.3	0.09%
UNION PACIFIC CORP	UNP	\$ 14,105	1.4%	(8.6)	4.6	(30.0)	1.8	@SF	1.6	1.40%
US AIRWAYS GROUP INC	U	\$ 4,507	2.6%	89.7	14.3	9.2	6.9	5.0	9.2	0.00%
USFREIGHTWAYS CORP	USFC	\$ 901	15.4%	15.6	4.8	11.5	1.9	5.6	10.4	1.08%
WERNER ENTERPRISES INC	WERN	\$ 857	13.1%	13.0	11.3	12.8	1.7	5.1	15.5	0.55%
WISCONSIN CENTRAL TRANSPORT	WCLX	\$ 812	3.2%	17.2	37.5	8.9	1.5	7.0	10.6	0.00%
YELLOW CORP	YELL	\$ 438	0.9%	10.8	3.6	11.1	1.2	3.1	10.1	0.00%

BLUE (BOLD) - ATTRACTIVE

RED - UNATTRACTIVE

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

Source: Standard & Poors Corporation Compustat PC Plus®, Intrinsic Value Associates, LLC