

Intrinsic Value Weekly

Volume 2, No. 37

Published Weekly by Intrinsic Value Associates, LLC

September 13, 1999

"Time for Fishing Again - Trolling for Value II"

In March, 1999, we ran a screen to find those poor, left-out companies whose market values were less than if they'd never see growth in profits ever again. Plus, they had market caps greater than \$500 million, had rising Return on Capital (ROC), ROC greater than Cost of Capital (COC), and at least 10% growth in Last 12 Months Sales, Year over year Sales per share and Net Operating Profit After Tax (NOPAT). We re-ran the screen today and it turned up 63 companies, even in this elevated market. Now, of course this screen is dumb. It doesn't know anything about the future. But if you're looking for the down and out on price, but reasonably good fundamentals, historically speaking, then this group looks really interesting. The breadth of names is remarkable, with all economic sectors represented. We expect to add a name or two from this list to our Intrinsic Value Portfolio in coming weeks.

Basic Materials

AKZOY AKZO NOBEL NV -ADR
CXP CENTEX CONSTR PRODS INC
VMC VULCAN MATERIALS CO

Consumer-Cyclicals

HRB BLOCK H & R INC
BGP BORDERS GROUP INC
BWA BORG WARNER AUTO
CTX CENTEX CORP
CLE CLAIRE'S STORES INC
ETH ETHAN ALLEN INTERIORS INC
HAZ HAYES LEMMERZ INTL INC
HUG HUGHES SUPPLY INC
IBI INTIMATE BRANDS INC -CL A
KBH KAUFMAN & BROAD HOME
LZB LA-Z-BOY INC
LEN LENNAR CORP
MRA MERITOR AUTOMOTIVE INC
MIKE MICHAEL'S STORES INC
NVR NVR INC
OMX OFFICEMAX INC
PHM PULTE CORP
SNC SNYDER COMMUNICATIONS INC
TOL TOLL BROTHERS INC
USI U S INDUSTRIES INC
USG USG CORP
WTSC WEST TELESERVICES CORP

Consumer Staples

IHF INTERNATIONAL HOME FOODS INC

Health Care

BRL BARR LABORATORIES INC
CVD COVANCE INC
OCR OMNICARE INC
RXSD REXALL SUNDOWN INC
TRL TOTAL RENAL CARE HLDG -CL A
USON US ONCOLOGY INC

Financials

AC ALLIANCE CAPITAL MGMT -LP
CEI CRESCENT R E EQUITIES INC
FFA FRANCHISE FINL CORP AMERICA
MKFCF MACKENZIE FINANCIAL CORP
NXL NEW PLAN EXCEL REALTY TR
UNIT UNITRIN INC

Capital Goods

AIR AAR CORP
BGG BRIGGS & STRATTON
GVA GRANITE CONSTRUCTION INC
MK MORRISON KNUDSEN
MSM MSC INDUSTRIAL DIRECT -CL A
PCAR PACCAR INC
TNL TECHNITROL INC
TEX TEREX CORP
USTR UNITED STATIONERS INC
YRK YORK INTL

Technology

AVNT AVANT CORP
MAST MASTECH CORP
NDC NATIONAL DATA CORP
PRGS PROGRESS SOFTWARE CORP
UNA UNOVA INC

Communication Service

RVCL ROSEVILLE COMMUNICATIONS

Utilities

CIV CONECTIV INC
LGE LG&E ENERGY CORP
OGE OGE ENERGY CORP
PSD PUGET SOUND ENERGY INC
REI RELIANT ENERGY INC
TXU TEXAS UTILITIES CO
UCU UTILICORP UNITED INC

Transportation

WERN WERNER ENTERPRISES INC
WAB WESTINGHOUSE AIR BRAKE CO

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Notes on Intrinsic Value Portfolio Sometimes good performance comes from staying too long in good companies that are, for the moment, over-priced. Last week was one of those events, with the IVP outpacing the S&P 500 largely because of strength in **HD** and **SLB**. In the case of **HD**, recent sales performance has exceeded our forecast (28% vs. 25% Sales growth), so if this trend continues, the **HD** intrinsic value would rise to \$57.50, using current cost of capital levels. The latter have risen nearly a percentage point since the springtime. **HD** is a powerhouse retailer and if the price falls to the upper fifties, it still wouldn't be under-priced. But the company has shown the ability in the past to exceed even the most admiring of analysts' forecasts and belongs in any portfolio where not only "price/intrinsic value" is important, but the ability to create intrinsic value is also a primary criterion. The latter is why we continue to keep **HD** in our Intrinsic Value Portfolio. **SLB** is less compelling with revenue continuing to fall year-to-year. We understand that the trend in crude oil prices drives estimates of future revenue growth, but with no in-hand evidence about the rate of renewed of sales growth, any forecast is suspect. Our valuation is based upon a 10% sales growth assumption over the next five years. Since we don't expect crude oil prices to rise at all from current levels over that forecast period, that forecast is generous at least. We like **SLB**'s ability to translate excellence in technology into high margins and increased market share, but any enthusiasm about the stock's expected return would have to wait for lower stock prices.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 9/10/1999	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	4/29/1999	\$ 64.625	\$64.60	0.0%	2.6	1.3%
CTL	Century Telephone Ent.	3/1/1999	\$ 39.125	\$42.51	(8.0%)	1.8	(1.1%)
DAL	Delta Air Lines, Inc.	3/1/1999	\$ 50.188	\$66.79	(24.9%)	0.9	(4.7%)
G	Gillette Company	6/23/1999	\$ 43.750	\$48.52	(9.8%)	5.4	(3.4%)
HD	Home Depot	3/1/1999	\$ 67.750	\$53.65	26.3%	6.3	6.6%
INTC	Intel Corporation	7/23/1999	\$ 87.375	\$62.52	39.7%	10.6	(2.2%)
LOW	Lowe's Companies	3/1/1999	\$ 46.938	\$52.28	(10.2%)	3.5	(0.4%)
MLHR	Herman Miller, Inc.	7/5/1999	\$ 25.000	\$46.47	(46.2%)	3.3	2.3%
NYT	New York Times Co.	3/1/1999	\$ 40.250	\$48.21	(16.5%)	2.7	0.3%
NUE	Nucor Corporation	3/1/1999	\$ 48.438	\$57.99	(16.5%)	1.6	2.2%
PFE	Pfizer, Inc.	6/23/1999	\$ 37.250	\$42.73	(12.8%)	11.3	(5.1%)
SLB	Schlumberger Limited	3/1/1999	\$ 70.000	\$51.09	37.0%	2.8	8.1%
WEN	Wendy's International	3/1/1999	\$ 27.563	\$29.86	(7.7%)	2.1	(3.9%)
Average:					(3.8%)	Average:	(0.0%)
						S&P 500	(0.4%)

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Sales Growth		Quarterly Sales Y/Y	Yield	PE Last 12M	Price/Book	Price/Sales
	Last 12M	EBIT Margin %					
ALD	-0.4%	13.0%	11.6%	-1.3%	24.1	6.5	2.3
CTL	31.6%	30.4%	10.9%	7.3%	24.4	3.6	3.3
DAL	4.1%	12.0%	11.0%	5.2%	6.7	1.9	0.5
G	-1.5%	23.1%	18.5%	3.8%	51.8	10.9	5.2
HD	26.2%	8.8%	13.0%	28.1%	45.9	10.4	2.6
INTC	14.7%	32.5%	25.8%	13.8%	37.1	11.6	9.7
LOW	22.8%	6.8%	11.0%	29.5%	29.0	5.1	1.1
MLHR	2.8%	12.7%	23.8%	-7.1%	13.9	9.0	1.1
NYT	2.0%	17.5%	11.9%	4.0%	25.0	4.6	2.5
NUE	-14.3%	9.9%	12.6%	-11.6%	19.9	2.0	1.1
PFE	22.5%	27.0%	20.8%	14.1%	60.6	16.6	9.6
SLB	-16.7%	14.7%	11.9%	-29.5%	78.5	4.5	3.6
WEN	-2.8%	12.6%	9.7%	-0.3%	25.9	3.3	1.8

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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	24.0%	(22.1%)	(4.3%)
CONSUMER CYCLICALS	(15.8%)	(14.3%)	(9.9%)
CONSUMER STAPLES	(3.4%)	(10.0%)	(1.5%)
HEALTH	(26.4%)	(5.7%)	(23.2%)
ENERGY	19.8%	56.5%	27.2%
FINANCIAL	(12.8%)	(25.6%)	(27.1%)
CAPITAL GOODS	22.0%	1.6%	(0.7%)
TECHNOLOGY	14.8%	14.9%	26.7%
COMMUNICATIONS	8.6%	9.2% *	19.7% *
UTILITY	(12.4%)	(20.7%)	0.5%
TRANSPORTATION	<u>0.0%</u>	<u>(26.1%)</u>	<u>(18.8%)</u>
Weighted Total:	1.6%	(3.3%)	(2.3%)

RED - Overvalued

BLUE - (Undervalued)

Bold - outperformed the relevant index

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 9/10/1999	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.2%	0.1%	5.0%	0.3%	4.3%	(1.2%)
CONSUMER CYCLICALS	8.6%	(0.7%)	15.2%	0.6%	19.1%	1.8%
CONSUMER STAPLES	12.3%	(1.4%)	8.5%	0.4%	9.2%	(1.4%)
HEALTH	10.7%	(2.4%)	10.8%	1.0%	9.9%	1.4%
ENERGY	6.5%	3.3%	5.5%	8.6%	3.6%	8.7%
FINANCIAL	13.6%	(3.6%)	11.4%	(2.6%)	13.4%	(2.2%)
CAPITAL GOODS	8.5%	0.6%	8.4%	2.8%	12.7%	0.4%
TECHNOLOGY	24.7%	1.5%	22.9%	1.8%	20.1%	4.9%
COMMUNICATIONS	8.2%	(0.9%)	1.0%	(3.4%) *	0.5%	0.6% *
UTILITY	2.9%	(0.5%)	9.9%	(0.3%)	4.3%	(2.0%)
TRANSPORTATION	0.8%	(2.0%)	1.4%	(3.6%)	3.0%	0.1%
Index Total:		(0.4%)		0.9%		0.9%

* Sector contains only 3 companies

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

Sector Comments We have moved our Economic Sector tracking to page 3 in recognition of the primacy of stock selection among our clients. Nevertheless, we think that tracking economic sectors is worthwhile and will continue to include the page in IVW.

With large capitalization stocks aggregating more than \$11 trillion, and concern about the factors that determine the equity discount rate, we think investors should pay close attention to which sectors are represented in portfolios. When market drops occur, over-priced sectors are much more likely to cause pain than under-priced sectors. Be careful about Basic, Energy, Capital Goods, and Technology stocks. These areas have outpaced their fundamentals this year. They have also been the drivers for the overall market this year. It may seem obvious, but if these sectors were fairly priced, the average stock would be under-priced. Under-priced sectors such as Consumer Staples, Health and Utilities got under-priced by declining in price this year. Health stocks in particular went from over-priced to under priced by declining by more than 3%, while their intrinsic values continued to climb. Stay invested, stay in under-priced sectors.

(\$millions)	Large Capitalization	Mid-Cap Capitalization	Small-Cap Capitalization
\$	11,078,155	\$883,482	\$ 347,051
	90.0%	7.2%	2.8%

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Company Name	Ticker	Market Value - Equity	Quarterly Sales Growth	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow per sh.	Return on Capital	Dividend Yield
AAR CORP	AIR	\$596	10.4%	21.8	19.40	7.8	14.2	1.8	10.1	12.32	1.6%
AKZO NOBEL NV -ADR	AKZOY	\$13,485	13.0%	47.3	60.20	10.5	19.6	6.2	8.9	15.98	2.3%
ALLIANCE CAPITAL MGMT -LF AC		\$4,674	26.1%	27.3	29.54	26.7	13.1	10.3	14.8	52.74	7.0%
AVANT CORP	AVNT	\$699	29.6%	20.9	13.01	30.4	10.6	2.0	15.6	34.54	0.0%
BARR LABORATORIES INC	BRL	\$791	24.7%	34.7	26.93	19.0	15.8	@NA	13.5	30.58	0.0%
BLOCK H & R INC	HRB	\$4,601	54.1%	47.1	46.52	21.3	23.8	5.1	14.8	18.42	2.1%
BORDERS GROUP INC	BGP	\$1,000	15.6%	12.8	22.37	8.6	12.9	1.4	6.3	9.98	0.0%
BORG WARNER AUTO	BWA	\$1,242	42.0%	46.5	56.44	8.8	9.9	1.4	5.8	9.86	1.3%
BRIGGS & STRATTON	BGG	\$1,462	16.3%	63.0	29.82	12.4	13.4	@NA	9.4	23.44	1.9%
CENTEX CONSTRN PRODS INC	CXP	\$748	22.1%	38.4	15.35	35.7	9.4	2.7	8.1	39.59	0.5%
CENTEX CORP	CTX	\$1,681	23.6%	28.3	43.88	9.8	6.9	1.4	6.3	17.44	0.6%
CLAIRES STORES INC	CLE	\$1,051	25.3%	20.6	11.98	17.0	12.0	3.1	11.2	35.99	0.8%
CONECTIV INC	CIV	\$1,971	17.3%	21.1	33.22	12.6	11.6	1.2	5.5	9.20	4.2%
COVANCE INC	CVD	\$577	18.1%	9.8	12.56	9.7	18.7	4.2	6.6	12.03	0.0%
CRESCENT R E EQUITIES INC	CEI	\$2,463	20.7%	19.8	22.26	51.8	16.7	1.2	@CF	8.65	11.1%
ETHAN ALLEN INTERIORS INC	ETH	\$1,168	13.7%	28.6	29.81	11.5	14.8	4.0	13.9	17.39	0.8%
FRANCHISE FINL CORP AMERII	FFA	\$1,257	31.8%	22.5	24.94	76.1	10.2	1.5	@CF	9.92	8.7%
GRANITE CONSTRUCTION INC	GVA	\$715	12.5%	26.3	24.88	4.8	13.7	2.3	8.6	14.26	1.1%
HAYES LEMMERZ INTL INC	HAZ	\$819	42.1%	27.0	44.57	8.6	14.4	3.9	5.9	8.62	0.0%
HUGHES SUPPLY INC	HUG	\$516	14.9%	21.9	23.81	3.3	8.6	1.2	6.3	8.42	1.5%
INTERNATIONAL HOME FOODS	IHF	\$1,445	27.4%	19.7	18.19	12.0	39.2	48.9	27.0	16.38	0.0%
INTIMATE BRANDS INC -CL A	IBI	\$10,064	16.3%	40.4	38.95	19.6	23.9	15.4	20.8	39.77	1.3%
KAUFMAN & BROAD HOME	KBH	\$955	60.4%	19.9	25.52	7.6	7.5	1.7	7.2	12.81	1.5%
LA-Z-BOY INC	LZB	\$1,188	19.6%	22.8	16.31	8.5	16.0	2.8	13.5	21.47	1.4%
LENNAR CORP	LEN	\$1,027	38.8%	17.6	19.68	7.2	6.5	1.5	6.1	12.83	0.3%
LG&E ENERGY CORP	LGE	\$2,845	32.1%	21.9	31.41	19.4	14.5	2.4	7.9	10.50	5.6%
MACKENZIE FINANCIAL CORP	MKFCF	\$1,338	18.0%	10.5	11.53	32.2	16.8	3.6	16.5	22.51	0.6%
MASTECH CORP	MAST	\$721	30.8%	14.3	12.16	13.8	20.4	5.4	18.9	36.56	0.0%
MERITOR AUTOMOTIVE INC	MRA	\$1,391	21.3%	20.1	11.24	8.4	9.9	5.7	5.6	28.18	2.1%
MICHAELS STORES INC	MIKE	\$851	14.3%	29.8	43.82	7.5	20.6	1.8	9.1	9.50	0.0%
MORRISON KNUDSEN	MK	\$563	30.2%	10.7	8.10	3.4	13.3	1.5	9.2	13.43	0.0%
MSC INDUSTRIAL DIRECT -CL	MSM	\$627	9.9%	9.4	7.75	8.4	12.4	2.0	11.6	14.59	0.0%
NATIONAL DATA CORP	NDC	\$1,343	11.2%	39.8	31.55	16.5	18.0	3.2	10.5	19.80	0.8%
NEW PLAN EXCEL REALTY TR	NXL	\$1,123	17.2%	18.8	18.03	50.9	@NA	1.6	@CF	9.83	8.6%
NVR INC	NVR	\$599	27.3%	55.1	83.07	5.3	6.7	3.6	7.2	19.85	0.0%
OFFICEMAX INC	OMX	\$930	11.0%	7.4	4.17	3.8	18.0	0.8	7.1	12.74	0.0%
OGE ENERGY CORP	OGE	\$1,794	9.3%	23.1	19.40	21.2	11.1	1.8	5.9	13.02	5.8%
OMNICARE INC	OCR	\$798	26.9%	8.8	6.69	9.3	10.2	0.9	6.2	9.74	1.0%
PACCAR INC	PCAR	\$4,042	17.8%	51.6	71.35	10.2	9.2	2.4	7.5	16.52	1.5%
PROGRESS SOFTWARE CORP	PRGS	\$568	23.9%	33.8	33.01	14.5	17.9	5.1	16.7	31.13	0.0%
PUGET SOUND ENERGY INC	PSD	\$1,966	17.6%	23.3	30.34	21.3	11.6	1.5	5.9	9.32	7.9%
PULTE CORP	PHM	\$1,016	22.7%	23.5	28.70	7.8	7.8	1.1	@CF	14.46	0.7%
RELIANT ENERGY INC	REI	\$8,422	33.7%	28.4	42.10	12.9	(27.4)	1.9	11.7	8.75	5.3%
REXALL SUNDOWN INC	RXSD	\$788	13.4%	12.3	6.09	16.5	12.9	3.1	11.6	33.82	0.0%
ROSEVILLE COMMUNICATIONS	3RVCL	\$524	14.4%	33.1	29.12	34.9	17.9	2.5	11.5	16.11	3.0%
SNYDER COMMUNICATIONS IN	SNC	\$1,444	36.0%	18.9	17.33	13.7	33.4	4.1	29.5	36.33	0.0%
TECHNITROL INC	TNL	\$577	21.9%	35.6	36.03	9.9	16.1	3.2	11.6	19.08	0.8%

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@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

Bold Blue - Favorable Drivers

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

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Company Name	Ticker	Market Value - Equity	Quarterly Sales Growth	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Price/	Return on Capital	Dividend Yield
TEREX CORP	TEX	\$589	34.4%	28.2	25.66	9.0	6.0	5.7	7.1	19.88	0.0%
TEXAS UTILITIES CO	TXU	\$11,007	15.2%	39.2	67.93	17.7	14.0	1.4	5.8	9.00	5.9%
TOLL BROTHERS INC	TOL	\$776	18.6%	21.2	15.22	14.1	7.7	1.4	8.7	16.73	0.0%
TOTAL RENAL CARE HLDG -CI	TRL	\$649	22.4%	8.0	7.44	15.7	15.2	1.4	11.7	13.81	0.0%
U S INDUSTRIES INC	USI	\$1,538	6.9%	16.6	16.18	6.8	12.5	1.7	16.5	12.06	1.2%
UNITED STATIONERS INC	USTR	\$751	6.5%	22.1	14.58	4.5	10.6	2.3	9.0	15.21	0.0%
UNITRIN INC	UNIT	\$2,601	14.0%	35.9	46.40	36.2	5.8	1.5	5.3	15.49	3.9%
UNOVA INC	UNA	\$797	43.2%	14.5	21.73	6.2	13.9	1.2	6.3	8.08	0.0%
US ONCOLOGY INC	USON	\$514	30.1%	10.4	10.14	11.8	21.4	1.7	9.3	10.81	0.0%
USG CORP	USG	\$2,483	15.5%	49.9	48.54	12.9	6.5	4.7	6.0	31.41	0.8%
UTILICORP UNITED INC	UCU	\$2,129	54.8%	22.9	34.26	2.8	14.1	1.5	7.4	8.27	5.2%
VULCAN MATERIALS CO	VMC	\$4,052	31.3%	40.5	32.28	19.5	18.0	3.7	10.3	24.87	1.9%
WERNER ENTERPRISES INC	WERN	\$972	23.1%	20.5	17.62	11.3	16.4	2.3	6.9	15.51	0.5%
WEST TELESERVICES CORP	WTSC	\$780	17.0%	12.3	13.09	10.7	14.2	2.8	10.6	18.39	0.0%
WESTINGHOUSE AIR BRAKE C	WAB	\$683	12.7%	20.1	20.52	11.7	10.6	(20.2)	9.7	19.43	0.2%
YORK INTL	YRK	\$1,604	13.9%	40.2	43.99	5.3	11.9	2.3	8.3	10.42	1.5%

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