

Intrinsic Value Weekly

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"Dull? Boring?"

Now that the Fed has relented, for now at least, and the reported inflation and growth numbers support a forecast of continued "normal" increase in the intrinsic value of the aggregate of companies, we'd expect the market levels to now move ahead somewhat. And last week's price advance was some evidence in that direction. But pundits have dubbed last week as "boring", "dull". But if you examine the great diversity of price change within the market, and within the Intrinsic Value Portfolio, last week was hardly boring.

We deduce from the strong performance year-to-date of small energy stocks and poor performance of large and medium energy stocks that the Intrinsic Value Portfolio is negatively correlated to energy prices. It is true that as energy prices rise, that the revenue growth of other parts of the economy are negatively affected. So it seems that all non-energy producers, or their suppliers, had a very good 1998 and 1999 and are now giving up some of the extra oomph gained in those years. Unless, we get a new Federal administration in January totally anti-oil industry, we're likely to see this current period return soon to more normal energy prices as worldwide production responds to prices double and triple those at the last price trough. Ironically, if an anti-oil group does ascend to power, then energy prices are likely to renew their climb and even make new all-time highs.

Honeywell (HON -NYSE) last week took decisive action to shed its weakest division. The shortfall in free cash flow has much to do with this and speaks well of the company's managers that quick action is being taken. We'll now see if they can also re-invigorate sales growth as well.

Delta Air (DAL - NYSE) continues to produce revenue growth which would justify a much higher price, but fears of cost squeezes from fuel and congestion problems in the system seem to keep the stocks well below intrinsic value.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 8/25/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change *
HON	Honeywell Int'l Inc.	4/29/1999	\$ 39.875	\$64.60	(38.3%)	1.6	12.5%
BGP	Borders Group, Inc.	3/6/2000	\$ 13.188	\$33.81	(61.0%)	1.0	1.4%
BGG	Briggs & Stratton	3/6/2000	\$ 42.000	\$106.86	(60.7%)	1.3	(2.0%)
CTL	CenturyTel, Inc.	3/6/2000	\$ 29.000	\$50.51	(42.6%)	1.5	(1.3%)
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 49.563	\$66.30	(25.2%)	0.9	(1.9%)
G	Gillette Company	3/2/2000	\$ 30.188	\$50.55	(40.3%)	3.3	1.3%
LOW	Lowe's Companies	3/6/2000	\$ 49.375	\$63.82	(22.6%)	2.3	5.5%
MLHR	Herman Miller, Inc.	3/6/2000	\$ 30.750	\$46.28	(33.6%)	3.2	(4.5%)
NYT	New York Times Co.	2/10/2000	\$ 39.563	\$49.37	(19.9%)	2.7	0.6%
NUE	Nucor Corporation	3/6/2000	\$ 36.563	\$59.99	(39.1%)	1.1	(3.6%)
WEN	Wendy's International	3/6/2000	\$ 19.125	\$24.49	(21.9%)	1.3	4.8%

Average: (36.8%) Average: 1.2%

Bold - Outperformed the S&P 500 for the week

S&P 500 1.0%

Value Drivers

Standard Market Statistics

Symbol	Sales					Standard Market Statistics				
	Capital Turnover	Growth Last 12M	EBIT Margin %	Return On Capital	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/ Book	Price/ Sales	Market Cap (\$billions)
HON	1.2	0.7%	13.8%	14.0%	5.9%	1.9%	17.7	3.1	1.6	27.2
BGP	1.0	13.7%	5.7%	10.9%	10.9%	0.0%	10.6	1.2	0.3	1.0
BGG	2.2	5.9%	12.0%	26.4%	(9.2%)	2.9%	5.9	2.2	0.6	0.8
CTL	0.4	2.0%	30.3%	11.1%	1.5%	0.7%	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
LOW	2.2	18.9%	7.4%	11.1%	18.7%	0.3%	22.0	3.4	1.1	16.1
MLHR	2.0	9.7%	12.7%	18.4%	20.9%	0.5%	17.8	11.9	1.3	2.5
NYT	1.1	12.0%	18.7%	13.1%	13.6%	1.2%	20.2	4.9	2.1	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&P 500</u>	<u>S&P MIDCAP</u>	<u>S&P SMALL CAP</u>
BASIC INDUSTRY	(14.4%)	(27.8%)	(7.8%)
CONSUMER CYCLICALS	(28.1%)	(23.4%)	(9.9%)
CONSUMER STAPLES	(8.7%)	(20.6%)	(10.0%)
HEALTH	(26.3%)	21.4%	20.8%
ENERGY	16.6%	109.5%	64.2%
FINANCIAL	(9.0%)	(33.4%)	(23.6%)
CAPITAL GOODS	(10.2%)	15.9%	7.5%
TECHNOLOGY	13.4%	19.1%	34.8%
COMMUNICATIONS	(27.1%)	50.4%	(54.5%) *
UTILITY	3.0%	(10.2%)	(23.9%)
TRANSPORTATION	(37.5%)	(15.7%)	(5.1%)
Weighted Total:	(4.5%)	7.3%	7.3%

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 8/25/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	1.8%	(3.3%)	4.4%	(1.1%)	3.6%	(0.8%)
CONSUMER CYCLICALS	6.7%	0.0%	12.1%	1.0%	17.7%	0.5%
CONSUMER STAPLES	9.8%	(1.3%)	7.1%	(1.5%)	7.6%	2.1%
HEALTH	10.5%	2.7%	12.4%	3.4%	12.7%	3.1%
ENERGY	5.4%	0.5%	7.5%	1.1%	4.7%	5.0%
FINANCIAL	14.1%	(0.5%)	10.4%	0.4%	12.5%	1.4%
CAPITAL GOODS	8.4%	4.6%	7.9%	0.4%	13.7%	1.9%
TECHNOLOGY	33.4%	1.7%	24.4%	4.2%	21.1%	2.0%
COMMUNICATIONS	6.6%	(0.5%)	1.6%	2.1%	0.2%	(1.8%) *
UTILITY	2.8%	(1.6%)	10.7%	(4.5%)	2.9%	(1.4%)
TRANSPORTATION	0.5%	(2.3%)	1.4%	0.5%	3.3%	1.2%
Index Total:		1.0%		1.5%		2.1%

* Sector contains only 2 companies

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

Sector Comments Okay, okay. We were early on calling the end to the relative price ascent of the Energy stocks. Or were we? Large and Medium Energy stocks lagged last week. Only the Small Energy guys did well. And Health stocks rebounded, as we expected too. But we think much of the near term movement in sectors will be dominated by the ups and downs in the polls in the Presidential race. And the Technology sector was dominated by the Large Sector this past week. Earnings reports had something to do with it, with Agilent and Hewlett-Packard heavily affecting the averages.

The near term is clouded right now with a torrent of new government initiatives to investigate and probe business practices, from electric power restructuring and pricing to automobile and tire goofs. While this turmoil is not likely to produce much in the way of changed laws, it may upset the mood of Mr. Market in his view of the future of cash flows. We always view these noisy and upsetting times as opportunities for exploiting the emotional tantrums that investors inevitably will display. Remember the "Asian Flu"? Great time to buy tech stocks and financials. This time, different groups will get very cheap, but they will also over-discount the present and under-discount the future.

This week, on Page 3, we present the value drivers for the Large Cap Communications stocks, only 6.6% of the S&P 500 Index, but very undervalued on long term prospects. The degree of skepticism in the market is very high and recovery may be delayed until perceived revenue problems are actually shown to be solved.

(\$millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
	\$ 13,222,041	90.8%	\$948,740
			6.5%
			\$ 392,308
			2.7%

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Communications Stocks Have Much To Offer

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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
ALLTEL CORP	AT	\$16,052	8.9%	50.9	33.94	17.3	12.1	4.6	10.0	11.34	2.5%
AT&T CORP	T	\$207,988	3.0%	31.1	13.02	13.3	15.9	1.7	12.8	7.01	2.8%
BELLSOUTH CORP	BLS	\$69,832	9.8%	37.1	28.11	18.2	18.2	5.1	8.6	11.06	2.0%
CENTURYTEL INC	CTL	\$4,067	1.5%	29.0	37.73	30.3	17.8	2.2	6.9	11.07	0.7%
GLOBAL CROSSING LTD	GBLX	\$27,567	382.7%	31.4	(9.64)	4.5	(22.3)	2.1	101.0	0.73	0.0%
NEXTEL COMMUNICATIONS	NXTL	\$38,906	58.9%	51.1	(32.69)	(16.7)	(31.0)	18.1	(141.8)	(3.55)	0.0%
QWEST COMMUNICATION INTL Q		\$83,268	6.9%	50.3	47.29	20.6	40.8	18.9	7.3	11.06	4.3%
SBC COMMUNICATIONS INC	SBC	\$138,338	7.7%	40.8	31.31	19.4	19.8	5.4	9.2	13.46	2.5%
SPRINT FON GROUP	FON	\$25,750	5.5%	32.3	25.29	14.7	18.7	2.7	6.6	9.67	1.5%
SPRINT PCS GROUP	PCS	\$45,204	98.4%	48.9	(60.84)	(80.8)	(22.8)	16.4	(46.5)	(15.03)	0.0%
VERIZON COMMUNICATIONS	VZ	\$116,874	102.4%	43.0	47.03	21.5	13.1	4.6	6.4	12.19	3.1%
WORLDCOM INC	WCOM	\$103,480	12.4%	36.1	23.84	23.3	22.5	2.2	12.3	7.53	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