

Intrinsic Value Weekly

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Memo to Old Guys

A recent interview on CNBC pitted a veteran of the last three market decades against very successful young portfolio manager who was in Junior High School during the 1987 market crash. The veteran tactfully mentioned that valuations were, by historical standards, at the high end of the range. The kid retorted that the markets have learned to handle higher valuations and the past is not a useful guide. The old guy said "We'll see".

The old guy was right and the kid is set up for a real blind-siding, gut-wrenching, experience-making time. The reasons for lousy PE's and high yields occurring during the last 30 years is, of course, high tax rates and high inflation. We have had a tough time getting to where we are now and if the kids don't know why we now have low costs of capital (high PE's), then there's a risk they could have to learn the old guy's wisdom the hard way. Last week's inflation numbers looked fine, but keep your eyes on gold, the dollar, and sneaky ways of boosting income tax rates.

ECONOMIC SECTOR VALUATION

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	(3.5%)	(22.3%)	(26.3%)
CONSUMER CYCLICALS	(1.5%)	(13.9%)	1.9%
CONSUMER STAPLES	23.7%	(14.0%)	(15.6%)
HEALTH	(4.4%)	(28.4%)	(29.1%)
ENERGY	(7.1%)	(28.1%)	(51.5%)
FINANCIAL	(2.9%)	(14.0%)	(25.3%)
CAPITAL GOODS	14.8%	(13.9%)	(20.5%)
TECHNOLOGY	27.4%	(3.5%)	1.1%
COMMUNICATIONS	20.5%	(5.9%)	(22.9%)
UTILITY	(21.8%)	(20.0%)	(14.6%)
TRANSPORTATION	(15.3%)	(9.0%)	(16.3%)
Weighted Total:	9.7%	(14.8%)	(14.0%)

Black - Overvalued

Red - (Undervalued)

WEEKLY PRICE CHANGE

SECTORS	S&P 500		S&P MIDCAP		S&P SMALL CAP	
	Weight	Price	Weight	Price	Weight	Price
prices as of 2/19/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.1%	(1.5%)	5.5%	(2.0%)	4.5%	(2.7%)
CONSUMER CYCLICALS	9.3%	1.7%	17.2%	0.1%	19.4%	(1.7%)
CONSUMER STAPLES	14.8%	(0.3%)	7.9%	(0.1%)	9.4%	(1.3%)
HEALTH	12.1%	(6.6%)	9.4%	(4.4%)	10.3%	(2.3%)
ENERGY	5.2%	(2.4%)	2.9%	(4.7%)	2.1%	(6.6%)
FINANCIAL	14.6%	4.2%	14.7%	1.4%	16.2%	(0.7%)
CAPITAL GOODS	8.1%	1.6%	9.0%	(1.1%)	12.1%	(2.6%)
TECHNOLOGY	20.2%	(2.2%)	17.8%	(1.6%)	17.7%	(3.1%)
COMMUNICATIONS	8.8%	1.7%	1.9%	(1.5%)	0.3%	4.9%
UTILITY	2.8%	2.4%	11.6%	1.7%	4.6%	1.1% *
TRANSPORTATION	0.9%	0.8%	2.0%	0.4%	3.5%	2.5%
Weighted Total:		(0.35%)		(0.63%)		(1.75%)

* Sector contains only 2 companies

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

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol	Name	Price 2/19/99	Intrinsic Value	+/- %	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	\$ 42.375	\$48.89	(13%)	2.0	(1.5%)
CTL	Century Telephone Ent.	\$ 62.313	\$62.64	(1%)	2.1	(3.1%)
DAL	Delta Air Lines, Inc.	\$ 55.063	\$74.44	(26%)	1.0	4.8%
G	Gillette Company	\$ 55.313	\$48.20	15%	7.1	(0.1%)
HD	Home Depot	\$ 60.500	\$54.30	11%	7.3	6.4%
INTC	Intel Corporation	\$128.063	\$112.11	14%	10.2	1.2%
LOW	Lowe's Companies	\$ 57.063	\$43.76	30%	4.8	5.7%
NYT	New York Times Co.	\$ 31.188	\$47.61	(34%)	2.4	(3.1%)
NUE	Nucor Corporation	\$ 43.250	\$68.82	(37%)	1.8	(7.2%)
SLB	Schlumberger Limited	\$ 49.188	\$55.18	(11%)	2.6	(2.2%)
WEN	Wendy's International	\$ 24.000	\$30.05	(20%)	1.8	3.5%
Average:						0.4%

Value Drivers

Standard Market Statistics

	Sales		Leverage at		Yield	PE	PB	PS
	Growth Last 12M	EBIT Margin %	ROC	Market				
ALD	4.5%	11.4%	11.8%	19.4%	1.4%	16.5	5.0	1.5
CTL	74.9%	29.7%	9.1%	31.9%	0.4%	27.2	4.8	3.9
DAL	3.2%	12.0%	14.2%	62.3%	0.2%	7.6	2.0	0.6
G	-1.7%	23.1%	20.2%	5.8%	0.9%	60.9	12.7	6.5
HD	22.7%	8.3%	11.8%	6.0%	0.2%	59.3	12.5	3.1
INTC	4.8%	39.4%	33.5%	0.5%	0.1%	38.7	10.8	8.8
LOW	19.9%	6.2%	10.4%	8.5%	0.2%	45.7	7.9	1.7
NYT	2.5%	16.5%	10.5%	17.7%	1.2%	22.6	3.8	2.3
NUE	-0.8%	11.0%	21.1%	6.1%	1.1%	16.3	2.3	1.0
SLB	2.4%	15.5%	14.6%	12.7%	1.5%	25.5	3.5	2.0
WEN	-4.4%	14.9%	11.9%	24.7%	1.0%	24.8	2.3	1.6

Notes on Intrinsic Value Portfolio

WEN took off last week, the market finally responding to the improvements the company has made to both sales growth and Return on Capital. More to come.

Both **HD** and **LOW** have continued to surprise on the upside. After earnings reports come in, we'll redo the valuations. **NUE** reacted to more concern on steel prices. Finally, **DAL** is moving in the right direction and fundamentals are still on track.

This week, we highlight another under-priced sector: MidCap Consumer Staples. These stocks have much more sales growth than their larger brethren and many even sport respectable yields.

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Consumer Staples - S&P MidCap Index

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Company Name	Ticker	Market Value Equity	Last 12MM Sales Growth	ROE	NOPAT Margin	PE Ratio	Price/ Book Ratio	Price/ Cash Flow	Return on Capital	Dividend Yield
BANTA CORP	BN	\$ 625.89	11.1%	10.5	5.2	13.3	1.7	5.6	9.0	2.59%
BERGEN BRUNSWIG CORP -CL	BBC	\$ 2,666.85	43.3%	0.5	1.3	294.7	4.6	0.0	16.7	1.17%
BOB EVANS FARMS	BOBE	\$ 855.48	9.3%	10.0	8.4	17.1	2.1	10.7	14.7	1.72%
BRINKER INTL INC	EAT	\$ 1,998.60	15.9%	11.6	9.6	23.3	3.1	11.0	12.1	0.00%
BUFFETS INC	BOCB	\$ 447.09	7.5%	10.7	5.4	10.4	1.5	5.0	8.1	0.00%
CARTER-WALLACE INC	CAR	\$ 756.28	5.0%	7.8	7.9	28.5	2.4	14.6	7.7	1.43%
CBRL GROUP INC	CBRL	\$ 1,139.01	13.8%	13.0	13.7	13.7	1.8	9.3	18.9	0.11%
CHRIS-CRAFT INDS	CCN	\$ 1,351.84	0.5%	6.8	(8.9)	50.4	1.0	28.1	(2.2)	0.00%
CHURCH & DWIGHT INC	CHD	\$ 791.22	19.0%	13.7	3.7	25.1	4.2	16.2	7.7	1.17%
DEAN FOODS CO	DF	\$ 1,370.20	17.0%	14.2	4.5	17.6	2.5	0.0	9.8	2.47%
DIAL CORPORATION	DL	\$ 3,018.45	11.9%	26.2	11.9	26.3	8.8	20.5	23.7	1.09%
DOLE FOOD CO INC	DOL	\$ 1,821.63	2.0%	24.0	6.4	151.6	2.7	14.4	8.1	1.30%
DREYER'S GRAND ICE CREAM I	DRYR	\$ 324.33	8.4%	4.3	1.6	(30.6)	3.0	12.8	3.5	1.01%
FLOWERS INDUSTRIES INC	FLO	\$ 2,408.23	162.7%	18.3	2.8	51.2	6.2	13.7	4.7	2.03%
HANNAFORD BROTHERS CO	HRD	\$ 1,968.55	3.0%	9.9	3.8	21.0	3.3	10.3	10.7	1.29%
HORMEL FOODS CORP	HRL	\$ 2,714.80	0.0%	17.1	5.9	19.4	3.2	13.3	13.1	1.79%
IBP INC	IBP	\$ 2,204.81	-3.1%	9.5	1.4	10.9	1.8	6.8	9.4	0.42%
INTERSTATE BAKERIES CP	IBC	\$ 1,706.34	4.1%	22.6	4.9	13.7	3.2	7.5	10.0	1.18%
INTL MULTIFOODS CORP	IMC	\$ 409.87	1.0%	6.5	2.2	114.9	1.5	0.0	7.6	3.66%
KELLY SERVICES INC -CL A	KELYA	\$ 957.42	6.2%	14.4	2.1	12.4	1.9	9.3	11.0	3.68%
LANCE INC	LNCE	\$ 449.84	-0.1%	16.1	9.6	20.2	3.0	11.4	21.3	6.40%
LONE STAR STEAKHOUSE SAL	STAR	\$ 395.82	5.4%	12.2	17.9	10.0	0.6	4.9	19.4	0.00%
MANPOWER INC/WI	MAN	\$ 1,781.66	21.1%	26.5	2.5	14.7	3.2	10.5	13.4	0.89%
MCCORMICK & CO	MCCRK	\$ 2,112.85	4.5%	24.8	7.9	20.8	5.6	13.8	15.3	2.34%
MODIS PROFESSIONAL SVCS I	MPS	\$ 1,595.53	15.0%	12.6	5.1	23.9	1.9	0.0	11.6	0.00%
OLSTEN CORP	OLS	\$ 594.39	12.2%	11.1	3.9	162.5	0.8	9.4	10.9	2.19%
OUTBACK STEAKHOUSE INC	OSSI	\$ 2,235.49	19.7%	14.1	8.2	23.4	4.1	15.8	15.5	0.00%
PERRIGO COMPANY	PRGO	\$ 650.09	0.1%	(15.0)	8.3	(8.1)	2.0	(11.5)	13.7	0.00%
PSS WORLD MEDICAL INC	PSSI	\$ 873.76	22.0%	4.1	4.2	35.5	2.8	0.0	12.7	0.00%
ROBERT HALF INTL INC	RHI	\$ 3,042.34	37.6%	22.4	12.3	27.2	8.2	22.4	41.4	0.00%
RUDDICK CORP	RDK	\$ 795.95	7.6%	11.4	5.2	17.5	2.0	7.1	11.3	1.88%
SBARRO INC	SBA	\$ 517.06	5.0%	16.4	17.3	17.0	2.5	10.0	26.7	0.00%
SMUCKER (JM) CO -CL A	SJM.A	\$ 684.34	5.2%	12.0	10.1	19.4	2.4	0.0	16.9	2.38%
STARBUCKS CORP	SBUX	\$ 4,373.49	31.7%	8.6	9.0	63.5	5.9	30.9	11.6	0.00%
SUIZA FOODS CORP	SZA	\$ 1,251.82	84.9%	11.0	5.6	11.3	3.0	0.0	11.7	0.00%
TCA CABLE TV INC	TCAT	\$ 2,226.65	25.4%	22.0	26.6	45.4	9.9	24.2	12.0	0.71%
TYSON FOODS INC -CL A	TSN	\$ 4,614.00	21.6%	1.3	6.0	139.6	2.5	16.5	9.8	0.50%
U S FOODSERVICE INC	UFS	\$ 2,295.06	10.4%	(6.4)	3.8	40.1	4.2	21.3	21.3	0.00%
UNIVERSAL FOODS CORP	UFC	\$ 1,130.43	2.9%	17.9	15.0	15.5	2.8	10.1	16.0	2.39%
VLASIC FOODS INTERNATIONA	VL	\$ 796.16	-10.4%	(5.4)	3.6	@NA	8.6	0.0	6.5	0.00%
WHITMAN CORP	WH	\$ 1,908.95	5.0%	2.9	8.3	31.5	3.7	14.1	5.9	1.06%