

Intrinsic Value Weekly

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"Turbulence at High Altitude"

The volatility in the Intrinsic Value Portfolio this week came as no surprise. The combination of an inverted yield curve (short rates higher than long rates) and still-rising oil prices is acting much like a tax increase on current economic activity and showing up in disappointments in a broad array of industries. Of course, some of the problems are arising from the troubles within Europe and from the volatility in currency markets. To further add to this mess, the surge in polls favoring an anti-business agenda candidate is causing worry about the chance that specific industries will follow the tobacco and HMO's experiences of the past few years. Most investors must regard this period as higher risk than at any time since early last decade. The recent rise in utility stocks has shown an increase in this risk aversion and a shortening of investors' discounting horizons. Now, more than ever, investors need to pay attention to valuation and to the assumptions about the future upon which their valuations rest.

Nucor did a total reshuffle of its top management team, completing the transition starting with the ouster of Ken Iverson's hand-picked successor, John Correnti, in June 1999. The pace of **Nucor's** expansion will probably pick up now, but with an eye to balance in its debt/equity ratio and the management of its working capital. We continue to think **NUE** has a strong growth trend over time and that its intrinsic value has been clouded by questions of policy at the highest level. Now that the team is in place, we expect that **NUE** will be aggressive in its expansion including a potential for acquisitions, something missing from its strategy before. This latter change is very important since **NUE** is now one of the largest steel companies in the world and is somewhat constrained by the overall growth in the market for steel.

Finally, a reminder that opportunities in retailers recently stressed here bore fruit last week in the very strong surge in **LOW**. Strong growth in **LOW's** revenue and a growing chance that the Fed's next move will be to lower rates reinforces that opinion.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 9/8/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change *
HON	Honeywell Int'l Inc.	4/29/1999	\$ 36.313	\$64.60	(43.8%)	1.7	(9.1%)
BGP	Borders Group, Inc.	3/6/2000	\$ 13.500	\$33.81	(60.1%)	1.1	3.3%
BGG	Briggs & Stratton	3/6/2000	\$ 42.625	\$106.86	(60.1%)	1.3	(1.2%)
CTL	CenturyTel, Inc.	3/6/2000	\$ 28.500	\$50.51	(43.6%)	1.4	(1.7%)
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 49.000	\$66.30	(26.1%)	0.9	(1.6%)
G	Gillette Company	3/2/2000	\$ 30.688	\$50.55	(39.3%)	3.4	(3.9%)
LOW	Lowe's Companies	3/6/2000	\$ 51.250	\$63.82	(19.7%)	2.5	8.5%
MLHR	Herman Miller, Inc.	3/6/2000	\$ 30.063	\$46.28	(35.0%)	3.2	(6.8%)
NYT	New York Times Co.	2/10/2000	\$ 36.375	\$49.37	(26.3%)	2.6	(4.1%)
NUE	Nucor Corporation	3/6/2000	\$ 38.188	\$59.99	(36.3%)	1.1	0.0%
WEN	Wendy's International	3/6/2000	\$ 18.938	\$24.49	(22.7%)	1.4	(1.9%)

Average: (37.5%) Average: (1.7%)

S&P 500 (1.7%)

Bold - Outperformed the S&P 500 for the week

* two week change

Value Drivers

Standard Market Statistics

Symbol	Capital Turnover	Sales				Quarterly Sales Y/Y	Yield	PE Last 12M	Price/ Book	Price/ Market Cap Sales (\$billions)
		Growth Last 12M	EBIT Margin %	Return On Capital	Return On Capital					
HON	1.2	0.7%	13.8%	14.0%	5.9%	2.1%	17.7	3.6	1.6	30.9
BGP	1.0	13.7%	5.7%	10.9%	10.9%	0.0%	10.9	1.3	0.3	1.0
BGG	2.1	5.9%	12.9%	28.7%	(9.2%)	2.8%	7.2	2.7	0.6	0.9
CTL	0.4	2.0%	30.3%	11.1%	1.5%	0.7%	17.5	2.2	2.4	4.0
DAL	0.7	8.0%	12.7%	10.4%	12.9%	0.2%	4.8	1.5	0.4	6.1
G	0.9	(0.1%)	21.3%	14.5%	2.0%	2.1%	25.4	9.6	3.4	31.6
LOW	2.2	18.9%	7.4%	11.1%	18.7%	0.3%	21.9	3.6	1.1	17.2
MLHR	2.0	9.7%	12.7%	18.4%	20.9%	0.5%	18.1	12.2	1.2	2.5
NYT	1.1	12.0%	18.7%	13.1%	13.6%	1.3%	19.2	4.7	1.9	6.6
NUE	1.4	20.1%	9.3%	14.4%	21.7%	1.6%	9.6	1.4	0.7	3.0
WEN	0.9	9.6%	13.8%	10.2%	7.8%	1.3%	12.9	2.1	1.0	2.1

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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	(17.6%)	(28.7%)	(8.5%)
CONSUMER CYCLICALS	(27.8%)	(20.5%)	(8.4%)
CONSUMER STAPLES	(10.2%)	(25.5%)	(11.5%)
HEALTH	(28.9%)	23.9%	23.5%
ENERGY	17.4%	129.7%	67.8%
FINANCIAL	(7.5%)	(29.2%)	(20.1%)
CAPITAL GOODS	(9.8%)	18.2%	8.6%
TECHNOLOGY	9.0%	11.0%	30.6%
COMMUNICATIONS	(27.0%)	58.3%	(36.5%) *
UTILITY	11.0%	(4.5%)	(20.8%)
TRANSPORTATION	(39.8%)	(15.4%)	(4.6%)
Weighted Total:	(6.0%)	8.0%	7.5%

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 9/8/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	1.8%	(4.3%)	4.3%	(1.1%)	3.5%	0.2%
CONSUMER CYCLICALS	7.0%	1.6%	12.3%	2.2%	17.8%	0.2%
CONSUMER STAPLES	9.7%	0.3%	6.6%	(3.8%)	7.6%	(2.6%)
HEALTH	10.2%	(0.1%)	12.5%	1.2%	12.8%	2.5%
ENERGY	5.5%	0.4%	7.2%	4.3%	5.0%	0.0%
FINANCIAL	15.0%	2.6%	10.8%	3.5%	13.1%	2.1%
CAPITAL GOODS	8.5%	0.7%	7.9%	(0.2%)	13.7%	(0.8%)
TECHNOLOGY	32.3%	(4.0%)	24.0%	(2.8%)	19.9%	(4.7%)
COMMUNICATIONS	6.7%	(1.6%)	1.7%	(2.0%)	0.2%	(5.5%) *
UTILITY	3.0%	3.5%	11.4%	3.4%	3.0%	2.9%
TRANSPORTATION	0.5%	(1.4%)	1.4%	3.3%	3.3%	(0.3%)
Index Total:		(1.7%)		(0.8%)		(1.0%)

* Sector contains only 2 companies

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

Sector Comments The Utility Sector has been stellar this past two months, with only large cap Utilities now showing a bit of over-exuberance. This simply goes to show that while you can calculate valuation gaps, you cannot forecast when they'll close. That also goes for the Technology Sector. While the air has come out of the sector in the past two weeks, moves like this typically go beyond neutral. In Technology stocks the experience of Summer 1999 and Spring 1998 are instructive.

Much of the enthusiasm in the market this year, while volatile, has been sustained in only the Health, Energy, Financial and now the Utility Sectors. The strength in Energy is entirely due to the increase in the price of crude oil. And while crude prices seem stubborn and sticky, the movement down will be hard to stop when it begins. That means a tax cut for the 99%+ of us who don't work for the energy business. It will also mean that the slowing growth we've been suffering (ex energy) will rebound amid much reduced inflation numbers. Thinking of a more bullish scenario is difficult. As for Health, Financial and Utilities, safe havens may not look as attractive in a renewed growth period.

This week, we present the value drivers for Large Cap Consumer Staples. Investors have discovered that growth is more important in this group than previously thought and market share is tough to maintain in a shrinking market. As usual we emphasize those companies with growth, but not priced as growth stocks.

(\$millions)	<u>Large Capitalization</u>		<u>Mid-Cap Capitalization</u>		<u>Small-Cap Capitalization</u>
	\$ 13,147,958	90.6%	\$970,072	6.7%	\$ 396,061 2.7%

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Growth is Important to Consumer Staples Stocks

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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
ALBERTO-CULVER CO -CL B	ACV	\$1,622	14.5%	29.1	18.76	6.6	15.7	2.8	13.7	10.25	1.0%
ALBERTSONS INC	ABS	\$8,999	-1.8%	21.4	36.68	4.2	11.9	1.6	6.8	14.27	3.6%
ANHEUSER-BUSCH COS INC	BUD	\$36,405	6.0%	80.4	67.30	20.9	24.5	9.3	17.0	21.82	1.6%
AVON PRODUCTS	AVP	\$9,898	9.5%	41.7	27.28	10.7	22.3	(23.0)	25.7	18.66	1.8%
BESTFOODS	BFO	\$19,637	2.5%	70.7	61.04	15.0	27.5	23.1	20.1	26.20	1.5%
BROWN-FORMAN -CL B	BF.B	\$3,674	6.7%	53.6	34.32	10.2	16.4	3.5	13.1	9.17	2.3%
CAMPBELL SOUP CO	CPB	\$11,209	-8.3%	26.6	35.90	17.2	15.1	46.3	12.4	21.43	3.4%
CARDINAL HEALTH INC	CAH	\$22,880	25.0%	82.8	56.45	3.8	33.5	6.5	24.7	17.58	0.1%
CLEAR CHANNEL COMMUNICA	CCU	\$24,572	56.4%	64.6	(14.89)	9.5	(1,447.5)	2.4	27.1	1.79	0.0%
CLOROX CO/DE	CLX	\$8,553	4.8%	36.4	46.99	19.1	21.7	5.4	20.3	21.91	2.3%
COCA-COLA CO	KO	\$135,126	5.4%	54.6	29.50	24.6	81.0	13.7	47.0	31.08	1.2%
COCA-COLA ENTERPRISES	CCE	\$7,579	6.1%	18.1	(4.04)	6.5	45.4	2.7	5.4	4.76	0.9%
COLGATE-PALMOLIVE CO	CL	\$31,053	2.3%	54.1	26.13	13.7	30.1	16.2	24.5	18.08	1.2%
COMCAST CORP -CL A SPL	CMCSK	\$32,854	29.3%	36.3	(12.13)	5.3	(177.4)	2.9	20.2	1.72	0.1%
CONAGRA INC	CAG	\$9,260	6.3%	18.8	25.29	4.4	21.0	3.0	10.0	12.45	4.3%
COORS (ADOLPH) -CL B	RKY	\$2,238	6.7%	60.8	53.86	7.5	22.6	2.6	10.3	11.85	1.2%
CVS CORP	CVS	\$15,627	13.3%	40.0	20.63	5.9	21.6	4.0	17.2	9.50	0.6%
DARDEN RESTAURANTS INC	DRI	\$2,116	10.1%	17.3	23.70	7.1	12.8	2.3	6.9	11.66	0.5%
DELUXE CORP	DLX	\$1,537	-0.3%	21.3	45.12	14.7	6.9	3.8	5.9	22.81	7.0%
DISNEY (WALT) COMPANY	DIS	\$85,726	8.7%	40.3	8.04	9.9	77.9	3.8	16.4	5.59	0.5%
DONNELLEY (R R) & SONS CO	DNY	\$3,101	11.3%	25.4	33.27	7.7	10.1	2.8	4.9	10.40	3.6%
FORT JAMES CORP	FJ	\$6,653	2.2%	32.5	18.83	8.9	21.7	6.0	8.6	8.55	1.8%
FORTUNE BRANDS INC	FO	\$4,027	7.3%	25.4	32.49	9.9	13.3	1.5	(6.3)	7.75	3.6%
GENERAL MILLS INC	GIS	\$9,186	5.6%	32.2	32.84	11.8	15.7	(31.7)	11.2	20.76	3.4%
GILLETTE CO	G	\$32,314	2.0%	30.7	17.56	16.7	25.4	9.6	19.5	14.45	2.1%
HEINZ (H J) CO	HNZ	\$12,899	-1.3%	37.1	20.36	8.8	15.3	8.3	10.8	11.39	4.0%
HERSHEY FOODS CORP	HSY	\$6,131	-2.0%	44.8	22.54	8.1	19.9	5.4	9.9	9.70	2.5%
KELLOGG CO	K	\$10,039	0.9%	24.8	23.76	11.4	24.7	11.6	16.0	18.41	4.1%
KIMBERLY-CLARK CORP	KMB	\$30,975	10.0%	57.5	46.66	14.9	17.5	6.2	13.5	18.84	1.9%
KROGER CO	KR	\$18,866	6.2%	22.8	23.96	5.3	34.9	7.1	11.9	16.14	0.0%
LONGS DRUG STORES INC	LDG	\$765	12.1%	19.5	19.73	3.2	11.2	1.1	6.1	7.32	2.9%
MCDONALDS CORP	MCD	\$38,053	4.5%	28.8	19.62	22.7	20.1	3.8	13.9	10.20	0.7%
MCKESSON HBOC INC	MCK	\$7,351	13.1%	25.9	(5.84)	0.1	37.2	2.0	20.6	1.00	0.9%
NABISCO GROUP HLDGS CORP	NGH	\$9,263	11.6%	28.4	5.80	6.8	27.5	2.9	12.6	3.42	1.7%
NEWELL RUBBERMAID INC	NWL	\$6,931	7.1%	26.0	26.66	10.7	20.4	2.7	20.0	13.38	3.2%
PEPSICO INC	PEP	\$61,504	-1.1%	42.6	19.96	11.7	31.6	9.0	20.1	14.05	1.3%
PHILIP MORRIS COS INC	MO	\$66,725	5.5%	29.5	71.40	22.1	8.6	4.5	7.4	28.64	6.5%
PROCTER & GAMBLE CO	PG	\$82,842	2.2%	63.4	70.67	16.9	23.7	6.7	14.4	25.14	2.2%
QUAKER OATS CO	OAT	\$9,637	6.1%	72.7	49.40	11.1	26.1	49.3	16.6	23.89	1.6%
RALSTON PURINA CO	RAL	\$6,593	-38.6%	23.0	20.18	11.4	12.9	5.4	9.8	13.70	1.2%
SAFeway INC	SWY	\$24,824	17.1%	49.9	29.07	6.0	23.4	6.0	14.8	11.16	0.0%
SARA LEE CORP	SLE	\$17,229	1.0%	19.8	28.82	9.9	13.5	13.0	10.0	25.15	2.7%
SEAGRAM CO LTD	VO	\$25,752	11.9%	59.0	(16.58)	3.9	207.5	2.0	65.4	2.20	1.1%
STARBUCKS CORP	SBUX	\$6,771	31.1%	36.3	13.17	9.5	53.9	7.0	33.3	16.63	0.0%
SUPERVALU INC	SVU	\$2,010	31.5%	15.2	9.58	1.6	8.1	1.1	3.9	6.19	3.6%
SYSCO CORP	SYU	\$13,980	9.4%	42.0	14.92	2.4	30.7	9.8	24.4	14.25	1.1%

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Bold Blue - Favorable Drivers Source: Standard & Poors Corporation Compustat Research Insight®, Intrinsic Value Associates, LLC

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Growth is Important to Consumer Staples Stocks

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TIME WARNER INC	TWX	\$104,942	8.4%	79.4	(5.25)	7.1	94.0	12.4	22.8	5.00	0.2%
TRICON GLOBAL RESTAURANT	YUM	\$4,553	-12.2%	31.2	26.24	8.1	7.7	(7.9)	4.6	10.81	0.0%
TUPPERWARE CORP	TUP	\$1,173	0.5%	20.3	17.14	8.8	12.3	8.0	8.7	14.46	4.3%
UNILEVER N V -NY SHARES	UN	\$25,757	@AF	45.1	66.90	9.5	@NA	4.5	@CF	20.57	2.6%
UST INC	UST	\$3,308	3.7%	20.4	68.96	52.6	8.0	18.0	6.7	92.42	8.6%
VIACOM INC -CL B	VIA.B	\$98,511	63.6%	64.9	(2.61)	6.9	(673.1)	4.2	52.2	3.70	0.0%
WALGREEN CO	WAG	\$35,516	18.0%	35.2	15.99	6.0	45.7	9.5	42.4	25.45	0.4%
WENDY'S INTERNATIONAL INC	WEN	\$2,148	7.8%	18.9	20.38	11.9	12.9	2.1	8.5	10.21	1.3%
WINN-DIXIE STORES INC	WIN	\$2,042	-12.0%	14.5	5.71	2.8	(8.9)	2.3	73.5	5.27	7.0%
WRIGLEY (WM) JR CO	WWY	\$8,514	6.9%	75.0	55.22	20.4	26.7	7.4	23.2	31.34	1.9%

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