

Intrinsic Value Weekly

Volume 3, No. 16

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"MMMMMM.....When It is Running on All Twelve, er Thirteen"

You know your motor's purring when every single stock in your portfolio outperforms the market for the week. Value, like truth, will out. For example, we warned you last week that LOW was approaching intrinsic value, and it closed Wednesday at \$63.5, thirty cents from our estimate. For those of you quick enough to act, you avoided a 10.6% drop. For those normal people, **LOW** is now sufficiently under-valued to keep. In fact, at \$60 intrinsic value **Home Depot (HD - NYSE)** is now low enough to own, if not to buy new positions at a discount. Watch for new opportunities to add to these as investors panic about Fed policy.

The New York Times (NYT - NYSE) had a very good quarter reflecting a strong economy and high dot-com spending. That the stock sold off reflects the expectation that lower tech stock prices will turn off the money spigot fueling that boost in ad spending. We think the trend is solidly in place simply because ad spending does boost online response and the competition will get only more intense from here. Quarterly surges will happen, then wane. Our long-term forecast for revenue growth supporting the \$49 intrinsic value is only 7%; the first quarter's revenue grew 21.2%. We think there's a lot of margin of safety in this stock.

Honeywell (HON - NYSE) reported solid results for the first quarter, showing revenue growth again. With intrinsic value easily within reach, we expect the gap to be closed soon. Our long term revenue assumption is only 4%; the quarter showed 8.3% growth and earnings up 6.8%. If anything we're too cautious.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 4/14/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgt LP	3/6/2000	\$ 40.000	\$48.58	(17.7%)	7.9	(5.0%)
HON	Honeywell Int'l Inc.	4/29/1999	\$ 54.125	\$64.60	(16.2%)	2.2	4.8%
BGP	Borders Group, Inc.	3/6/2000	\$ 14.938	\$33.81	(55.8%)	1.2	(7.0%)
BGG	Briggs & Stratton	3/6/2000	\$ 39.250	\$106.86	(63.3%)	1.6	(1.9%)
CTL	CenturyTel, Inc.	3/6/2000	\$ 36.000	\$50.51	(28.7%)	1.7	(9.3%)
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 50.000	\$66.30	(24.6%)	0.9	(6.8%)
G	Gillette Company	3/2/2000	\$ 38.000	\$50.55	(24.8%)	4.8	(1.5%)
LOW	Lowe's Companies	3/6/2000	\$ 56.730	\$63.82	(11.1%)	3.6	(6.4%)
MLHR	Herman Miller, Inc.	3/6/2000	\$ 23.750	\$46.28	(48.7%)	2.9	(9.5%)
NYT	New York Times Co.	2/10/2000	\$ 40.375	\$49.37	(18.2%)	2.9	(5.7%)
NUE	Nucor Corporation	3/6/2000	\$ 46.875	\$59.99	(21.9%)	1.5	0.1%
PFE	Pfizer, Inc.	6/23/1999	\$ 37.938	\$44.97	(15.6%)	9.0	(2.3%)
WEN	Wendy's International	3/6/2000	\$ 19.438	\$24.49	(20.6%)	1.8	(1.6%)

Average: (28.3%) Average: (4.0%)
S&P 500 (10.5%)

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%	6.2%	15.3	16.4	3.7	7.1
HON	1.2	2.7%	13.8%	14.0%	(1.0%)	1.4%	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%	3.1%	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	3.0	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%)	1.6%	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	1.4	22.3
MLHR	2.0	2.7%	12.7%	18.4%	13.4%	0.6%	16.2	10.7	1.0	2.2
NYT	1.1	9.5%	18.7%	13.1%	14.1%	1.0%	24.3	5.2	2.2	7.5
NUE	1.4	(3.4%)	9.3%	13.6%	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	9.0	140.7
WEN	1.0	6.4%	13.8%	15.4%	11.8%	1.2%	14.7	2.3	1.1	2.4

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ECONOMIC SECTOR VALUATION

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	13.5%	(29.8%)	(15.0%)
CONSUMER CYCLICALS	(16.5%)	(27.4%)	(21.0%)
CONSUMER STAPLES	(14.4%)	(12.2%)	(14.8%)
HEALTH	(33.0%)	(9.7%)	(14.2%)
ENERGY	6.0%	78.7%	35.9%
FINANCIAL	(17.6%)	(42.2%)	(34.4%)
CAPITAL GOODS	15.1%	4.4%	(0.8%)
TECHNOLOGY	9.8%	7.3%	36.7%
COMMUNICATIONS	(4.3%)	44.2% *	(36.1%) *
UTILITY	(13.9%)	(20.7%)	(19.1%)
TRANSPORTATION	(37.4%)	(26.6%)	(13.2%)
Weighted Total:	(4.5%)	(6.3%)	(1.3%)

RED - Overvalued

BLUE - (Undervalued)

Bold - outperformed the relevant index

WEEKLY PRICE CHANGE

SECTORS	S&P 500		S&P MIDCAP		S&P SMALL CAP	
	Weight	Price	Weight	Price	Weight	Price
prices as of 4/14/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.8%	(0.6%)	4.9%	(0.5%)	3.9%	(0.4%)
CONSUMER CYCLICALS	8.6%	(7.5%)	13.8%	(7.1%)	17.6%	(8.7%)
CONSUMER STAPLES	10.5%	(4.2%)	9.4%	(5.9%)	7.6%	(3.3%)
HEALTH	9.7%	(1.9%)	10.3%	(12.3%)	10.4%	(20.7%)
ENERGY	5.8%	(1.2%)	6.3%	(3.2%)	4.4%	(4.1%)
FINANCIAL	13.2%	(5.3%)	10.2%	(5.2%)	10.7%	(7.9%)
CAPITAL GOODS	8.4%	(7.4%)	9.1%	(12.7%)	14.2%	(8.6%)
TECHNOLOGY	29.6%	(20.9%)	22.6%	(32.7%)	24.4%	(23.4%)
COMMUNICATIONS	8.1%	(10.0%)	1.8%	(1.5%)	0.2%	(75.5%) *
UTILITY	2.6%	3.1%	10.2%	(1.3%)	3.5%	(0.1%)
TRANSPORTATION	0.6%	(4.5%)	1.3%	(2.5%)	3.0%	0.7%
Index Total:		(10.5%)		(12.4%)		(12.6%)

* Sector contains only 2 companies

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

Sector Comments Just take a moment and scan these tables. For the week, most sectors were down modestly. Except for those sore thumbs in the top table, Capital Goods, Technology and Communications. Small Cap Biotech took a big hit too, as the valuation indicated it should have. Don't be a technician, trying to guess the next wiggle in prices. Just notice the the general absence of over-valuation in the top table. Only ten of the thirty-three sectors have any over-valuation now and the average shows all three markets now under-valued. Now is not the time to be frightened. The time to be frightened was when the biggest losers last week were selling at vastly inflated prices. Now is the time to be analytical, cool and ready to use cash reserves built from selling all those high flyers earlier.

You'll recall from earlier issues our discussion of the effects of inflation on the Cost of Equity Capital, in fact our March 13th issue remarked the silliness of technology investors treating "new economy" stocks as if they were immune from the effects of higher capital costs. Now we know the answer. When markets get out of line, rational investors rush in to fill the gap and move prices toward intrinsic value. That process may not be over for many stocks, but we celebrate the newest confirmation that markets are inefficient in the short run and efficient in correcting valuation mistakes. For the first time in quite a while, looking at the Technology Sector as a potential area for new investment seems a rational activity. See Page 3 for details.

(\$millions)	Large Capitalization	Mid-Cap Capitalization	Small-Cap Capitalization
\$	11,546,569	\$826,532	\$ 343,519
	90.8%	6.5%	2.7%

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Look at the Technology Large Caps Now That They're Less Pricy

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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
3COM CORP	COMS	\$13,976	0.3%	40.1	23.97	10.2	21.4	6.2	21.1	17.06	0.0%
ADAPTEC INC	ADPT	\$3,040	15.0%	29.3	9.86	12.8	22.3	5.2	127.1	7.75	0.0%
ADC TELECOMMUNICATIONS II	ADCT	\$14,467	34.7%	47.7	15.47	17.3	105.6	13.0	75.5	12.92	0.0%
ADOBE SYSTEMS INC	ADBE	\$11,595	24.4%	97.8	37.09	28.2	50.6	25.8	40.2	54.43	0.1%
ADVANCED MICRO DEVICES	AMD	\$10,032	72.9%	66.0	(42.78)	(9.8)	(95.1)	4.3	23.0	(6.84)	0.0%
AMERICA ONLINE INC	AOL	\$125,359	41.2%	55.0	4.16	19.6	139.0	49.0	122.8	14.19	0.0%
ANALOG DEVICES	ADI	\$20,653	63.2%	58.6	10.10	17.8	107.3	17.4	61.1	12.22	0.0%
ANDREW CORP	ANDW	\$1,716	6.9%	21.3	16.92	12.0	76.2	3.9	25.2	15.92	0.0%
APPLE COMPUTER INC	AAPL	\$18,037	37.0%	111.9	41.08	8.3	32.1	7.4	26.2	13.29	0.0%
APPLIED MATERIALS INC	AMAT	\$62,080	124.5%	80.3	20.76	23.2	71.7	16.6	61.4	21.29	0.0%
AUTODESK INC	ADSK	\$2,206	16.4%	35.8	8.80	4.3	284.4	4.7	12.4	6.64	0.7%
AUTOMATIC DATA PROCESSING INC	AUD	\$28,992	13.9%	46.0	17.06	16.9	39.2	7.5	29.6	12.07	0.8%
BMC SOFTWARE INC	BMCS	\$9,523	23.9%	39.0	29.46	36.1	40.5	8.8	22.6	36.98	0.0%
CABLETRON SYSTEMS	CS	\$3,620	10.6%	19.9	3.71	4.9	11.2	4.6	(26.3)	3.84	0.0%
CERIDIAN CORP	CEN	\$2,850	16.7%	19.7	19.95	20.4	18.6	3.3	12.6	16.82	0.0%
CISCO SYSTEMS INC	CSCO	\$392,730	52.9%	57.0	8.18	28.6	203.5	43.3	144.4	36.79	0.0%
CITRIX SYSTEMS INC	CTXS	\$9,824	56.3%	54.3	8.79	33.4	100.4	22.5	68.0	19.74	0.0%
COMPAQ COMPUTER CORP	CPQ	\$40,964	-3.5%	24.1	3.38	1.1	77.1	3.1	20.8	3.06	0.4%
COMPUTER ASSOCIATES INTL INC	CA	\$28,725	33.2%	53.0	47.79	37.1	42.0	11.6	30.4	26.67	0.2%
COMPUTER SCIENCES CORP	CSC	\$12,696	14.9%	76.1	44.24	8.8	34.4	5.2	16.2	12.24	0.0%
COMPUWARE CORP	CPWR	\$4,364	47.2%	12.1	20.98	30.8	17.8	7.2	11.4	52.77	0.0%
COMVERSE TECHNOLOGY INC	CMVT	\$11,290	26.6%	73.9	7.90	17.1	80.1	34.0	78.7	15.58	0.0%
CONEXANT SYSTEMS INC	CNXT	\$9,135	73.1%	46.1	0.26	2.4	114.5	26.9	@NA	2.70	0.0%
DELL COMPUTER CORP	DELL	\$121,491	31.5%	47.6	11.15	10.5	81.7	59.1	77.5	63.38	0.0%
EASTMAN KODAK CO	EK	\$19,091	6.6%	61.5	79.65	14.2	12.4	4.3	8.3	14.87	2.9%
ELECTRONIC DATA SYSTEMS INC	EDS	\$28,496	10.6%	61.1	18.85	6.6	73.8	6.6	21.7	8.70	1.0%
EMC CORP/MA	EMC	\$114,320	57.5%	110.0	20.96	21.8	128.6	38.2	81.8	24.70	0.0%
EQUIFAX INC	EFX	\$3,543	3.4%	26.4	42.43	24.9	16.1	9.6	10.4	25.36	1.4%
FIRST DATA CORP	FDC	\$16,272	7.7%	38.9	5.48	19.1	15.8	4.7	10.5	13.68	0.2%
GATEWAY INC	GTW	\$16,443	11.1%	51.5	28.39	6.9	39.0	12.4	29.3	32.89	0.0%
GRAINGER (W W) INC	GWW	\$4,226	7.3%	45.3	20.88	3.5	27.8	3.4	15.7	6.83	1.4%
HEWLETT-PACKARD CO	HWP	\$123,014	14.0%	123.0	47.56	8.3	44.1	7.3	28.0	13.23	0.5%
IKON OFFICE SOLUTIONS	IKN	\$861	-3.6%	5.8	11.28	6.4	(18.2)	0.6	3.7	5.89	2.8%
INTEL CORP	INTC	\$368,407	7.9%	110.5	34.82	26.9	60.0	13.5	35.1	24.30	0.1%
INTL BUSINESS MACHINES CO	IBM	\$187,343	-3.8%	105.0	71.64	11.5	27.8	11.3	13.5	10.80	0.5%
KLA-TENCOR CORP	KLAC	\$10,580	95.8%	57.6	2.86	3.8	110.9	12.0	115.3	2.60	0.0%
LEXMARK INTL GRP INC -CL A	LXK	\$10,505	10.5%	102.3	57.55	12.7	43.0	16.5	26.4	31.44	0.0%
LINEAR TECHNOLOGY CORP	LLTC	\$12,755	35.2%	41.0	14.29	56.4	74.3	18.6	58.3	33.98	0.2%
LSI LOGIC CORP	LSI	\$15,278	29.7%	51.0	5.27	9.0	134.5	11.7	29.0	5.98	0.0%
LUCENT TECHNOLOGIES INC	LU	\$167,277	0.6%	52.6	18.84	12.8	57.2	13.9	34.0	17.91	0.2%
MICRON TECHNOLOGY INC	MU	\$24,404	35.7%	96.1	(11.27)	(1.4)	74.6	8.5	36.9	(1.00)	0.0%
MICROSOFT CORP	MSFT	\$383,745	17.7%	74.1	30.14	50.9	62.1	19.8	45.8	44.57	0.0%
MOTOROLA INC	MOT	\$66,795	21.2%	109.0	40.34	7.0	108.1	7.2	22.3	8.65	0.4%
NATIONAL SEMICONDUCTOR CORP	NSM	\$9,167	9.8%	53.0	(31.55)	(14.4)	(31.8)	11.4	(14.8)	(13.56)	0.0%
NCR CORP	NCR	\$3,615	-14.8%	38.6	7.14	2.8	11.6	2.3	5.2	4.76	0.0%
NETWORK APPLIANCE INC	NTAP	\$15,343	100.1%	50.4	3.06	20.0	408.6	81.5	335.4	30.23	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

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Look at the Technology Large Caps Now That They're Less Pricey

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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
NORTEL NETWORKS CORP	NT	\$126,354	21.2%	91.8	13.19	6.1	(840.8)	15.3	117.8	7.43	0.2%
NOVELL INC	NOVL	\$6,267	10.6%	19.1	10.51	17.5	45.4	6.3	23.9	14.81	0.0%
ORACLE CORP	ORCL	\$179,212	17.8%	63.5	6.78	16.5	115.6	60.5	111.4	22.61	0.0%
PARAMETRIC TECHNOLOGY C	PMTC	\$2,294	-4.4%	8.3	13.87	23.0	56.9	10.8	12.7	48.23	0.0%
PAYCHEX INC	PAYX	\$11,835	25.6%	47.8	11.73	16.0	73.8	29.6	73.1	48.36	0.8%
PE CORP BIOSYSTEMS	PEB	\$13,657	13.4%	66.3	10.77	15.2	114.2	37.1	70.6	13.74	0.3%
PEOPLESOFT INC	PSFT	\$4,030	2.2%	14.9	1.33	2.4	(29.9)	7.0	(50.1)	4.03	0.0%
PERKINELMER INC	PKI	\$2,585	82.7%	55.8	(0.84)	2.5	107.3	5.6	27.4	2.77	1.0%
POLAROID CORP	PRD	\$917	19.9%	20.6	22.73	6.3	118.8	2.7	8.0	6.65	2.9%
QUALCOMM INC	QCOM	\$74,498	19.0%	105.2	13.52	16.2	293.5	33.6	189.2	20.37	0.0%
RAYTHEON CO -CL B	RTN.B	\$6,733	-8.1%	19.9	65.90	10.2	13.1	0.6	5.7	8.20	4.0%
SABRE HLDGS CORP -CL A	TSG	\$4,409	-5.4%	33.6	43.64	15.8	14.3	5.0	7.5	21.03	0.0%
SCIENTIFIC-ATLANTA INC	SFA	\$8,122	19.9%	51.8	3.34	3.1	77.6	13.3	53.9	4.86	0.0%
SEAGATE TECHNOLOGY	SEG	\$8,526	-12.9%	39.5	30.28	9.1	13.4	4.0	5.2	11.00	0.0%
SHARED MEDICAL SYSTEMS C	SMS	\$1,295	-5.6%	48.1	69.37	11.1	18.2	3.5	11.2	15.99	1.7%
SILICON GRAPHICS INC	SGI	\$1,427	-5.3%	7.8	(13.49)	(2.4)	(22.0)	1.4	5.1	(2.28)	0.0%
SUN MICROSYSTEMS INC	SUNW	\$133,643	36.4%	76.5	13.08	14.3	113.6	30.3	71.7	15.31	0.0%
TEKTRONIX INC	TEK	\$2,230	1.5%	47.2	5.10	2.6	430.8	4.2	109.4	3.80	1.0%
TELLABS INC	TLAB	\$18,950	37.1%	46.9	29.83	33.8	45.3	17.8	29.4	43.06	0.0%
TERADYNE INC	TER	\$12,849	73.5%	75.4	22.50	14.5	73.2	12.1	46.4	20.38	0.0%
TEXAS INSTRUMENTS INC	TXN	\$112,992	28.1%	139.0	26.70	18.0	91.4	14.1	47.2	15.83	0.1%
UNISYS CORP	UIS	\$60,755	-7.9%	19.5	37.19	12.0	15.2	4.1	8.9	22.52	0.0%
VERITAS SOFTWARE CO	VRTS	\$32,054	236.9%	82.0	(15.77)	(60.4)	(82.6)	165.3	1,031.2	(16.20)	0.0%
XEROX CORP	XRX	\$16,172	-6.2%	24.3	41.70	14.7	12.4	3.5	6.9	8.82	3.3%
XILINX INC	XLNX	\$18,635	54.0%	58.1	7.56	23.7	120.0	29.4	112.6	16.95	0.0%
YAHOO INC	YHOO	\$61,805	142.3%	116.0	4.36	25.8	1,428.1	72.4	597.4	16.68	0.0%

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