

# Intrinsic Value Weekly

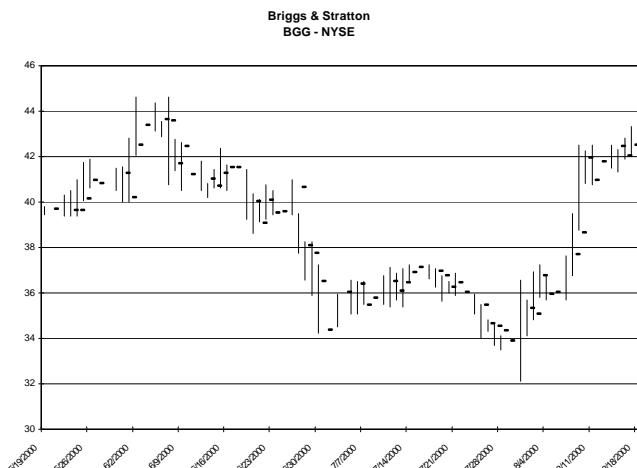
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## "Buy The Dips"

Volatility is your friend. We've mentioned this before, but the past weeks have added more evidence to the pile. Briggs & Stratton (BGG - NYSE) is a good example. While the long term estimate of revenue growth puts the intrinsic value of the stock at \$106, in the short term, revenue is not growing that fast and investors with a short time horizon tend to dump shares in companies that are not producing stellar results at the moment. But this effect is good for the patient, long-term investor because the price tends to slump when the impatient depart. As we have seen many time in the past, when results begin to improve to match longer term capability, these opportunities will vanish and the discounts disappear. So, while patience is an advantage, decisiveness is too. This is known in some circles as "buy the dips". But it works only on stocks of companies that are competent to produce the long term results necessary to move a stock to its intrinsic value.



## Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 8/4/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change *
<b>HON</b>	<b>Honeywell Int'l Inc.</b>	<b>4/29/1999</b>	<b>\$ 35.438</b>	<b>\$64.60</b>	<b>(45.1%)</b>	<b>1.6</b>	<b>5.6%</b>
BGP	Borders Group, Inc.	3/6/2000	\$ 13.000	\$33.81	(61.5%)	1.0	0.0%
<b>BGG</b>	<b>Briggs &amp; Stratton</b>	<b>3/6/2000</b>	<b>\$ 42.875</b>	<b>\$106.86</b>	<b>(59.9%)</b>	<b>1.3</b>	<b>19.5%</b>
CTL	CenturyTel, Inc.	3/6/2000	\$ 29.375	\$50.51	(41.8%)	1.5	(5.1%)
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 50.500	\$66.30	(23.8%)	0.9	(1.9%)
G	Gillette Company	3/2/2000	\$ 29.813	\$50.55	(41.0%)	3.3	(1.2%)
<b>LOW</b>	<b>Lowe's Companies</b>	<b>3/6/2000</b>	<b>\$ 46.813</b>	<b>\$63.82</b>	<b>(26.7%)</b>	<b>2.3</b>	<b>10.3%</b>
<b>MLHR</b>	<b>Herman Miller, Inc.</b>	<b>3/6/2000</b>	<b>\$ 32.188</b>	<b>\$46.28</b>	<b>(30.5%)</b>	<b>3.2</b>	<b>4.0%</b>
NYT	New York Times Co.	2/10/2000	\$ 39.313	\$49.37	(20.4%)	2.7	(2.6%)
NUE	Nucor Corporation	3/6/2000	\$ 37.938	\$59.99	(36.8%)	1.2	(0.2%)
WEN	Wendy's International	3/6/2000	\$ 18.250	\$24.49	(25.5%)	1.3	(6.1%)

Average: (37.5%) Average: 2.0%  
S&P 500 2.0%

Bold - Outperformed the S&P 500 for the week

\* two week change

## 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)
<b>HON</b>	<b>1.2</b>	<b>0.7%</b>	<b>13.8%</b>	<b>14.0%</b>	<b>5.9%</b>	<b>2.1%</b>	<b>17.7</b>	<b>3.1</b>	<b>1.6</b>	<b>27.2</b>
BGP	1.0	13.7%	5.7%	10.9%	10.9%	0.0%	10.6	1.2	0.3	1.0
<b>BGG</b>	<b>2.2</b>	<b>5.9%</b>	<b>12.0%</b>	<b>26.4%</b>	<b>(9.2%)</b>	<b>2.8%</b>	<b>5.9</b>	<b>2.2</b>	<b>0.6</b>	<b>0.8</b>
CTL	0.4	2.0%	30.3%	11.1%	1.5%	0.6%	17.8	2.2	2.4	4.1
DAL	0.7	8.0%	12.7%	10.4%	12.9%	0.2%	5.2	1.7	0.4	6.6
G	0.9	(0.1%)	21.3%	14.5%	2.0%	2.2%	24.7	9.3	3.3	30.7
<b>LOW</b>	<b>2.2</b>	<b>18.9%</b>	<b>7.4%</b>	<b>11.1%</b>	<b>18.7%</b>	<b>0.3%</b>	<b>22.0</b>	<b>3.4</b>	<b>1.0</b>	<b>16.1</b>
<b>MLHR</b>	<b>2.0</b>	<b>9.7%</b>	<b>12.7%</b>	<b>18.4%</b>	<b>20.9%</b>	<b>0.5%</b>	<b>17.8</b>	<b>11.9</b>	<b>1.3</b>	<b>2.5</b>
NYT	1.1	12.0%	18.7%	13.1%	13.6%	1.2%	20.2	4.9	2.0	6.9
NUE	1.4	20.1%	9.3%	14.4%	21.7%	1.6%	9.9	1.5	0.7	3.1
WEN	0.9	9.6%	13.8%	10.2%	7.8%	1.3%	11.6	1.9	1.0	1.9

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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	(11.7%)	(27.0%)	(7.1%)
CONSUMER CYCLICALS	(28.2%)	(24.1%)	(10.4%)
CONSUMER STAPLES	(7.5%)	(19.2%)	(11.8%)
HEALTH	(28.3%)	17.2%	17.2%
ENERGY	16.1%	107.4%	57.1%
FINANCIAL	(8.5%)	(33.6%)	(24.7%)
CAPITAL GOODS	(14.0%)	15.5%	5.6%
TECHNOLOGY	11.6%	14.5%	32.3%
COMMUNICATIONS	(26.7%)	47.5%	(53.7%) *
UTILITY	4.6%	(6.4%)	(22.8%)
TRANSPORTATION	(36.0%)	(16.1%)	(6.2%)
Weighted Total:	(5.2%)	5.5%	5.1%

RED - Overvalued

BLUE - (Undervalued)

Bold - outperformed the relevant index

## WEEKLY PRICE CHANGE \*

\* Two week 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 8/18/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	1.9%	5.0%	4.5%	3.4%	3.7%	5.8%
CONSUMER CYCLICALS	6.8%	(0.5%)	12.1%	2.7%	18.0%	2.8%
CONSUMER STAPLES	10.1%	2.0%	7.3%	(9.7%)	7.5%	(1.6%)
HEALTH	10.4%	(5.8%)	11.9%	(6.4%)	12.2%	(1.8%)
ENERGY	5.4%	5.3%	7.5%	8.5%	4.6%	9.7%
FINANCIAL	14.3%	(0.4%)	10.5%	(0.9%)	12.7%	0.8%
CAPITAL GOODS	8.1%	5.0%	8.0%	9.6%	13.8%	8.5%
TECHNOLOGY	33.2%	7.2%	23.7%	4.6%	20.9%	7.3%
COMMUNICATIONS	6.3%	(5.1%)	1.6%	6.7%	0.2%	2.7% *
UTILITY	2.8%	5.8%	11.4%	7.1%	3.0%	(2.2%)
TRANSPORTATION	0.6%	(1.8%)	1.4%	8.9%	3.3%	2.7%
Index Total:		2.0%		3.6%		3.2%

\* Sector contains only 2 companies

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

**Sector Comments** The market moves of the past two weeks suggest that investors are convinced that, first, that the Fed is done raising rates, and, second, that the economy is growing at a rate which satisfies both the needs of Keynesian inflation worries and also justifies the current valuations in the market. The slower growth rates of revenues increases risks of negative surprises, though. In such a condition, the premium paid for companies that can produce consistently better than expected revenue and earnings tends to be driven upward. This does explain the tendency for Technology stocks, in aggregate, to average a somewhat higher than expected valuation. But, the phenomenon is also true for other groups as well. Energy, for instance. As long as energy prices stay at elevated levels, the revenue and earnings effect will tend to keep Energy stocks prices higher than justified by longer range estimates.

The political winds are now blowing hot and the group feeling the heat most seems to be the Health Sector. With policy in flux and the pressure to "do something" about drug prices rising, the pressure on this group will continue. The release of that pressure may well depend either on favorable swings in the polls or ultimately on the resolution on November 7th. Meanwhile, the standard risks of drug testing failures, drugs coming off patent and fierce competition keep the group "interesting". Nevertheless, the Health sector offers one of the fastest growth areas next to Technology.

Page 3 shows the value drivers for the Basic stocks which have performed poorly in the market this year.

(\$millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
	\$ 13,040,423	90.8%	\$ 383,356
		\$939,163	6.5%
			2.7%

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**Some Basics are Doing Much Better Than the Group**

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
AIR PRODUCTS & CHEMICALS	APD	\$8,169	13.6%	35.6	23.29	11.4	238.4	2.4	7.6	7.80	2.1%
ALCAN ALUMINIUM LTD	AL	\$6,961	14.0%	32.4	26.51	7.9	10.7	1.3	7.6	6.17	1.8%
<b>ALCOA INC</b>	<b>AA</b>	<b>\$29,661</b>	<b>38.1%</b>	<b>34.3</b>	<b>12.99</b>	<b>7.4</b>	<b>17.2</b>	<b>3.6</b>	<b>13.0</b>	<b>6.80</b>	<b>1.5%</b>
ALLEGHENY TECHNOLOGIES II	ATI	\$1,776	11.5%	21.8	16.28	7.3	15.2	1.6	9.5	6.06	3.7%
ARCHER-DANIELS-MIDLAND C	ADM	\$5,683	-2.5%	9.4	(0.35)	1.9	18.8	0.9	6.7	2.27	2.1%
BARRICK GOLD CORPORATION	ABX	\$6,633	-13.4%	16.8	14.93	31.0	20.7	1.5	9.3	9.25	1.3%
BEMIS CO	BMS	\$1,860	9.1%	35.0	22.20	6.3	14.0	2.5	8.6	8.45	2.7%
BETHLEHEM STEEL CORP	BS	\$538	7.6%	4.1	(47.88)	(4.6)	(4.5)	0.8	7.2	(3.72)	0.0%
BOISE CASCADE CORP	BCC	\$1,752	14.8%	30.6	45.26	5.3	8.7	1.0	3.6	7.67	2.0%
<b>DOW CHEMICAL</b>	<b>DOW</b>	<b>\$18,778</b>	<b>21.9%</b>	<b>27.7</b>	<b>15.84</b>	<b>8.7</b>	<b>12.6</b>	<b>2.3</b>	<b>7.1</b>	<b>7.03</b>	<b>4.2%</b>
DU PONT (E I) DE NEMOURS	DD	\$51,535	12.7%	49.4	28.18	11.8	215.8	3.7	31.1	9.01	2.8%
EASTMAN CHEMICAL CO	EMN	\$3,529	17.3%	46.1	6.47	5.9	26.8	2.1	8.3	4.19	3.8%
ECOLAB INC	ECL	\$4,935	9.7%	38.5	21.62	10.3	24.5	6.1	17.4	13.87	1.2%
<b>ENGELHARD CORP</b>	<b>EC</b>	<b>\$2,426</b>	<b>16.2%</b>	<b>19.0</b>	<b>24.74</b>	<b>6.0</b>	<b>10.4</b>	<b>3.0</b>	<b>7.7</b>	<b>12.04</b>	<b>2.1%</b>
FMC CORP	FMC	\$2,012	-9.6%	66.2	101.40	8.5	9.9	2.5	5.3	8.39	0.0%
FREERT MCMOR COP&GLD	FCX	\$1,347	-15.5%	8.8	11.23	19.1	27.3	4.4	3.4	9.57	2.3%
<b>GEORGIA-PACIFIC GROUP</b>	<b>GP</b>	<b>\$4,962</b>	<b>43.2%</b>	<b>28.8</b>	<b>32.86</b>	<b>5.3</b>	<b>5.3</b>	<b>1.1</b>	<b>2.6</b>	<b>7.22</b>	<b>1.7%</b>
GRACE (W R) & CO	GRA	\$645	3.1%	9.6	19.17	13.2	4.9	4.0	2.8	114.97	0.0%
<b>GREAT LAKES CHEMICAL CORP</b>	<b>GLK</b>	<b>\$1,758</b>	<b>13.8%</b>	<b>32.3</b>	<b>20.01</b>	<b>10.8</b>	<b>12.1</b>	<b>1.6</b>	<b>7.7</b>	<b>7.32</b>	<b>1.0%</b>
HERCULES INC	HPC	\$1,571	0.6%	14.7	16.22	11.5	12.4	1.8	4.0	6.26	7.4%
HOMESTAKE MINING	HM	\$1,400	1.0%	5.4	(3.14)	(0.4)	(136.0)	1.9	10.0	(0.18)	0.9%
INCO LTD	N	\$2,882	67.1%	15.9	(6.48)	6.8	10.3	0.8	10.7	1.97	0.6%
INTL FLAVORS & FRAGRANCES	IFF	\$2,667	-0.6%	25.9	40.27	19.8	15.6	3.3	12.5	24.97	5.9%
INTL PAPER CO	IP	\$16,355	13.1%	33.9	1.97	5.0	19.2	1.4	8.2	4.35	2.9%
LOUISIANA-PACIFIC CORP	LPX	\$1,146	1.2%	11.0	44.59	14.1	5.5	0.7	2.8	17.97	5.1%
MEAD CORP	MEA	\$2,866	9.1%	27.9	12.63	6.8	11.3	1.1	6.1	5.32	2.4%
NEWMONT MINING CORP	NEM	\$3,047	12.6%	18.1	2.52	9.6	(1,775.0)	2.1	11.5	5.36	0.7%
<b>NUCOR CORP</b>	<b>NUE</b>	<b>\$3,078</b>	<b>21.7%</b>	<b>37.9</b>	<b>64.20</b>	<b>10.6</b>	<b>9.9</b>	<b>1.5</b>	<b>6.6</b>	<b>14.36</b>	<b>1.6%</b>
PACTIV CORP	PTV	\$1,646	4.2%	10.4	17.31	12.6	(15.9)	1.2	24.3	8.40	0.0%
PHELPS DODGE CORP	PD	\$3,301	61.0%	41.9	(33.63)	2.4	(14.2)	1.0	44.1	1.19	4.8%
PLACER DOME INC	PDG	\$2,928	20.7%	8.9	5.77	17.9	(425.0)	1.7	10.7	7.84	1.1%
POTLATCH CORP	PCH	\$1,019	3.8%	34.6	20.82	6.8	38.2	1.1	5.3	5.03	5.0%
PPG INDUSTRIES INC	PPG	\$7,490	13.5%	43.1	38.52	9.2	11.7	2.3	7.6	9.05	3.7%
<b>PRAXAIR INC</b>	<b>PX</b>	<b>\$6,876</b>	<b>10.1%</b>	<b>43.5</b>	<b>30.85</b>	<b>13.7</b>	<b>13.6</b>	<b>2.7</b>	<b>7.8</b>	<b>7.66</b>	<b>1.4%</b>
ROHM & HAAS CO	ROH	\$6,334	53.7%	28.9	12.82	10.6	16.4	1.6	10.2	7.93	2.6%
SIGMA-ALDRICH	SIAL	\$2,725	4.5%	30.9	19.53	14.2	17.0	2.1	14.1	8.99	1.0%
TEMPLE-INLAND INC	TIN	\$2,355	29.9%	46.2	(108.36)	12.0	10.3	1.2	6.1	5.59	2.8%
<b>UNION CARBIDE CORP</b>	<b>UK</b>	<b>\$5,783</b>	<b>18.1%</b>	<b>42.9</b>	<b>19.36</b>	<b>8.0</b>	<b>15.1</b>	<b>2.3</b>	<b>8.0</b>	<b>6.22</b>	<b>2.1%</b>
USX-U S STEEL GROUP	X	\$1,541	23.5%	17.4	(23.22)	4.4	16.5	0.8	4.3	2.58	5.7%
VULCAN MATERIALS CO	VMC	\$4,681	8.8%	46.4	44.40	15.4	17.3	3.3	10.5	17.72	1.8%
WESTVACO CORP	W	\$2,919	33.1%	29.0	13.33	9.0	15.3	1.3	7.4	4.86	3.0%
<b>WEYERHAEUSER CO</b>	<b>WY</b>	<b>\$11,018</b>	<b>37.5%</b>	<b>49.4</b>	<b>46.93</b>	<b>10.8</b>	<b>11.7</b>	<b>1.5</b>	<b>9.2</b>	<b>9.39</b>	<b>3.2%</b>
WILLAMETTE INDUSTRIES	WLL	\$3,679	12.7%	33.7	57.76	13.7	9.8	1.5	6.7	12.54	2.5%
WORTHINGTON INDUSTRIES	WOR	\$927	9.0%	10.8	23.76	8.6	10.0	1.4	5.6	11.97	6.0%

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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