

Intrinsic Value Weekly

Volume 2, No. 49

Published Weekly by Intrinsic Value Associates, LLC

December 6, 1999

"Technology Wins Again, or Does It?"

Beating the market this year without Technology stocks has been difficult, but the IVP had a position in INTC from April, 1998, to September, 1999. We like to invest in groups when investors are worried about them. Worry and Technology seem words from opposing universes today. Perhaps with Microsoft now chastened about their brutally competitive ways the other leading technology companies can prosper as never before. We think current levels of technology valuations are overdone. The price of **INTC** still has not exceeded our exit price, though it could do so in coming weeks. Our valuation work isn't perfect, it just shifts the chances in our favor. To underscore our confidence in the Intrinsic Value approach, we include our performance table for the period Year-to-date through November on Page 4.

Much of the under-pricing we had earlier noted in **HON** (new symbol for **ALD**), **G**, **LOW**, **NYT** and **NUE** has now been reduced by price increases. Several under-priced stocks remain so: **AC**, **BGG**, **DAL**, **MLHR** and **WEN**. Some of these companies, as you will note in the tables below, are showing strong fundamentals. **WEN's** revenue growth in the third quarter was 11.4% and base earnings (ex asset gains) were up 21%. Our database won't reflect those numbers until after the Form 10Q is entered in the Compustat database. **WEN** is not a technology stock, but it has real intrinsic value well above its current price. And its fundamentals are good, its management is good and following the right policies of strong sales growth, cost control and good stewardship of the capital its shareholders have entrusted to it. We reiterate a buy on **WEN**.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 12/3/1999	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgmt LP	9/24/1999	\$ 30.875	\$44.68	(30.9%)	6.6	(0.2%)
HON	Honeywell Int'l Inc.	4/29/1999	\$ 62.750	\$64.60	(2.9%)	2.4	7.4%
BGG	Briggs & Stratton	9/20/1999	\$ 52.750	\$117.62	(55.2%)	2.1	(2.9%)
CTL	CenturyTel, Inc.	3/1/1999	\$ 47.250	\$45.97	2.8%	1.8	2.7%
DAL	Delta Air Lines, Inc.	3/1/1999	\$ 51.063	\$66.79	(23.5%)	0.9	3.9%
G	Gillette Company	6/23/1999	\$ 43.938	\$48.52	(9.5%)	4.3	7.7%
HD	Home Depot	9/27/1999	\$ 84.250	\$58.33	44.4%	7.6	4.7%
LOW	Lowes Companies	9/27/1999	\$ 53.938	\$61.77	(12.7%)	4.2	5.4%
MLHR	Herman Miller, Inc.	7/5/1999	\$ 23.250	\$46.47	(50.0%)	3.1	(2.6%)
NYT	New York Times Co.	3/1/1999	\$ 41.438	\$48.21	(14.0%)	2.8	8.0%
NUE	Nucor Corporation	3/1/1999	\$ 53.938	\$57.99	(7.0%)	1.8	7.7%
PFE	Pfizer, Inc.	6/23/1999	\$ 35.750	\$42.73	(16.3%)	11.9	(1.4%)
WEN	Wendy's International	3/1/1999	\$ 21.938	\$29.86	(26.5%)	1.9	(1.1%)
Average:					(14.2%)	Average:	3.0%
						S&P 500	1.2%

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Sales		EBIT Margin %	Quarterly ROC	Quarterly Sales Y/Y	Yield	PE		Price/Book	Price/Sales
	Growth Last 12M	%					Last 12M	Price/Book		
AC	→ 30.1%	27.7%	52.7%	36.2%	6.4%	12.6	10.9	2.9		
HON	(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%	2.3%	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%)	1.3%	29.5	8.5	4.0		
HD	27.3%	8.8%	13.0%	28.3%	0.2%	52.2	12.8	3.1		
LOW	22.4%	6.8%	11.0%	30.1%	0.2%	33.0	6.2	1.3		
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%	1.0%	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%	1.1%	21.3	2.8	1.5		

Intrinsic Value Weekly

ECONOMIC SECTOR VALUATION

<u>SECTORS</u>	<u>S&P 500</u>		<u>S&P MIDCAP</u>		<u>S&P SMALL CAP</u>
BASIC INDUSTRY	25.3%	➔	(27.6%)		(11.2%)
CONSUMER CYCLICALS	(7.9%)		(19.7%)		(15.1%)
CONSUMER STAPLES	(1.9%)		(9.2%)		(13.8%)
HEALTH	➔ (29.2%)		(9.8%)	➔	(24.3%)
ENERGY	11.4%		38.1%	➔	(4.7%)
FINANCIAL	(6.6%)	➔	(22.3%)	➔	(30.6%)
CAPITAL GOODS	18.7%		10.3%		(0.8%)
TECHNOLOGY	26.8%		29.8%		58.6%
COMMUNICATIONS	22.7%		73.9% *		62.9% *
UTILITY	➔ (22.7%)	➔	(26.6%)		(8.9%)
TRANSPORTATION	➔ (26.5%)	➔	(31.5%)		(16.4%)
Weighted Total:	6.5%		0.1%		3.9%

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 12/3/1999	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.8%	3.4%	4.3%	1.5%	3.9%	0.3%
CONSUMER CYCLICALS	8.8%	2.7%	14.5%	0.3%	18.1%	0.4%
CONSUMER STAPLES	11.8%	1.3%	8.6%	1.3%	7.7%	(0.9%)
HEALTH	10.1%	(2.7%)	9.6%	2.4%	9.9%	0.6%
ENERGY	5.7%	0.3%	4.5%	(1.6%)	2.8%	(5.3%)
FINANCIAL	14.1%	1.0%	12.6%	1.0%	11.6%	0.2%
CAPITAL GOODS	8.0%	0.9%	8.8%	2.4%	13.0%	0.6%
TECHNOLOGY	26.9%	2.9%	25.6%	3.6%	25.1%	5.1%
COMMUNICATIONS	8.5%	(0.6%)	1.5%	2.6%	0.7%	1.5% *
UTILITY	2.4%	0.8%	8.8%	1.7%	3.9%	0.5%
TRANSPORTATION	0.7%	1.1%	1.3%	(0.1%)	3.1%	1.5%
Index Total:		1.2%		1.7%		1.4%

* Sector contains only 3 companies

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

Sector Comments Technology stocks win again, but as shown above, they are getting overly pricey.

That doesn't mean they won't go up in the short term; but the odds are now favoring much lower returns from here on, and perhaps lower prices. To shorten your search for areas of under-pricing, we have supplied large arrows above. While we don't expect these sectors to immediately out-perform the market, when fundamentals in those areas begin to improve, the combination effects of reversing market pessimism and better value drivers can be quite powerful. Our selections are each more than 20% below their aggregate intrinsic value and can be a source of great investment ideas.

As usual, we present sector value drivers and favorably positioned companies on Page 3. Our selection process usually emphasizes companies selling below their "zero growth" or Free Cash Flow Annuity price, with revenues growing faster than nominal GDP and below average debt. We are preparing new screens for stock selection and will be presenting them over the balance of the year.

This week we highlight stocks in the MidCap Basic Industry Sector.

(\$millions)	<u>Large Capitalization</u>		<u>Mid-Cap Capitalization</u>		<u>Small-Cap Capitalization</u>
\$	11,812,582	90.4%	\$898,778	6.9%	\$ 348,538
					2.7%

Intrinsic Value Weekly

Look for Revenue Growth to Find the Winners

Page 3

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
AIRGAS INC	ARG	\$683	-2.3%	9.7	18.84	6.2	11.3	1.4	4.9	5.72	0.0%
AK STEEL HOLDING CORP	AKS	\$1,716	10.0%	16.9	67.13	5.5	12.0	1.1	4.7	4.87	3.0%
ALBEMARLE CORP	ALB	\$885	8.1%	18.9	22.72	10.6	9.5	1.8	5.6	9.51	2.1%
BOWATER INC	BOW	\$2,480	-11.4%	48.0	139.79	8.9	34.8	1.6	11.8	4.85	1.7%
CABOT CORP	CBT	\$1,268	13.4%	19.2	21.56	10.9	12.8	1.8	5.6	10.28	2.3%
CARPENTER TECHNOLOGY	CRS	\$595	-4.7%	27.1	62.75	6.6	15.8	0.9	5.8	4.09	4.9%
CHESAPEAKE CORP	CSK	\$563	34.3%	31.0	45.65	5.8	7.5	1.5	6.9	5.88	2.8%
CK WITCO CORP	CNW	\$1,264	13.0%	10.6	16.10	10.6	(468.8)	9.7	3.0	16.03	0.5%
CLEVELAND-CLIFFS INC	CLF	\$344	-47.9%	31.1	13.36	20.9	17.1	0.8	5.3	16.15	4.8%
CONSOLIDATED PAPERS INC	CDP	\$2,717	-4.1%	29.9	40.12	14.1	45.4	2.1	9.4	8.05	2.9%
CYTEC INDUSTRIES INC	CYT	\$987	-3.9%	23.4	28.35	11.1	n.a.	2.6	5.0	9.50	0.0%
DEXTER CORP	DEX	\$840	-11.7%	36.4	65.95	6.8	10.0	2.1	12.0	7.56	2.9%
ETHYL CORP	EY	\$334	-24.1%	4.0	4.24	9.9	6.2	1.8	2.5	10.53	6.3%
FERRO CORP	FOE	\$753	1.1%	21.4	14.30	9.7	10.6	3.1	6.7	22.05	2.5%
FULLER (H. B.) CO	FULL	\$761	-0.5%	54.2	84.64	5.1	19.6	2.2	13.0	7.85	1.5%
GEORGIA GULF CORP	GGC	\$795	2.3%	25.7	28.14	13.5	19.1	23.1	7.8	15.35	1.2%
GEORGIA-PACIFIC TIMBER CO	TGP	\$2,119	-2.8%	25.7	17.08	68.2	8.4	(24.5)	10.1	31.02	3.9%
GLATFELTER (P H) CO	GLT	\$567	1.7%	13.4	16.09	11.2	20.0	1.8	6.7	9.02	5.2%
HANNA (M A) CO	MAH	\$562	0.0%	11.5	22.67	2.8	13.0	1.0	6.3	5.14	4.2%
IMC GLOBAL INC	IGL	\$1,810	-5.2%	15.8	27.72	16.2	47.2	0.8	5.9	7.63	2.0%
LONGVIEW FIBRE CO	LFB	\$656	1.7%	12.7	52.67	3.8	66.9	1.4	7.6	2.40	2.5%
LUBRIZOL CORP	LZ	\$1,515	7.2%	27.8	45.80	6.6	18.7	1.8	9.6	6.87	3.7%
LYONDELL CHEMICAL CO	LYO	\$1,595	72.4%	13.6	118.59	21.3	(21.3)	1.6	6.2	5.97	6.6%
MARTIN MARIETTA MATERIAL	MLM	\$1,772	13.2%	37.9	53.07	12.4	14.6	2.7	8.3	9.96	1.4%
MAXXAM INC	MXM	\$319	-6.9%	45.6	755.85	4.1	10.8	(5.6)	3.8	2.53	0.0%
MINERALS TECHNOLOGIES INC	MTX	\$838	3.7%	39.6	28.71	15.2	15.6	1.9	7.8	13.91	0.3%
OLIN CORP	OLN	\$843	-7.5%	18.7	27.85	6.6	39.5	0.8	7.4	5.57	4.3%
OREGON STEEL MILLS INC	OS	\$206	-19.3%	8.0	15.06	5.3	12.8	0.6	3.8	5.63	7.0%
RAYONIER INC	RYN	\$1,242	-1.3%	45.1	73.48	9.9	17.9	1.8	7.6	5.90	2.8%
RPM INC-OHIO	RPM	\$1,229	10.6%	11.4	13.77	6.6	18.4	1.8	7.9	7.64	4.1%
SCHULMAN (A.) INC	SHLM	\$498	3.8%	16.0	6.99	7.9	10.3	@NA	7.3	14.41	3.1%
SOLUTIA INC	SOI	\$1,742	4.0%	15.8	16.83	13.5	9.1	(277.2)	4.6	17.59	0.3%
SONOCO PRODUCTS CO	SON	\$2,320	2.1%	22.8	29.01	7.3	14.5	3.0	6.9	9.33	3.3%
SOUTHDOWN INC	SDW	\$1,775	6.2%	49.4	35.32	19.4	8.5	2.3	9.8	18.52	1.2%
UCAR INTERNATIONAL INC	UCR	\$972	-9.9%	21.6	31.54	13.8	12.2	(3.1)	46.4	13.78	0.0%
UNIVERSAL CORP/VA	UVV	\$762	-11.0%	24.4	17.62	6.5	5.9	1.4	4.4	16.57	4.9%
WAUSAU-MOSINEE PAPER CO	WMO	\$681	1.7%	13.3	13.81	9.1	15.0	1.7	7.8	12.65	2.4%

FOR INFORMATIONAL PURPOSES ONLY The information contained in this publication has been obtained from a variety of sources. We cannot vouch for their reliability. However, through our analysis we attempt to provide reliable information. We do not guarantee accuracy or completeness. Intrinsic Value Weekly is published solely for informational purposes and should not be construed as a solicitation to buy or sell any security. All opinions and estimates included in this report represent our judgment as of this date and are subject to change without notice. Delivery of this publication shall not, under any circumstances, create any implication that there has been no change in the information provided herein from the date of this report which is December 6, 1999. Intrinsic Value Associates, LLC or its affiliates may maintain ownership positions in any of the companies mentioned in this report

@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

PERFORMANCE HISTORY

Intrinsic Value Portfolio

From 12-31-98 to 11-30-99

Time Period	Percent Return Per Period		Cumulative TWR Basis = 100		
	Account	S&P 500 Index	Account	S&P 500 Index	
02-19-98 to 12-31-98	39.96	21.09	100.00	100.00	
12-31-98 to 03-31-99	11.92	4.98	111.92	104.98	
03-31-99 to 06-30-99	0.00	7.05	111.92	112.38	
06-30-99 to 09-30-99	0.97	-6.24	113.01	105.36	
09-30-99 to 11-30-99	3.67	8.49	117.16	114.31	
Date to Date					
12-31-98 to 11-30-99	17.16	14.31			
Inception to Date					
02-19-98 to 11-30-99	63.97	38.41			