

# 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	<b>24.1%</b>	(16.5%)	(3.3%)
CONSUMER CYCLICALS	(14.2%)	(8.7%)	(3.3%)
CONSUMER STAPLES	<b>(0.5%)</b>	(6.0%)	<b>3.0%</b>
HEALTH	(29.4%)	<b>(12.9%)</b>	<b>(23.8%)</b>
ENERGY	<b>18.4%</b>	<b>30.5%</b>	<b>19.8%</b>
FINANCIAL	(7.5%)	(17.0%)	(20.0%)
CAPITAL GOODS	<b>17.7%</b>	<b>3.7%</b>	<b>2.5%</b>
TECHNOLOGY	<b>5.8%</b>	7.2%	<b>15.3%</b>
COMMUNICATIONS	<b>17.6%</b>	20.8% *	<b>6.9% *</b>
UTILITY	<b>(10.2%)</b>	<b>(19.6%)</b>	0.7%
TRANSPORTATION	<b>(16.1%)</b>	<b>(19.1%)</b>	<b>(16.3%)</b>
<b>Weighted Total:</b>	<b>0.4%</b>	<b>(5.0%)</b>	<b>(2.3%)</b>

RED - Overvalued

BLUE - (Undervalued)

Bold - outperformed the relevant index

## 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 7/30/1999	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.4%	<b>(1.3%)</b>	5.5%	<b>(2.2%)</b>	4.3%	<b>(1.9%)</b>
CONSUMER CYCLICALS	9.0%	<b>(3.5%)</b>	16.0%	<b>(3.3%)</b>	20.2%	<b>(1.0%)</b>
CONSUMER STAPLES	13.0%	<b>(0.6%)</b>	8.9%	<b>(2.3%)</b>	9.8%	<b>(2.9%)</b>
HEALTH	10.5%	<b>(3.0%)</b>	<b>10.1%</b>	<b>0.1%</b>	<b>9.4%</b>	<b>2.5%</b>
ENERGY	6.2%	<b>0.2%</b>	4.6%	<b>1.5%</b>	3.4%	<b>2.8%</b>
FINANCIAL	14.3%	<b>(4.5%)</b>	13.1%	<b>(3.3%)</b>	14.4%	<b>(3.1%)</b>
CAPITAL GOODS	8.4%	<b>(3.8%)</b>	<b>9.8%</b>	<b>(1.9%)</b>	12.6%	<b>(0.3%)</b>
TECHNOLOGY	<b>22.5%</b>	<b>(0.6%)</b>	20.2%	<b>(9.6%)</b>	<b>18.0%</b>	<b>0.8%</b>
COMMUNICATIONS	8.9%	<b>(1.8%)</b>	1.1%	<b>(2.6%) *</b>	<b>0.3%</b>	<b>1.8% *</b>
UTILITY	2.9%	<b>(2.0%)</b>	<b>9.3%</b>	<b>(1.5%)</b>	4.5%	<b>(0.7%)</b>
TRANSPORTATION	0.9%	<b>(3.5%)</b>	1.6%	<b>1.3%</b>	<b>3.0%</b>	<b>4.7%</b>
<b>Index Total:</b>		<b>(2.1%)</b>		<b>(1.9%)</b>		<b>(0.2%)</b>

\* Sector contains only 3 companies

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

## Sector Comments

More retreat last week with Financials, Consumer Cyclicals, Capital Goods and Transports leading the way. The connection between popular precursors of inflation and the actual emergence of inflation are difficult to follow if you value consistency. For instance, a slower economy is deemed good for inflation. But the employment cost index was up a bunch which is bad for inflation. The dollar is down, which is bad for inflation, but gold is depressed, which is indicative of little or no inflation. The Fed, we hope, is less confused than the financial media. The movement of market prices toward under-pricing is good for investors who have cash flow to invest; but bad for those who rely on selling bits of their portfolio for living expenses. We'd recommend buying on dips here for the first group and psychiatric help for those in the second group. (Or at least a good bond fund).

One group we've not examined for a while in our data listing on Page 3 is Capital Goods. Large Cap Capital Goods stocks are mostly over-priced right now, but some opportunities in individual stocks are present. Focus on the stocks priced at less than a zero-growth annuity.

(\$millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
\$	10,710,493	89.9%	\$ 349,347
		\$858,676	7.2%
			2.9%

# Intrinsic Value Weekly

**Notes on Intrinsic Value Portfolio** Of course, Murphy's Law dictates that after a week in which only under-priced stocks beat the market that the following week would find no connection at all between valuation and price change. Nevertheless, the Intrinsic Value Portfolio, selected initially as under-priced and creating intrinsic value, showed the effects of creating intrinsic value last week, outperforming the S&P 500 Index by a wide margin. The technicians are starting to worry now, with the "Advance-Decline" line of the net number of up stocks minus down stocks is showing that the performance of most stocks is now worse than the market-weighted averages. Okay, so how do Small and Mid Cap stock averages outperform the S&P 500 Index? Each size index has its own distribution of stocks by size within it. And in each grouping, the large stocks have been dominating, causing the index to outperform its typical component. Is this what is meant by a "flight to quality"?

We'd concentrate on those stocks in the IVP that have plenty of valuation cushion: **MLHR, NYT, NUE, PFE.**

**IVP Total Return Year-to-date\*\***

ALD	46.8%	G	(8.1%)	LOW	3.2%	NUE	13.0%	WEN	35.8%
CTL	(4.8%)	HD	62.6%	MLHR	62.6%	PFE	(5.1%)		
DAL	14.9%	INTC	17.3%	NYT	21.8%	SLB	31.4%		** or from recommendation date.

## Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Updated Valuation	Price 7/30/1999	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
<b>ALD</b>	<b>AlliedSignal Inc.</b>	<b>4/29/99</b>	<b>\$ 64.688</b>	<b>\$64.60</b>	<b>0.1%</b>	<b>2.6</b>	<b>0.6%</b>
<b>CTL</b>	<b>Century Telephone Ent.</b>	<b>3/1/99</b>	<b>\$ 42.750</b>	<b>\$42.51</b>	<b>0.6%</b>	<b>1.8</b>	<b>2.1%</b>
DAL	Delta Air Lines, Inc.	3/1/99	\$ 59.625	\$66.79	(10.7%)	1.0	(5.3%)
G	Gillette Company	5/24/99	\$ 43.625	\$48.52	(10.1%)	4.9	(5.4%)
<b>HD</b>	<b>Home Depot</b>	<b>3/1/99</b>	<b>\$ 63.813</b>	<b>\$53.65</b>	<b>18.9%</b>	<b>6.6</b>	<b>(1.3%)</b>
<b>INTC</b>	<b>Intel Corporation</b>	<b>3/1/99</b>	<b>\$ 69.000</b>	<b>\$59.17</b>	<b>16.6%</b>	<b>7.7</b>	<b>7.5%</b>
LOW	Lowe's Companies	3/1/99	\$ 52.750	\$52.28	0.9%	4.2	(5.0%)
<b>MLHR</b>	<b>Herman Miller, Inc.</b>	<b>3/1/99</b>	<b>\$ 26.250</b>	<b>\$46.27</b>	<b>(43.3%)</b>	<b>3.2</b>	<b>5.3%</b>
<b>NYT</b>	<b>New York Times Co.</b>	<b>3/1/99</b>	<b>\$ 39.313</b>	<b>\$48.21</b>	<b>(18.5%)</b>	<b>2.6</b>	<b>2.1%</b>
NUE	Nucor Corporation	3/1/99	\$ 48.500	\$57.99	(16.4%)	1.6	(3.8%)
PFE	Pfizer, Inc.	5/31/99	\$ 33.875	\$42.73	(20.7%)	11.0	(2.5%)
<b>SLB</b>	<b>Schlumberger Limited</b>	<b>3/1/99</b>	<b>\$ 60.563</b>	<b>\$51.09</b>	<b>18.6%</b>	<b>2.7</b>	<b>(0.5%)</b>
WEN	Wendy's International	3/1/99	\$ 29.375	\$29.86	(1.6%)	2.1	(4.3%)
<b>Average:</b>					<b>(5.0%)</b>	<b>Average:</b>	<b>(0.8%)</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 Annuity	Yield	PE Last 12M	Price/Book	Price/Sales
	Last 12M	EBIT Margin %					
ALD	-0.4%	13.0%	\$44.1	1.1%	24.7	6.6	2.4
CTL	31.6%	30.4%	\$50.7	0.4%	24.7	3.6	3.3
DAL	4.1%	12.0%	\$65.6	0.2%	7.6	2.2	0.6
G	-1.5%	23.1%	\$20.9	1.4%	45.6	9.6	4.6
<b>HD</b>	<b>25.1%</b>	<b>8.8%</b>	<b>-\$5.6</b>	<b>0.3%</b>	<b>53.7</b>	<b>10.9</b>	<b>3.0</b>
<b>INTC</b>	<b>14.7%</b>	<b>32.5%</b>	<b>\$32.7</b>	<b>0.2%</b>	<b>26.9</b>	<b>8.4</b>	<b>7.0</b>
LOW	20.5%	6.8%	-\$14.0	0.2%	39.6	6.4	1.5
<b>MLHR</b>	<b>2.8%</b>	<b>12.1%</b>	<b>\$44.3</b>	<b>0.6%</b>	<b>12.4</b>	<b>7.9</b>	<b>1.1</b>
<b>NYT</b>	<b>2.0%</b>	<b>17.5%</b>	<b>\$27.6</b>	<b>1.1%</b>	<b>23.6</b>	<b>4.4</b>	<b>2.3</b>
NUE	-14.3%	9.9%	\$69.7	1.1%	20.3	2.0	1.1
PFE	22.5%	27.0%	\$27.3	0.9%	58.3	16.0	9.2
<b>SLB</b>	<b>-16.7%</b>	<b>14.7%</b>	<b>\$38.8</b>	<b>1.2%</b>	<b>74.9</b>	<b>4.3</b>	<b>3.4</b>
WEN	-2.8%	12.6%	\$54.4	0.8%	26.1	3.3	1.9

# Intrinsic Value Weekly

## Large Capital Goods Makers

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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
ALLIEDSIGNAL INC	ALD	\$35,752	-0.4%	64.7	@CF	10.7	24.7	6.6	18.6	11.51	1.1%
AVERY DENNISON CORP	AVY	\$6,985	6.5%	61.4	@CF	8.2	31.4	7.2	17.5	15.59	1.6%
BALL CORP	BLL	\$1,475	42.3%	48.4	(265.93)	5.2	24.6	2.2	7.9	6.73	1.2%
<b>BOEING CO</b>	<b>BA</b>	<b>\$41,876</b>	<b>20.1%</b>	<b>45.4</b>	<b>45.48</b>	<b>2.5</b>	<b>21.0</b>	<b>3.4</b>	<b>15.5</b>	<b>5.19</b>	<b>1.2%</b>
<b>BRIGGS &amp; STRATTON</b>	<b>BGG</b>	<b>\$1,395</b>	<b>13.1%</b>	<b>60.2</b>	<b>154.41</b>	<b>9.9</b>	<b>12.7</b>	<b>4.3</b>	<b>12.1</b>	<b>18.46</b>	<b>1.9%</b>
<b>BROWNING-FERRIS INDS</b>	<b>BFI</b>	<b>\$7,037</b>	<b>-17.2%</b>	<b>44.9</b>	<b>257.35</b>	<b>10.6</b>	<b>21.8</b>	<b>4.9</b>	<b>8.9</b>	<b>9.10</b>	<b>1.7%</b>
CASE CORP	CSE	\$3,537	-9.5%	47.6	(321.58)	6.1	(23.4)	1.7	12.8	5.79	0.4%
CATERPILLAR INC	CAT	\$20,860	1.8%	58.6	@CF	8.2	19.1	4.2	8.8	7.41	2.0%
COOPER INDUSTRIES INC	CBE	\$5,180	4.9%	54.9	@CF	15.1	14.4	3.1	10.9	11.08	2.4%
CORNING INC	GLW	\$17,080	8.9%	70.0	34.13	12.3	39.6	10.8	25.9	9.06	1.0%
CRANE CO	CR	\$1,725	10.4%	25.4	(9.63)	7.6	14.8	3.3	8.7	13.29	1.6%
<b>CROWN CORK &amp; SEAL CO INC</b>	<b>CCK</b>	<b>\$3,586</b>	<b>-5.4%</b>	<b>29.3</b>	<b>95.47</b>	<b>9.2</b>	<b>67.9</b>	<b>1.3</b>	<b>5.6</b>	<b>7.31</b>	<b>3.4%</b>
CUMMINS ENGINE	CUM	\$2,497	4.0%	64.7	(197.91)	2.7	1,904.2	1.7	14.0	4.52	1.7%
DANAHER CORP	DHR	\$8,104	12.6%	57.1	(50.64)	10.2	38.5	5.8	26.4	16.46	0.1%
DEERE & CO	DE	\$8,893	-6.9%	38.1	@CF	9.8	14.1	2.2	6.1	8.07	2.3%
DOVER CORP	DOV	\$8,232	-15.2%	39.5	1.63	8.5	24.1	4.0	17.6	11.31	1.1%
EATON CORP	ETN	\$7,104	-1.1%	98.9	@CF	6.4	19.3	3.2	11.7	7.88	1.8%
EMERSON ELECTRIC CO	EMR	\$25,979	7.7%	59.7	24.10	11.0	21.7	4.8	14.6	14.34	2.2%
FLUOR CORP	FLR	\$3,028	-7.4%	40.1	@CF	2.6	29.6	2.0	5.8	10.86	2.0%
FOSTER WHEELER CORP	FWC	\$496	4.9%	12.2	@CF	2.3	(15.6)	1.0	23.7	4.34	6.9%
GENERAL DYNAMICS CORP	GD	\$8,580	22.0%	67.3	@CF	11.2	15.6	3.9	17.4	35.24	1.4%
GENERAL ELECTRIC CO	GE	\$356,635	10.5%	109.0	(233.56)	11.3	37.2	9.5	23.5	3.51	1.3%
GOODRICH (B F) CO	GR	\$3,090	11.0%	41.5	@CF	11.3	13.8	2.0	8.7	13.23	2.7%
HONEYWELL INC	HON	\$15,273	3.3%	119.8	48.08	8.6	24.5	5.3	16.8	11.86	1.0%
ILLINOIS TOOL WORKS	ITW	\$18,613	10.3%	74.3	(1.12)	12.7	28.7	6.1	21.0	13.54	0.8%
INGERSOLL-RAND CO	IR	\$10,672	7.9%	64.3	110.24	8.5	19.0	3.9	13.4	9.10	0.9%
ITT INDUSTRIES INC	IIN	\$3,286	@NA	37.4	@CF	5.5	(190.6)	2.8	59.9	8.66	1.6%
JOHNSON CONTROLS INC	JCI	\$5,841	27.2%	68.6	@CF	3.2	14.2	3.2	8.3	8.14	1.5%
LOCKHEED MARTIN CORP	LMT	\$13,647	-4.8%	34.8	@CF	8.4	21.1	2.4	6.8	9.65	2.5%
MCDERMOTT INTL INC	MDR	\$1,667	-14.3%	28.2	56.11	5.5	8.7	2.1	5.7	4.70	0.7%
MILACRON INC	MZ	\$634	12.1%	17.1	(28.85)	4.1	9.7	1.4	4.6	4.68	2.8%
MILLIPORE CORP	MIL	\$1,796	-5.6%	40.8	21.01	5.0	(579.5)	13.1	33.1	4.84	1.1%
MINNESOTA MINING & MFG CO	MMM	\$35,417	1.2%	87.9	79.69	13.2	27.2	5.9	17.0	16.54	2.5%
<b>NACCO INDUSTRIES -CL A</b>	<b>NC</b>	<b>\$638</b>	<b>5.8%</b>	<b>78.3</b>	<b>180.85</b>	<b>7.7</b>	<b>7.4</b>	<b>1.2</b>	<b>3.3</b>	<b>13.62</b>	<b>1.1%</b>
NATIONAL SERVICE INDS INC	NSI	\$1,428	7.2%	35.3	33.53	3.5	13.3	2.6	9.3	7.60	3.6%
NAVISTAR INTERNATIONAL	NAV	\$2,897	14.0%	44.4	33.84	6.5	9.5	4.3	6.4	10.14	0.0%
<b>NORTHROP GRUMMAN CORP</b>	<b>NOC</b>	<b>\$4,967</b>	<b>1.7%</b>	<b>72.1</b>	<b>198.60</b>	<b>9.8</b>	<b>13.8</b>	<b>1.6</b>	<b>8.5</b>	<b>11.30</b>	<b>2.2%</b>
OWENS-ILLINOIS INC	OI	\$3,886	14.2%	24.9	(370.25)	13.5	59.4	2.5	6.7	8.30	0.0%
PACCAR INC	PCAR	\$4,476	16.7%	57.3	(62.18)	10.2	8.9	2.4	8.3	16.52	1.4%
PALL CORP	PLL	\$2,614	5.0%	21.1	18.68	12.1	67.2	3.6	15.7	10.91	3.0%
PARKER-HANNIFIN CORP	PH	\$5,265	7.0%	47.2	(20.48)	8.4	16.1	3.0	10.9	12.79	1.4%
<b>PITNEY BOWES INC</b>	<b>PBI</b>	<b>\$17,090</b>	<b>8.4%</b>	<b>63.6</b>	<b>79.90</b>	<b>19.1</b>	<b>29.1</b>	<b>10.6</b>	<b>18.5</b>	<b>11.87</b>	<b>1.6%</b>
RAYCHEM CORP	RYC	\$2,945	-0.4%	38.1	42.55	14.5	23.6	3.6	12.1	17.53	0.9%
ROCKWELL INTL CORP	ROK	\$11,192	4.1%	58.8	@CF	9.3	21.1	3.6	56.9	8.36	1.7%
SEALED AIR CORP	SEE	\$5,364	35.7%	64.3	@CF	10.9	141.0	12.4	21.4	13.20	0.0%
SOLETRON CORP	SLR	\$16,317	65.5%	64.4	(2.26)	4.7	61.2	13.3	46.9	15.70	0.0%
<b>TENNECO INC</b>	<b>TEN</b>	<b>\$3,816</b>	<b>-3.5%</b>	<b>22.8</b>	<b>68.12</b>	<b>5.7</b>	<b>26.8</b>	<b>1.6</b>	<b>5.4</b>	<b>5.23</b>	<b>5.3%</b>
TEXTRON INC	TXT	\$12,399	16.2%	82.3	@CF	7.4	24.1	4.3	15.8	4.80	1.6%
THERMO ELECTRON CORP	TMO	\$2,714	5.2%	17.2	(14.27)	7.7	23.1	1.4	8.0	5.39	0.0%
THOMAS & BETTS CORP	TNB	\$2,573	6.6%	45.3	(35.51)	10.5	29.9	2.6	14.1	12.03	2.5%
TIMKEN CO	TKR	\$1,021	-6.6%	16.5	12.35	6.1	21.7	1.1	4.0	6.69	4.4%
TYCO INTERNATIONAL LTD	TYC	\$63,840	52.4%	97.7	(91.83)	14.0	103.0	9.1	36.0	16.03	0.1%

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

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## Large Capital Goods Makers

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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/	Return on Capital	Dividend Yield
UNITED TECHNOLOGIES CORP	UTX	\$30,110	4.2%	66.7	4.24	5.7	25.2	7.4	15.2	11.92	1.1%
WASTE MANAGEMENT INC	WMI	\$15,653	@NA	25.5	(298.69)	16.2	@NA	7.5	21.2	15.84	0.2%

**Bold Blue - Favorable Drivers**

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

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@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure