

Intrinsic Value Weekly

Volume 2, No. 26

Published Weekly by Intrinsic Value Associates, LLC

June 28, 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	23.1%	(12.5%)	(4.4%)
CONSUMER CYCLICALS	(11.1%)	(3.6%)	(3.2%)
CONSUMER STAPLES	0.1%	(3.2%)	3.4%
HEALTH	(19.5%)	(15.1%)	(31.4%)
ENERGY	14.4%	14.6%	12.4%
FINANCIAL	(3.5%)	(14.0%)	(18.9%)
CAPITAL GOODS	18.9%	2.1%	(1.6%)
TECHNOLOGY	1.2%	12.2%	5.6%
COMMUNICATIONS	18.1%	23.1%	5.2% *
UTILITY	(6.1%)	(17.2%)	(0.1%)
TRANSPORTATION	(6.7%)	(22.3%)	(23.5%)
Weighted Total:	1.3%	(3.2%)	(5.7%)

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 6/25/1999	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.4%	(5.0%)	5.7%	(2.2%)	4.4%	(1.5%)
CONSUMER CYCLICALS	8.8%	(3.1%)	18.2%	0.6%	20.7%	(0.8%)
CONSUMER STAPLES	12.8%	(2.2%)	8.7%	0.8%	9.8%	2.9%
HEALTH	10.5%	(0.1%)	8.9%	(0.8%)	8.9%	(0.6%)
ENERGY	6.0%	(4.6%)	4.2%	(5.4%)	3.4%	(2.0%)
FINANCIAL	15.6%	(3.7%)	12.1%	(0.6%)	15.4%	0.0%
CAPITAL GOODS	8.3%	(2.2%)	9.3%	(3.4%)	12.7%	(0.3%)
TECHNOLOGY	21.3%	(5.0%)	20.3%	(0.8%)	16.9%	1.6%
COMMUNICATIONS	9.2%	(3.0%)	0.1%	0.8%	0.4%	0.2% *
UTILITY	3.0%	(1.4%)	10.2%	(1.6%)	4.8%	0.2%
TRANSPORTATION	1.0%	(1.9%)	1.3%	(2.0%)	2.7%	(0.2%)
Index Total:		(2.1%)		(0.9%)		0.2%

* Sector contains only 3 companies

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

Sector Comments Sometimes, when sectors are mis-priced, it takes one to two quarters to correct the condition. Now that the Energy Sector is uniformly over-priced in all markets, we think the odds favor investors who concentrate on users of energy: Retail and Consumer Durables industries within the Consumer Cyclical sector and Airlines and Trucks within the Transportation Sector. Think of these areas as "anti-Energy".

The continuing advance of Small Cap and Mid Cap stocks at the expense of Large Cap's has been accompanied by a sharp rise in long term interest rates calling into question some observers conviction that tight monetary policy is bad for smaller stocks. The only purpose of monetary policy these days is maintaining price level stability. This results in low inflation. Low inflation is important for low cost of equity capital. Low equity capital cost is important for encouraging capital flow into small, fast growing companies. The ultimate outperformance of Small and Mid Cap stocks is crucially determined by monetary policy that produces zero inflation. Page Three gives data on Transportation Stocks of all sizes.

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Updated Valuation	Price 6/25/1999	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	4/29/99	\$ 65.125	\$64.60	0.8%	2.4	(3.5%)
CTL	Century Telephone Ent.	3/1/99	\$ 39.313	\$42.51	(7.5%)	1.8	(1.7%)
DAL	Delta Air Lines, Inc.	3/1/99	\$ 56.500	\$66.79	(15.4%)	1.0	1.0%
G	Gillette Company	5/24/99	\$ 41.438	\$53.52	(22.6%)	6.0	(1.8%)
HD	Home Depot	3/1/99	\$ 59.938	\$53.65	11.7%	5.8	(1.7%)
INTC	Intel Corporation	3/1/99	\$ 55.063	\$59.17	(6.9%)	7.0	0.2%
LOW	Lowe's Companies	3/1/99	\$ 53.938	\$52.28	3.2%	3.9	(2.4%)
MLHR	Herman Miller, Inc.	3/1/99	\$ 20.625	\$37.95	(45.7%)	3.1	(2.4%)
NYT	New York Times Co.	3/1/99	\$ 36.813	\$48.21	(23.6%)	2.4	(4.4%)
NUE	Nucor Corporation	3/1/99	\$ 44.625	\$57.99	(23.0%)	1.7	(6.3%)
PFE	Pfizer, Inc.	5/31/99	\$101.375	\$135.80	(25.3%)	10.8	1.8%
SLB	Schlumberger Limited	3/1/99	\$ 59.250	\$51.09	16.0%	2.6	(8.1%)
WEN	Wendy's International	3/1/99	\$ 29.250	\$29.86	(2.0%)	2.1	(1.5%)
Average:					(10.8%)	Average:	(2.4%)
						S&P 500	(2.1%)

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	1.2%	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	1.3%	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 NUE suffered the disappointment of the protectionists who were advocating quotas on imported steel. The rest of us cheered. We know that the industry is strong enough to withstand the occasional fire sale by inefficient foreign producers short of cash. Further, NUE is as under-priced as it was last summer and buying a well managed company well below its intrinsic value is what value investing is all about. You may have noted that since last summer, the stock price has actually traded at or above intrinsic value for a while. We expect that it will do so again.

Our view on price wars is that's the best kind of war to have. We consumers of computers are used to price wars of course and the INTC/AMD price wars are just an intensified skirmish in what, for AMD anyway, must seem like a long siege. Yet, when the day-traders re-price INTC to extrapolate the effects, opportunities open up for the longer-term investor. While a discount of 7% isn't extreme, INTC has the capacity to build intrinsic value faster than our modest assumptions.

The deepest discount of any stock in the Intrinsic Value Portfolio continues to be Herman Miller, Inc. (MLHR). After an initial jump following its inclusion, MLHR has drifted. If you'll recall, the chief culprit in the stock weakness has been the sharp slowing in sales growth. The inventory correction seems to have run its course, but we have no firm data on sales numbers since the last quarterly report. The company has put a Microsoft Powerpoint presentation on its website which addresses the drivers for sales in detail. We offer the link here for those interested in the company: <http://www.hermanmiller.com/investors/presentations/99pres.PPT>
Our assumption that sales growth would return to 6% by 2006 seems quite feasible in light of the company's information.

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An "Anti-Energy" Group - Transportation 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 per share	Return on Capital	Dividend Yield
AIR EXPRESS INTERNATIONAL	AEIC	\$776	-4.3%	23.3	@CF	4.6	18.0	2.7	12.8	20.34	1.0%
AIRBORNE FREIGHT CORP	ABF	\$1,318	2.9%	27.1	77.70	6.2	9.8	1.6	4.1	10.98	0.6%
ALASKA AIR GROUP INC	ALK	\$1,048	9.4%	39.8	-19.19	13.4	7.8	1.4	4.3	8.99	0.0%
ALEXANDER & BALDWIN INC	ALEX	\$988	-3.8%	22.8	94.67	6.3	30.6	1.4	8.4	4.44	3.9%
AMERICAN FREIGHTWAYS CO	AFWY	\$588	12.5%	18.5	-31.61	5.4	17.9	2.2	7.0	7.22	0.0%
AMR CORP/DE	AMR	\$10,326	3.6%	64.0	@CF	11.7	9.8	1.6	4.0	8.69	0.0%
ARKANSAS BEST CORP	ABFS	\$189	2.0%	9.6	91.64	3.1	6.2	1.0	2.6	7.70	0.0%
ARNOLD INDUSTRIES INC	AIND	\$392	5.0%	15.8	56.81	14.3	11.6	1.8	5.9	20.06	2.8%
BRLNGTN NTHRN SANTA FE	BNI	\$14,801	5.1%	31.5	@CF	22.5	13.0	1.9	7.5	8.14	1.5%
CNF TRANSPORTATION INC	CNF	\$1,816	15.7%	37.8	16.91	5.4	12.8	2.3	6.4	8.49	1.1%
COMAIR HOLDINGS INC	COMR	\$2,100	17.2%	21.6	8.26	21.7	14.0	5.2	14.8	12.06	0.5%
CSX CORP	CSX	\$9,688	-5.1%	44.6	@CF	10.5	19.1	1.7	8.4	4.55	2.7%
DELTA AIR LINES INC	DAL	\$7,971	4.3%	56.5	68.05	13.7	7.7	2.1	4.6	11.02	0.2%
EXPEDITORS INTL WASH INC	EXPD	\$1,542	14.5%	30.9	-16.81	5.0	28.2	6.3	24.1	20.84	0.3%
FDX CORP	FDX	\$15,585	4.5%	52.4	5.99	7.0	27.8	4.1	10.6	8.72	0.0%
FRITZ COS INC	FRTZ	\$343	6.0%	9.4	@CF	2.0	22.9	1.5	7.6	7.02	0.0%
FROZEN FOOD EXPRESS INDS	FFEX	\$114	12.2%	7.0	17.93	4.5	11.7	1.2	6.0	14.03	1.7%
GATX CORP	GMT	\$1,855	3.7%	37.5	@CF	23.4	14.3	2.6	4.7	6.61	2.9%
HEARTLAND EXPRESS INC	HTLD	\$471	-3.6%	15.7	20.43	19.2	14.0	2.5	9.2	27.29	0.0%
HUNT (JB) TRANSPRT SVCS IN	JBHT	\$534	18.5%	15.0	31.82	5.4	12.5	1.6	2.9	10.96	1.3%
KANSAS CITY SOUTHERN INDE	KSU	\$6,365	23.1%	57.7	2.11	24.2	29.1	6.7	24.0	10.81	0.3%
KIRBY CORP	KEX	\$385	-4.2%	19.1	112.39	6.4	42.9	2.8	10.6	5.11	0.0%
LANDSTAR SYSTEM INC	LSTR	\$398	4.7%	38.9	107.65	2.7	10.8	3.5	9.1	14.37	0.0%
M S CARRIERS INC	MSCA	\$362	25.9%	29.5	-20.65	8.6	14.5	1.9	4.8	12.01	0.0%
MESA AIR GROUP INC	MESA	\$213	-34.2%	7.5	118.51	0.6	44.2	1.6	(7.7)	0.27	0.0%
NORFOLK SOUTHERN CORP	NSC	\$11,891	-1.4%	31.4	-10.70	24.6	20.4	2.1	11.2	6.03	2.5%
OVERSEAS SHIPHOLDING GRC	OSG	\$482	-11.4%	13.2	167.84	11.0	(10.2)	0.6	10.4	2.50	4.5%
PITTSTON CO-BAX GROUP	PZX	\$197	8.3%	9.4	@CF	0.8	(21.6)	0.7	8.8	1.84	2.5%
RAILTEX INC	RTEX	\$125	9.8%	13.5	-20.61	14.9	9.2	0.9	4.6	6.75	0.0%
ROLLINS TRUCK LEASING	RLC	\$623	6.4%	10.8	32.36	18.0	11.8	2.2	2.8	9.12	1.8%
RYDER SYSTEM INC	R	\$1,895	6.3%	26.7	90.65	10.4	12.1	1.6	2.5	8.06	2.2%
SKYWEST INC	SKYW	\$558	43.7%	23.0	14.81	13.2	13.2	2.6	12.0	6.93	0.5%
SOUTHWEST AIRLINES	LUV	\$10,780	11.0%	32.1	10.47	16.3	23.2	4.4	15.7	11.33	0.1%
UNION PACIFIC CORP	UNP	\$14,051	1.4%	56.8	21.34	4.6	(32.1)	1.9	32.1	1.56	1.4%
US AIRWAYS GROUP INC	U	\$3,193	2.6%	43.3	344.25	14.3	9.2	6.9	4.2	9.23	0.0%
USFREIGHTWAYS CORP	USFC	\$1,171	15.4%	44.4	29.79	4.8	13.7	2.2	7.7	10.38	0.8%
WERNER ENTERPRISES INC	WERN	\$834	13.1%	17.6	@CF	11.3	15.7	2.1	6.0	15.51	0.6%
WISCONSIN CENTRAL TRANSF	WCLX	\$1,013	3.4%	19.8	-6.47	37.5	14.5	2.3	10.5	10.61	0.0%
YELLOW CORP	YELL	\$380	0.9%	15.3	155.90	3.6	10.8	1.2	2.7	10.06	0.0%

@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

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