

Intrinsic Value Weekly

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"Fundamental Investing is not Popular - Use It!"

In some future moment, when the momentum players have given back all their quick profits and then some, a few of them may discover that the intrinsic value of businesses drives stock prices. But for now, the momentum guys seems to be in charge. So companies like **WEN**, **BGG**, **PFE** and **AC** may be condemned to the doldrums for a while.

But **HD**, **LOW**, **NYT** and **NUE** were all in that "no momentum" situation at one time or another this year. **NYT** in April; **LOW** and **HD** in early August and **NUE** in October. In each case, the recovery of these stocks has been remarkable, and now that they have recovered, the momentum people seem to be picking some of them up as brilliant discoveries and pushing their prices to levels, as in the case of **HD**, that are beyond anything justified by a reasonable estimate of the future. **HD** is \$89 per share now. It was \$56 per share in early August. Our estimate of the intrinsic value of **HD** hasn't changed since the end of September. We think that momentum people could push the price higher, but given the many examples this year of prices reverting toward intrinsic value, both up and down (see **CTL**, **INTC** and **SLB** in earlier issues), that the price of **HD** is likely to be lower six months from now and we are **removing** it from the **Intrinsic Value Portfolio** today at a price of \$89. **LOW** is still under-priced in our view. **NYT** has lost most of its under-pricing, but isn't over-priced yet. The same can be said of **NUE**, but for both **NUE** and **NYT**, their valuations are dependent on some cyclical resurgence being sustained. Our confidence that over-pricing will occur is less solid.

Finally, if your horizon is several quarters out, pay close attention to the most ridiculously under-priced names in the portfolio, **BGG** and **MLHR**. These may well be darlings in the new millenium.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 12/10/1999	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change	
AC	Alliance Capital Mgt LP	9/24/1999	\$ 31.000	\$44.68	(30.6%)	7.2	0.4%	
HON	Honeywell Int'l Inc.	4/29/1999	\$ 62.750	\$64.60	(2.9%)	2.4	7.4%	
➔ BGG	Briggs & Stratton	9/20/1999	\$ 51.375	\$117.62	(56.3%)	2.0	(2.6%)	
CTL	CenturyTel, Inc.	3/1/1999	\$ 47.688	\$45.97	3.7%	2.0	0.9%	
DAL	Delta Air Lines, Inc.	3/1/1999	\$ 48.625	\$66.79	(27.2%)	0.9	(4.8%)	
G	Gillette Company	6/23/1999	\$ 40.938	\$48.52	(15.6%)	4.7	(6.8%)	
HD	Home Depot	9/27/1999	\$ 89.000	\$58.33	52.6%	8.0	5.6%	
LOW	Lowes Companies	9/27/1999	\$ 51.875	\$61.77	(16.0%)	3.8	(3.8%)	
➔ MLHR	Herman Miller, Inc.	7/5/1999	\$ 22.563	\$46.47	(51.4%)	3.2	(3.0%)	
NYT	New York Times Co.	3/1/1999	\$ 46.438	\$48.21	(3.7%)	2.6	12.1%	
NUE	Nucor Corporation	3/1/1999	\$ 56.313	\$57.99	(2.9%)	1.7	4.4%	
PFE	Pfizer, Inc.	6/23/1999	\$ 33.875	\$42.73	(20.7%)	10.9	(5.2%)	
WEN	Wendy's International	3/1/1999	\$ 20.938	\$29.86	(29.9%)	1.7	(4.6%)	
					Average:	(14.2%)	Average:	0.0%
							S&P 500	(1.1%)

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 Last 12M	Price/Book	Price/Sales
	Growth Last 12M	%							
AC	30.1%	27.7%	52.7%	36.2%	6.3%	13.9	11.9	3.1	
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%	9.7	3.4	0.8	
CTL	16.0%	30.4%	10.9%	4.3%	0.4%	27.5	4.2	3.8	
DAL	2.8%	12.7%	10.9%	2.0%	0.2%	6.2	1.5	0.5	
G	(0.0%)	23.1%	18.5%	(0.9%)	1.4%	32.6	9.4	4.5	
HD	27.3%	8.8%	13.0%	28.3%	0.3%	54.6	13.4	3.2	
LOW	22.4%	6.8%	11.0%	30.1%	0.2%	29.7	5.6	1.2	
MLHR	1.5%	12.7%	23.8%	5.7%	0.6%	13.1	8.7	1.1	
NYT	3.7%	17.5%	11.9%	6.9%	0.9%	23.7	4.6	2.4	
NUE	(12.2%)	9.9%	12.6%	1.6%	0.9%	21.2	2.1	1.2	
PFE	22.1%	27.0%	20.8%	19.8%	0.9%	53.3	16.0	8.8	
WEN	2.0%	12.6%	9.7%	11.4%	1.1%	19.7	2.6	1.4	

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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	25.4%	(29.7%)	(12.6%)
CONSUMER CYCLICALS →	(6.8%)	→ (20.0%)	→ (17.2%)
CONSUMER STAPLES	(4.5%)	(11.5%)	(16.3%)
HEALTH	(33.5%)	(15.5%)	(20.4%)
ENERGY	8.4%	26.1%	(12.6%)
FINANCIAL	(9.4%)	(25.8%)	(32.8%)
CAPITAL GOODS	20.8%	10.0%	(0.0%)
TECHNOLOGY	25.4%	29.4%	63.0%
COMMUNICATIONS	21.9%	66.5% *	59.9% *
UTILITY →	(24.8%)	→ (29.3%)	→ (10.9%)
TRANSPORTATION →	→ (28.0%)	→ (34.8%)	→ (17.9%)
Weighted Total:	5.3%	(2.2%)	5.2%

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 12/10/1999	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.9%	3.5%	4.5%	(1.4%)	3.9%	(1.3%)
CONSUMER CYCLICALS	9.1%	4.0%	15.1%	(0.1%)	17.8%	(2.0%)
CONSUMER STAPLES	11.6%	(1.4%)	8.6%	(1.2%)	7.4%	(3.8%)
HEALTH	9.7%	(8.6%)	9.2%	(4.1%)	10.0%	5.8%
ENERGY	5.7%	(2.4%)	4.2%	(10.1%)	2.6%	(13.2%)
FINANCIAL	13.9%	(2.0%)	12.3%	(3.6%)	11.3%	(2.9%)
CAPITAL GOODS	8.2%	2.6%	8.8%	2.0%	13.1%	1.4%
TECHNOLOGY	27.5%	1.8%	26.1%	3.2%	26.3%	7.9%
COMMUNICATIONS	8.6%	(1.2%)	1.5%	(1.8%)	0.7%	(0.4%) *
UTILITY	2.3%	(1.9%)	8.6%	(2.1%)	3.9%	(1.7%)
TRANSPORTATION	0.7%	(1.1%)	1.0%	(4.9%)	3.1%	(0.4%)
Index Total:		(1.1%)		(3.1%)		(0.7%)

* Sector contains only 3 companies

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

Sector Comments Favorable sector movement last week was concentrated: Basic Industry, Consumer Cyclical (areas we've been emphasizing), Capital Goods and Technology (areas that are over-priced). Energy finally plummeted, but mostly in the Mid and Small Cap markets where oil and gas producers are concentrated. We expect more of the same for Energy and much more good things for Utility and Transportation stocks. Though these latter areas are not replete with good business characteristics, they'll likely have cost trends at their backs rather than in their faces. As usual, though most of the benefits will accrue to the users of utility and transportation services as these areas are extremely competitive. That brings us to Consumer Cyclical again simply because they are such big users of energy. Cost of operation is a big factor in cars, trucks and department stores (dinosaurs though many of them may be) and lower energy prices will swell profits. Further, these stocks are still under-priced, though mostly in the Mid Cap and Small Cap markets. We feature the Consumer Cyclical again this week on Page 3. Take a look at the margins and revenue growth drivers in particular. Also, some of these companies are priced as if they'll never grow again (maybe some won't) but opportunity certainly lurks here.

(\$millions)	Large Capitalization	Mid-Cap Capitalization	Small-Cap Capitalization
	\$ 11,679,047	90.5%	\$875,825
			6.8%
			\$ 347,767
			2.7%

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Opportunity Still Lurks in the Mid Cap Consumer Cyclicals

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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
ABERCROMBIE & FITCH -CL A	ANF	\$3,039	24.8%	29.5	32.79	20.5	25.6	17.9	24.7	62.73	0.0%
ACNIELSEN CORP	ART	\$1,386	4.7%	23.9	19.98	8.2	19.8	2.9	9.6	18.41	0.0%
ACXIOM CORP	ACXM	\$1,563	37.1%	18.2	24.84	14.8	20.4	4.0	30.1	18.40	0.0%
AMERN EAGLE OUTFITTERS INC	AEOS	\$2,076	49.4%	44.5	64.83	14.8	26.7	13.9	32.7	72.11	0.0%
APOLLO GROUP INC -CL A	APOL	\$1,943	27.1%	25.8	31.03	19.6	35.8	8.8	25.2	43.63	0.0%
ARVIN INDUSTRIES INC	ARV	\$610	29.7%	25.3	@NA	4.7	7.0	1.1	3.6	9.75	3.3%
BANDAG INC	BDG	\$520	-3.3%	23.8	10.00	8.9	8.5	1.1	4.7	14.27	4.8%
BARNES & NOBLE INC	BKS	\$1,523	9.0%	21.9	53.11	6.1	13.0	2.5	8.3	7.51	0.0%
BELO (AH) CORP -SER A COM	BLC	\$2,213	5.1%	18.7	43.81	9.8	17.6	1.7	9.9	4.03	1.5%
BJS WHOLESALE CLUB INC	BJ	\$2,645	19.6%	36.0	80.40	3.2	27.3	5.7	21.7	10.99	0.0%
BLYTH INDUSTRIES INC	BTH	\$1,158	22.3%	23.9	27.57	9.8	n.a.	3.7	12.5	15.96	0.0%
BORDERS GROUP INC	BGP	\$1,167	17.6%	15.1	25.42	8.6	15.2	1.7	7.4	9.98	0.0%
BORG WARNER AUTO	BWA	\$1,065	36.6%	39.9	46.30	8.8	8.0	1.2	5.0	9.86	1.5%
BURLINGTON INDS INC	BUR	\$198	-18.8%	3.8	5.74	6.2	(6.5)	0.3	1.3	6.50	0.0%
CALLAWAY GOLF CO	ELY	\$1,107	6.0%	14.6	212.99	0.8	(97.1)	2.4	117.3	1.08	1.9%
CDW COMPUTER CENTERS INC	CDWC	\$2,937	47.6%	68.0	110.87	6.3	35.1	11.2	41.5	46.47	0.0%
CINTAS CORP	CTAS	\$5,276	7.3%	47.5	81.49	11.7	34.8	5.8	25.4	18.80	0.5%
CLAIRES STORES INC	CLE	\$1,079	16.3%	21.2	12.63	17.0	13.6	3.5	11.5	35.99	0.8%
CLAYTON HOMES INC	CMH	\$1,312	7.2%	9.4	5.04	18.9	9.3	1.5	7.7	19.22	0.7%
COMPUSA INC	CPU	\$556	-2.0%	6.0	9.70	1.5	(8.2)	1.4	23.6	9.59	0.0%
CONVERGYS CORP	CVG	\$4,582	21.6%	30.0	0.45	1,748.4	30.0	5.7	30.6	2,129.70	0.0%
DEVRY INC	DV	\$1,267	26.0%	18.3	42.02	9.8	34.2	8.0	22.3	14.50	0.0%
DOLLAR TREE STORES INC	DLTR	\$2,786	26.4%	44.9	92.11	11.2	34.4	11.2	30.6	22.96	0.0%
FAMILY DOLLAR STORES	FDO	\$2,753	15.8%	15.9	@NC	0.0	22.1	@NA	15.0	-	1.3%
FASTENAL CO	FAST	\$1,366	21.3%	36.0	57.48	11.0	23.5	6.7	21.3	22.35	0.1%
FEDERAL-MOGUL CORP	FMO	\$1,370	41.3%	18.6	84.07	8.4	5.9	0.8	5.3	7.16	0.1%
FURNITURE BRANDS INTL INC	FBN	\$931	5.3%	18.6	18.94	6.3	9.3	2.4	6.3	531.24	0.0%
GTECH HOLDINGS CORP	GTK	\$707	9.4%	19.7	11.08	15.7	9.3	2.9	2.6	16.22	0.0%
HARLEY-DAVIDSON INC	HDI	\$8,871	21.1%	58.6	95.12	16.6	36.7	9.1	29.8	24.24	0.3%
HARTE HANKS INC	HHS	\$1,405	13.2%	20.4	(9.35)	(26.1)	19.9	2.6	15.0	(59.38)	0.4%
HEILIG-MEYERS CO	HMY	\$165	-15.1%	2.8	39.08	3.5	(2.5)	0.4	2.9	3.64	2.9%
HOUGHTON MIFFLIN CO	HTN	\$1,243	2.4%	41.0	94.04	6.2	25.7	2.8	8.8	5.84	1.3%
INTL GAME TECHNOLOGY	IGT	\$1,742	-10.2%	19.9	16.18	29.0	27.7	@NA	19.5	18.45	0.6%
INTL SPEEDWAY CORP -CL A	ISCA	\$3,161	271.6%	59.5	237.89	31.8	49.6	7.8	48.1	18.72	0.1%
JONES APPAREL GROUP INC	JNY	\$3,298	129.2%	26.9	41.39	11.2	15.2	4.6	15.8	21.98	0.0%
LANCASTER COLONY CORP	LANC	\$1,228	6.7%	30.7	23.42	10.3	13.7	3.2	9.5	21.46	2.0%
LANDS END INC	LE	\$1,213	1.1%	40.3	69.31	3.6	40.0	7.4	24.1	13.32	0.0%
LEAR CORP	LEA	\$2,087	56.5%	31.1	33.63	3.6	15.2	1.7	6.2	10.10	0.0%
LEE ENTERPRISES	LEE	\$1,335	6.1%	30.1	27.30	22.5	18.4	3.9	13.4	19.14	2.1%
MANDALAY RESORT GROUP	MBG	\$1,963	51.3%	21.6	40.71	12.9	25.1	1.8	8.6	5.17	0.0%
MARK IV INDUSTRIES INC	IV	\$875	7.6%	17.5	20.05	7.2	17.5	1.7	7.0	7.15	1.3%
MEDIA GENERAL -CL A	MEG.A	\$1,336	-2.7%	50.3	106.54	10.5	20.3	2.9	7.9	5.53	1.2%
MERITOR AUTOMOTIVE INC	MRA	\$1,201	18.0%	17.4	9.22	8.4	6.1	4.4	4.8	28.18	2.4%
MICRO WAREHOUSE INC	MWHS	\$447	9.1%	12.5	5.55	3.4	8.2	1.0	9.8	17.81	0.0%
MODINE MFG CO	MODI	\$781	5.0%	26.4	30.92	6.8	12.0	1.8	7.0	10.13	3.5%
MOHAWK INDUSTRIES INC	MHK	\$1,528	12.7%	25.5	23.31	6.0	10.6	2.4	8.3	15.90	0.0%
NAVIGANT CONSULTING INC	NCI	\$427	22.4%	10.3	7.30	16.0	8.0	2.4	18.4	35.94	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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Opportunity Still Lurks in the Mid Cap Consumer Cyclicals

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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
NCH CORP	NCH	\$239	-5.2%	44.3	45.72	4.3	9.8	1.2	6.5	8.74	3.2%
NCO GROUP INC	NCOG	\$792	114.0%	31.4	127.33	13.6	41.8	4.3	32.8	9.27	0.0%
OFFICEMAX INC	OMX	\$703	13.0%	5.6	2.70	3.8	(35.7)	0.6	5.4	12.74	0.0%
OGDEN CORP	OG	\$587	17.1%	11.9	69.22	13.3	13.0	1.2	2.9	5.06	10.5%
PARK PLACE ENTMT CORP	PPE	\$3,573	42.0%	11.9	17.30	14.2	34.8	1.1	10.8	5.37	0.0%
PAYLESS SHOESOURCE INC	PSS	\$1,346	4.1%	44.4	90.91	7.6	10.7	2.1	6.3	8.83	0.0%
PITTSTON CO-BRINKS GROUP	PZB	@NA	6.4%	21.3	@NA	8.2	9.3	1.6	5.1	14.25	0.5%
PREMIER PARKS INC	PKS	\$2,026	8.4%	25.9	36.32	27.9	(78.1)	1.2	13.6	10.31	0.0%
PROMUS HOTEL CORP	PRH	\$2,548	-3.7%	32.4	35.91	24.4	16.8	2.4	12.1	10.31	0.0%
READERS DIGEST ASSN -CL A	RDIA	\$3,108	-10.4%	29.2	38.79	6.9	20.7	(0.1)	18.4	24.40	0.7%
ROLLINS INC	ROL	\$483	6.7%	16.0	146.40	0.9	72.7	6.1	40.3	3.36	1.3%
ROSS STORES INC	ROST	\$1,730	14.6%	19.5	9.18	10.2	11.5	4.2	10.8	51.48	0.7%
SAKS INC	SKS	\$2,263	8.6%	15.6	23.75	5.3	14.1	1.2	12.4	8.67	0.0%
SCHOLASTIC CORP	SCHL	\$999	19.8%	60.4	116.47	5.0	29.2	2.5	16.8	7.13	0.0%
SHAW INDUSTRIES INC	SHX	\$1,859	27.2%	13.5	10.14	8.5	10.6	2.8	18.8	13.93	1.5%
SOTHEBY'S HOLDINGS -CL A	BID	\$1,782	-11.7%	30.3	46.80	17.8	48.0	5.7	30.0	17.65	1.3%
STEWART ENTERPRISES -CL /	STEI	\$524	19.7%	4.7	5.75	24.0	4.9	0.6	7.3	8.46	1.7%
SUPERIOR INDUSTRIES INTL	SUP	\$700	17.1%	26.2	22.02	10.5	10.6	2.3	9.1	16.03	1.4%
SYLVAN LEARNING SYSTEMS I	SLVN	\$634	28.3%	12.4	10.59	13.5	12.4	1.4	12.4	11.59	0.0%
TECH DATA CORP	TECD	\$1,226	31.5%	23.6	39.89	1.4	10.0	1.3	7.0	9.03	0.0%
TIFFANY & CO	TIF	\$5,549	27.8%	76.9	275.56	10.2	47.5	10.4	44.8	10.62	0.3%
UNIFI INC	UFI	\$804	-7.3%	13.5	15.20	7.3	19.2	1.2	5.7	7.22	0.0%
USG CORP	USG	\$2,250	17.0%	45.5	43.02	12.9	6.2	4.7	5.5	31.41	1.3%
VIAD CORP	VVI	\$2,708	-9.1%	28.5	38.59	7.5	19.9	4.2	12.0	10.48	1.3%
WARNACO GROUP INC -CL A	WAC	\$626	6.5%	11.3	5.62	9.9	31.7	1.3	11.0	13.01	3.2%
WASHINGTON POST -CL B	WPO	\$5,689	5.9%	566.4	2,680.40	4.5	25.3	3.6	10.3	4.03	0.9%
WELLMAN INC	WLM	\$523	-5.8%	16.6	46.91	5.2	(13.9)	0.8	7.1	3.65	1.9%
WESTPOINT STEVENS INC	WXS	\$1,001	6.3%	18.6	22.05	12.2	11.5	(2.4)	6.2	82.35	0.4%
WILLIAMS-SONOMA INC	WSM	\$3,196	34.3%	57.1	182.18	7.7	47.8	10.1	36.2	10.78	0.0%

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Bold Blue - Favorable Drivers

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