

Intrinsic Value Weekly

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"The Return of the Old Guys"

It isn't often that the Intrinsic Value Portfolio outperforms the S&P 500 Index by 8.6% in one week. But last week might as well be called the "Return of the Old Guys", starring companies that actually have revenues, earnings and a commitment to build intrinsic value for their shareholders. Again, if you had to have it proved to you once more, the rule that **you have to own it to win** gets proved again. You cannot wait and hope that prices will get just a bit lower. It also suggests that if you can't time the market (who can?), then you should average in by buying regularly over time. But, of course, if the discount to intrinsic value is large enough, then you have a margin of safety. That doesn't mean the price has bottomed, it could fall further. But, if you have at least a medium-term investment time horizon, your risk of loss is minimized. After all, it is the growth of your capital which is the reason for investing in the first place. If you are a trader, you don't want to use intrinsic value. Having a large margin of safety isn't relevant to the trader. The trader only wants information that will help inform him about the next hour, the next day, the next week. But investors need to possess patience as a primary qualification. And the confidence that buying shares in a good business at a price that gives a margin of safety will produce respectable growth of capital. So, have the patience to wait for opportunity if a stock's price doesn't give a sufficient margin of safety. And if you've already invested at a satisfactory price, have the patience to wait for the intrinsic value gap to close and give you a good return. Patience and confidence are keys to excellence in investment returns.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 3/31/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgt LP	3/6/2000	\$ 41.438	\$48.58	(14.7%)	3.9	(2.4%)
HON	Honeywell Int'l Inc.	4/29/1999	\$ 52.688	\$64.60	(18.4%)	2.0	6.2%
BGP	Borders Group, Inc.	3/6/2000	\$ 17.188	\$33.81	(49.2%)	1.1	5.8%
BGG	Briggs & Stratton	3/6/2000	\$ 41.125	\$106.86	(61.5%)	1.3	1.9%
CTL	CenturyTel, Inc.	3/6/2000	\$ 37.125	\$50.51	(26.5%)	1.6	2.6%
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 53.250	\$66.30	(19.7%)	0.9	1.2%
G	Gillette Company	3/2/2000	\$ 37.688	\$50.55	(25.4%)	3.2	6.0%
LOW	Lowe's Companies	3/6/2000	\$ 58.375	\$63.82	(8.5%)	3.0	8.6%
MLHR	Herman Miller, Inc.	3/6/2000	\$ 28.000	\$46.28	(39.5%)	2.3	7.7%
NYT	New York Times Co.	2/10/2000	\$ 42.938	\$49.37	(13.0%)	2.9	(4.6%)
NUE	Nucor Corporation	3/6/2000	\$ 50.000	\$59.99	(16.7%)	1.7	0.4%
PFE	Pfizer, Inc.	6/23/1999	\$ 36.563	\$44.97	(18.7%)	8.0	4.8%
WEN	Wendy's International	3/6/2000	\$ 20.188	\$24.49	(17.6%)	1.3	9.1%

Average: (26.2%) Average: 3.6%
S&P 500 (1.9%)

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Capital Turnover	Sales				Quarterly Sales Y/Y	Yield	PE Last 12M	Price/ Book	Price/ Sales	Market Cap (\$billions)
		Growth Last 12M	EBIT Margin %	Return On Capital	Return On Capital						
AC	1.4	41.2%	29.5%	0.0%	67.7%	6.0%	13.9	14.8	3.8	6.4	
HON	1.2	0.7%	13.8%	14.0%	(1.0%)	1.4%	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%	11.1%	2.8%	0.5%	19.5	2.6	3.1	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%)	21.3%	0.0%	(4.4%)	1.6%	30.7	8.2	4.1	37.5	
LOW	2.5	21.6%	7.4%	18.2%	30.0%	0.2%	27.2	5.4	1.4	18.3	
MLHR	2.0	2.7%	12.7%	18.4%	13.4%	0.5%	12.1	7.8	1.2	1.6	
NYT	1.1	6.6%	18.7%	13.1%	12.8%	1.0%	23.9	5.1	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	1.1	19.6%	29.7%	25.0%	16.6%	1.0%	37.8	13.9	8.7	123.6	
WEN	0.8	6.4%	12.6%	9.2%	11.8%	1.2%	11.5	1.8	1.2	1.9	

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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	14.3%	(26.8%)	(14.2%)
CONSUMER CYCLICALS	(12.3%)	(19.7%)	(15.9%)
CONSUMER STAPLES	(12.1%)	(4.9%)	(14.4%)
HEALTH	(34.3%)	(0.7%)	6.8%
ENERGY	8.4%	95.4%	42.5%
FINANCIAL	(12.3%)	(34.5%)	(29.0%)
CAPITAL GOODS	22.2%	21.2%	5.0%
TECHNOLOGY	37.7%	52.3%	83.6%
COMMUNICATIONS	4.4%	57.4% *	145.0% *
UTILITY	(16.5%)	(16.9%)	(19.8%)
TRANSPORTATION	(35.5%)	(25.9%)	(16.7%)
Weighted Total:	8.2%	15.8%	20.3%

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 3/31/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.5%	0.8%	4.1%	5.6%	3.6%	(0.4%)
CONSUMER CYCLICALS	8.2%	1.3%	12.3%	6.8%	16.1%	(0.7%)
CONSUMER STAPLES	9.8%	2.0%	8.1%	7.9%	6.7%	(1.0%)
HEALTH	8.8%	2.3%	9.1%	1.9%	11.1%	(9.2%)
ENERGY	5.4%	3.5%	5.7%	5.1%	3.7%	4.9%
FINANCIAL	12.9%	(2.2%)	9.2%	3.2%	10.3%	0.4%
CAPITAL GOODS	8.1%	(1.2%)	8.4%	(1.5%)	13.3%	(2.0%)
TECHNOLOGY	33.3%	(6.2%)	31.9%	(9.8%)	28.7%	(13.2%)
COMMUNICATIONS	8.1%	1.0%	1.5%	1.7% *	1.0%	(13.8%) *
UTILITY	2.3%	3.8%	8.6%	3.1%	3.0%	0.8%
TRANSPORTATION	0.4%	0.7%	1.1%	0.7%	2.6%	0.9%
Index Total:		(1.9%)		0.3%		(4.7%)

* Sector contains only 3 companies

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

Sector Comments You may recall that we talked on March 8th about the seeming immunity of Technology, Capital Goods and Communications stocks to the increases we had seen in the Cost of Equity Capital. It's ironic now that since recent reductions in COEC that those stocks are now moving back toward fair value. They have quite a way to go. However, as we get new data in our accounting database reflecting 1999 starting points, we expect that fair values will be marked up somewhat. The Consumer Stocks and Financial have begun to perk up, especially since interest rates have dropped nearly 80 basis points from their peak. While the talk is still of more Fed tightening, bond investors seem satisfied that markets work and that inflation is not a problem. Utility and Transportation stocks still appear very cheap, but with the likelihood that energy prices remaining high and the turmoil of deregulation in electric utilities, much patience will be required to close those intrinsic value gaps.

Finally, on Page 3 this week we show the drivers for Large Cap Health Stocks. The combination of politicizing drug prices and worries about genetic patents have brought about huge discounts among the pharmaceutical portion of the Health sector. Note the frequent combination of substantial current revenue growth and market PE multiples.

(Millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
\$	12,712,555	\$1,017,883	\$ 392,887
	90.0%	7.2%	2.8%

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Large Cap Health - High Growth with Low Multiples...Nice

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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
ABBOTT LABORATORIES	ABT	\$54,437	4.1%	35.2	34.46	27.5	20.8	6.9	16.6	34.69	1.9%
AETNA INC	AET	\$7,919	37.0%	55.5	(548.41)	5.4	8.6	0.5	@CF	1.39	1.4%
ALLERGAN INC	AGN	\$6,491	10.4%	50.0	23.48	16.9	35.4	10.3	24.8	17.70	0.6%
ALZA CORP	AZA	\$3,839	12.1%	37.6	0.00	0.0	40.8	7.0	31.8	-	0.0%
AMERICAN HOME PRODUCTS (AHP	\$70,085	7.3%	53.8	0.00	0.0	(46.3)	5.9	(128.6)	-	1.7%
AMGEN INC	AMGN	\$62,474	22.8%	61.4	21.93	43.7	63.7	23.0	49.1	46.98	0.0%
BARD (C.R.) INC	BCR	\$1,965	0.5%	38.7	35.16	13.6	17.1	3.5	11.8	13.48	2.1%
BAUSCH & LOMB INC	BOL	\$2,994	8.9%	52.2	0.00	0.0	29.5	3.5	13.9	-	2.0%
BAXTER INTERNATIONAL INC	BAX	\$18,192	10.3%	62.7	0.00	0.0	20.3	5.5	16.7	-	1.9%
BECTON DICKINSON & CO	BDX	\$6,620	11.7%	26.3	23.94	14.8	28.4	4.5	15.2	12.87	1.4%
BIOGEN INC	BGEN	\$10,482	33.8%	69.9	0.00	0.0	73.4	22.1	42.6	-	0.0%
BIOMET INC	BMET	\$4,105	11.1%	36.4	30.67	30.3	30.0	4.8	29.8	27.52	0.4%
BOSTON SCIENTIFIC CORP	BSX	\$8,839	0.0%	21.3	27.86	26.8	20.3	8.8	(61.9)	21.45	0.0%
BRISTOL MYERS SQUIBB	BMJ	\$115,054	10.7%	58.0	33.35	25.0	27.3	15.0	30.6	38.72	1.7%
COLUMBIA/HCA HLTHCR -VTG	COL	\$14,258	-10.8%	25.3	27.20	9.9	17.4	1.6	10.0	9.83	0.3%
GUIDANT CORP	GDT	\$18,065	16.7%	58.9	35.04	31.4	58.6	36.6	42.7	43.25	0.0%
HEALTHSOUTH CORP	HRC	\$2,197	-3.9%	5.7	11.15	17.2	25.7	0.6	6.1	8.21	0.0%
HUMANA INC	HUM	\$1,225	4.3%	7.3	28.24	3.9	(3.0)	0.7	4.8	11.77	0.0%
JOHNSON & JOHNSON	JNJ	\$97,625	8.0%	70.3	47.59	17.2	24.0	6.2	17.4	19.62	1.6%
LILLY (ELI) & CO	LLY	\$68,276	3.6%	62.6	42.78	33.0	25.4	12.9	22.9	44.42	1.7%
MALLINCKRODT INC	MKG	\$2,000	6.9%	28.8	15.12	7.2	9.1	1.7	6.7	5.56	2.3%
MANOR CARE INC	HCR	\$1,381	-3.4%	13.5	0.00	0.0	(16.7)	0.8	25.9	-	0.0%
MEDTRONIC INC	MDT	\$61,468	18.2%	51.4	13.31	24.9	61.7	15.5	88.3	30.01	0.3%
MERCK & CO	MRK	\$144,694	19.0%	62.1	0.00	0.0	24.5	11.4	20.7	-	1.9%
PFIZER INC	PFE	\$140,658	16.6%	36.6	14.19	23.2	37.8	13.9	37.9	25.01	1.0%
PHARMACIA & UPJOHN INC	PNU	\$30,920	5.1%	59.5	21.71	12.6	31.1	4.4	25.3	9.31	1.8%
QUINTILES TRANSNATIONAL C	QTRN	\$1,961	31.9%	17.1	16.18	11.5	46.4	4.6	9.6	10.36	0.0%
SCHERING-PLOUGH	SGP	\$54,648	11.9%	37.1	23.61	25.6	24.3	10.0	23.6	33.80	1.3%
ST JUDE MEDICAL INC	STJ	\$2,163	13.2%	25.8	0.00	0.0	89.7	2.7	27.4	-	0.0%
TENET HEALTHCARE CORP	THC	\$7,250	8.5%	23.3	29.31	11.4	21.9	1.4	10.8	8.43	0.0%
UNITED HEALTHCARE CORP	UNH	\$9,985	7.5%	59.6	0.00	0.0	15.7	2.3	12.5	-	0.1%
WARNER-LAMBERT CO	WLA	\$84,212	22.8%	97.7	0.00	0.0	42.1	19.5	40.2	-	1.0%
WATSON PHARMACEUTICALS	WPI	\$3,802	23.7%	39.7	19.37	23.4	21.9	4.8	23.3	15.22	0.0%
WELLPOINT HLTH NETWRK -C	WLP	\$4,446	15.4%	69.9	0.00	0.0	15.0	3.4	12.3	-	0.0%

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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