

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	29.6%	(10.5%)	(2.9%)
CONSUMER CYCLICALS	(8.3%)	(4.2%)	(2.3%)
CONSUMER STAPLES	2.3%	(3.9%)	0.5%
HEALTH	(19.5%)	(14.4%)	(31.0%)
ENERGY	19.9%	21.0%	14.7%
FINANCIAL	0.1%	(13.6%)	(18.8%)
CAPITAL GOODS	21.6%	5.7%	(1.3%)
TECHNOLOGY	6.5%	13.1%	3.9%
COMMUNICATIONS	21.7%	23.0%	5.2% *
UTILITY	(4.8%)	(15.9%)	(0.3%)
TRANSPORTATION	(4.9%)	(20.7%)	(23.3%)
Weighted Total:	4.8%	(2.1%)	(5.9%)

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 6/18/1999	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.5%	3.5%	5.8%	1.5%	4.5%	0.9%
CONSUMER CYCLICALS	8.8%	2.8%	18.1%	1.2%	21.0%	2.0%
CONSUMER STAPLES	12.8%	1.0%	8.2%	1.2%	9.3%	(0.2%)
HEALTH	10.3%	1.5%	9.0%	1.0%	9.1%	2.3%
ENERGY	6.2%	2.0%	4.4%	0.3%	3.5%	0.4%
FINANCIAL	15.8%	4.2%	12.0%	0.7%	15.1%	1.7%
CAPITAL GOODS	8.4%	5.4%	9.7%	0.6%	13.1%	1.0%
TECHNOLOGY	21.0%	7.0%	20.1%	5.4%	16.5%	1.1%
COMMUNICATIONS	9.3%	4.5%	1.2%	2.1%	0.4%	6.5% *
UTILITY	3.0%	1.5%	10.3%	2.4%	4.8%	2.0%
TRANSPORTATION	1.0%	1.7%	1.3%	2.4%	2.8%	2.0%
Index Total:		3.8%		2.7%		1.7%

* Sector contains only 3 companies

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

Sector Comments Perhaps we were correct regarding inflation last week. The May numbers seemed to confirm what our other indicators are suggesting: that inflation, at least for now, is not on the comeback trail. The puzzling part of Dr. Greenspan's testimony last week was his observation of productivity as a one-time kick to better price performance. We'd feel more comfortable in the longer run if the Chairman recognized the role of markets in the messy rise and fall of all kinds of relative prices within the context of a US Federal Reserve policy of overall price stability. Perhaps we just missed that part of the discussion.

Health stocks continued their retreat among Large Cap stocks' rebound. We expect the trough could occur when the President returns and gives his Health Care agenda speech before the end of the month. Under-pricing of the whole sector is reflecting fears of pharmaceutical price controls arising from a new drug benefit for Medicare participants. We think this is overdone, but if it occurs, it would hurt returns in the sector. Large and Mid Cap Technology bounced off their fairly priced and modestly over-priced levels of last week. Tech is the largest sector so it has a disproportionate effect on the indexes. It is also a fast-growing sector and is highly sensitive to changes in inflation expectations.

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Updated Valuation	Price 6/18/1999	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	4/29/99	\$ 67.500	\$64.60	4.5%	2.4	8.8%
CTL	Century Telephone Ent.	3/1/99	\$ 40.000	\$42.51	(5.9%)	1.8	6.0%
DAL	Delta Air Lines, Inc.	3/1/99	\$ 55.938	\$66.79	(16.2%)	1.0	(1.9%)
G	Gillette Company	5/24/99	\$ 42.188	\$53.52	(21.2%)	6.0	(13.4%)
HD	Home Depot	3/1/99	\$ 61.000	\$53.65	13.7%	5.8	1.8%
INTC	Intel Corporation	3/1/99	\$ 54.938	\$59.17	(7.2%)	7.0	0.9%
LOW	Lowe's Companies	3/1/99	\$ 55.250	\$52.28	5.7%	3.9	0.9%
MLHR	Herman Miller, Inc.	3/1/99	\$ 21.125	\$37.95	(44.3%)	3.1	(1.5%)
NYT	New York Times Co.	3/1/99	\$ 38.500	\$48.21	(20.1%)	2.4	11.6%
NUE	Nucor Corporation	3/1/99	\$ 47.625	\$57.99	(17.9%)	1.7	5.2%
PFE	Pfizer, Inc.	5/31/99	\$ 99.563	\$135.80	(26.7%)	10.8	2.1%
SLB	Schlumberger Limited	3/1/99	\$ 64.500	\$51.09	26.3%	2.6	5.2%
WEN	Wendy's International	3/1/99	\$ 29.688	\$29.86	(0.6%)	2.1	1.5%
Average:					(8.5%)	Average:	2.1%
						S&P 500	3.8%

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	Annuity				
ALD	1.9%	13.0%	11.5%	\$44.1	1.0%	23.8	6.1	2.2
CTL	50.8%	30.4%	10.9%	\$52.4	0.5%	22.7	3.5	3.2
DAL	4.3%	12.0%	11.0%	\$68.1	0.2%	7.7	2.1	0.6
G	-2.8%	23.1%	18.5%	\$21.5	1.4%	53.1	11.9	5.7
HD	25.1%	8.8%	13.0%	-\$5.7	0.2%	47.1	9.5	2.6
INTC	11.2%	32.5%	25.8%	\$33.5	0.2%	26.6	7.6	6.6
LOW	20.5%	6.8%	11.0%	-\$14.3	0.2%	36.1	5.8	1.4
MLHR	8.1%	12.1%	24.0%	\$45.5	0.7%	12.3	7.6	1.0
NYT	2.0%	17.5%	11.9%	\$27.6	1.1%	22.5	4.0	2.2
NUE	-9.4%	9.9%	12.6%	\$71.5	1.1%	19.4	2.1	1.1
PFE	30.2%	27.0%	20.8%	\$27.3	0.9%	60.5	15.7	9.4
SLB	-8.8%	14.7%	11.9%	\$38.8	1.2%	45.3	4.0	3.0
WEN	-3.2%	12.6%	9.7%	\$55.8	0.8%	26.2	3.2	1.8

Notes on Intrinsic Value Portfolio

The shortfall in sales growth at **Gillette** wreaked havoc on what would otherwise have been a good week for many of the Intrinsic Value Portfolio stocks. **G** is a terrific company that dominates its product categories world-wide, but that exposes the company's results to both currency and economic adversity at times. Now is the time. The company says it's second half should be back on the old double-digit track, but disappointment causes institutions to dump shares. Thus giving the rest of us an opportunity to pick up shares at bargain prices. This price level for **G** hasn't been seen since the 1998 Asian crisis market of September-October. We'd suggest not missing the boat this time around.

The balance of the portfolio performed well, especially the **NYT**. Though no startling news was announced, the cumulative effect of underpricing, the company's newly expanded repurchase program and higher advertising volume at the flagship New York Times in May could account for the strength. We stand by our valuation as conservative.

The other outperformers were **ALD**, **CTL**, **NUE** and **SLB**. The largest valuation opportunities in the portfolio are in **DAL**, **G**, **MLHR**, **NYT**, **NUE** and **PFE**.

Page 3 looks at a screen we did, looking for companies selling for less 18 times Cash Flow per share, having Return on Capital of more than 12% and a market value of equity higher than \$1 billion.

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Good and Cheap Companies

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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 per share	Return on Capital	Dividend Yield
AKZO NOBEL NV -ADR	AKZOY	\$12,304	31.9%	43.1	-73.58	10.5	16.7	5.5	8.1	15.98	2.5%
ALBERTSONS INC	ABS	\$13,660	9.3%	55.6	-1.35	4.1	22.1	4.7	14.5	12.16	1.3%
ALLTEL CORP	AT	\$20,626	15.6%	73.3	@CF	16.2	37.9	6.0	16.4	12.39	1.7%
AMERITECH CORP	AIT	\$76,383	7.4%	69.5	@CF	20.7	18.9	6.6	12.6	12.71	1.8%
ANHEUSER-BUSCH COS INC	BUD	\$34,547	2.8%	72.6	@IF	19.6	27.3	8.3	17.6	20.28	1.5%
AT&T CORP	T	\$211,794	5.5%	55.6	@CF	14.4	29.9	5.7	14.8	12.34	1.6%
BESTFOODS	BFO	\$13,970	0.8%	50.0	54.54	14.4	22.2	15.6	15.8	24.50	2.0%
COMPUTER SCIENCES CORP	CSC	\$10,611	16.0%	66.8	@CF	6.8	29.9	5.1	17.1	14.03	0.0%
CONAGRA INC	CAG	\$12,949	1.6%	26.5	28.81	4.2	18.2	4.5	12.0	12.21	2.7%
EASTMAN KODAK CO	EK	\$22,882	-5.0%	71.1	36.17	11.3	16.1	5.5	10.2	12.36	2.5%
EMERSON ELECTRIC CO	EMR	\$30,277	7.7%	69.6	24.26	11.0	22.0	4.8	17.0	14.34	1.9%
FRANKLIN RESOURCES INC	BEN	\$10,070	-4.8%	39.9	@CF	26.1	26.5	4.8	17.1	23.62	0.6%
GANNETT CO	GCI	\$21,024	6.5%	75.3	54.61	16.0	24.4	5.1	16.0	12.94	1.1%
HEINZ (H J) CO	HNZ	\$17,165	1.0%	47.8	89.99	13.9	36.9	7.9	15.7	18.26	2.9%
HONDA MOTOR LTD -AM SHAF HMC		\$42,966	13.8%	88.2	74.18	8.2	15.8	3.3	13.7	15.44	0.4%
KELLOGG CO	K	\$13,242	1.2%	32.7	@CF	10.6	31.5	15.8	17.0	16.77	2.9%
KIMBERLY-CLARK CORP	KMB	\$29,847	0.1%	56.1	61.92	13.9	24.9	8.1	17.6	18.44	1.9%
KROGER CO	KR	\$14,679	6.2%	57.1	33.33	3.5	33.3	(38.8)	16.7	13.58	0.0%
MAY DEPARTMENT STORES CO	MAY	\$13,366	6.4%	40.0	55.68	8.7	17.4	3.8	10.4	13.17	2.2%
MINNESOTA MINING & MFG CO	MMM	\$36,640	0.3%	91.0	81.90	13.2	29.0	5.8	17.6	16.54	2.5%
PEPSICO INC	PEP	\$53,136	9.7%	36.0	8.82	13.2	26.7	8.2	16.4	16.86	1.4%
PHILIP MORRIS COS INC	MO	\$102,092	4.7%	42.3	@CF	23.7	16.2	5.8	14.5	29.63	4.2%
PPG INDUSTRIES INC	PPG	\$11,030	-1.5%	63.5	51.23	11.6	14.6	3.7	9.6	13.21	2.4%
REUTERS GROUP PLC -ADR	RTRSY	\$19,695	@SF	83.1	156.92	20.5	31.3	31.8	15.6	31.88	1.9%
SBC COMMUNICATIONS INC	SBC	\$108,380	6.1%	55.2	@CF	20.9	23.7	7.8	11.7	12.36	1.8%
SPRINT FON GROUP	FON	\$36,405	7.3%	52.6	68.99	14.2	30.5	4.3	10.5	12.07	1.0%
TELEFONOS DE MEX -SPON AI TMX		\$30,791	@SF	79.1	135.37	40.9	@NA	3.1	12.3	21.29	1.8%

@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

Blue - Favorable Drivers

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