

# 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	20.6%	(12.7%)	(3.4%)
CONSUMER CYCLICALS	(10.4%)	(7.1%)	(4.6%)
CONSUMER STAPLES	2.6%	(4.5%)	(0.3%)
HEALTH	(18.3%)	(16.3%)	(31.3%)
ENERGY	15.9%	13.0%	8.9%
FINANCIAL	0.7%	(8.1%)	(18.5%)
CAPITAL GOODS	13.1%	8.4%	(4.1%)
TECHNOLOGY	1.7%	2.0%	(2.1%)
COMMUNICATIONS	17.4%	22.1%	(11.8%) *
UTILITY	(5.1%)	(15.6%)	(1.3%)
TRANSPORTATION	(5.0%)	(22.1%)	(20.3%)
<b>Weighted Total:</b>	<b>2.0%</b>	<b>(4.8%)</b>	<b>(8.2%)</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 5/28/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.3%	(5.6%)	5.8%	(3.3%)	4.7%	(3.1%)
CONSUMER CYCLICALS	8.8%	(3.0%)	17.1%	(3.5%)	20.8%	(2.5%)
CONSUMER STAPLES	13.2%	(2.5%)	8.2%	(0.9%)	9.5%	(2.8%)
HEALTH	10.7%	(2.6%)	8.9%	(0.1%)	9.3%	(9.3%)
ENERGY	6.1%	(2.1%)	4.1%	(6.0%)	3.4%	0.1%
FINANCIAL	16.3%	(2.1%)	14.3%	(4.8%)	15.5%	(1.3%)
CAPITAL GOODS	8.1%	(2.8%)	9.6%	(1.4%)	12.9%	(1.7%)
TECHNOLOGY	20.3%	(4.6%)	19.0%	(1.5%)	16.0%	(4.2%)
COMMUNICATIONS	9.1%	(1.3%)	1.2%	2.6%	0.4%	(16.4%) *
UTILITY	3.0%	0.9%	10.4%	0.9%	4.8%	0.3%
TRANSPORTATION	1.0%	(3.1%)	1.3%	(4.9%)	2.8%	(3.1%)
<b>Index Total:</b>		<b>(2.1%)</b>		<b>(1.8%)</b>		<b>(2.3%)</b>

\* Sector contains only 3 companies

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

**Sector Comments** All sectors fell last week except Utilities of all stripes, Mid Cap Communications and Small Cap Energy. Concerns about slower growth and higher inflation continue to capture the headlines. Our earlier recommendations to concentrate in those under-priced Mid Cap and Small Cap Sectors continue. We are not market timers, so don't expect any advice on the overall market. But, any change in the rate that investors use to discount future cash flows in companies would, of course, cause a change in the Intrinsic Value of stocks. Generally, when that "investors' discount rate" rises it is in conjunction with a rise in inflation, but not always. A rise in the long-term real, after-tax growth rate in the US economy would cause a rise in the discount rate and a rise in the "Terminal Growth Rate" we use in our Intrinsic Value Model. (Please see one of our Intrinsic Value Reports for further information) In that case, a higher discount rate would not necessarily result in lower stock prices. Only in the case of a higher discount rate caused by higher inflation would we see lower PE's for all stocks and higher sustained revenue growth for Basic Industry and Energy stocks.

We do note that many Large Cap sectors continue over-priced, but many sectors are improving their relative profitability and so may become fairly priced by beating our conservative assumptions. Finally, we look at the Mid Cap Basic Industry stocks on Page 3 this week. Some stocks appear attractive in this group such as OS and GLT. Also, we show the value driver data for Small Cap Financials. You will note that pricing the current Free Cash Flow as a perpetual annuity is not useful. Enterprise Free Cash Flow is rarely a useful metric for highly leveraged firms because nearly all growth must be financed by issuing new debt liabilities.

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## Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Updated Valuation	Price 5/28/99	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	4/29/99	\$ 58.063	\$64.60	(10.1%)	2.5	(4.8%)
CTL	Century Telephone Ent.	3/1/99	\$ 38.313	\$42.51	(9.9%)	1.8	(8.1%)
DAL	Delta Air Lines, Inc.	3/1/99	\$ 57.375	\$66.79	(14.1%)	1.0	(5.2%)
<b>G</b>	<b>Gillette Company</b>	<b>5/24/99</b>	<b>\$ 51.000</b>	<b>\$53.52</b>	<b>(4.7%)</b>	<b>6.1</b>	<b>(0.2%)</b>
HD	Home Depot	3/1/99	\$ 56.563	\$53.65	5.4%	6.1	(2.7%)
INTC	Intel Corporation	3/1/99	\$ 54.063	\$59.17	(8.6%)	7.9	(5.2%)
LOW	Lowes Companies	3/1/99	\$ 51.688	\$52.28	(1.1%)	4.0	(4.1%)
MLHR	Herman Miller, Inc.	3/1/99	\$ 20.188	\$37.95	(46.8%)	3.1	(4.4%)
NYT	New York Times Co.	3/1/99	\$ 34.125	\$48.21	(29.2%)	2.5	(2.7%)
NUE	Nucor Corporation	3/1/99	\$ 49.938	\$57.99	(13.9%)	2.0	(8.7%)
PFE	Pfizer, Inc.	5/31/99	\$107.000	\$135.80	(21.2%)	11.5	(2.9%)
<b>SLB</b>	<b>Schlumberger Limited</b>	<b>3/1/99</b>	<b>\$ 60.188</b>	<b>\$51.09</b>	<b>17.8%</b>	<b>2.7</b>	<b>(1.4%)</b>
<b>WEN</b>	<b>Wendy's International</b>	<b>3/1/99</b>	<b>\$ 27.250</b>	<b>\$29.86</b>	<b>(8.7%)</b>	<b>2.0</b>	<b>3.6%</b>
<b>Average:</b>					<b>(11.2%)</b>	<b>Average:</b>	<b>(3.6%)</b>
						<b>S&amp;P 500</b>	<b>(2.1%)</b>

**Bold** - Outperformed the S&P 500 for the week

### Value Drivers

### Standard Market Statistics

Symbol	Sales Growth		Free Cash Flow		Yield	PE Last 12M	Price/Book	Price/Sales
	Last 12M	EBIT Margin %	ROC	Flow Annuity				
ALD	1.9%	13.0%	11.5%	@CF	1.2%	24.1	6.2	2.2
CTL	50.8%	30.4%	10.9%	\$54.5	0.5%	23.9	3.6	3.4
DAL	4.3%	12.0%	11.0%	\$71.0	0.2%	8.5	2.4	0.7
<b>G</b>	<b>-2.8%</b>	<b>23.1%</b>	<b>18.5%</b>	<b>\$22.2</b>	<b>1.2%</b>	<b>54.4</b>	<b>12.2</b>	<b>5.8</b>
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	20.5%	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
PFE	24.0%	27.0%	20.8%	@CF	0.8%	65.0	16.9	10.3
<b>SLB</b>	<b>-8.8%</b>	<b>14.7%</b>	<b>11.9%</b>	<b>@CF</b>	<b>1.2%</b>	<b>48.0</b>	<b>4.3</b>	<b>3.1</b>
<b>WEN</b>	<b>-3.2%</b>	<b>12.6%</b>	<b>9.7%</b>	<b>\$57.5</b>	<b>0.9%</b>	<b>26.0</b>	<b>3.1</b>	<b>1.8</b>

**Notes on Intrinsic Value Portfolio** The Intrinsic Value Portfolio lost ground last week. Fairly-priced members became under-priced and over-priced stocks sank. The stars were **G**, **SLB** and **WEN**. Please refer to last week's issue for comments on G.

The strength of **SLB** is justified only if oil prices lead to better than 14% revenue growth, far ahead of the 10% underlying our valuation. While we think that the 10% assumption is reasonable in an environment of stable oil prices around current levels, we admit a higher number could occur. Should the higher assumption be required, the environment for stocks in general (higher inflation, lower PE's) could be quite unpleasant.

The strength of **WEN** is remarkable and reflective of the improvements to the company's fundamentals so far this year.

The big change to this week's list is the addition of **Pfizer, Inc. (PFE - NYSE)**. The company's stock has fallen from a high of \$150 1/8 to a close of \$107 on Friday. The concerns about sales growth are not surprising, given the company's rich valuation. However, we put those concerns into context in our Intrinsic Value Report on Pfizer, Inc. accompanying this week's issue of IVW. The success of **PFE** in shedding businesses which lack revenue potential and its concentration of research efforts on high-value large market pharmaceuticals is responsible for the high expectations of investors. Revenue in the first quarter surged 29% from the same quarter a year ago. The company has warned investors not to extrapolate these results and the recent price weakness shows investors are taking them seriously. However, we believe that a reasonable forecast based on modest assumptions supports a valuation of \$130 per share (before the upcoming 3 for 1 split). Our most important assumption is the revenue forecast of an average of 14% over the long run. **PFE's** stock price would change up or down by 10% for each point of percentage change error in that assumption. We believe that PFE will err on the favorable side of that assumption.

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## Basic Industry Mid Capitalization Stocks

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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
ETHYL CORP	EY	\$417	-7.0%	5.0	53.56	9.9	5.9	2.3	3.1	10.53	5.0%
UNIVERSAL CORP/VA	UVV	\$860	-3.1%	26.1	108.50	6.5	6.4	1.6	@CF	17.50	4.6%
<b>OREGON STEEL MILLS INC</b>	<b>OS</b>	<b>\$353</b>	<b>16.2%</b>	<b>13.7</b>	<b>46.73</b>	<b>5.3</b>	<b>23.1</b>	<b>1.2</b>	<b>6.8</b>	<b>5.63</b>	<b>4.1%</b>
CABOT CORP	CBT	\$1,569	-5.4%	23.6	77.28	10.9	15.3	2.6	@CF	10.28	1.9%
SOLUTIA INC	SOI	\$2,507	-6.8%	22.4	71.83	13.5	13.4	(393.1)	7.8	17.59	0.2%
GEORGIA GULF CORP	GGC	\$462	-13.5%	14.9	47.25	13.5	11.9	17.0	5.6	15.35	2.1%
GEORGIA-PACIFIC TIMBER CO	TGP	\$2,277	-5.5%	26.8	69.42	68.2	13.3	@NA	10.3	31.02	3.7%
UCAR INTERNATIONAL INC	UCR	\$1,020	-18.0%	22.6	58.12	13.8	(21.4)	(3.6)	@NC	13.78	0.0%
LAWTER INTERNATIONAL INC	LAW	\$403	2.9%	12.2	27.90	16.8	19.4	12.2	14.7	15.15	3.3%
<b>GLATFELTER (P H) CO</b>	<b>GLT</b>	<b>\$561</b>	<b>9.6%</b>	<b>13.3</b>	<b>22.50</b>	<b>11.2</b>	<b>18.6</b>	<b>1.6</b>	<b>7.0</b>	<b>9.02</b>	<b>5.3%</b>
RAYONIER INC	RYN	\$1,296	-5.6%	46.6	78.25	9.9	21.1	2.0	7.7	5.90	2.7%
CYTEC INDUSTRIES INC	CYT	\$1,174	5.9%	27.4	42.69	11.1	10.3	2.9	6.0	9.50	0.0%
ALBEMARLE CORP	ALB	\$1,055	-3.8%	22.4	33.46	10.6	12.9	2.3	6.4	9.51	1.8%
SCHULMAN (A.) INC	SHLM	\$529	-1.8%	16.6	23.69	4.8	11.7	1.6	8.1	9.96	3.0%
LONGVIEW FIBRE CO	LFB	\$701	-3.4%	13.6	17.52	3.8	72.2	1.6	6.7	2.40	0.6%
CHESAPEAKE CORP	CSK	\$774	3.1%	36.1	45.50	5.8	20.2	1.6	7.0	5.88	2.4%
<b>CONSOLIDATED PAPERS INC</b>	<b>CDP</b>	<b>\$2,514</b>	<b>6.3%</b>	<b>27.8</b>	<b>13.01</b>	<b>14.1</b>	<b>33.2</b>	<b>2.0</b>	<b>10.3</b>	<b>8.05</b>	<b>3.2%</b>

BLUE (BOLD) - ATTRACTIVE

RED - UNATTRACTIVE

## Small Capitalization Financials

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
AMERICAN BANKERS INS GRO	ABI	\$2,272	1.6%	53.6	-244.82	7.4	6.6	2.3	6.2	3.48	0.9%
AMERICREDIT CORP	ACF	\$1,009	55.3%	15.9	-44.30	40.3	15.7	3.5	14.1	14.58	0.0%
AMRESCO INC	AMMB	\$335	16.7%	6.9	@CF	4.3	(3.7)	0.5	(7.8)	0.84	0.0%
ANCHOR BANCORP INC/WI	ABCW	\$298	3.3%	16.5	-103.47	21.0	13.4	2.6	12.9	5.59	1.2%
BANKNORTH GROUP INC/DE	BKNG	\$619	5.1%	26.7	-147.48	19.2	19.3	1.9	@AF	8.76	2.7%
CAPITAL RE CORP	KRE	\$516	20.2%	16.3	@CF	29.0	14.4	1.0	@CF	4.68	1.0%
CAROLINA FIRST CORP	CAFC	\$603	27.7%	27.4	-225.57	18.1	22.3	1.7	18.1	7.06	1.3%
CASH AMERICA INTL INC	PWN	\$322	13.9%	12.7	-43.54	8.0	25.0	1.7	11.8	5.78	0.4%
CENTURA BANKS INC	CBC	\$1,662	12.0%	58.3	-690.39	21.9	16.9	2.5	12.9	6.82	2.0%
CMAC INVESTMENT CORP	CMT	\$1,151	17.4%	50.6	-112.74	37.8	11.6	2.0	11.2	15.76	0.2%
COMMERCE BANCORP INC/NJ	CBH	\$1,106	16.8%	40.3	-35.82	23.2	20.5	3.7	15.2	14.55	2.2%
COMMERCIAL FEDERAL	CFB	\$1,390	12.7%	22.8	-453.19	17.7	21.7	1.6	@AF	4.08	1.1%
COMMUNITY FIRST BANKSHAR	CFBX	\$999	26.3%	21.2	-39.61	14.7	18.6	2.4	12.5	6.12	2.6%
CULLEN/FROST BANKERS INC	CFR	\$1,505	9.2%	56.3	-315.36	23.9	17.9	2.8	@SF	14.93	2.1%
DAIN RAUSCHER CORP	DRC	\$644	11.3%	52.1	-42.92	11.9	16.4	1.6	9.8	10.04	1.7%
DELPHI FINANCIAL GRP -CL A	DFG	\$700	14.2%	34.7	-145.87	24.8	9.1	1.1	@CF	4.68	0.0%
DOWNEY FINANCIAL CORP	DSL	\$619	3.8%	22.0	-303.84	22.2	10.7	1.2	9.4	9.41	1.5%
EATON VANCE CORP	EV	\$1,103	33.5%	30.6	23.81	18.3	99.2	3.8	79.5	13.08	1.0%
ENHANCE FINANCIAL SVCS	GRFS	\$742	9.3%	19.6	@CF	58.6	9.5	1.2	@CF	9.92	1.2%
EXECUTIVE RISK INC	ER	\$979	16.7%	85.3	-585.09	23.0	18.4	2.4	16.6	4.55	0.1%
FIDELITY NATIONAL FINL INC	FNF	\$528	41.3%	16.9	-116.67	9.6	4.7	1.3	@CF	14.61	1.7%
FIRST AMER FINL CP CA	FAF	\$1,008	39.0%	16.4	-71.05	9.4	5.9	1.5	4.5	16.55	1.5%
FIRST BANCORP P R	FBP	\$700	12.1%	24.0	-392.63	16.6	14.3	2.8	11.9	2.86	1.5%
FIRST MIDWEST BANCORP INC	FMBI	\$1,100	5.8%	38.8	-297.04	23.7	21.1	2.6	@AF	9.68	2.5%
FIRSTMERIT CORP	FMER	\$2,488	42.0%	27.3	-189.03	27.9	23.4	2.7	@AF	11.98	2.6%

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

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## Basic Industry Mid Capitalization Stocks

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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
FREMONT GENERAL CORP	FMT	\$1,484	3.0%	21.2	-305.27	34.5	9.5	1.5	7.9	5.44	1.5%
FRONTIER INS GRP INC	FTR	\$600	25.0%	17.2	-366.37	(15.0)	(9.9)	1.3	(14.7)	(3.76)	1.6%
GALLAGHER (ARTHUR J.) & CO AJG		\$876	8.6%	48.7	@CF	15.6	14.4	4.1	@CF	40.04	3.3%
HAMBRECHT & QUIST GROUP HQ		\$863	13.7%	35.9	@CF	13.4	15.5	2.5	@CF	13.99	0.0%
HILB ROGAL & HAMILTON CO	HRH	\$248	5.5%	20.4	26.79	9.3	14.0	4.9	8.1	14.59	3.1%
HUDSON UNITED BANCORP	HU	\$1,212	6.2%	30.6	-534.52	21.2	42.8	3.1	@AF	8.74	3.3%
JEFFERIES GROUP INC	JEF	\$579	-4.8%	24.6	63.08	16.9	8.1	1.5	6.7	14.70	0.8%
JSB FINL INC	JSB	\$476	4.9%	51.3	-182.42	45.7	10.8	1.2	9.8	11.90	3.5%
LEGG MASON INC	LM	\$1,902	17.7%	33.8	-26.01	15.8	20.3	3.8	15.8	19.74	0.8%
MAF BANCORP INC	MAFB	\$557	4.4%	23.1	-345.84	24.2	12.4	1.6	11.3	4.83	1.2%
MUTUAL RISK MANAGEMENT L MM		\$1,581	24.5%	36.5	@CF	28.2	23.7	4.7	@CF	3.31	0.7%
NAC RE CORP	NRC	\$1,007	-7.2%	54.6	-246.63	20.0	10.6	1.3	@CF	4.54	0.7%
ORION CAPITAL CORP	OC	\$796	-0.1%	29.2	-236.39	5.7	(28.3)	1.1	(236.2)	2.40	2.5%
PIONEER GROUP INC	PIOG	\$464	-3.8%	17.6	63.00	(9.6)	(11.6)	3.1	@CF	(6.54)	2.3%
PREMIER BANCSHARES INC	PMB	\$542	4.0%	20.8	-161.57	30.1	23.9	3.7	@AF	14.93	1.7%
PROVIDENT BANKSHARES COI PBKS		\$598	14.4%	23.1	-170.05	16.6	15.9	2.1	8.8	4.81	2.5%
QUEENS COUNTY BANCORP IN QCSB		\$683	10.3%	31.6	-128.56	33.1	23.0	5.0	25.4	7.66	3.2%
RAYMOND JAMES FINANCIAL C RJF		\$1,045	12.7%	22.1	@CF	15.6	12.3	2.0	9.9	31.10	1.3%
RIGGS NATL CORP WASH D C RIGS		\$475	4.2%	16.8	@CF	20.7	15.3	1.3	7.3	6.29	1.2%
SEI INVESTMENTS CO	SEIC	\$1,805	24.9%	102.0	80.56	18.7	33.6	28.4	25.4	44.54	0.3%
SELECTIVE INS GROUP INC	SIGI	\$530	10.0%	18.9	-102.44	7.2	10.6	0.9	8.9	2.55	3.0%
SILICON VY BANCSHARES	SIVB	\$400	31.6%	19.3	-188.10	21.6	12.4	1.7	11.6	20.91	0.0%
ST PAUL BANCORP INC	SPBC	\$1,034	6.7%	25.9	-483.09	12.9	33.2	1.9	@AF	3.07	3.1%
SUSQUEHANNA BANCSHARES SUSQ		\$672	@SF	18.2	-196.20	21.6	14.1	1.7	@SF	8.26	3.3%
TRENWICK GROUP INC	TREN	\$335	41.2%	31.5	@CF	18.2	9.4	0.9	@CF	4.57	3.3%
TRUSTCO BANK CORP/NY	TRST	\$737	0.1%	27.4	-66.29	28.7	20.0	3.9	18.6	14.82	4.0%
U S TRUST CORP	UTC	\$1,631	5.0%	87.7	-83.18	45.0	26.1	6.9	@AF	13.62	1.0%
UNITED BANKSHARES INC/WV UBSI		\$1,156	14.5%	26.7	-260.90	17.7	23.3	2.8	@AF	7.43	3.0%
UST CORP	USTB	\$1,030	11.7%	24.1	-405.69	24.0	17.3	1.9	@AF	8.65	2.5%
WHITNEY HOLDING CORP	WTNY	\$956	7.6%	40.8	-233.30	21.6	18.4	1.7	@AF	9.56	3.2%
ZENITH NATIONAL INSURANCE ZNT		\$389	9.1%	22.8	-629.13	4.5	3.5	1.2	3.2	1.84	4.4%

@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

### FOR INFORMATIONAL PURPOSES ONLY

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