

Intrinsic Value Weekly

Volume 2, No. 23

Published Weekly by Intrinsic Value Associates, LLC

June 7, 1999

ECONOMIC SECTOR VALUATION

<u>SECTORS</u>	<u>S&P 500</u>	<u>S&P MIDCAP</u>	<u>S&P SMALL CAP</u>
BASIC INDUSTRY	26.0%	(10.9%)	(1.8%)
CONSUMER CYCLICALS	(6.9%)	(3.2%)	(3.3%)
CONSUMER STAPLES	5.0%	(4.0%)	0.2%
HEALTH	(15.3%)	(12.8%)	(31.2%)
ENERGY	17.4%	17.8%	12.2%
FINANCIAL	(1.7%)	(11.5%)	(19.4%)
CAPITAL GOODS	17.3%	6.0%	(3.3%)
TECHNOLOGY	1.8%	6.3%	1.6%
COMMUNICATIONS	18.8%	22.2%	(7.2%) *
UTILITY	(4.9%)	(16.5%)	(1.4%)
TRANSPORTATION	(3.6%)	(20.9%)	(22.6%)
Weighted Total:	3.4%	(3.3%)	(7.0%)

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 6/04/1999	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.4%	4.5%	5.9%	2.1%	4.7%	1.7%
CONSUMER CYCLICALS	9.0%	3.9%	17.5%	4.2%	20.8%	1.3%
CONSUMER STAPLES	13.3%	2.3%	8.1%	0.5%	9.4%	0.5%
HEALTH	11.0%	3.7%	9.1%	4.2%	9.2%	0.2%
ENERGY	6.1%	1.3%	4.2%	4.2%	3.4%	3.1%
FINANCIAL	15.6%	(2.4%)	13.6%	(3.7%)	15.2%	(1.0%)
CAPITAL GOODS	8.2%	3.7%	9.6%	(2.2%)	12.9%	0.8%
TECHNOLOGY	20.3%	0.2%	19.5%	4.2%	16.4%	3.8%
COMMUNICATIONS	9.0%	1.1%	1.2%	0.1%	0.4%	5.2% *
UTILITY	3.0%	0.3%	10.1%	(1.0%)	4.8%	(0.0%)
TRANSPORTATION	1.0%	1.5%	1.3%	1.6%	2.8%	(2.9%)
Index Total:		2.0%		2.0%		1.2%

* Sector contains only 3 companies

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

Sector Comments Large Basic stocks rebounded last week, along with many other losing sectors from the week before. But the bounce in Large and Mid Cap Health stocks was the most satisfying. Financial stocks continued down, driven by interest rates and brokerage turmoil. We expect that the Merrill Lynch decision will ultimately be productive in re-establishing its leadership in financial services. Large and Mid Cap Utilities generally lagged the market last week, after being the star sectors for several weeks. Much of the valuation potential has now been spent. Mid Cap and Small Technology rose in spite of fair valuation, underscoring the difficulty of making forecasts in this area. You should note that the severe under-pricing in Mid Cap and Small Cap stocks around year-end has mostly been corrected, though opportunity is yet around in Health, Financial and Transportation.

Issues of how inflation concerns affect the discount rate are important now. When interest rates rise, they incorporate both real expected returns and any expected inflation premium. If the real expected return is the reason for moving rates, we also adjust the long run terminal sales growth assumption in our model. If a change in the expected inflation premium is the motivator, we make no change in the long run growth. In the first case, intrinsic value is mostly unchanged, both the numerator and denominator in the model moving about the same amount. In the second case, the intrinsic value drops, except for those stocks whose growth is driven by prices like Basics and Energy.

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Updated Valuation	Price 6/4/1999	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	4/29/99	\$ 58.375	\$64.60	(9.6%)	2.5	0.5%
CTL	Century Telephone Ent.	3/1/99	\$ 40.438	\$42.51	(4.9%)	1.8	5.5%
DAL	Delta Air Lines, Inc.	3/1/99	\$ 59.188	\$66.79	(11.4%)	1.0	3.2%
G	Gillette Company	5/24/99	\$ 51.938	\$53.52	(3.0%)	6.1	1.8%
HD	Home Depot	3/1/99	\$ 60.500	\$53.65	12.8%	6.1	7.0%
INTC	Intel Corporation	3/1/99	\$ 53.188	\$59.17	(10.1%)	7.9	(1.6%)
LOW	Lowes Companies	3/1/99	\$ 56.000	\$52.28	7.1%	4.0	8.3%
MLHR	Herman Miller, Inc.	3/1/99	\$ 21.250	\$37.95	(44.0%)	3.1	5.3%
NYT	New York Times Co.	3/1/99	\$ 35.000	\$48.21	(27.4%)	2.5	2.6%
NUE	Nucor Corporation	3/1/99	\$ 46.438	\$57.99	(19.9%)	2.0	(7.0%)
PFE	Pfizer, Inc.	5/31/99	\$ 115.125	\$130.19	(11.6%)	11.5	7.6%
SLB	Schlumberger Limited	3/1/99	\$ 60.938	\$51.09	19.3%	2.7	1.2%
WEN	Wendy's International	3/1/99	\$ 29.438	\$29.86	(1.4%)	2.0	8.0%
Average:					(8.0%)	Average:	3.3%
						S&P 500	2.0%

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	0.4%	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	1.1%	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	0.2%	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	1.1%	22.7	2.5	1.3
PFE	30.2%	27.0%	20.8%	@CF	0.8%	65.0	16.9	10.1
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	0.8%	26.0	3.1	1.8

Notes on Intrinsic Value Portfolio

Much of the under-performance of the previous week was recovered last week. The addition of Pfizer to the IVP helped. The resignation of **NUE**'s CEO hurt and created a terrific buying opportunity. The issue of how to continue the outstanding performance of the company while becoming the largest US steel company was a sticky one. The company has a history of changing lanes when encountering such obstacles and now is able to seek the highest shareholder returns outside the steel industry as well as within it.

ALD's announcement of the acquisition of **HON** and its CEO solves some problems of growth and succession for **ALD**. While **ALD** has been generating prodigious free cash flow, it lacked some elements of growth and limited the company in developing its electronics businesses. The **HON** acquisition places **ALD** at the forefront of electronic controls and instrumentation in the defense and automotive industries. As a result of this move, we expect that the intrinsic value of **ALD** will rise at a greater rate over the next few years. This higher Intrinsic Value Trend_{sm} is reason to increase weightings of **ALD**.

WEN is now fairly valued, but the progress the company has made in generating free cash flow is not over. We believe that our assumptions are conservative and the company could surprise favorably.

Though **NYT** is still under-priced relative to intrinsic value, skepticism abounds about the company's ability to generate revenue growth. We expect that until evidence of higher sales growth shows up, the stocks will remain under-priced.

INTC is now giving investors one more chance to own the premier technology hardware design company in the world at a favorable price. INTC is a cyclical company with a high underlying growth trend. (See our Intrinsic Value Report from last year.)

Higher home sales may have disturbed bond investors, but they bode well for owners of **LOW** and **HD**, both now slightly over-priced.

Page 3 looks at the fundamental value drivers for all Communications stocks. This sector is full of stocks that require huge amounts of capital to grow so free cash flow is often far in the future and subject to volatile expectations.

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Communications Stocks - All Markets

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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
AIRTOUCH COMMUNICATIONS	ATI	\$61,661	52.0%	107.1	-202.05	17.7	74.8	6.5	27.9	7.31	0.0%
ALIAN COMMUNICATIONS INC	ALNT	\$1,715	20.3%	48.1	37.43	30.5	25.4	4.9	12.9	18.51	1.5%
ALLTEL CORP	AT	\$20,609	15.6%	73.3	@CF	16.2	35.7	5.7	15.2	12.39	1.7%
AMERITECH CORP	AIT	\$74,701	7.4%	68.0	@CF	20.7	19.6	6.9	11.4	12.71	1.9%
AT&T CORP	T	\$203,227	5.5%	53.4	@CF	14.4	27.2	5.2	19.2	12.34	1.6%
BELL ATLANTIC CORP	BEL	\$85,570	4.2%	55.1	95.78	18.4	28.1	6.9	9.8	10.99	2.8%
BELLSOUTH CORP	BLS	\$88,676	11.6%	46.5	41.45	17.6	26.8	5.4	11.1	11.03	1.6%
CENTURYTEL INC	CTL	\$5,632	50.8%	40.4	54.45	31.7	23.9	3.6	9.8	10.92	0.4%
CINCINNATI BELL INC	CSN	\$3,249	-41.0%	23.6	@CF	11.8	37.2	21.8	15.6	6.70	1.7%
COMSAT CORP -SER 1	CQ	\$1,794	7.4%	34.1	89.45	11.2	48.5	2.6	7.0	3.56	0.6%
FRONTIER CORP	FRO	\$9,200	8.5%	53.3	-14.82	10.2	51.6	9.5	22.9	10.35	0.4%
GENERAL COMMUNICATION -C	GNCMA	\$252	9.1%	5.1	-39.34	3.5	(23.1)	1.1	9.2	1.39	0.0%
GTE CORP	GTE	\$61,498	6.7%	63.4	48.18	19.3	19.8	7.4	9.2	10.87	3.0%
MCI WORLDCOM INC	WCOM	\$166,629	204.2%	89.8	-576.20	15.1	(51.0)	3.4	108.1	5.04	0.0%
NEXTEL COMMUNICATIONS	NXTL	\$10,211	128.5%	37.2	-201.22	(66.1)	(6.7)	(194.0)	(16.2)	(12.03)	0.0%
POWERWAVE TECHNOLOGIES	PWAV	\$534	9.4%	27.0	-10.64	5.4	(159.9)	7.4	236.5	6.25	0.0%
SBC COMMUNICATIONS INC	SBC	\$105,435	6.1%	53.7	@CF	20.9	25.8	8.5	11.6	12.36	1.8%
SPRINT FON GROUP	FON	\$38,872	7.3%	112.3	142.37	14.2	27.7	3.9	10.0	12.07	0.9%
SPRINT PCS GROUP	PCS	\$19,967	@NA	49.4	@CF	(183.2)	(13.8)	4.5	@SF	-	0.0%
TALK.COM INC	TALK	\$543	44.1%	10.1	254.13	10.0	(2.7)	(4.7)	(2.6)	10.43	0.0%
TELEPHONE & DATA	TDS	\$4,113	28.0%	67.1	-62.06	0.8	(2,993.8)	1.6	8.8	0.27	0.7%
U S WEST INC	USW	\$26,748	8.0%	53.1	@CF	19.1	17.7	34.9	7.0	11.73	4.0%

@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

Bold Blue - Favorable Drivers

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