

Intrinsic Value Weekly

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"Prepare for Winter"

This is the week when we'll find out if the Federal Reserve notices that inflation has been dissociated from growth since the 1970's. When the "Phillips Curve" mentality is in vogue, as now, growth is bad and disinflation is caused by fewer people working and slow income and consumption growth. These spates of irrationality are sometimes fleeting and sometimes hang around longer than an unemployed brother-in-law. But, go they will and this period is no exception. Whether the Fed raises the overnight rate tomorrow or not, many stocks, at current levels of rates, are under-priced and thus offer some margin of safety. This is the essence of value investing, in its modern evolution: to make a conservative estimate of the value of a business's future free cash flow then only purchase the stock of that business if the price is far enough below intrinsic value to compensate for the risk that your forecast is wrong. This process sounds tedious and involved, but it is the only way to survive the inevitable heavy weather that investing in stocks surely will bring.

Our favorites among the excellent businesses in the Intrinsic Value Portfolio are AC, BGG, DAL, G, MLHR, PFE and WEN. Each of these has a sufficient margin of safety to withstand any winter storm that may come.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 11/12/1999	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgmt LP	9/24/1999	\$ 32.188	\$44.68	(28.0%)	6.6	(1.3%)
ALD	AlliedSignal Inc.	4/29/1999	\$ 60.500	\$64.60	(6.4%)	2.4	8.8%
BGG	Briggs & Stratton	9/20/1999	\$ 53.625	\$117.62	(54.4%)	2.1	(6.1%)
CTL	Century Telephone Ent.	3/1/1999	\$ 41.563	\$42.51	(2.2%)	1.8	3.7%
DAL	Delta Air Lines, Inc.	3/1/1999	\$ 51.375	\$66.79	(23.1%)	0.9	(0.8%)
G	Gillette Company	6/23/1999	\$ 35.438	\$48.52	(27.0%)	4.3	1.4%
HD	Home Depot	9/27/1999	\$ 80.438	\$58.33	37.9%	7.6	3.1%
LOW	Lowes Companies	9/27/1999	\$ 57.875	\$61.77	(6.3%)	4.1	2.0%
MLHR	Herman Miller, Inc.	7/5/1999	\$ 23.000	\$46.47	(50.5%)	3.1	9.2%
NYT	New York Times Co.	3/1/1999	\$ 38.688	\$48.21	(19.7%)	2.8	(1.9%)
NUE	Nucor Corporation	3/1/1999	\$ 49.875	\$57.99	(14.0%)	1.8	(4.0%)
PFE	Pfizer, Inc.	6/23/1999	\$ 35.125	\$42.73	(17.8%)	11.9	1.1%
WEN	Wendy's International	3/1/1999	\$ 23.688	\$29.86	(20.7%)	1.9	1.3%
Average:					(17.0%)	Average:	1.3%
						S&P 500	1.9%

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Sales		ROC	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/Book	Price/Sales
	Growth Last 12M	EBIT Margin %						
AC	30.1%	27.7%	52.7%	36.2%	6.1%	12.6	10.9	2.9
ALD	(0.3%)	13.0%	11.6%	2.6%	1.1%	21.4	6.0	2.1
BGG	14.2%	12.0%	26.4%	33.5%	2.2%	10.6	3.7	0.9
CTL	16.0%	30.4%	10.9%	4.3%	0.4%	24.2	3.7	3.3
DAL	2.8%	12.7%	10.9%	2.0%	0.2%	6.8	1.7	0.5
G	(0.0%)	23.1%	18.5%	(0.9%)	1.7%	29.5	8.5	4.0
HD	26.2%	8.8%	13.0%	28.1%	0.2%	56.5	12.8	3.2
LOW	19.6%	6.8%	11.0%	18.8%	0.2%	35.5	6.2	1.4
MLHR	1.5%	12.7%	23.8%	5.7%	0.6%	12.5	8.3	1.0
NYT	3.7%	17.5%	11.9%	6.9%	1.1%	24.8	4.8	2.5
NUE	(12.2%)	9.9%	12.6%	1.6%	1.0%	21.8	2.2	1.2
PFE	22.1%	27.0%	20.8%	19.8%	0.9%	58.4	17.5	9.7
WEN	2.0%	12.6%	9.7%	11.4%	1.0%	21.3	2.8	1.5

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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	22.2%	(27.9%)	(10.2%)
CONSUMER CYCLICALS	(10.0%)	(21.8%)	(15.4%)
CONSUMER STAPLES	(5.9%)	(9.3%)	(13.2%)
HEALTH	(25.4%)	(17.3%)	(27.3%)
ENERGY	12.4%	43.6%	3.6%
FINANCIAL	(3.2%)	(18.8%)	(26.9%)
CAPITAL GOODS	17.2%	4.9%	(5.6%)
TECHNOLOGY	18.0%	26.5%	43.8%
COMMUNICATIONS	17.2%	58.4% *	60.9% *
UTILITY	(18.2%)	(24.4%)	(6.2%)
TRANSPORTATION	(22.5%)	(28.8%)	(16.8%)
Weighted Total:	3.3%	(1.9%)	(1.0%)

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 11/12/1999	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.9%	(0.1%)	4.3%	(2.0%)	4.0%	(0.8%)
CONSUMER CYCLICALS	9.0%	1.2%	14.3%	(1.1%)	18.4%	(0.9%)
CONSUMER STAPLES	11.8%	0.6%	8.6%	(0.8%)	8.0%	0.2%
HEALTH	10.8%	(0.6%)	9.2%	1.8%	9.7%	2.5%
ENERGY	6.0%	10.1%	4.6%	12.0%	3.2%	4.1%
FINANCIAL	14.5%	(0.3%)	13.3%	(1.1%)	12.5%	(2.0%)
CAPITAL GOODS	8.2%	1.2%	8.6%	1.9%	12.7%	2.5%
TECHNOLOGY	25.1%	3.7%	25.3%	4.3%	23.4%	4.8%
COMMUNICATIONS	8.2%	0.7%	1.4%	8.3%	0.7%	(6.8%) *
UTILITY	2.6%	(0.8%)	9.1%	(2.2%)	4.0%	(1.2%)
TRANSPORTATION	0.8%	2.9%	1.4%	2.6%	3.2%	1.0%
Index Total:		1.9%		1.4%		1.0%

* Sector contains only 3 companies

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

Sector Comments Energy stocks bounced back last week, though most commentators have failed to notice. While Energy now makes up only a small portion of the total market, far less than the spectacular Technology Sector, it has performed better than the S&P 500 Index on a year-to-date basis. While Energy remains over-priced for all size markets, the current value is down substantially from earlier in the year. Our valuations of sectors are performed on a dollar-weighted basis, aggregating sales, costs, asset and liabilities, just as if they were all one company. But an investor can only buy one company at a time (excepting sector funds) so we do reveal some of the value drivers periodically in our Page 3 listings. What is most interesting about this week's listing of all the Energy stocks in the Large Cap, Mid-Cap and Small Cap markets is that very few Energy stocks possess characteristics that would indicate investment opportunity. In fact, most of these companies are still contracting in revenues and many remain unprofitable. Those that show good revenue gains are often reflecting the effects of making acquisitions. While taking costs out of the industry through consolidation is often a profitable activity, it is not the basis for a long-term growth plan. This all means that one should be cautious and nimble in investing in any contracting sector.

(\$millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
	\$ 11,391,315	90.3%	\$ 336,906
		\$883,424	7.0%
			2.7%

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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
AMERADA HESS CORP	AHC	\$5,417	17.7%	59.8	(845.81)	(1.5)	(44.1)	2.0	27.3	(1.03)	1.0%
ANADARKO PETROLEUM CORP	APC	\$4,061	28.3%	31.9	(1,766.05)	(1.8)	(70.0)	3.5	23.5	(0.31)	0.6%
APACHE CORP	APA	\$4,484	81.3%	39.4	(120.83)	(20.1)	(52.0)	2.2	7.8	(4.60)	0.7%
ASHLAND INC	ASH	\$2,517	7.6%	34.9	(407.31)	(0.7)	8.5	1.2	6.9	(0.75)	3.2%
ATLANTIC RICHFIELD CO	ARC	\$30,621	28.9%	95.0	(138.35)	(26.2)	332.8	4.0	13.1	(10.65)	3.0%
BAKER-HUGHES INC	BHI	\$8,550	-23.8%	26.0	164.81	2.0	71.6	2.9	18.5	2.36	1.8%
BARRETT RESOURCES CORP	BRR	\$975	90.2%	29.9	(18.02)	(22.6)	(12.2)	3.2	114.3	(19.30)	0.0%
BENTON OIL & GAS CO	BNO	\$63	25.2%	2.1	(0.28)	(188.4)	(0.4)	3.8	(0.4)	(45.48)	0.0%
BJ SERVICES CO	BJS	\$2,750	-10.5%	38.8	50.50	13.3	(81.7)	2.7	13.1	11.76	0.0%
BURLINGTON RESOURCES INC BR		\$6,237	12.1%	35.1	134.10	9.4	129.2	2.0	10.0	3.02	1.6%
CABOT OIL & GAS CORP -CL / COG		\$416	22.2%	16.8	55.84	13.9	n.a.	2.2	8.1	3.83	1.0%
CHEVRON CORP	CHV	\$59,966	35.7%	91.4	858.73	2.3	56.7	3.5	16.3	1.75	2.7%
CONOCO INC	COC.B	\$17,157	28.4%	27.4	361.89	1.1	123.3	3.8	11.0	1.12	2.8%
CROSS TIMBERS OIL CO	XTO	\$481	36.9%	10.8	50.25	9.6	(370.8)	3.3	34.7	2.42	0.4%
DEVON ENERGY CORPORATIC	DVN	\$3,186	136.7%	39.6	(408.13)	(9.9)	48.6	3.6	30.3	(3.88)	0.5%
DRIL-QUIP INC	DRQ	\$427	-17.6%	24.8	25.32	14.3	30.4	2.8	18.5	18.66	0.0%
ENSCO INTERNATIONAL INC	ESV	\$3,029	-57.5%	22.1	16.00	41.1	102.0	2.1	9.0	19.25	0.5%
EXXON CORP	XON	\$189,081	17.9%	77.9	355.20	3.7	34.1	4.1	16.1	4.20	2.1%
FRIEDE GOLDMAN INTL INC	FGI	\$225	50.7%	9.6	6.75	10.2	5.6	2.5	5.5	25.92	0.0%
GLOBAL MARINE INC	GLM	\$2,910	-38.1%	16.7	14.81	24.0	23.4	2.5	8.8	14.80	0.0%
HALLIBURTON CO	HAL	\$18,384	-16.4%	41.7	71.77	5.5	58.0	4.1	32.1	13.71	1.2%
HANOVER COMPRESSOR CO	HC	\$1,070	16.3%	37.6	54.17	21.4	28.7	3.3	15.8	11.59	0.0%
HELMERICH & PAYNE	HP	\$1,247	-14.7%	25.2	22.19	19.3	27.4	1.5	6.6	12.08	1.1%
HS RESOURCES INC	HSE	\$276	17.6%	14.7	(164.86)	(3.0)	(44.9)	1.8	4.9	(0.73)	0.0%
INPUT/OUTPUT INC	IO	\$291	-55.3%	5.8	(2.63)	(20.4)	(2.3)	0.7	(3.1)	(9.63)	0.0%
KERR-MCGEE CORP	KMG	\$5,096	35.3%	58.9	(111.15)	(31.9)	(11.3)	1.9	6.7	(16.63)	3.1%
MOBIL CORP	MOB	\$78,386	42.8%	101.0	11,348.97	0.1	44.0	4.1	17.4	0.16	2.3%
MURPHY OIL CORP	MUR	\$2,507	46.4%	55.8	(237.44)	(3.3)	(2,803.1)	2.6	12.6	(3.18)	2.5%
NABORS INDUSTRIES	NBR	\$2,898	-36.5%	27.1	44.39	14.7	56.7	2.6	13.0	12.24	0.0%
NEWFIELD EXPLORATION CO	NFX	\$1,212	73.6%	29.1	(34.47)	(41.7)	(22.5)	3.7	18.0	(15.05)	0.0%
NOBLE AFFILIATES INC	NBL	\$1,414	20.7%	24.8	(17.53)	(24.7)	(10.5)	2.2	3.8	(13.74)	0.6%
NOBLE DRILLING CORP	NE	\$3,542	-9.3%	26.9	39.87	23.4	26.1	2.2	15.1	10.78	0.0%
OCCIDENTAL PETROLEUM CO	OXY	\$8,278	27.2%	23.8	2,957.67	0.2	228.1	2.5	7.1	0.11	4.2%
OCEAN ENERGY INC	OEI	@NA	73.8%	8.3	@NA	(23.0)	(17.0)	1.1	7.2	(8.14)	0.0%
OCEANEERING INTERNATIONAL	OII	\$335	-8.8%	14.4	15.68	8.2	14.9	1.7	5.8	11.06	0.0%
OFFSHORE LOGISTICS	OLOG	\$211	-17.6%	10.0	16.25	8.1	30.8	0.7	3.9	5.90	0.0%
PENNZOIL-QUAKER STATE CO	PZL	\$911	70.4%	11.7	86.73	3.1	(10.4)	0.7	28.9	2.20	6.4%
PHILLIPS PETROLEUM CO	P	\$12,543	29.4%	49.5	(305.92)	(2.5)	78.8	2.8	8.1	(2.15)	2.7%
PIONEER NATURAL RESOURC	PXD	@NA	-7.8%	10.1	@NA	(78.2)	(1.4)	1.2	20.0	(15.82)	0.0%
PLAINS RESOURCES INC	PLX	\$305	229.0%	18.0	49.42	3.9	(4.8)	5.7	(11.0)	7.64	0.0%
POGO PRODUCING CO	PPP	\$807	49.7%	20.1	(40.83)	(28.5)	(44.6)	3.2	11.9	(7.18)	0.6%
POOL ENERGY SERVICES CO	PESC	\$562	-42.9%	26.4	48.18	8.9	83.9	1.6	9.0	7.44	0.0%
PRIDE INTERNATIONAL INC	PDE	\$772	-32.3%	14.0	16.08	17.6	(17.4)	0.9	4.5	8.80	0.0%
REMINGTON OIL&GAS CP -CL	ROIL	\$108	-76.9%	5.1	(3.14)	(49.6)	(7.1)	1.8	2.9	(17.15)	0.0%
ROWAN COS INC	RDC	\$1,400	-34.6%	16.8	16.67	25.5	(195.3)	1.8	8.0	12.87	0.0%
ROYAL DUTCH PET -NY REG	RD	\$132,142	31.0%	61.6	268.74	4.5	89.5	3.9	23.1	4.28	3.7%
SANTA FE SNYDER CORP	SFS	\$1,496	107.0%	8.8	(12.20)	(53.0)	(4.9)	2.5	7.1	(20.38)	0.0%

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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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SCHLUMBERGER LTD	SLB	\$35,465	-23.3%	64.5	112.37	13.2	52.7	4.1	17.0	11.94	1.2%
SEACOR SMIT INC	CKH	\$609	-28.1%	50.1	63.27	30.2	11.0	1.1	3.9	9.33	0.0%
SEITEL INC	SEI	\$142	-35.8%	5.9	7.93	26.3	14.2	0.8	1.5	9.52	0.0%
SMITH INTERNATIONAL INC	SII	\$1,930	-7.4%	39.6	55.16	7.4	48.7	2.6	18.2	11.89	0.0%
ST MARY LAND & EXPLOR CO	MARY	\$272	-21.6%	24.5	(39.87)	(17.5)	(26.6)	2.1	12.9	(6.97)	0.8%
STONE ENERGY CORP	SGY	\$833	51.0%	45.5	(48.43)	(63.5)	(17.1)	7.0	41.4	(23.11)	0.0%
SUNOCO INC	SUN	\$2,273	30.4%	25.2	131.54	1.6	19.9	1.4	4.2	2.24	4.0%
TEXACO INC	TX	\$35,444	29.4%	64.1	3,468.86	0.2	54.3	2.9	15.0	0.26	2.8%
TIDEWATER INC	TDW	\$2,029	-45.3%	33.5	19.15	27.8	13.2	1.7	6.6	22.12	1.8%
TOSCO CORP	TOS	\$4,214	30.2%	27.6	31.76	5.4	34.2	2.0	12.5	11.35	1.0%
TRANSOCEAN OFFSHORE INC	RIG	\$2,860	-24.1%	28.4	20.82	35.5	9.4	1.4	6.2	12.74	0.4%
TUBOSCOPE INC	TBI	\$690	-31.4%	15.6	21.80	9.8	556.3	1.4	9.7	8.21	0.0%
ULTRAMAR DIAMOND SHAMRC	UDS	\$2,241	40.2%	25.9	45.23	4.1	26.3	1.5	14.1	6.84	4.3%
UNION PACIFIC RESOURCES	UPR	\$3,682	-17.1%	14.9	(11.32)	(90.2)	(4.6)	4.9	3.0	(24.75)	1.3%
UNOCAL CORP	UCL	\$8,332	23.5%	34.4	(537.00)	(1.4)	692.5	3.8	8.3	(0.88)	2.3%
USX-MARATHON GROUP	MRO	\$9,147	16.5%	29.5	117.45	2.4	22.9	2.1	7.3	3.50	2.8%
VALERO ENERGY CORP	VLO	\$1,110	61.5%	19.8	51.57	2.0	(11.7)	0.9	35.2	4.33	1.6%
VARCO INTERNATIONAL	VRC	\$775	-26.7%	11.9	10.49	8.4	15.8	2.1	9.6	17.29	0.0%
VINTAGE PETROLEUM INC	VPI	\$726	66.4%	11.7	(11.37)	(31.7)	(10.7)	2.1	29.1	(11.12)	0.9%
WEATHERFORD INTL INC	WFT	\$3,665	-32.9%	37.4	46.89	12.9	(211.7)	2.2	15.5	14.37	0.0%

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