

Intrinsic Value Weekly

Volume 3, No. 12

Published Weekly by Intrinsic Value Associates, LLC

March 20, 2000

"Yes.....! But it isn't over yet"

When your stocks get very under-priced, the elation that you feel when they rebound is natural, but dangerous. We've been talking for months about the drag of Fed policy on stock prices. This price erosion has nothing at all to do with the building of intrinsic value in companies. The business values continue to rise, but at each point on the scale of cost of capital, those business values are different. Take any cost of capital number and look at the operations of any company. If the company is running its operations at a return on capital higher than its cost of capital and growing the business at a rate higher than nominal GDP growth, the company's intrinsic value will rise over time. But, for companies that are close to the edge, ROC just higher than COC, an increase in COC may push the company into a negative ROC-COC spread. Normally, we'd read that as a signal for that company to begin shrinking its operations by shedding its lowest return activities. But when the Cost of Capital has risen as a result of Fed policy designed to slow the economy instead of controlling inflation, we think that signal is a "head fake". Because the Fed policy of slowing the economy is likely to be temporary and soon viewed generally as ill-advised, companies in that condition should persevere with growth plans and work hard to increase both revenue growth and Returns on Capital. For investors, this period will continue to be volatile with prices often sinking well below intrinsic value for many stocks. Now we know that this can occur for Technology stocks too. And for those Techs that are still over-priced, we're confident that their prices will get with the program soon.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 3/17/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgt LP	3/6/2000	\$ 39.563	\$48.58	(18.6%)	6.6	7.1%
HON	Honeywell Int'l Inc.	4/29/1999	\$ 46.875	\$64.60	(27.4%)	2.0	3.3%
BGP	Borders Group, Inc.	3/6/2000	\$ 16.563	\$33.81	(51.0%)	1.1	16.2%
BGG	Briggs & Stratton	3/6/2000	\$ 41.188	\$106.86	(61.5%)	1.3	31.5%
CTL	CenturyTel, Inc.	3/6/2000	\$ 36.500	\$50.51	(27.7%)	1.0	9.6%
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 49.750	\$66.30	(25.0%)	0.9	4.1%
G	Gillette Company	3/2/2000	\$ 34.438	\$50.55	(31.9%)	3.9	14.3%
LOW	Lowes Companies	3/6/2000	\$ 51.438	\$63.82	(19.4%)	3.0	14.3%
MLHR	Herman Miller, Inc.	3/6/2000	\$ 24.625	\$46.28	(46.8%)	2.3	19.4%
NYT	New York Times Co.	2/10/2000	\$ 43.313	\$49.37	(12.3%)	2.2	3.9%
NUE	Nucor Corporation	3/6/2000	\$ 49.750	\$59.99	(17.1%)	1.7	3.5%
PFE	Pfizer, Inc.	6/23/1999	\$ 35.813	\$44.97	(20.4%)	9.4	2.3%
WEN	Wendy's International	3/6/2000	\$ 16.938	\$24.49	(30.8%)	1.3	5.4%

Average: **(30.9%)** Average: **10.4%**
S&P 500 **5.0%**

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Value Drivers					Standard Market Statistics				
	Capital Turnover	Sales Growth Last 12M	EBIT Margin %	Return On Capital	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/ Book	Price/ Sales	Market Cap (\$billions)
AC	1.4	41.2%	27.7%	38.6%	67.7%	6.3%	17.3	14.8	3.6	6.4
HON	1.2	0.7%	13.8%	14.0%	(1.0%)	1.6%	17.7	4.4	1.6	38.3
BGP	0.9	15.6%	6.4%	8.8%	15.6%	0.0%	10.9	1.3	0.4	1.0
BGG	2.2	14.4%	12.0%	26.4%	17.3%	2.9%	5.4	2.1	0.6	0.8
CTL	0.4	6.3%	30.3%	0.0%	2.8%	0.5%	19.5	3.0	3.0	4.7
DAL	0.7	4.5%	12.7%	10.4%	7.7%	0.2%	4.9	1.4	0.5	6.1
G	0.9	(1.6%)	23.1%	17.1%	(4.4%)	1.7%	30.4	8.2	3.8	37.8
LOW	2.5	21.6%	7.4%	18.2%	30.0%	0.3%	27.2	5.4	1.2	18.3
MLHR	2.0	(1.3%)	12.7%	18.4%	(0.2%)	0.6%	12.1	7.8	1.1	1.6
NYT	1.0	6.6%	18.7%	0.0%	12.8%	1.0%	23.9	5.0	2.4	7.3
NUE	1.6	(3.4%)	9.9%	12.6%	25.0%	1.0%	17.7	2.1	1.1	4.3
PFE	1.0	19.6%	27.0%	20.2%	16.6%	1.0%	37.8	14.2	8.6	124.4
WEN	0.8	6.4%	12.6%	9.2%	11.8%	1.4%	11.5	1.8	1.0	1.9

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	12.0%	(31.0%)	(13.5%)
CONSUMER CYCLICALS	(15.6%)	(25.3%)	(16.0%)
CONSUMER STAPLES	(15.4%)	(14.0%)	(13.8%)
HEALTH	(34.5%)	(3.3%)	24.4%
ENERGY	0.3%	75.3%	31.4%
FINANCIAL	(15.9%)	(39.1%)	(31.1%)
CAPITAL GOODS	14.1%	21.3%	4.4%
TECHNOLOGY	46.9%	62.2%	110.9%
COMMUNICATIONS	3.4%	58.7% *	169.5% *
UTILITY	(19.0%)	(18.9%)	(21.1%)
TRANSPORTATION	(37.8%)	(27.0%)	(20.3%)
Weighted Total:	9.1%	16.2%	33.1%

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 3/17/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.4%	9.0%	4.0%	7.0%	3.4%	3.8%
CONSUMER CYCLICALS	8.2%	11.6%	11.8%	11.5%	15.3%	8.2%
CONSUMER STAPLES	9.8%	8.5%	8.0%	6.9%	6.4%	(0.3%)
HEALTH	9.1%	4.5%	9.1%	(5.5%)	12.3%	(10.0%)
ENERGY	5.3%	0.3%	5.2%	1.1%	3.2%	1.0%
FINANCIAL	12.4%	15.3%	8.8%	13.2%	9.5%	6.2%
CAPITAL GOODS	7.8%	6.3%	8.1%	2.4%	12.4%	2.1%
TECHNOLOGY	34.0%	(0.7%)	33.4%	(5.5%)	31.3%	(7.4%)
COMMUNICATIONS	8.2%	(0.1%)	1.5%	(2.8%) *	1.0%	(12.0%) *
UTILITY	2.3%	3.9%	9.0%	3.4%	2.8%	2.5%
TRANSPORTATION	0.5%	0.5%	1.1%	17.3%	2.4%	7.6%
Index Total:		5.0%		0.5%		(1.5%)

* Sector contains only 3 companies

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

Sector Comments The old saw, "Don't fight the Fed", is particularly apt this week. The big news wasn't so much the rebound in what anyone with sense could see was a broad array of under-priced stocks. The big story was the drop in the sectors that seemed immune to the laws of valuation. Most of the adjustment happened in Mid Cap and Small Cap Tech, Communications and Biotech. Current valuation disparities continue in the Technology, Capital Goods and Communications sectors, but under-pricing in Consumer, Health, Utility and Transportation issues make for good opportunity for the investor with any but a very short time horizon. The key factor in selection within these under-priced groups continues to be revenue growth. Many companies are still deep into restructuring and re-alignment programs and haven't been able to produce rising intrinsic values. The future winners among lagging sectors are already displaying good growth and margin expansion. We speculate that much of the continuing disparity arises from the popular, but flawed distinction between "new economy" and "old economy" stocks. Companies that are increasingly active in using technology and communications advances to improve their efficiency and sales growth objectives are clearly able to show better fundamental profit advances. But many of these companies do not have "dot com" in their names, so are ignored by investors. We believe that major opportunity exists there and urge investors to search for these gems. On Page 3 this week, we highlight the fundamental drivers for Large Capitalization Consumer Cyclicals. Note the revenue growth numbers.

(\$millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
\$	12,359,643	\$988,492	\$ 412,047
	89.8%	7.2%	3.0%

Intrinsic Value Weekly

Look for Revenue Growth to find Winners

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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	Return on Capital	Dividend Yield
AMERICAN GREETINGS -CL A	AM	\$1,089	-2.4%	16.9	35.22	11.0	12.2	0.9	4.7	8.99	4.7%
ARMSTRONG WORLD INDS INC	ACK	\$730	0.2%	18.1	0.00	0.0	52.8	1.1	4.0	-	10.6%
AUTOZONE INC	AZO	\$3,360	8.4%	24.3	24.31	9.5	14.1	2.6	9.6	10.54	0.0%
BED BATH & BEYOND INC	BBBY	\$4,482	33.9%	31.9	17.77	11.6	33.8	9.6	36.9	43.94	0.0%
BEST BUY CO INC	BBY	\$15,229	24.7%	74.5	26.22	3.5	37.9	10.8	81.7	19.02	0.0%
BLACK & DECKER CORP	BDK	\$3,177	5.7%	36.4	58.25	10.4	9.5	3.6	6.9	12.96	1.3%
BLOCK H & R INC	HRB	\$4,366	75.8%	44.9	(0.82)	4.2	20.4	4.0	14.1	3.01	2.4%
BRUNSWICK CORP	BC	\$1,486	5.1%	16.2	34.68	6.8	43.1	1.2	7.3	10.78	3.1%
CARNIVAL CORP	CCL	\$13,227	10.2%	21.4	23.72	29.1	17.2	3.0	10.4	14.75	2.0%
CENDANT CORP	CD	\$11,968	5.0%	16.9	9.82	28.4	(59.4)	5.7	84.3	9.67	0.0%
CENTEX CORP	CTX	\$1,364	13.8%	23.1	106.50	9.8	4.6	1.0	5.1	17.44	0.7%
CIRCUIT CITY STR CRCT CTY (CC	\$9,806	9.8%	48.2	20.53	5.8	32.0	4.5	34.9	9.05	0.1%
CONSOLIDATED STORES CORP	CNS	\$1,538	9.3%	13.9	23.30	3.8	12.9	1.0	7.9	6.86	0.0%
COOPER TIRE & RUBBER	CTB	\$882	41.3%	11.6	30.39	10.9	6.0	0.9	3.8	11.96	3.6%
COSTCO WHOLESALE CORP	COST	\$24,078	17.4%	53.9	16.27	2.2	40.7	6.2	32.3	10.45	0.0%
DANA CORP	DCN	\$4,099	6.3%	25.1	83.31	8.7	6.9	1.2	4.0	12.60	4.9%
DELPHI AUTOMOTIVE SYS CO	DPH	\$9,062	-7.1%	16.1	32.79	6.3	8.5	2.9	4.7	14.64	1.7%
DILLARDS INC -CL A	DDS	\$1,692	0.5%	16.1	45.33	6.6	11.2	0.7	4.6	7.74	1.0%
DOLLAR GENERAL	DG	\$6,278	18.6%	23.8	24.06	9.0	25.8	6.4	22.4	36.46	0.5%
DOW JONES & CO INC	DJ	\$6,433	13.7%	71.6	31.63	15.5	20.7	10.1	17.1	12.89	1.4%
DUN & BRADSTREET CORP	DNB	\$4,614	-1.9%	28.7	21.15	16.7	16.6	(10.1)	13.9	20.20	2.6%
FEDERATED DEPT STORES	FD	\$8,412	18.2%	40.1	53.50	7.1	9.7	1.3	6.4	10.42	0.0%
FORD MOTOR CO	F	\$54,532	17.2%	44.6	0.00	0.0	6.9	2.2	1.5	-	4.5%
GANNETT CO	GCI	\$19,559	7.9%	70.4	0.00	0.0	19.8	4.6	16.3	-	1.2%
GAP INC	GPS	\$39,514	27.4%	46.4	31.53	15.6	36.6	26.3	35.3	12.95	0.2%
GENERAL MOTORS CORP	GM	\$49,630	-2.0%	80.1	0.00	0.0	8.7	4.0	2.8	-	2.5%
GENUINE PARTS CO	GPC	\$4,210	16.1%	23.8	53.89	8.4	10.7	2.0	9.0	16.43	4.4%
GOODYEAR TIRE & RUBBER CO	GT	\$3,664	10.9%	23.4	12.88	3.8	14.9	1.0	4.5	4.58	5.1%
HARCOURT GENERAL INC	H	\$2,560	@AF	35.7	28.27	14.2	20.5	3.8	10.6	12.02	2.4%
HARLEY-DAVIDSON INC	HDI	\$12,380	17.5%	81.8	33.53	16.6	38.9	10.1	41.6	24.24	0.2%
HARRAHS ENTERTAINMENT IN	HET	\$2,332	42.5%	18.8	0.00	0.0	11.0	2.3	5.5	-	0.0%
HASBRO INC	HAS	\$3,050	22.0%	15.7	28.21	9.3	16.2	1.6	8.2	12.26	1.5%
HILTON HOTELS CORP	HLT	\$1,992	64.5%	7.8	14.77	27.0	12.1	9.8	6.5	8.74	1.0%
HOME DEPOT INC	HD	\$145,864	26.4%	63.4	9.17	6.4	56.1	14.6	70.6	11.63	0.3%
IMS HEALTH INC	RX	\$7,159	3.1%	23.3	8.37	20.3	25.8	7.8	27.0	15.94	0.3%
INTERPUBLIC GROUP OF COS	IPG	\$11,837	28.1%	42.1	9.94	10.0	34.9	8.9	25.1	9.04	0.1%
JOSTENS INC	JOS	\$800	7.7%	24.0	0.00	0.0	18.9	14.4	11.7	-	3.7%
K MART CORP	KM	\$4,506	5.3%	9.3	21.87	4.2	7.3	0.7	3.8	7.72	0.0%
KAUFMAN & BROAD HOME CO	KBH	\$909	47.9%	20.5	56.21	7.6	6.1	1.3	4.9	14.64	1.5%
KNIGHT-RIDDER INC	KRI	\$4,227	5.8%	51.4	121.11	19.0	11.5	2.2	8.2	30.98	1.8%
KOHL'S CORP	KSS	\$14,642	24.7%	89.8	38.79	9.8	47.7	10.3	42.2	17.14	0.0%
LEGGETT & PLATT INC	LEG	\$3,926	15.2%	20.0	37.26	14.1	11.5	2.3	10.5	19.59	2.0%
LIMITED INC	LTD	\$8,029	0.9%	37.4	21.84	8.4	17.0	3.4	3.6	8.00	1.6%
LIZ CLAIBORNE INC	LIZ	\$2,795	11.0%	46.5	67.94	11.2	12.0	2.4	13.2	28.41	1.0%
LOWES COS	LOW	\$19,668	30.0%	51.4	42.27	7.4	27.2	5.4	19.5	18.23	0.3%
MARRIOTT INTL INC	MAR	\$7,805	188.2%	31.7	0.00	0.0	17.0	2.6	13.9	-	0.7%

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@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

Red - Warning

Bold Blue - Favorable Drivers

Source: Standard & Poors Corporation Compustat Research Insight®, Intrinsic Value Associates, LLC

Intrinsic Value Weekly

Look for Revenue Growth to find Winners

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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	Return on Capital	Dividend Yield
MASCO CORP	MAS	\$9,751	49.7%	22.0	30.67	17.9	14.0	2.2	12.2	16.18	2.2%
MATTEL INC	MAT	\$4,611	14.7%	10.9	0.00	0.0	(45.8)	1.6	22.0	-	3.3%
MAY DEPARTMENT STORES C	MAY	\$9,967	3.7%	30.1	70.99	12.7	10.1	2.3	7.8	20.28	3.1%
MAYTAG CORP	MYG	\$2,510	9.4%	30.5	90.08	13.1	7.0	4.6	6.3	22.80	2.4%
MCGRAW-HILL COMPANIES	MHP	\$9,670	10.2%	49.3	21.09	10.3	23.4	6.5	20.6	11.18	1.9%
MEREDITH CORP	MDP	\$1,291	4.4%	25.8	16.91	10.3	16.6	3.5	9.7	10.81	1.2%
MIRAGE RESORTS INC	MIR	\$3,467	22.4%	18.3	0.00	0.0	21.3	1.8	10.0	-	0.0%
NEW YORK TIMES CO -CL A	NYT	\$7,529	12.8%	43.3	0.00	0.0	23.9	5.0	14.8	-	1.0%
NIKE INC -CL B	NKE	\$8,867	-0.7%	32.1	28.14	7.4	15.2	2.4	13.6	11.56	1.5%
NORDSTROM INC	JWN	\$3,222	6.5%	23.9	17.44	5.3	14.5	2.3	8.8	9.02	1.3%
OFFICE DEPOT INC	ODP	\$3,768	18.4%	11.4	24.42	5.3	17.2	2.2	11.3	10.79	0.0%
OMNICOM GROUP	OMC	\$15,704	25.4%	88.5	25.10	11.5	45.5	14.6	35.7	13.67	0.8%
OWENS CORNING	OWC	\$1,010	1.0%	18.4	79.71	11.3	2.9	(0.7)	2.1	13.09	1.6%
PENNEY (J C) CO	JCP	\$3,998	5.6%	15.4	8.04	4.3	13.6	0.6	3.1	4.99	7.5%
PEP BOYS-MANNY MOE & JACK	PBY	\$312	-1.5%	6.1	0.49	3.9	10.7	0.5	3.7	4.16	4.4%
PULTE CORP	PHM	\$814	36.8%	18.8	96.43	9.3	4.1	0.7	@CF	20.55	0.9%
REEBOK INTERNATIONAL LTD	RBK	\$520	-11.7%	9.3	15.88	4.0	40.0	0.8	7.6	7.25	0.0%
RUSSELL CORP	RML	\$452	10.5%	13.7	18.25	5.9	55.2	0.8	7.6	5.85	4.1%
SEARS ROEBUCK & CO	S	\$11,669	2.3%	30.9	58.80	7.0	7.2	1.7	6.2	8.17	3.0%
SERVICE CORP INTERNATIONAL	SRV	\$884	4.8%	3.3	(10.15)	16.9	(28.4)	0.3	1.7	3.94	11.1%
SHERWIN-WILLIAMS CO	SHW	\$3,603	3.2%	21.8	0.00	0.0	10.6	1.9	7.8	-	2.5%
SNAP-ON INC	SNA	\$1,518	14.5%	25.9	22.76	7.4	10.0	1.7	39.6	8.03	3.5%
SPRINGS INDUSTRIES -CL A	SMI	\$675	4.0%	37.9	90.07	6.0	9.2	0.9	5.7	9.42	3.5%
STANLEY WORKS	SWK	\$2,325	2.2%	26.0	37.00	9.9	13.8	3.0	11.0	14.64	3.4%
STAPLES INC	SPLS	\$10,716	27.1%	22.1	16.69	6.3	39.7	7.5	21.9	25.91	0.0%
TANDY CORP	TAN	\$8,986	15.0%	46.5	9.61	5.2	25.2	9.5	56.5	7.81	0.5%
TARGET CORP	TGT	\$31,678	7.8%	69.5	30.97	4.3	22.3	5.2	17.6	11.34	0.6%
TIMES MIRROR COMPANY -SE	TMC	\$5,584	3.3%	93.5	39.10	12.9	14.4	5.8	28.5	28.57	0.9%
TJX COMPANIES INC	TJX	\$5,892	11.4%	19.0	(110.50)	8.1	9.7	4.2	10.7	1.95	0.7%
TOYS R US INC	TOY	\$2,984	1.8%	12.4	0.69	3.7	10.9	0.9	25.3	4.05	0.0%
TRIBUNE CO	TRB	\$8,910	8.2%	37.5	0.00	0.0	6.3	4.2	5.2	-	1.1%
TRW INC	TRW	\$6,833	58.0%	56.2	29.18	3.9	12.4	2.7	5.7	7.40	2.3%
VF CORP	VFC	\$3,014	1.5%	25.5	53.38	9.1	8.1	1.4	5.5	14.82	3.5%
WAL-MART STORES	WMT	\$248,296	26.0%	55.8	23.85	4.9	39.1	10.3	39.3	18.26	0.4%
WHIRLPOOL CORP	WHR	\$4,247	-1.7%	57.1	160.70	8.6	11.8	2.1	5.8	16.09	2.4%
YOUNG & RUBICAM INC	YNR	\$2,989	14.9%	42.9	27.44	11.4	20.8	29.2	(135.4)	17.51	0.2%

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Red - Warning

Bold Blue - Favorable Drivers

Source: Standard & Poors Corporation Compustat Research Insight®, Intrinsic Value Associates, LLC

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