

# Intrinsic Value Weekly

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## "Sucker Rally?"

Stunning is the only word to describe the violent upsurge of the Nasdaq market last week. As the shock wears off, though, the narrowness of the change becomes clear. Only two sectors of the S&P 500 Index outperformed last week, Technology and Financials. The balance of the market seems to be continuing the trend established earlier, with increasing volatility and rising disappointments. The Intrinsic Value Portfolio, with no technology stocks, rose respectably last week. However, the average discount to Intrinsic Value is still very high. And with many stocks still vulnerable to short term perceptions of economic weakness, HON, G, LOW, MLHR, NYT and especially NUE, the prospects for the short term are not exciting. Nevertheless, these companies are priced at great discounts to fair value and that gives them a measure of safety as investments. As this market cycle unfolds, a margin of safety will become more widely appreciated.

We have mentioned our intention to add Home Depot (HD - NYSE) to the portfolio again when its intrinsic value is at a sufficient discount. At the moment, HD is selling at more than a 25% discount to an intrinsic value that assumes a continuation of a very high rate of revenue growth. We are reluctant to make that assumption in the current Fed policy environment. So, we'll wait, believing as we do that market stampedes are fragile and insufficient reason to expect changes in the current likely reduction of growth trends. Revenue growth depends at least to some degree on economic growth rate, even for the lustiest growth company. And while we don't expect big slumps in growth, valuation of growth companies is very sensitive to changes in revenue growth assumptions.

## Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 6/2/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgt LP	3/6/2000	\$ 46.813	\$48.58	(3.6%)	3.0	4.2%
HON	Honeywell Int'l Inc.	4/29/1999	\$ 56.625	\$64.60	(12.3%)	2.3	5.7%
<b>BGP</b>	<b>Borders Group, Inc.</b>	<b>3/6/2000</b>	<b>\$ 17.500</b>	<b>\$33.81</b>	<b>(48.2%)</b>	<b>1.1</b>	<b>17.6%</b>
BGG	Briggs & Stratton	3/6/2000	\$ 43.250	\$106.86	(59.5%)	1.4	6.3%
<b>CTL</b>	<b>CenturyTel, Inc.</b>	<b>3/6/2000</b>	<b>\$ 29.375</b>	<b>\$50.51</b>	<b>(41.8%)</b>	<b>1.3</b>	<b>11.6%</b>
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 51.938	\$66.30	(21.7%)	0.9	3.5%
G	Gillette Company	3/2/2000	\$ 35.563	\$50.55	(29.7%)	4.0	3.5%
<b>LOW</b>	<b>Lowe's Companies</b>	<b>3/6/2000</b>	<b>\$ 50.750</b>	<b>\$63.82</b>	<b>(20.5%)</b>	<b>2.7</b>	<b>10.9%</b>
MLHR	Herman Miller, Inc.	3/6/2000	\$ 29.750	\$46.28	(35.7%)	2.8	4.8%
NYT	New York Times Co.	2/10/2000	\$ 40.063	\$49.37	(18.9%)	2.8	5.3%
NUE	Nucor Corporation	3/6/2000	\$ 40.063	\$59.99	(33.2%)	1.3	3.1%
WEN	Wendy's International	3/6/2000	\$ 20.250	\$24.49	(17.3%)	1.6	(2.1%)
<b>Average:</b>					<b>(28.5%)</b>	<b>Average:</b>	<b>6.2%</b>
						<b>S&amp;P 500</b>	<b>7.2%</b>

Bold - Outperformed the S&P 500 for the week

## Value Drivers

## Standard Market Statistics

Symbol	Capital Turnover	Sales		EBIT Margin %	Return On Capital	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/ Book	Price/ Market Cap Sales (\$billions)
		Growth Last 12M	EBIT Margin %							
AC	1.6	39.9%	29.5%	41.1%	30.7%	5.3%	14.8	13.9	4.0	3.2
HON	1.2	0.7%	13.8%	14.0%	8.3%	1.3%	17.7	5.2	1.6	44.7
<b>BGP</b>	<b>1.0</b>	<b>14.7%</b>	<b>5.7%</b>	<b>10.9%</b>	<b>10.1%</b>	<b>0.0%</b>	<b>13.7</b>	<b>1.5</b>	<b>0.4</b>	<b>1.2</b>
BGG	2.2	13.3%	12.0%	26.4%	(1.6%)	2.8%	6.1	2.4	0.6	0.9
<b>CTL</b>	<b>0.4</b>	<b>3.4%</b>	<b>30.3%</b>	<b>11.1%</b>	<b>(0.3%)</b>	<b>0.6%</b>	<b>15.1</b>	<b>1.9</b>	<b>2.5</b>	<b>3.4</b>
DAL	0.7	6.8%	12.7%	10.4%	13.0%	0.2%	5.5	1.6	0.5	6.5
G	0.9	0.3%	21.3%	14.5%	5.5%	1.8%	31.9	11.8	3.8	38.6
<b>LOW</b>	<b>2.2</b>	<b>19.0%</b>	<b>7.4%</b>	<b>11.1%</b>	<b>18.4%</b>	<b>0.3%</b>	<b>28.1</b>	<b>4.0</b>	<b>1.2</b>	<b>18.9</b>
MLHR	2.0	2.7%	12.7%	18.4%	13.4%	0.5%	15.8	10.4	1.3	2.2
NYT	1.1	9.5%	18.7%	13.1%	14.1%	1.0%	21.6	4.9	2.2	7.1
NUE	1.4	10.5%	9.3%	14.4%	34.2%	1.5%	12.6	1.7	0.8	3.7
WEN	0.9	7.4%	13.8%	10.2%	9.1%	1.2%	15.8	2.5	1.1	2.6

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## ECONOMIC SECTOR VALUATION

<u>SECTORS</u>	<u>S&amp;P 500</u>	<u>S&amp;P MIDCAP</u>	<u>S&amp;P SMALL CAP</u>
BASIC INDUSTRY	4.9%	(28.4%)	(16.4%)
CONSUMER CYCLICALS	(17.9%)	(19.8%)	(14.8%)
CONSUMER STAPLES	(10.2%)	(3.9%)	(10.1%)
HEALTH	(28.3%)	<b>8.9%</b>	<b>7.1%</b>
ENERGY	10.6%	86.8%	59.9%
FINANCIAL	<b>(6.5%)</b>	(32.0%)	(23.2%)
CAPITAL GOODS	(13.6%)	<b>20.5%</b>	10.5%
TECHNOLOGY	<b>16.1%</b>	<b>17.2%</b>	<b>50.7%</b>
COMMUNICATIONS	(10.5%)	<b>52.4%</b>	<b>(39.0%) *</b>
UTILITY	(9.5%)	(14.8%)	(21.0%)
TRANSPORTATION	(33.1%)	(25.9%)	(17.7%)
<b>Weighted Total:</b>	<b>(2.7%)</b>	<b>4.0%</b>	<b>9.6%</b>

RED - Overvalued

BLUE - (Undervalued)

Bold - outperformed the relevant index

## WEEKLY PRICE CHANGE

<u>SECTORS</u>	<u>S&amp;P 500</u>		<u>S&amp;P MIDCAP</u>		<u>S&amp;P SMALL CAP</u>	
	Weight	Price	Weight	Price	Weight	Price
prices as of 6/3/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.2%	2.5%	4.4%	1.9%	3.5%	0.5%
CONSUMER CYCLICALS	8.0%	5.8%	13.4%	6.6%	17.1%	4.5%
CONSUMER STAPLES	9.9%	0.5%	8.8%	6.6%	7.3%	2.5%
HEALTH	9.8%	<b>(3.8%)</b>	<b>11.6%</b>	<b>9.8%</b>	<b>11.3%</b>	<b>13.2%</b>
ENERGY	5.5%	<b>(1.6%)</b>	6.7%	<b>(2.4%)</b>	4.7%	0.6%
FINANCIAL	<b>14.3%</b>	<b>9.2%</b>	10.8%	8.1%	11.6%	8.6%
CAPITAL GOODS	8.5%	6.7%	<b>9.3%</b>	<b>11.8%</b>	14.6%	6.5%
TECHNOLOGY	<b>31.7%</b>	<b>12.7%</b>	<b>21.7%</b>	<b>23.1%</b>	<b>24.0%</b>	<b>18.1%</b>
COMMUNICATIONS	7.0%	5.6%	<b>1.9%</b>	<b>16.8%</b>	<b>0.2%</b>	<b>12.7% *</b>
UTILITY	2.6%	<b>(2.9%)</b>	10.2%	1.5%	3.0%	3.3%
TRANSPORTATION	0.5%	7.1%	1.2%	4.4%	2.7%	1.8%
<b>Index Total:</b>		<b>7.2%</b>		<b>9.7%</b>		<b>9.4%</b>

\* Sector contains only 2 companies

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

**Sector Comments** Now, that's a bounce. We noted last week that, while investors often overdo corrections and mis-pricings, we didn't pretend to know when it would stop. Last week's data showed Technology as close to fairly priced as we've seen for a while and the overall market looked attractive too. The focus group of last week, Consumer Cyclical, rose nicely but as with practically everything else, lagged the Tech's.

A serious impediment to seeing this market really begin to believe in future Fed rate reductions, or at least inaction, is the performance of the Utilities. These companies are sensitive to economic growth and with deregulatory forces roiling the industry, the last thing they need is slower growth rates. We think that major opportunity lies in finding those electric companies showing the highest revenue growth rates and reasonable, but not the lowest, valuation measures. Electric companies in the early 1960's sold at a premium to the market during the period they were filling in the electric infrastructure and gaining from economies of scale. Finding those companies able to simulate that period through rationalization of production facilities and purchasing plants at fair economic values is the challenge. So, this week, we focus our Page 3 value drivers on the Large Cap Utility sector.

(\$millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
	\$ 12,561,600	\$926,355	\$ 382,978
	90.6%	6.7%	2.8%

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Find the Fastest Growing Electric Utility to Offset Deregulation

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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
<b>AES CORP</b>	<b>AES</b>	<b>\$19,026</b>	<b>131.3%</b>	<b>46.0</b>	<b>(13.62)</b>	<b>20.3</b>	<b>40.7</b>	<b>7.1</b>	<b>36.4</b>	<b>4.41</b>	<b>0.0%</b>
AMEREN CORP	AEE	\$4,948	12.2%	36.1	55.86	23.3	12.8	1.6	6.6	9.54	7.0%
AMERICAN ELECTRIC POWER	AEP	\$6,721	3.1%	34.6	42.90	18.9	15.0	1.4	5.9	7.08	6.9%
CAROLINA POWER & LIGHT	CPL	\$5,357	15.0%	33.6	49.77	25.3	14.7	1.7	6.1	10.24	6.1%
CENTRAL & SOUTH WEST COF	CSR	\$4,400	6.0%	20.7	48.22	20.3	10.0	1.3	4.3	8.72	8.4%
CINERGY CORP	CIN	\$4,162	12.9%	26.2	40.39	12.7	10.2	1.6	5.5	8.81	6.9%
CMS ENERGY CORP	CMS	\$2,579	18.8%	23.5	30.81	14.9	8.5	0.9	3.1	7.66	6.2%
COASTAL CORP	CGP	\$12,613	71.2%	59.0	27.33	12.4	19.9	2.7	12.9	7.72	0.4%
COLUMBIA ENERGY GROUP	CG	\$5,254	-2.8%	65.1	88.54	20.8	10.2	2.5	9.1	11.77	1.4%
<b>CONSOLIDATED EDISON INC</b>	<b>ED</b>	<b>\$6,836</b>	<b>30.5%</b>	<b>32.3</b>	<b>66.03</b>	<b>19.1</b>	<b>10.8</b>	<b>1.4</b>	<b>5.6</b>	<b>10.56</b>	<b>6.8%</b>
CONSTELLATION ENERGY COF	CEG	\$5,030	6.4%	33.6	47.60	20.2	15.7	1.6	6.4	8.22	5.0%
<b>DOMINION RESOURCES INC</b>	<b>D</b>	<b>\$10,698</b>	<b>60.2%</b>	<b>45.0</b>	<b>53.45</b>	<b>23.4</b>	<b>16.1</b>	<b>1.8</b>	<b>6.6</b>	<b>8.01</b>	<b>5.7%</b>
DTE ENERGY CO	DTE	\$5,038	15.4%	35.3	48.96	19.1	9.7	1.2	4.2	7.81	5.8%
<b>DUKE ENERGY CORP</b>	<b>DUK</b>	<b>\$21,171</b>	<b>73.2%</b>	<b>57.7</b>	<b>19.06</b>	<b>7.6</b>	<b>23.0</b>	<b>2.3</b>	<b>11.6</b>	<b>6.60</b>	<b>3.8%</b>
<b>EASTERN ENTERPRISES</b>	<b>EFU</b>	<b>\$1,670</b>	<b>25.8%</b>	<b>61.5</b>	<b>7.02</b>	<b>8.8</b>	<b>26.4</b>	<b>2.2</b>	<b>12.2</b>	<b>4.86</b>	<b>2.8%</b>
<b>EDISON INTERNATIONAL</b>	<b>EIX</b>	<b>\$7,078</b>	<b>29.9%</b>	<b>20.9</b>	<b>12.02</b>	<b>19.0</b>	<b>11.2</b>	<b>1.3</b>	<b>3.0</b>	<b>6.72</b>	<b>5.3%</b>
<b>EL PASO ENERGY CORP/DE</b>	<b>EPG</b>	<b>\$11,457</b>	<b>36.4%</b>	<b>49.6</b>	<b>(38.82)</b>	<b>0.7</b>	<b>(44.7)</b>	<b>3.3</b>	<b>29.1</b>	<b>0.56</b>	<b>1.7%</b>
<b>ENRON CORP</b>	<b>ENE</b>	<b>\$50,877</b>	<b>72.2%</b>	<b>69.5</b>	<b>0.21</b>	<b>3.4</b>	<b>48.6</b>	<b>5.9</b>	<b>26.2</b>	<b>4.86</b>	<b>0.7%</b>
ENTERGY CORP	ETR	\$6,807	10.5%	29.3	23.45	14.3	10.5	0.8	5.2	5.87	4.1%
FIRSTENERGY CORP	FE	\$5,701	13.0%	24.7	54.28	24.5	10.1	1.3	3.6	9.15	6.1%
FLORIDA PROGRESS CORP	FPC	\$4,721	15.8%	47.9	53.98	15.0	14.9	2.4	7.1	9.99	4.6%
FPL GROUP INC	FPL	\$8,808	4.0%	49.4	44.78	14.3	12.7	1.5	5.0	7.38	4.4%
GPU INC	GPU	\$3,541	9.6%	29.2	18.71	23.0	8.6	1.0	3.5	6.18	7.5%
NEW CENTURY ENERGIES INC	NCE	\$3,851	2.6%	33.1	57.44	20.3	10.8	1.4	6.1	9.26	7.0%
NIAGARA MOHAWK HOLDINGS	NMK	\$2,539	6.3%	14.4	(2.57)	12.9	(53.4)	0.8	6.9	3.91	0.0%
NICOR INC	GAS	\$1,707	14.4%	36.8	50.19	13.1	12.9	2.0	6.5	9.75	4.5%
NORTHERN STATES POWER/M	NSP	\$3,357	6.7%	21.4	18.80	18.8	15.7	1.3	5.8	6.69	6.8%
<b>ONEOK INC</b>	<b>OKE</b>	<b>\$908</b>	<b>42.3%</b>	<b>30.1</b>	<b>67.40</b>	<b>11.9</b>	<b>11.3</b>	<b>0.7</b>	<b>3.9</b>	<b>8.66</b>	<b>4.1%</b>
PECO ENERGY CO	PE	\$7,376	6.9%	43.5	64.57	25.9	12.6	4.3	9.2	10.48	2.3%
PEOPLES ENERGY CORP	PGL	\$1,211	6.3%	34.2	45.54	13.8	12.2	1.4	6.9	9.49	5.9%
PG&E CORP	PCG	\$9,935	-4.7%	25.8	(7.67)	4.2	70.1	1.4	5.5	2.89	4.6%
PINNACLE WEST CAPITAL	PNW	\$2,966	11.3%	35.0	59.23	23.9	10.1	1.3	4.5	8.30	4.0%
<b>PPL CORP</b>	<b>PPL</b>	<b>\$3,381</b>	<b>32.4%</b>	<b>23.4</b>	<b>41.47</b>	<b>18.7</b>	<b>7.1</b>	<b>2.1</b>	<b>3.6</b>	<b>8.08</b>	<b>4.5%</b>
PUBLIC SERVICE ENTRP	PEG	\$7,926	7.2%	36.6	80.89	28.3	9.7	1.9	6.3	10.11	5.9%
<b>RELIANT ENERGY INC</b>	<b>REI</b>	<b>\$8,068</b>	<b>60.2%</b>	<b>27.5</b>	<b>31.28</b>	<b>8.4</b>	<b>3.8</b>	<b>1.5</b>	<b>3.1</b>	<b>6.14</b>	<b>5.5%</b>
<b>SEMPRA ENERGY</b>	<b>SRE</b>	<b>\$3,856</b>	<b>23.4%</b>	<b>18.9</b>	<b>27.09</b>	<b>13.8</b>	<b>10.7</b>	<b>1.5</b>	<b>3.5</b>	<b>6.84</b>	<b>5.3%</b>
SOUTHERN CO	SO	\$16,256	5.4%	25.1	33.02	24.6	13.0	1.8	6.4	8.21	5.3%
TXU CORP	TXU	\$8,950	6.9%	33.9	65.54	15.9	9.4	1.1	4.1	7.58	7.1%
UNICOM CORP	UCM	\$7,284	7.8%	41.0	40.84	22.2	12.1	1.6	6.3	6.63	3.9%
<b>WILLIAMS COS INC</b>	<b>WMB</b>	<b>\$18,993</b>	<b>24.9%</b>	<b>43.0</b>	<b>(0.20)</b>	<b>14.9</b>	<b>75.0</b>	<b>3.0</b>	<b>21.0</b>	<b>6.00</b>	<b>1.4%</b>

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@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

Red - Warning

**Bold Blue - Favorable Drivers**

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