

# 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	37.2%	(6.2%)	(1.2%)
CONSUMER CYCLICALS	(6.2%)	(3.9%)	(7.0%)
CONSUMER STAPLES	4.5%	(8.0%)	0.6%
HEALTH	(14.4%)	(17.7%)	(26.9%)
ENERGY	20.5%	21.2%	2.5%
FINANCIAL	9.2%	(2.1%)	(18.8%)
CAPITAL GOODS	23.8%	5.5%	1.4%
TECHNOLOGY	5.1%	3.2%	(5.9%)
COMMUNICATIONS	21.3%	10.3%	(27.9%) *
UTILITY	(9.3%)	(17.5%)	(5.3%)
TRANSPORTATION	4.6%	(16.3%)	(18.0%)
<b>Weighted Total</b>	<b>7.3%</b>	<b>(3.5%)</b>	<b>(8.3%)</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 5/8/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.8%	4.2%	6.1%	4.7%	5.0%	4.4%
CONSUMER CYCLICALS	9.2%	(3.9%)	17.9%	1.1%	20.3%	1.5%
CONSUMER STAPLES	13.4%	(0.9%)	8.0%	1.2%	9.5%	2.5%
HEALTH	11.3%	1.7%	8.6%	3.3%	9.9%	0.1%
ENERGY	6.4%	0.7%	4.2%	(0.8%)	3.9%	3.7%
FINANCIAL	16.5%	(0.6%)	14.3%	(1.1%)	14.6%	0.4%
CAPITAL GOODS	8.6%	4.3%	9.2%	4.6%	14.0%	1.9%
TECHNOLOGY	18.2%	(1.9%)	18.4%	0.1%	15.1%	1.2%
COMMUNICATIONS	8.7%	6.1%	1.3%	1.6%	0.3%	(1.2%) *
UTILITY	2.9%	1.6%	10.7%	(0.8%)	4.6%	2.3%
TRANSPORTATION	1.1%	(2.8%)	1.4%	2.5%	2.9%	3.7%
<b>Index Total:</b>		0.7%		1.1%		1.3%

\* Sector contains only 2 companies

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

**Sector Comments** The Health Sector rebounded across all markets last week. The sectors' under-pricing continues and offers higher-than-market return. Basics, and Capital Goods continued rising, but without any fundamental support except a high flash GDP report. For the first time in weeks, Utilities rebounded, and in a week when bond yields climbed to year records. Utilities still offer better-than-market returns.

Consumer Cyclical now offer good returns in all markets. And fundamentals are good, especially after looking beyond just the monthly numbers. The cloud on the horizon could be the rise in yields, but we don't detect any follow-through in the credit markets beyond the bump in US Treasuries and the ample supply of new corporate issues. In fact, the pop in gold prices this week was met with a striking new program by the Bank of England to sell 17% of its gold reserves. We expect that as central bank policies are more widely characterized as fully committed to price stability, that bond yields will again move toward the 5% level.

As the new trend toward MidCap and Small Cap stocks outperforming continues, we'd concentrate on those sectors which are under-priced: MidCap - all **except** Energy, Capital Goods, Technology and Communications  
Small Cap - all **except** Consumer Staples, Energy and Capital Goods. That obviously leaves a wide range of attractive areas. We continue to expect that MidCap and Small Cap Stocks will perform well.

Page 3 shows data on the large Consumer Cyclical this week.

# Intrinsic Value Weekly

Page 2

## Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Price 5/7/99	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	\$ 64.625	\$64.60	0.0%	2.5	10.0%
CTL	Century Telephone Ent.	\$ 38.000	\$42.51	(10.6%)	1.8	(5.6%)
DAL	Delta Air Lines, Inc.	\$ 65.875	\$66.79	(1.4%)	1.0	3.8%
G	Gillette Company	\$ 52.750	\$52.66	0.2%	6.1	1.1%
HD	Home Depot	\$ 57.313	\$53.65	6.8%	6.1	(4.1%)
INTC	Intel Corporation	\$ 60.938	\$59.17	3.0%	7.9	(0.4%)
LOW	Lowes Companies	\$ 54.563	\$52.28	4.4%	3.7	3.4%
MLHR	Herman Miller, Inc.	\$ 22.438	\$37.95	(40.9%)	3.1	12.5%
NYT	New York Times Co.	\$ 35.375	\$48.21	(26.6%)	2.5	2.5%
NUE	Nucor Corporation	\$ 59.313	\$57.99	2.3%	2.0	1.1%
SLB	Schlumberger Limited	\$ 62.500	\$51.09	22.3%	2.7	(2.2%)
WEN	Wendy's International	\$ 27.000	\$29.86	(9.6%)	2.0	(0.2%)
<b>Average:</b>				<b>(4.2%)</b>	<b>Average:</b>	<b>1.8%</b>
					<b>S&amp;P 500</b>	<b>0.7%</b>

### Value Drivers

### Standard Market Statistics

	Sales Growth		Leverage at		Yield	PE Last 12M	Price/ Book	Price/ Sales
	Last 12M	EBIT Margin %	ROC	Market				
ALD	1.9%	13.0%	11.5%	16.3%	1.1%	24.1	6.2	2.2
CTL	50.8%	30.4%	10.9%	33.1%	0.5%	26.1	3.6	3.4
DAL	4.3%	12.0%	11.0%	58.2%	0.2%	8.5	2.4	0.7
G	-2.8%	23.1%	18.5%	7.5%	1.1%	54.4	12.2	5.8
HD	25.1%	8.8%	13.0%	7.3%	0.2%	54.3	10.1	2.9
INTC	11.2%	32.5%	25.8%	0.5%	0.1%	30.1	8.6	7.5
LOW	20.8%	6.8%	11.0%	10.9%	0.2%	38.5	5.9	1.5
MLHR	8.1%	12.1%	24.0%	16.8%	0.6%	12.2	7.5	1.0
NYT	2.0%	17.5%	11.9%	16.8%	1.1%	22.7	4.1	2.2
NUE	-9.4%	9.9%	12.6%	5.4%	0.9%	22.7	2.5	1.3
SLB	-8.8%	14.7%	11.9%	15.1%	1.2%	48.0	4.3	3.1
WEN	-3.2%	12.6%	9.7%	24.3%	0.9%	26.0	3.1	1.8

**Notes on Intrinsic Value Portfolio** We re-ran the valuation for **ALD** this week, found it worth \$64.60, and the stock promptly went there...eerie. With improved free cash flow and a solid stock repurchase policy in place, **ALD** is still attractive since further upside surprises are likely.

Both **NYT** and **MLHR** have plenty of margin of safety and are recommended. Century Telephone became CenturyTel and the stock sold off, creating an opportunity to buy **CTL**. The same happened to **WEN** after reporting excellent results. Both are now attractive again.

The balance of the Intrinsic Value Portfolio is either fairly valued or over-priced. More often than not, an over-pricing of an Intrinsic Value selection has been indicative of improving results and higher intrinsic valuations. We will be updating valuations this week.

# Intrinsic Value Weekly

Company Name	Ticker	Market Value - Equity	Last 12MM Sales Growth	ROE	No Growth Index	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
ABBOTT LABORATORIES	ABT	\$71,065	6.7%	40.8	1.23	27.6	30.6	12.8	23.0	36.55	1.5%
AETNA INC	AET	\$13,393	15.4%	7.5	3.65	8.1	15.6	1.2	@CF	1.71	0.8%
ALLERGAN INC	AGN	\$5,856	14.5%	(13.0)	2.15	12.7	89.0	8.5	@CF	13.58	0.6%
ALZA CORP	AZA	\$3,137	30.6%	24.7	1.55	26.3	33.6	6.4	24.4	10.88	0.0%
AMERICAN HOME PRODUCTS CORP	AHP	\$79,400	-7.2%	25.7	2.03	17.9	37.2	8.3	28.5	13.98	1.5%
AMGEN INC	AMGN	\$32,576	17.6%	33.7	1.54	43.9	33.9	12.2	29.3	45.32	0.0%
BARD (C.R.) INC	BCR	\$2,591	-7.6%	44.5	-7.05	(2.0)	10.4	4.4	@SF	(2.22)	1.5%
BAUSCH & LOMB INC	BOL	\$4,642	18.2%	3.0	2.18	7.5	59.5	5.0	22.5	6.19	1.3%
BAXTER INTERNATIONAL INC	BAX	\$18,790	10.6%	11.1	1.40	14.6	54.8	6.4	23.9	14.11	1.8%
BECTON DICKINSON & CO	BDX	\$9,602	14.6%	14.7	1.63	12.5	38.1	5.8	19.1	12.41	0.9%
BIOMET INC	BMET	\$4,647	18.8%	18.7	1.35	30.1	32.8	6.9	28.2	29.79	0.3%
BOSTON SCIENTIFIC CORP	BSX	\$16,088	33.9%	(32.2)	2.90	16.2	(74.0)	20.4	@CF	14.21	0.0%
BRISTOL MYERS SQUIBB	BMY	\$134,242	9.3%	41.5	1.71	24.9	38.4	16.7	@CF	40.68	1.3%
COLUMBIA/HCA HLTHCR -VTG	COL	\$17,992	-1.6%	7.0	1.15	7.1	25.2	2.1	8.5	6.98	0.3%
GUIDANT CORP	GDT	\$16,226	31.6%	(0.4)	2.43	20.6	(3,579.2)	29.2	312.8	34.69	0.0%
HCR MANOR CARE INC	HCR	\$2,710	@SF	(3.8)	0.89	11.6	(555.0)	2.6	@SF	14.99	0.0%
HEALTHSOUTH CORP	HRC	\$5,633	23.7%	1.4	0.90	15.2	134.4	1.7	14.4	8.95	0.0%
HUMANA INC	HUM	\$2,178	14.5%	7.6	0.56	3.9	36.8	1.4	12.0	11.77	0.0%
JOHNSON & JOHNSON	JNJ	\$129,197	8.0%	22.5	1.94	16.7	41.7	9.6	29.6	19.79	1.0%
LILLY (ELI) & CO	LLY	\$82,779	8.7%	47.3	1.72	30.4	40.0	18.2	@CF	38.99	1.2%
MALLINCKRODT INC	MKG	\$2,435	15.9%	(27.0)	1.44	7.5	19.4	2.6	10.1	5.98	1.3%
MEDTRONIC INC	MDT	\$39,482	22.3%	22.4	3.19	26.8	81.7	16.5	@CF	30.45	0.4%
MERCK & CO	MRK	\$175,854	17.6%	41.0	1.43	27.5	31.0	13.0	@CF	30.55	1.4%
PFIZER INC	PFE	\$151,318	24.0%	22.1	3.21	20.2	70.2	16.9	@CF	20.84	0.8%
PHARMACIA & UPJOHN INC	PNU	\$27,559	4.8%	12.2	2.18	11.4	40.0	5.1	24.5	8.58	2.0%
SCHERING-PLOUGH	SGP	\$73,600	17.4%	43.9	2.20	23.8	38.3	17.8	34.1	35.76	0.9%
ST JUDE MEDICAL INC	STJ	\$2,599	2.4%	16.0	1.17	14.2	26.5	2.9	15.0	11.64	0.0%
TENET HEALTHCARE CORP	THC	\$7,783	8.6%	10.6	0.76	12.5	20.2	2.1	9.7	9.39	0.0%
UNITED HEALTHCARE CORP	UNH	\$10,852	38.2%	(4.8)	1.13	3.4	(56.7)	2.6	322.6	15.81	0.1%
WARNER-LAMBERT CO	WLA	\$53,453	25.9%	34.7	1.91	16.3	41.1	15.4	33.7	25.15	1.2%
WATSON PHARMACEUTICALS INC	WAT	\$3,597	50.5%	16.1	1.68	23.1	29.1	4.8	23.0	15.40	0.0%

@NA - Not available  
 @CF - Combined Figure  
 @SF - SemiAnnual Figure

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