

Intrinsic Value Weekly

Volume 3, No. 15

Published Weekly by Intrinsic Value Associates, LLC

April 10, 2000

"The Lawn is Growing Again"

Only five of twelve stocks in the IV Portfolio did well last week. **Lowes Cos. (LOW - NYSE)** is approaching intrinsic value, so should be watched carefully.

Briggs & Stratton (BGG -NYSE) is down 22% in price this year, but its intrinsic value has risen. Sales, cash flow and margins are all doing well we believe. Further, the company is continuing its policy of repurchasing stock, authorizing another 1 million share program last month (**BGG** had about 23 million shares outstanding at 12/31/1999). And, at these levels of discount, a repurchase really has punch. The company has plenty of financial muscle and a fast-growing emergency power business that is benefiting from increasing solar activity causing violent weather and power outages. As more businesses are run from home, back-up power is needed to maintain computers and office equipment. We expect that over a period of years, the seasonality associated with lawnmower sales will diminish somewhat as other small-engine applications increase as a percentage of sales. While the lawnmower application doesn't show much growth, other uses are adding significantly to the cash flow of the company and efficiencies in plant use are increasing the productivity of its capital. This is a classic case of rising Return on Capital being overlooked by analysts focusing on earnings per share and potential problems in the main business (low historical growth rates, EPA concerns). As the largest discount among the IV Portfolio members, **BGG** is overlooked, under-appreciated and under-priced.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 4/7/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgt LP	3/6/2000	\$ 42.125	\$48.58	(13.3%)	7.9	1.7%
HON	Honeywell Int'l Inc.	4/29/1999	\$ 51.625	\$64.60	(20.1%)	2.2	(2.0%)
BGP	Borders Group, Inc.	3/6/2000	\$ 16.063	\$33.81	(52.5%)	1.2	(6.5%)
BGG	Briggs & Stratton	3/6/2000	\$ 40.000	\$106.86	(62.6%)	1.6	(2.7%)
CTL	CenturyTel, Inc.	3/6/2000	\$ 39.688	\$50.51	(21.4%)	1.7	6.9%
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 53.625	\$66.30	(19.1%)	0.9	0.7%
G	Gillette Company	3/2/2000	\$ 38.563	\$50.55	(23.7%)	4.8	2.3%
LOW	Lowes Companies	3/6/2000	\$ 60.625	\$63.82	(5.0%)	3.6	3.9%
MLHR	Herman Miller, Inc.	3/6/2000	\$ 26.234	\$46.28	(43.3%)	2.9	(6.3%)
NYT	New York Times Co.	2/10/2000	\$ 42.813	\$49.37	(13.3%)	2.9	(0.3%)
NUE	Nucor Corporation	3/6/2000	\$ 46.813	\$59.99	(22.0%)	1.4	(6.4%)
PFE	Pfizer, Inc.	6/23/1999	\$ 38.813	\$44.97	(13.7%)	9.0	6.2%
WEN	Wendy's International	3/6/2000	\$ 19.750	\$24.49	(19.4%)	1.7	(2.2%)

Average: (26.3%) Average: (0.4%)
S&P 500 1.2%

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	1.9	41.2%	29.5%	54.9%	67.7%	5.9%	15.3	16.4	3.9	7.1
HON	1.2	0.7%	13.8%	14.0%	(1.0%)	1.5%	17.7	4.9	1.6	41.9
BGP	0.9	15.6%	6.4%	8.8%	15.6%	0.0%	15.2	1.9	0.4	1.3
BGG	2.2	14.4%	12.0%	26.4%	17.3%	3.0%	6.6	2.6	0.6	0.9
CTL	0.4	6.3%	30.3%	11.1%	2.8%	0.5%	21.6	2.8	3.3	5.2
DAL	0.7	4.5%	12.7%	10.4%	7.7%	0.2%	5.8	1.7	0.5	7.1
G	1.0	(1.6%)	21.3%	20.4%	(4.4%)	1.5%	32.8	8.8	4.1	40.1
LOW	2.5	21.6%	7.4%	18.2%	30.0%	0.2%	33.2	6.6	1.5	22.3
MLHR	2.0	2.7%	12.7%	18.4%	13.4%	0.6%	16.2	10.7	1.1	2.2
NYT	1.1	6.6%	18.7%	13.1%	12.8%	1.0%	24.3	5.2	2.4	7.5
NUE	1.3	(3.4%)	9.3%	13.0%	25.0%	1.3%	17.9	2.1	1.0	4.4
PFE	1.1	19.6%	29.7%	25.0%	16.6%	0.9%	43.0	15.8	9.2	140.7
WEN	1.0	6.4%	13.8%	14.6%	11.8%	1.2%	14.7	2.3	1.1	2.4

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	14.2%	(29.4%)	(14.6%)
CONSUMER CYCLICALS	(9.7%)	(21.8%)	(13.5%)
CONSUMER STAPLES	(10.7%)	(6.7%)	(11.9%)
HEALTH	(31.7%)	2.9%	8.2%
ENERGY	7.3%	84.6%	41.7%
FINANCIAL	(12.9%)	(39.1%)	(28.8%)
CAPITAL GOODS	24.2%	19.6%	8.6%
TECHNOLOGY	38.7%	59.4%	78.5%
COMMUNICATIONS	6.3%	46.4% *	160.7% *
UTILITY	(16.5%)	(19.7%)	(19.0%)
TRANSPORTATION	(34.5%)	(24.8%)	(13.8%)
Weighted Total:	9.2%	16.5%	19.6%

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 4/7/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.5%	(0.1%)	4.1%	(3.7%)	3.4%	(0.6%)
CONSUMER CYCLICALS	8.4%	3.0%	12.3%	(2.6%)	16.4%	2.9%
CONSUMER STAPLES	9.9%	1.6%	8.0%	(1.9%)	6.8%	2.9%
HEALTH	9.1%	3.9%	9.5%	3.7%	11.6%	1.4%
ENERGY	5.3%	(1.0%)	5.4%	(5.5%)	3.8%	(0.5%)
FINANCIAL	12.6%	(0.7%)	8.8%	(7.0%)	10.1%	0.3%
CAPITAL GOODS	8.2%	1.7%	8.6%	(1.3%)	13.5%	3.4%
TECHNOLOGY	33.2%	0.8%	32.3%	4.6%	27.6%	(2.8%)
COMMUNICATIONS	8.1%	1.8%	1.4%	(7.0%) *	1.0%	6.4% *
UTILITY	2.3%	0.0%	8.5%	(3.4%)	3.0%	1.0%
TRANSPORTATION	0.5%	1.5%	1.1%	1.5%	2.7%	3.4%
Index Total:		1.2%		(1.6%)		1.5%

* Sector contains only 3 companies

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

Sector Comments All three markets ended changing less than 2% for the week, masking the vicious volatility of Monday and Tuesday. Much of the carnage was blamed on involuntary margin selling, presumably wiping out many of the day traders and leveraged momentum players. But you can see above that the enthusiasm for Technology stocks is mostly undiminished and the pessimism about Consumer stocks still reigns. Energy stocks are coming down some, as they should, and their antithesis, Transport stocks, are now rising. This we believe will be the trend for some time to come, as crude oil prices are now high enough to begin a sustained new round of exploration and development of petroleum resources world-wide. This does suggest that some oil service companies should be benefitting, but some pessimism about where crude prices will stabilize is keeping them back. More data on Energy stocks on Page 3.

On a macro note, interest rates and the Cost of Equity capital have come down sharply from their peaks. The U.S. Treasury Note index, which we use to drive our calculation of the Cost of Equity Capital, has fallen to 5.8% from a peak of 6.8% on January 21st. This drop has increased the intrinsic value of stocks by a significant amount (from 5 to 20%) While the Federal Reserve may think it knows something about inflation, we believe the market knows more. So, now that we have long-term rates below short-term rates, we expect that the Fed will ultimately follow the market and the Cost of Equity Capital downtrend in force all during this long bull market, will resume and push equity markets ultimately much higher.

(\$millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
\$	12,852,134	\$1,003,691	\$ 396,833
	90.2%	7.0%	2.8%

Intrinsic Value Weekly

Energy Stocks Fundamentals Will Improve, But Look for the Leaders

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	Return on Capital	Dividend Yield
AMERADA HESS CORP	AHC	\$5,679	36.9%	62.6	52.70	7.3	13.2	2.2	5.2	6.02	1.0%
ANADARKO PETROLEUM CORP	APC	\$4,722	64.7%	37.0	(2.03)	23.4	154.8	3.7	18.1	4.25	0.5%
APACHE CORP	APA	\$5,557	127.7%	48.8	33.14	32.9	28.8	2.9	8.6	9.49	0.6%
ASHLAND INC	ASH	\$2,277	14.2%	32.1	51.00	6.6	18.7	1.1	4.5	7.94	3.4%
ATLANTIC RICHFIELD CO	ARC	\$26,672	41.9%	82.6	16.71	10.8	20.4	3.2	8.5	5.27	3.5%
BAKER-HUGHES INC	BHI	\$9,564	-15.6%	29.0	(6.05)	3.1	189.1	3.2	11.5	1.93	1.6%
BURLINGTON RESOURCES INC	BR	\$7,829	25.7%	36.3	13.98	20.6	3,700.0	2.5	12.4	7.29	1.5%
CHEVRON CORP	CHV	\$56,733	54.7%	86.4	48.74	9.5	29.3	3.5	11.5	8.32	3.0%
CONOCO INC	COC.B	\$16,305	56.2%	26.1	7.49	5.0	21.5	3.5	8.4	6.12	2.9%
EXXON MOBIL CORP	XOM	\$276,641	34.3%	79.6	29.87	5.9	34.2	4.3	17.1	9.11	2.2%
HALLIBURTON CO	HAL	\$17,514	-12.1%	39.6	9.29	3.9	60.5	4.2	19.5	5.62	1.3%
KERR-MCGEE CORP	KMG	\$4,676	128.0%	54.1	78.49	24.9	34.2	2.0	6.2	17.02	3.3%
OCCIDENTAL PETROLEUM CO	OXY	\$7,887	48.1%	21.4	7.55	10.5	13.1	2.2	5.7	5.53	4.7%
PHILLIPS PETROLEUM CO	P	\$11,682	63.2%	46.1	52.30	10.8	19.2	2.6	7.4	10.34	3.0%
ROWAN COS INC	RDC	\$2,343	-9.9%	28.1	(9.76)	0.4	(245.3)	3.4	52.0	0.11	0.0%
ROYAL DUTCH PET -NY REG	RD	\$122,092	31.0%	56.9	9.24	4.9	86.3	3.8	21.3	4.53	4.0%
SCHLUMBERGER LTD	SLB	\$41,667	-21.5%	73.6	5.64	7.2	127.5	5.6	33.1	3.80	1.0%
SUNOCO INC	SUN	\$2,359	58.9%	26.3	81.54	7.8	25.6	1.6	6.3	12.36	3.8%
TEXACO INC	TX	\$28,278	34.6%	51.1	12.38	3.4	25.1	2.5	10.4	4.63	3.5%
TOSCO CORP	TOS	\$4,461	47.3%	31.0	0.00	0.0	10.3	2.4	6.8	-	0.9%
TRANSOCEAN SEDCO FOREX	IRIG	\$9,652	@AF	45.9	(9.79)	4.7	96.8	2.8	50.8	0.63	0.3%
UNION PACIFIC RESOURCES	GUPR	\$4,009	24.1%	16.2	(7.77)	10.3	40.3	4.9	4.4	2.68	1.2%
UNOCAL CORP	UCL	\$7,046	70.8%	29.1	(19.26)	2.2	63.3	3.3	7.6	1.44	2.8%
USX-MARATHON GROUP	MRO	\$7,658	48.3%	24.6	32.84	5.8	12.4	1.9	4.8	8.46	3.4%

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 April 10, 2000. 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

Red - Warning

Bold Blue - Favorable Drivers

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