

Intrinsic Value Weekly

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ECONOMIC SECTOR VALUATION

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	32.1%	(8.5%)	0.5%
CONSUMER CYCLICALS	(6.3%)	(4.4%)	(3.7%)
CONSUMER STAPLES	4.3%	(4.6%)	1.1%
HEALTH	(15.6%)	(17.4%)	(25.1%)
ENERGY	15.9%	17.5%	8.4%
FINANCIAL	8.5%	(3.0%)	(18.2%)
CAPITAL GOODS	20.0%	9.5%	(4.2%)
TECHNOLOGY	8.0%	3.6%	(0.8%)
COMMUNICATIONS	20.4%	17.1%	1.9% *
UTILITY	(8.9%)	(18.6%)	(3.6%)
TRANSPORTATION	3.1%	(17.3%)	(17.9%)
Weighted Total:	6.5%	(3.2%)	(6.9%)

RED - Overvalued

BLUE - (Undervalued)

WEEKLY PRICE CHANGE

SECTORS	S&P 500		S&P MIDCAP		S&P SMALL CAP	
	Weight	Price	Weight	Price	Weight	Price
prices as of 5/14/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.6%	(3.8%)	5.9%	(2.4%)	4.9%	1.8%
CONSUMER CYCLICALS	9.2%	(3.9%)	17.7%	(0.6%)	20.8%	3.6%
CONSUMER STAPLES	13.4%	(0.2%)	8.2%	3.7%	9.5%	0.5%
HEALTH	11.1%	(1.4%)	8.6%	0.4%	10.2%	2.5%
ENERGY	6.1%	(3.9%)	4.1%	(3.1%)	3.3%	5.8%
FINANCIAL	16.4%	(0.6%)	14.1%	(0.9%)	14.5%	0.8%
CAPITAL GOODS	8.4%	(3.0%)	9.7%	3.9%	12.7%	(5.6%)
TECHNOLOGY	19.2%	2.7%	18.8%	0.4%	16.2%	5.5%
COMMUNICATIONS	8.6%	(0.8%)	1.2%	6.2%	0.4%	na *
UTILITY	2.9%	0.5%	10.2%	(1.3%)	4.6%	1.8%
TRANSPORTATION	1.1%	(1.5%)	1.4%	(1.2%)	2.9%	0.2%
Index Total:		(0.1%)		0.2%		1.7%

* Sector contains only 3 companies

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

Sector Comments A few months ago, when the basics and energy stocks had a brief rally, we commented that if the rally became a trend, the dynamics of that shift would prove harmful to the bulk of other stocks. Now that the first evidence is in with this weeks' Consumer Price Index showing the effects of much higher prices for energy, paper and other commodities, the pattern seems to be unfolding as we suggested. In fact, one of the solid reasons for the long bull market in equities has been low inflation and falling tax rates. Take away one of those reasons and the bull market can begin to crumble. Now, we think that this is not necessarily the beginning of a new commodity price boom. Just a "dead-cat" bounce of commodity prices as production capacity has been reduced somewhat. So, if inflation is not coming back, the Federal Reserve will not raise rates and the natural rise of equities, driven by profits, will continue. In fact, the dollar is still strong, the price of gold is still moderate and the economy continues to operate smoothly. The one cloud we worry about is the historical record of the new Treasury Secretary regarding commitment to the soundness of the dollar and the advisability of stable currency policies in emerging countries. A falling dollar is a signal to the rest of us to flee.

Some readers have asked about the definition of Large Cap, Mid Cap and Small Cap markets, so here's a short description: Stocks are grouped generally by their market cap (Stock Price times shares outstanding) but there is some overlap. The table below shows the statistics for each grouping. Figures are \$millions.

Standard & Poors 500 Index (Large Cap)		Standard & Poors Mid Cap 400		Standard & Poors Small Cap 600	
Minimum	\$432.0	Minimum	\$220.2	Minimum	\$44.0
Maximum	\$385,912.5	Maximum	\$15,680.0	Maximum	\$4,031.0
Average	\$21,430.2	Average	\$2,243.3	Average	\$553.6
Median	\$8561.9	Median	\$1,765.4	Median	\$450.5

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Price 5/14/99	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	\$ 60.438	\$64.60	(6.4%)	2.5	(6.5%)
CTL	Century Telephone Ent.	\$ 38.563	\$42.51	(9.3%)	1.8	1.5%
DAL	Delta Air Lines, Inc.	\$ 64.938	\$66.79	(2.8%)	1.0	(1.4%)
G	Gillette Company	\$ 50.750	\$52.66	(3.6%)	6.1	(3.8%)
HD	Home Depot	\$ 58.125	\$53.65	8.3%	6.1	1.4%
INTC	Intel Corporation	\$ 58.000	\$59.17	(2.0%)	7.9	(4.8%)
LOW	Lowes Companies	\$ 55.125	\$52.28	5.4%	3.7	1.0%
MLHR	Herman Miller, Inc.	\$ 22.500	\$37.95	(40.7%)	3.1	0.3%
NYT	New York Times Co.	\$ 34.188	\$48.21	(29.1%)	2.5	(3.4%)
NUE	Nucor Corporation	\$ 55.563	\$57.99	(4.2%)	2.0	(6.3%)
SLB	Schlumberger Limited	\$ 61.875	\$51.09	21.1%	2.7	(1.0%)
WEN	Wendy's International	\$ 27.375	\$29.86	(8.3%)	2.0	1.4%
Average:				(6.0%)	Average:	(1.8%)
					S&P 500	(0.5%)

Value Drivers

Standard Market Statistics

Symbol	Sales Growth		EBIT Margin %	ROC	Leverage at Market	Yield	PE Last 12M	Price/Book	Price/Sales
	Last 12M	EBIT Margin %							
ALD	1.9%	13.0%	11.5%	17.3%	1.1%	24.1	6.2	2.2	
CTL	50.8%	30.4%	10.9%	32.8%	0.5%	26.1	3.6	3.4	
DAL	4.3%	12.0%	11.0%	58.6%	0.2%	8.5	2.4	0.7	
G	-2.8%	23.1%	18.5%	7.8%	1.2%	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%	10.8%	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%	17.7%	1.1%	22.7	4.1	2.2	
NUE	-9.4%	9.9%	12.6%	5.7%	0.9%	22.7	2.5	1.3	
SLB	-8.8%	14.7%	11.9%	15.2%	1.2%	48.0	4.3	3.1	
WEN	-3.2%	12.6%	9.7%	24.1%	0.9%	26.0	3.1	1.8	

Notes on Intrinsic Value Portfolio All but three of the Intrinsic Value Portfolio stocks are now under-priced. The performance of these stocks is now only 2.3% better than the S&P 500 Index year-to-date, a drop from earlier weeks. We had earlier expressed concern about that, but in the current environment, we are reluctant to dump any of these positions as these companies are effective at creating incremental intrinsic value over the long term. And, in fact, when their prices drop temporarily, we're inclined to emphasize them, as we have in the past, especially with **ALD**, **WEN** and **G**.

One tremendous opportunity is available again, **CenturyTel (CTL)**. This company is growing at double digit rates and generating lots of cash flow. The sale of all but the cellular portion of its Alaska operations is wise and positions the company to do more fill-in acquisitions. The stock has fallen 21% since March 19th and is now 9% under-priced. While we don't know how much further the stock may fall, if any, we think the opportunity to establish positions is here.

Our Page 3 table features the Large Cap Consumer Cyclical this week. The sector has become enough under-priced to attract some attention and, since it contains many high-performing retail stars, we believe that some opportunities could emerge to acquire excellent businesses at bargain prices.

A reprise of the column in Page 3 which contains the caption "No Growth Index": The current enterprise value divided by the value which is calculated with Net Operating Profit After Tax (NOPAT) computed as an annuity. To try this, simply divide NOPAT by the long term US Treasury yield, say 5.9%. The result is a stream of NOPAT extended infinitely and discounted to its present value.

This number represents the company's current profitability as if it would never grow again (or shrink) and that index essentially fixes the current situation in stone. High Return on Capital companies stay high, low ROC stays low. But the resulting "No Growth Index" shows you how much the market is expecting the current level of profitability to change. Low expectations of a high profitability firm will often be a forecast of deterioration and high expectations of a low profitability firm, a forecast of improvement.

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Consumer Cyclical - S&P 500 Index

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Company Name	Ticker	Market Value - Equity	Last 12MM		No Growth Index	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
			Sales Growth	ROE							
AMERICAN GREETINGS -CL A	AM	\$1,958	0.3%	14.1	0.84	8.6	10.2	1.4	7.4	8.21	2.7%
ARMSTRONG WORLD INDS INC	ACK	\$2,336	36.4%	(1.3)	0.94	11.8	(288.2)	3.1	16.2	10.77	3.3%
AUTOZONE INC	AZO	\$4,685	29.6%	17.5	1.22	8.9	19.6	3.5	13.0	12.86	0.0%
BLACK & DECKER CORP	BDK	\$5,212	-8.2%	(131.5)	1.09	8.6	19.9	8.7	12.1	9.50	0.8%
BLOCK H & R INC	HRB	\$4,542	20.3%	13.0	1.58	15.7	26.3	3.8	@CF	9.90	2.1%
BRUNSWICK CORP	BC	\$2,142	10.9%	13.6	0.61	8.2	13.0	1.7	6.5	12.63	2.1%
CARNIVAL CORP	CCL	\$27,280	28.8%	19.5	1.90	28.7	28.3	5.8	23.4	15.16	0.8%
CENDANT CORP	CD	\$15,052	24.4%	3.3	1.36	23.8	93.8	3.1	29.4	8.59	0.0%
CENTEX CORP	CTX	\$2,301	29.7%	14.6	0.82	8.1	9.4	2.2	8.2	14.45	0.4%
CIRCUIT CITY STR CRCT CTY GP	CC	\$6,848	16.8%	6.8	1.50	4.3	41.0	3.7	23.4	8.70	0.2%
CONSOLIDATED STORES CORP	CNS	\$3,915	3.4%	9.3	1.33	5.7	34.4	3.2	19.5	8.75	0.0%
COOPER TIRE & RUBBER	CTB	\$1,867	1.9%	14.6	1.09	6.6	12.8	1.9	7.1	8.30	1.7%
COSTCO COMPANIES INC	COST	\$18,290	11.6%	15.5	2.10	2.2	36.0	5.9	25.6	11.12	0.0%
DANA CORP	DCN	\$8,679	12.7%	18.2	0.63	9.9	14.8	2.7	@CF	14.83	2.4%
DAYTON HUDSON CORP	DH	\$29,519	11.5%	18.7	1.55	4.2	31.5	5.9	17.1	11.59	0.6%
DILLARDS INC -CL A	DDS	\$3,381	21.3%	4.8	2.00	2.9	21.1	1.0	7.5	3.55	0.5%
DOLLAR GENERAL	DG	\$6,746	19.5%	24.6	1.27	9.5	34.6	8.6	25.8	32.06	0.3%
DOW JONES & CO INC	DJ	\$4,942	-22.8%	1.6	1.87	8.2	187.9	9.8	35.8	10.71	1.8%
DUN & BRADSTREET CORP	DNB	\$6,183	5.9%	(66.4)	1.36	15.7	24.2	(16.3)	15.2	22.52	2.0%
FEDERATED DEPT STORES	FD	\$11,481	2.3%	12.0	0.90	6.9	13.7	1.7	7.3	10.77	0.0%
FLEETWOOD ENTERPRISES	FLE	\$900	14.3%	28.9	0.45	5.5	7.4	2.1	6.1	24.41	2.8%
FORD MOTOR CO	F	\$77,597	-4.7%	93.8	1.19	9.6	12.1	3.4	3.8	5.99	2.9%
FRUIT OF THE LOOM LTD -CL A	FTL	\$888	1.2%	24.8	0.60	10.9	8.0	1.4	3.7	10.03	0.0%
GANNETT CO	GCI	\$19,697	6.5%	25.1	1.53	16.0	23.9	5.0	17.3	12.94	1.1%
GAP INC	GPS	\$35,498	37.4%	52.4	2.32	10.8	42.6	24.2	31.3	21.80	0.2%
GENERAL MOTORS CORP	GM	\$56,331	-7.5%	19.3	2.34	4.6	18.0	4.7	@SF	3.20	2.3%
GENUINE PARTS CO	GPC	\$5,808	14.8%	17.3	0.94	6.6	14.9	2.6	12.3	13.56	3.2%
GOODYEAR TIRE & RUBBER CO	GT	\$9,983	-3.3%	19.1	1.10	6.2	16.9	2.4	8.8	7.98	1.9%
HARCOURT GENERAL INC	H	\$3,599	12.7%	15.2	1.32	6.2	25.0	3.7	7.5	13.75	1.6%
HARRAHS ENTERTAINMENT INC	HET	\$2,421	38.7%	14.3	1.25	10.5	17.5	2.6	8.5	8.30	0.0%
HASBRO INC	HAS	\$6,327	12.0%	10.6	1.95	6.3	32.2	3.5	17.9	8.36	0.7%
HILTON HOTELS CORP	HLT	\$3,997	@NA	95.2	0.89	26.9	22.0	21.8	@NA	8.77	0.5%
HOME DEPOT INC	HD	\$86,960	25.1%	18.5	2.84	6.1	54.3	10.1	44.4	12.97	0.2%
IMS HEALTH INC	RX	\$8,467	17.5%	21.6	2.29	18.6	49.2	11.6	32.6	17.78	0.3%
INTERPUBLIC GROUP OF COS	IPG	\$11,032	13.4%	24.5	2.40	7.9	33.1	8.6	@CF	10.01	0.8%
ITT INDUSTRIES INC	IIN	\$3,363	@SF	(7.5)	1.29	5.5	(41.9)	2.7	@SF	8.66	1.6%
JOSTENS INC	JOS	\$769	1.1%	71.4	0.52	12.3	20.0	12.8	12.0	69.66	4.0%
K MART CORP	KM	\$8,449	5.8%	8.7	0.76	3.9	13.4	1.2	5.9	7.82	0.0%
KAUFMAN & BROAD HOME	KBH	\$1,272	38.8%	20.1	0.80	7.6	9.5	2.0	9.4	12.81	1.1%
KNIGHT-RIDDER INC	KRI	\$4,190	3.3%	18.4	1.60	7.3	15.9	2.6	9.3	5.77	1.5%
KOHL'S CORP	KSS	\$11,553	20.3%	16.5	2.00	9.7	54.5	9.1	40.1	16.29	0.0%
BLUE (BOLD) - ATTRACTIVE	LDW	\$2,229	-11.7%	11.2	0.65	11.8	6.5	0.7	3.4	8.12	2.8%
RED - UNATTRACTIVE	LTD	\$11,004	1.7%	92.0	1.41	6.9	5.1	4.4	4.2	8.53	1.2%
LIZ CLAIBORNE INC	LIZ	\$2,454	4.4%	17.3	0.49	11.2	12.8	2.2	9.4	28.41	1.2%
LOWES COS	LOW	\$19,704	20.8%	15.4	2.18	4.7	38.5	5.9	24.7	11.04	0.2%
MARRIOTT INTL INC	MAR	\$10,729	8.9%	15.2	1.65	6.5	25.8	4.0	19.2	8.25	0.5%
MASCO CORP	MAS	\$10,668	12.9%	17.4	0.90	17.9	20.1	3.7	@CF	16.18	1.4%
MATTEL INC	MAT	\$7,975	-1.6%	17.8	1.05	10.5	25.6	4.3	@CF	14.61	1.1%
MAY DEPARTMENT STORES CO	MAY	\$15,039	6.4%	21.7	0.97	8.7	16.1	3.5	@CF	13.17	2.0%

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

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Consumer Cyclicals - S&P 500 Index

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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
MCGRAW-HILL COMPANIES	MHP	\$10,830	4.4%	22.0	1.90	9.6	31.5	7.0	22.9	11.94	1.4%
MEREDITH CORP	MDP	\$1,885	7.5%	22.8	1.05	12.2	21.7	5.1	14.2	19.55	0.8%
MIRAGE RESORTS INC	MIR	\$4,278	27.2%	5.3	2.53	10.2	52.2	2.5	20.0	4.09	0.0%
NEW YORK TIMES CO -CL A	NYT	\$6,167	2.0%	18.7	1.22	11.9	22.7	4.1	12.8	11.92	1.1%
NIKE INC -CL B	NKE	\$17,722	-7.5%	12.3	2.13	5.3	60.4	5.5	35.6	10.94	0.8%
NORDSTROM INC	NOBE	\$5,054	3.5%	15.7	1.43	5.0	25.0	3.8	@CF	9.39	0.9%
OMNICOM GROUP	OMC	\$12,286	33.1%	26.2	2.09	9.3	41.0	11.3	28.3	14.80	0.8%
OWENS CORNING	OWC	\$2,213	7.9%	58.7	0.97	8.6	(3.0)	(1.7)	(4.5)	9.19	0.7%
PENNEY (J C) CO	JCP	\$11,516	0.4%	8.3	1.38	3.8	20.7	1.7	9.3	4.93	4.7%
PEP BOYS-MANNY MOE & JACK	PBY	\$967	16.6%	0.6	1.48	3.6	179.7	1.1	@CF	4.11	1.7%
PULTE CORP	PHM	\$1,035	15.9%	11.0	0.62	7.8	8.6	1.1	@CF	14.46	0.7%
REEBOK INTERNATIONAL LTD	RBK	\$1,280	-12.9%	4.6	1.09	3.6	23.5	2.0	11.9	7.60	0.0%
RUSSELL CORP	RML	\$861	-5.6%	(1.7)	1.07	5.8	(29.5)	1.3	16.4	5.89	2.3%
SEARS ROEBUCK & CO	S	\$18,666	-1.3%	17.7	0.90	6.8	16.4	2.9	9.1	8.37	1.9%
SERVICE CORP INTERNATIONAL	SRV	\$4,941	18.6%	10.8	1.75	16.5	19.6	1.7	@CF	3.98	1.9%
SHERWIN-WILLIAMS CO	SHW	\$5,174	0.9%	15.9	0.90	9.0	19.2	3.1	12.5	11.75	1.6%
SNAP-ON INC	SNA	\$2,038	4.1%	(0.6)	1.20	7.0	(325.6)	2.5	49.7	8.05	2.5%
SPRINGS INDUSTRIES -CL A	SMI	\$766	-1.4%	5.2	0.78	4.2	12.1	0.9	4.7	6.45	3.1%
STANLEY WORKS	SWK	\$2,868	1.7%	20.6	0.81	9.7	20.7	4.0	12.8	15.35	2.7%
STAPLES INC	SPLS	\$12,938	24.3%	11.2	1.79	5.8	69.8	8.3	@SF	23.74	0.0%
TANDY CORP	TAN	\$7,854	-17.2%	7.2	1.79	6.1	95.7	9.1	40.4	11.27	0.5%
TIMES MIRROR COMPANY -SER	TMC	\$4,334	4.0%	11.6	1.12	12.6	60.3	6.7	@CF	33.60	1.4%
TJX COMPANIES INC	TJX	\$9,765	7.6%	35.2	1.64	5.6	24.7	8.8	18.8	9.90	0.4%
TOYS R US INC	TOY	\$5,717	1.2%	(3.6)	1.70	3.3	(43.8)	1.5	44.6	3.98	0.0%
TRIBUNE CO	TRB	\$9,458	8.2%	17.8	1.46	16.1	15.0	4.5	11.1	10.18	0.9%
TRW INC	TRW	\$5,029	5.5%	25.4	1.18	3.6	12.5	2.4	4.6	7.69	2.8%
VF CORP	VFC	\$5,993	4.3%	18.5	0.85	8.8	15.9	3.0	11.1	15.41	1.7%
WAL-MART STORES	WMT	\$209,056	16.5%	21.0	4.07	2.3	43.6	9.7	31.1	8.33	0.4%
WHIRLPOOL CORP	WHR	\$5,497	13.8%	15.5	1.67	3.1	18.6	2.5	7.1	4.98	1.9%

Blue - Favorable combination

Red - Unfavorable combination

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

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

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