

Intrinsic Value Weekly

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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	27.8%	(9.7%)	(0.3%)
CONSUMER CYCLICALS	(7.6%)	(3.7%)	(2.1%)
CONSUMER STAPLES	5.3%	(3.6%)	2.7%
HEALTH	(16.2%)	(16.2%)	(24.2%)
ENERGY	18.4%	20.2%	8.7%
FINANCIAL	2.9%	(3.5%)	(17.4%)
CAPITAL GOODS	16.4%	10.0%	(2.4%)
TECHNOLOGY	6.6%	3.6%	2.2%
COMMUNICATIONS	19.0%	19.0%	5.4% *
UTILITY	(5.9%)	(16.4%)	(1.6%)
TRANSPORTATION	(2.0%)	(18.1%)	(17.8%)
Weighted Total:	5.0%	(2.6%)	(5.5%)

RED - Overvalued

BLUE - (Undervalued)

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 5/21/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.4%	(3.2%)	6.0%	(1.4%)	4.7%	(0.8%)
CONSUMER CYCLICALS	8.9%	(1.4%)	17.6%	0.8%	20.6%	1.6%
CONSUMER STAPLES	13.3%	0.9%	8.2%	1.0%	9.4%	1.5%
HEALTH	10.8%	(0.7%)	8.7%	1.4%	10.3%	1.1%
ENERGY	6.1%	2.2%	4.1%	2.3%	3.2%	0.3%
FINANCIAL	16.2%	(5.1%)	13.9%	(0.5%)	14.9%	0.9%
CAPITAL GOODS	8.1%	(3.0%)	9.7%	0.4%	12.6%	1.9%
TECHNOLOGY	20.3%	(1.3%)	19.1%	0.0%	16.4%	2.9%
COMMUNICATIONS	9.0%	(1.2%)	1.2%	1.6%	0.4%	3.5% *
UTILITY	2.9%	3.2%	10.3%	2.7%	4.6%	2.0%
TRANSPORTATION	1.0%	(4.9%)	1.3%	(1.0%)	2.8%	0.2%
Index Total:		(0.6%)		0.9%		1.6%

* Sector contains only 3 companies

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

Sector Comments More confirmation of the case that the inflation scare is just a rebound of a drastic and unsustainable sell-off in energy prices: the Basic Sector sold off across the board last week. And, for the Small Cap Market, Basics were the only down sector. The other remarkable event was the continued uptrend of utility stocks. While some the sector is tied to natural gas energy price trends, electric utilities have risen 13.6% this quarter vs. a rise of 3.4% for the Standard & Poors 500 Index. You may recall our strong emphasis on the opportunity in the Utility Sector in our April 5th issue. The Utility Sector is now only modestly under-priced for Large and Small Cap stocks, but Mid Cap Utilities continue to offer excellent value. Small and Mid Cap Transportation stocks are seriously under-priced as well. So are Small Cap Financial stocks. Finally, Health Sector stocks remain under-priced in all markets. But we expect that, until Congressional attention on Medicare prescription drug coverage and Medicare reform are resolved, we won't see much rebound. The long-run value available in Health stocks is now quite remarkable. The one area that might be an exception is Long Term Care Facilities (IHS, BEV, VC, SHG). Recent changes in reimbursement policies are likely to improve returns on capital from the abysmal levels created by previous Federal policies.

Intrinsic Value Weekly

Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Price 5/21/99	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	\$ 61.000	\$64.60	(5.6%)	2.5	0.9%
CTL	Century Telephone Ent.	\$ 41.688	\$42.51	(1.9%)	1.8	8.1%
DAL	Delta Air Lines, Inc.	\$ 60.500	\$66.79	(9.4%)	1.0	(6.8%)
G	Gillette Company	\$ 51.125	\$53.52	(4.5%)	6.1	0.7%
HD	Home Depot	\$ 58.125	\$53.65	8.3%	6.1	0.0%
INTC	Intel Corporation	\$ 57.000	\$59.17	(3.7%)	7.9	(1.7%)
LOW	Lowes Companies	\$ 53.875	\$52.28	3.1%	3.7	(2.3%)
MLHR	Herman Miller, Inc.	\$ 21.125	\$37.95	(44.3%)	3.1	(6.1%)
NYT	New York Times Co.	\$ 35.063	\$48.21	(27.3%)	2.5	2.6%
NUE	Nucor Corporation	\$ 54.688	\$57.99	(5.7%)	2.0	(1.6%)
SLB	Schlumberger Limited	\$ 61.063	\$51.09	19.5%	2.7	(1.3%)
WEN	Wendy's International	\$ 26.313	\$29.86	(11.9%)	2.0	(3.9%)
Average:				(6.9%)	Average:	(0.9%)
					S&P 500	(0.6%)

Value Drivers

Standard Market Statistics

Symbol	Sales Growth		EBIT Margin %	ROC	Free Cash Flow Annuity	Yield	PE Last 12M	Price/Book	Price/Sales
	Last 12M	EBIT Margin %							
ALD	1.9%	13.0%	11.5%	@CF	1.1%	24.1	6.2	2.2	
CTL	50.8%	30.4%	10.9%	\$54.5	0.4%	23.9	3.6	3.4	
DAL	4.3%	12.0%	11.0%	\$71.0	0.2%	8.5	2.4	0.7	
G	-2.8%	23.1%	18.5%	\$22.2	1.2%	54.4	12.2	5.8	
HD	25.1%	8.8%	13.0%	-\$5.8	0.2%	49.8	10.1	2.7	
INTC	11.2%	32.5%	25.8%	\$34.5	0.1%	30.1	8.6	7.5	
LOW	23.3%	6.8%	11.0%	-\$14.6	0.2%	36.9	5.9	1.4	
MLHR	8.1%	12.1%	24.0%	\$46.8	0.7%	12.2	7.5	1.0	
NYT	2.0%	17.5%	11.9%	@CF	1.1%	22.7	4.1	2.2	
NUE	-9.4%	9.9%	12.6%	\$73.7	1.0%	22.7	2.5	1.3	
SLB	-8.8%	14.7%	11.9%	@CF	1.2%	48.0	4.3	3.1	
WEN	-3.2%	12.6%	9.7%	\$57.5	0.9%	26.0	3.1	1.8	

Notes on Intrinsic Value Portfolio Our emphasis on **CTL** last week was perhaps not the reason for its rebound, but virtually all of its under-pricing was erased. Sometimes opportunities are short-lived. We still think that, although **CTL**'s expected return is back to market levels (7.6% or so), the company has the capacity to improve upon our conservative forecasts and will probably surprise on the upside.

Recent comments about **Gillette (G)** being worth only \$44 in this week's Barron's Magazine are an interesting contrast with our view of the company's intrinsic value. Our view is that the company is worth \$53.52. The basic difference appears to be earnings. We expect that, over time, currency losses will be reversed, a view clearly not shared by other analysts. This results in other forecasts of 2004 earnings for **G** of \$2.47 against our \$3.00 per share. We also believe that **G** will sell for a continued premium to the PE multiple of the market, based upon the company's superior cost achievements and barriers to competition. Differences of opinion are what make a market and we stand by our view.

While the Intrinsic Value Portfolio fell relative to the S&P 500 Index last week, it is still ahead of the index by 2% for the year. We would not be surprised to see further opportunity open up in **HD**, **LOW** and **SLB**.

Our Page 3 data dump this week is focused on Free Cash Flow Annuity Per Share: the companies have averaged at least 10% Sales growth over the past 5 years, Sales up in the past 12 months, Market Cap at least \$250 million, and Free Cash Flow Per Share Annuity divided by Current Price at least 1.3. The Free Cash Flow Annuity Per Share is: (((NOPAT - Change in Net Capital) divided by the 30Y Treasury Yield) minus all Debt and other long term liabilities) all divided by shares outstanding). This number is static history, but suggests lots of available cash and cash flow to repurchase stock, make acquisitions, increase dividends or just be a target for someone else to acquire. Note the numbers above for the Intrinsic Value Portfolio. **G**, **HD**, **INTC** and **LOW** do not fare well on this measure. @CF means "Combined Figure".

Intrinsic Value Weekly

Free Cash Flow Per Share Annuity

Page 3

Company Name	Ticker	Market Value - Equity	Last 12MM Sales Growth	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
ABM INDUSTRIES INC	ABM	\$599	16.3%	27.4	42.43	2.8	18.8	2.8	12.1	9.07	2.0%
ADOBE SYSTEMS INC	ADBE	\$4,835	4.6%	79.3	121.81	18.5	34.3	7.5	23.0	26.95	0.3%
AIRBORNE FREIGHT CORP	ABF	\$1,464	2.9%	30.1	80.07	6.2	12.1	2.0	4.9	10.98	0.5%
ALBERTO-CULVER CO -CL B	ACV	\$1,465	4.2%	26.0	79.36	6.5	17.2	2.7	11.5	12.35	1.0%
AMERICA WEST HLDG CP -CL B	AWA	\$780	10.4%	20.0	128.18	14.1	7.8	1.2	4.6	13.64	0.0%
ANCHOR GAMING	SLOT	\$545	17.7%	45.5	94.31	33.3	8.5	2.8	6.7	30.44	0.0%
ARROW INTERNATIONAL	ARRO	\$604	6.8%	26.0	35.99	17.5	83.3	2.1	23.0	14.07	0.8%
AUTHENTIC FITNESS	ASM	\$394	13.1%	17.1	43.83	12.0	16.6	2.6	12.0	14.03	0.3%
AUTODESK INC	ADSK	\$1,314	17.0%	27.8	36.53	20.4	15.3	3.1	9.2	36.55	0.9%
AVONDALE INDUSTRIES INC	AVDL	\$477	15.2%	36.0	58.53	5.0	10.6	1.9	8.5	11.32	0.0%
BANCTEC INC	BTC	\$320	0.1%	16.5	46.11	0.4	(270.8)	1.4	@CF	0.53	0.0%
BELL ATLANTIC CORP	BEL	\$86,152	4.2%	55.5	95.78	18.4	28.1	6.9	9.8	10.99	2.8%
BLACK HILLS CORP	BKH	\$493	78.7%	23.0	47.26	7.7	18.5	2.4	9.7	11.39	4.5%
BOISE CASCADE CORP	BCC	\$2,259	10.1%	40.1	119.58	2.2	(98.2)	1.7	8.3	2.90	1.5%
BORG WARNER AUTO	BWA	\$1,537	7.6%	57.6	92.24	8.8	13.3	1.7	7.8	9.86	1.0%
BRUNSWICK CORP	BC	\$2,093	10.9%	22.8	64.58	8.2	13.0	1.7	6.5	12.63	2.2%
C-CUBE MICROSYSTEMS INC	CUBE	\$1,034	9.3%	26.5	35.76	16.1	18.9	3.6	13.0	21.29	0.0%
CABLETRON SYSTEMS	CS	\$2,639	2.5%	15.4	23.80	14.3	(6.6)	1.5	@CF	17.71	0.0%
CEDAR FAIR -LP	FUN	\$1,342	51.3%	25.8	39.20	26.8	14.4	3.6	10.6	20.22	5.4%
CENTRAL NEWSPAPERS -CL A	ECP	\$1,420	4.2%	34.9	74.45	20.3	17.7	9.7	10.4	26.78	1.4%
CENTURYTEL INC	CTL	\$5,806	50.8%	41.7	54.45	31.7	23.9	3.6	9.8	10.92	0.4%
CHECKPOINT SYSTEMS INC	CKP	\$286	4.8%	9.5	18.61	6.3	17.2	1.1	6.9	4.95	0.0%
CINERGY CORP	CIN	\$5,299	26.4%	33.4	67.45	10.5	16.7	1.9	7.6	7.40	5.4%
CLARCOR INC	CLC	\$444	5.7%	18.6	36.05	12.8	13.8	2.4	9.8	22.56	2.4%
COGNOS INC	COGN	\$1,092	23.0%	25.3	34.16	25.4	18.0	8.1	15.0	42.77	0.0%
COOPER TIRE & RUBBER	CTB	\$1,867	1.9%	24.6	35.17	6.6	12.8	1.9	7.1	8.30	1.7%
DIAGNOSTIC PRODUCTS CORP	DP	\$309	6.9%	22.6	29.60	12.1	15.6	1.6	7.7	10.89	2.1%
DREYER'S GRAND ICE CREAM IN	DRYR	\$437	5.2%	15.9	54.98	(1.2)	(8.3)	6.0	(49.3)	(3.09)	0.8%
DUFF & PHELPS CREDIT RTNG C	DCR	\$274	13.6%	60.3	81.46	20.1	16.1	10.4	13.3	44.57	0.2%
FAIRFIELD COMMUNITIES INC	FFD	\$729	13.3%	16.5	39.24	15.2	12.6	2.6	10.9	17.45	0.0%
FAMILY DOLLAR STORES	FDO	\$4,152	17.1%	24.1	54.25	7.0	34.0	7.2	25.6	21.77	0.8%
FEDERATED DEPT STORES	FD	\$11,324	2.3%	54.3	158.90	6.9	13.7	1.7	7.3	10.77	0.0%
FINISH LINE INC -CL A	FINL	\$324	19.1%	13.8	126.38	9.9	18.8	2.0	11.6	16.05	0.0%
FIRSTENERGY CORP	FE	\$7,346	77.9%	31.2	112.87	23.4	14.9	1.6	5.4	8.11	4.8%
FREEPRT MCMOR COP&GLD -CL	FCX	\$2,534	-5.1%	15.5	45.63	21.8	23.6	9.9	5.8	10.06	1.3%
GERBER SCIENTIFIC INC	GRB	\$463	36.0%	20.4	51.44	6.7	33.0	1.8	12.4	10.40	1.6%
GOODYS FAMILY CLOTHING INC	GDYS	\$362	11.5%	10.9	19.08	4.7	10.7	1.5	7.2	19.57	0.0%
HAVERTY FURNITURE	HVT	\$336	10.0%	30.1	91.34	6.0	13.6	1.7	7.7	6.80	1.1%
HELMERICH & PAYNE	HP	\$1,183	10.4%	23.9	46.27	19.3	17.5	1.6	7.4	12.08	1.2%
HOUGHTON MIFFLIN CO	HTN	\$1,493	9.3%	49.6	97.99	6.2	28.1	3.4	9.6	5.84	1.0%
HUMANA INC	HUM	\$2,199	14.5%	13.1	24.63	3.9	36.8	1.4	12.0	11.77	0.0%
BLUE (BOLD) - ATTRACTIVE	JBHT	\$655	18.5%	18.4	33.06	5.4	15.4	2.0	3.8	10.96	1.1%
RED - UNATTRACTIVE	IDA	\$1,239	39.1%	32.9	69.50	17.0	13.1	1.6	6.9	8.49	5.6%
INGERSOLL-RAND CO	IR	\$11,004	12.1%	66.3	117.37	8.5	21.3	4.2	14.0	9.10	0.9%
INTERMET CORP	INMT	\$371	4.2%	14.6	43.97	6.9	9.1	1.8	4.8	11.61	1.1%
INTERVOICE INC	INTV	\$340	33.8%	12.1	16.84	(1.0)	14.7	4.9	8.9	(1.31)	0.0%
KELLY SERVICES INC -CL A	KELYA	\$971	5.8%	27.1	50.02	2.2	11.2	1.7	8.0	11.26	3.4%
LABORATORY CP OF AMER HLDG	LH	\$313	10.5%	2.5	13.61	8.2	9.2	1.7	@SF	7.98	0.0%
LANDSTAR SYSTEM INC	LSTR	\$412	4.7%	40.3	110.90	2.7	11.2	3.6	8.4	14.37	0.0%

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

Intrinsic Value Weekly

Free Cash Flow Per Share Annuity

Page 4

Company Name	Ticker	Market Value - Equity	Last 12MM Sales Growth	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
MAXTOR CORP	MXTR	\$611	47.1%	6.6	10.25	2.6	0.0	3.1	3.9	20.21	0.0%
MCGRATH RENTCORP	MGRC	\$270	0.8%	19.3	34.51	34.1	11.0	2.5	6.2	19.22	2.5%
MICHAEL FOODS INC	MIKL	\$505	2.2%	23.9	32.08	5.5	12.1	2.0	@CF	12.48	1.2%
MODIS PROFESSIONAL SVCS INC	MPS	\$1,396	11.4%	14.5	109.20	7.0	17.3	1.0	10.0	10.66	0.0%
MOLEX INC	MOLX	\$4,901	1.4%	31.6	46.23	16.9	29.1	4.0	14.6	21.06	0.2%
MUSICLAND STORES CORP	MLG	\$334	4.0%	9.3	96.39	7.3	9.0	6.1	4.8	12.02	0.0%
NACCO INDUSTRIES -CL A	NC	\$632	7.8%	77.5	196.20	7.7	7.2	1.3	3.5	13.62	1.1%
NBTY INC	NBTY	\$464	22.9%	6.5	57.62	11.1	13.7	1.5	7.1	9.02	0.0%
NORTHROP GRUMMAN CORP	NOC	\$5,049	-0.8%	73.3	212.61	9.8	14.2	1.5	6.3	11.30	2.2%
NVEST -LP	NEW	\$1,085	19.2%	24.3	90.04	21.7	@NA	2.4	6.8	18.40	10.4%
OTTER TAIL POWER CO	OTTR	\$460	12.2%	38.6	117.99	13.3	12.7	2.0	7.2	9.55	5.1%
PACIFICARE HEALTH SYS -CL B	PHSYB	\$3,950	0.8%	86.5	267.54	4.3	15.4	1.6	10.3	12.81	0.0%
PAGING NETWORK INC	PAGE	\$348	6.3%	3.3	41.84	(8.0)	(3.3)	@NA	3.2	(5.72)	0.0%
PERRIGO COMPANY	PRGO	\$664	2.3%	9.1	15.74	5.7	(6.7)	1.7	(9.2)	9.48	0.0%
PHOENIX INVESTMENT PARTNER	PXP	\$432	27.8%	9.9	39.54	13.4	12.2	1.9	7.1	5.46	2.4%
PIONEER GROUP INC	PIOG	\$441	-3.8%	16.8	63.00	(9.6)	(11.6)	3.1	@CF	(6.54)	2.4%
POLARIS INDS INC	PII	\$1,051	16.4%	41.7	113.08	9.2	30.4	6.2	14.2	58.76	1.9%
PROGRESS SOFTWARE CORP	PRGS	\$432	28.3%	25.0	65.39	14.5	14.8	3.8	10.3	31.13	0.0%
PUGET SOUND ENERGY INC	PSD	\$2,188	12.8%	25.9	53.22	21.3	13.0	1.5	6.1	9.32	7.1%
RAYTHEON CO -CL B	RTN.B	\$24,705	31.4%	73.5	151.30	12.3	26.6	2.2	14.5	10.06	1.1%
READ-RITE CORP	RDRT	\$351	-26.0%	7.1	160.42	(15.1)	(1.6)	1.3	157.8	(13.05)	0.0%
RELIANT ENERGY INC	REI	\$9,149	33.2%	30.9	57.54	12.9	(25.1)	1.9	15.2	8.75	4.9%
REYNOLDS & REYNOLDS -CL A	REY	\$1,741	3.7%	22.3	29.84	10.7	16.1	3.6	@CF	14.48	1.8%
ROSS STORES INC	ROST	\$2,232	10.8%	48.3	76.82	10.2	15.3	5.0	12.1	51.48	0.5%
RYAN'S FAMILY STK HOUSES INC	RYAN	\$447	6.2%	11.6	24.48	7.4	12.1	1.7	6.9	10.12	0.0%
SEQUENT COMPUTER SYSTEMS	SQNT	\$534	-7.5%	12.7	53.67	(1.2)	(8.6)	0.9	13.7	(1.30)	0.0%
SHAW INDUSTRIES INC	SHX	\$2,527	0.0%	17.9	57.72	8.5	69.7	3.2	@CF	13.93	1.7%
SIGCORP INC	SIG	\$730	21.3%	30.9	59.97	16.4	14.6	1.8	7.5	9.94	4.0%
ST JOHN KNITS INC	SJK	\$456	12.5%	27.5	36.47	19.3	15.1	2.8	10.7	37.01	0.4%
STARBUCKS CORP	SBUX	\$6,675	29.8%	36.6	51.53	9.0	83.9	8.3	41.4	11.64	0.0%
SUNGLASS HUT INTL INC	RAY	\$781	4.9%	16.5	25.59	(0.3)	33.2	8.0	10.6	(0.31)	0.0%
TENNANT CO	TANT	\$329	5.9%	36.0	57.58	5.9	12.9	2.4	@CF	10.68	2.1%
THERMO ECOTEK CORP	TCK	\$306	8.7%	8.5	25.93	24.7	10.5	1.0	5.0	11.22	0.0%
THOR INDUSTRIES INC	THO	\$327	14.4%	26.9	44.55	5.0	14.4	2.7	@CF	26.09	0.3%
TRINITY INDUSTRIES	TRN	\$1,531	18.4%	35.4	83.48	10.4	8.1	1.7	5.9	23.19	2.0%
UGI CORP	UGI	\$656	-9.5%	19.9	104.35	10.8	14.2	1.5	4.4	7.74	7.3%
UNITED STATIONERS INC	USTR	\$636	20.3%	18.2	68.53	4.5	9.1	1.7	6.2	15.21	0.0%
VANGUARD CELLULAR SYS -CL A	VCELA	\$900	12.6%	23.0	30.16	(6.7)	9.0	8.9	5.0	(3.53)	0.0%
WARNACO GROUP INC -CL A	WAC	\$1,720	23.2%	29.9	82.82	9.9	121.3	2.7	26.1	13.03	1.2%
WESCAST INDUSTRIES -CL A	WCSTF	\$414	18.4%	31.5	42.60	24.7	13.1	2.8	9.8	30.09	1.0%
WET SEAL INC -CL A	WTSLA	\$409	19.4%	33.3	60.86	7.9	19.1	4.2	12.6	29.63	0.0%

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

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

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