

# Intrinsic Value Weekly

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## "Rebounds"

The rebound in the Intrinsic Value Portfolio was not universal, but it was powerful. The volatility we have come to expect in this period of transition was evident - the average absolute deviation was 4.9% for the week. If there was a theme it is that the outlook for stocks with sensitivity to changes in the economy improved greatly. This could be related to expected future Federal Reserve action, but is more likely due to an increased likelihood of an across-the-board tax cut some time next year. The electoral trends now favor this result, but of course the election is not until Tuesday and expectations are volatile. Since we selected these stocks, and because their outlook would improve with a tax rate reduction, we tend to favor policies that would lift economic growth and we also favor leaving inflation control to the Fed, an institution with an excellent record of stewardship in that area.

The rebound of **CenturyTel, Inc. (CTL - NYSE)** from its disappointing second quarter has been truly spectacular. The stock reached a low of \$24.69 in the summer and has risen just over 50% since then. Our policy of emphasizing the purchase of temporarily depressed stocks in excellent companies worked very well there. Contrast that with the new lows recently recorded by other, better known communications stocks where the fundamentals have deteriorated to the point of having to jettison the offending businesses through spin-off and break-up. There is no substitute for solid fundamentals.

The rebound in Transportation stocks, notably **Delta Air Lines, Inc. (DAL - NYSE)**, has not been a result of lower oil prices, but a recognition that some companies have dealt effectively with the problem. We continue to see great opportunity for additional closing of the valuation discount for DAL.

## Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	11/3/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
HON	Honeywell Int'l Inc.	9/22/2000	\$ 51.625	\$59.52	(13.3%)	1.6	0.2%
BGP	Borders Group, Inc.	9/22/2000	\$ 13.313	\$29.31	(54.6%)	1.1	0.5%
<b>BGG</b>	<b>Briggs &amp; Stratton</b>	<b>9/22/2000</b>	<b>\$ 36.375</b>	<b>\$98.87</b>	<b>(63.2%)</b>	<b>1.3</b>	<b>3.9%</b>
<b>CTL</b>	<b>CenturyTel, Inc.</b>	<b>9/22/2000</b>	<b>\$ 37.125</b>	<b>\$40.74</b>	<b>(8.9%)</b>	<b>1.4</b>	<b>9.0%</b>
<b>DAL</b>	<b>Delta Air Lines, Inc.</b>	<b>3/6/2000</b>	<b>\$ 47.063</b>	<b>\$66.30</b>	<b>(29.0%)</b>	<b>0.9</b>	<b>8.8%</b>
G	Gillette Company	9/14/2000	\$ 33.688	\$40.84	(17.5%)	3.5	2.5%
INTC	Intel Corporation	9/11/2000	\$ 45.938	\$67.55	(32.0%)	7.4	(0.9%)
<b>LOW</b>	<b>Lowe's Companies</b>	<b>9/22/2000</b>	<b>\$ 44.563</b>	<b>\$56.04</b>	<b>(20.5%)</b>	<b>2.5</b>	<b>6.4%</b>
MLHR	Herman Miller, Inc.	3/6/2000	\$ 25.750	\$46.28	(44.4%)	3.0	0.7%
<b>NYT</b>	<b>New York Times Co.</b>	<b>9/22/2000</b>	<b>\$ 37.000</b>	<b>\$46.26</b>	<b>(20.0%)</b>	<b>2.6</b>	<b>4.6%</b>
<b>NUE</b>	<b>Nucor Corporation</b>	<b>9/22/2000</b>	<b>\$ 35.313</b>	<b>\$60.65</b>	<b>(41.8%)</b>	<b>0.9</b>	<b>11.9%</b>
<b>WEN</b>	<b>Wendy's International</b>	<b>9/22/2000</b>	<b>\$ 22.438</b>	<b>\$28.69</b>	<b>(21.8%)</b>	<b>1.5</b>	<b>10.8%</b>

Average: (30.6%) Average: 4.9%

Bold - Outperformed the S&P 500 for the week

S&P 500 3.4%

## 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/Market Cap Sales (\$billions)	Market Cap (\$billions)
HON	1.2	0.7%	13.8%	14.0%	3.0%	1.5%	17.7	3.3	1.6	41.4
BGP	1.0	13.7%	5.7%	10.9%	10.9%	0.0%	11.4	1.3	0.3	1.0
<b>BGG</b>	<b>2.2</b>	<b>(6.6%)</b>	<b>12.9%</b>	<b>30.5%</b>	<b>(39.5%)</b>	<b>3.3%</b>	<b>6.3</b>	<b>2.0</b>	<b>0.5</b>	<b>0.8</b>
<b>CTL</b>	<b>0.4</b>	<b>4.8%</b>	<b>30.3%</b>	<b>11.1%</b>	<b>15.1%</b>	<b>0.5%</b>	<b>16.5</b>	<b>2.1</b>	<b>3.0</b>	<b>5.2</b>
<b>DAL</b>	<b>0.6</b>	<b>11.0%</b>	<b>11.6%</b>	<b>11.9%</b>	<b>13.5%</b>	<b>0.2%</b>	<b>4.3</b>	<b>1.1</b>	<b>0.4</b>	<b>5.8</b>
G	0.9	(1.8%)	21.3%	14.5%	(7.5%)	1.9%	26.2	9.9	3.8	35.5
INTC	0.9	15.4%	34.6%	24.3%	19.1%	0.2%	29.5	8.5	9.2	308.7
<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>21.9</b>	<b>3.7</b>	<b>1.0</b>	<b>17.1</b>
MLHR	1.9	11.2%	12.1%	17.6%	11.4%	0.6%	18.1	8.5	1.0	2.0
<b>NYT</b>	<b>1.1</b>	<b>12.1%</b>	<b>18.7%</b>	<b>13.1%</b>	<b>7.9%</b>	<b>1.2%</b>	<b>19.3</b>	<b>4.7</b>	<b>1.9</b>	<b>6.2</b>
<b>NUE</b>	<b>1.4</b>	<b>23.2%</b>	<b>9.3%</b>	<b>14.4%</b>	<b>13.3%</b>	<b>1.7%</b>	<b>7.9</b>	<b>1.2</b>	<b>0.7</b>	<b>2.9</b>
<b>WEN</b>	<b>0.9</b>	<b>9.2%</b>	<b>13.8%</b>	<b>10.2%</b>	<b>8.3%</b>	<b>1.1%</b>	<b>13.7</b>	<b>2.2</b>	<b>1.2</b>	<b>2.5</b>

# Intrinsic Value Weekly

## 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	(16.3%)	(33.5%)	(15.2%)
CONSUMER CYCLICALS	(32.6%)	(21.5%)	(11.0%)
CONSUMER STAPLES	(5.1%)	(18.6%)	(4.2%)
HEALTH	(20.4%)	28.6%	29.3%
ENERGY	15.4%	98.5%	53.6%
FINANCIAL	(8.5%)	(28.2%)	(23.1%)
CAPITAL GOODS	(13.4%)	9.3%	6.9%
TECHNOLOGY	(14.8%)	(0.7%)	13.8%
COMMUNICATIONS	(29.1%)	41.7%	(49.6%) *
UTILITY	8.8%	(12.3%)	(18.8%)
TRANSPORTATION	(31.9%)	(19.1%)	(9.9%)
Weighted Total:	(13.1%)	0.9%	3.5%

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 11/3/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	1.9%	6.8%	3.6%	4.8%	3.5%	6.5%
CONSUMER CYCLICALS	6.8%	6.7%	12.6%	4.5%	17.4%	7.7%
CONSUMER STAPLES	10.8%	2.2%	7.5%	6.1%	8.4%	5.5%
HEALTH	12.0%	0.8%	13.9%	4.6%	13.5%	3.7%
ENERGY	5.8%	0.9%	5.9%	6.9%	5.1%	4.0%
FINANCIAL	15.8%	4.0%	11.9%	3.5%	12.3%	5.9%
CAPITAL GOODS	8.6%	2.7%	7.8%	6.8%	14.6%	7.2%
TECHNOLOGY	28.4%	3.8%	24.0%	6.2%	18.5%	8.1%
COMMUNICATIONS	6.2%	(1.4%)	1.6%	(5.4%)	0.2%	(0.3%) *
UTILITY	3.1%	1.3%	9.7%	3.0%	3.5%	3.1%
TRANSPORTATION	0.6%	9.5%	1.5%	7.2%	3.0%	7.1%
Index Total:		3.4%		5.0%		6.3%

\* Sector contains only 3 companies

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

**Sector Comments:** Technology again, but this time an "up". Valuation again. And with the long run growth of Technology in some question now it is important to review the assumptions underlying the valuations of Technology stocks. Our valuations are based on levels of growth that are well under the most recent patterns and also include a gradual fading of revenue growth and other drivers over the 30-year scope of our model's forecast period. Therefore, much of the slowdown now becoming evident is already incorporated into our valuation estimates. Further, many of the Technology stocks show a pattern of cyclicity in their revenues, but within a strong average growth trend. Valuing stocks to incorporate this pattern allows "looking over the valley" when a cyclical slowing begins and gives an investor some perspective in assessing whether a stock price is too low or not low enough to buy. Our addition of **Intel (INTC - NASDAQ)** in the Intrinsic Value Portfolio has performed well largely, we believe, because the price fell well below its longer run based value. Without this framework, buying INTC or any other stock is just guesswork. (Or worse, technical analysis)

Our Page 3 Value Driver statistics reveal the current conditions in the Mid Cap Basic stocks. With the prospect of faster economic growth next year, many investors may begin to view these stocks more favorably. And last week, the Large Cap Basics showed some of this improvement. The Mid Cap Basics though were left behind somewhat and may offer more opportunity.

(\$millions)	<u>Large Capitalization</u>		<u>Mid-Cap Capitalization</u>		<u>Small-Cap Capitalization</u>	
\$	12,413,723	90.5%	\$931,052	6.8%	\$ 379,447	2.8%

# Intrinsic Value Weekly

Mid Cap Basic may offer more opportunity

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
AIRGAS INC	ARG	\$464	5.9%	7.0	0.82	6.6	11.7	1.0	3.7	5.24	0.0%
AK STEEL HOLDING CORP	AKS	\$1,023	5.7%	9.5	12.79	6.8	16.2	0.8	3.6	8.05	5.3%
<b>ALBEMARLE CORP</b>	<b>ALB</b>	<b>\$922</b>	<b>11.8%</b>	<b>20.1</b>	<b>21.15</b>	<b>10.9</b>	<b>9.0</b>	<b>1.9</b>	<b>5.6</b>	<b>9.27</b>	<b>2.2%</b>
BOWATER INC	BOW	\$2,645	22.9%	52.8	(42.44)	1.1	129.0	1.3	7.1	0.51	1.5%
CABOT CORP	CBT	\$1,527	-13.1%	23.1	23.24	9.2	19.7	3.1	7.1	8.45	1.9%
<b>CARPENTER TECHNOLOGY</b>	<b>CRS</b>	<b>\$684</b>	<b>14.9%</b>	<b>31.1</b>	<b>55.44</b>	<b>11.4</b>	<b>12.4</b>	<b>1.0</b>	<b>5.6</b>	<b>7.27</b>	<b>4.2%</b>
CROMPTON CORP	CK	\$947	47.6%	8.3	(3.17)	6.3	(3.5)	1.2	(13.8)	5.85	1.0%
CYTEC INDUSTRIES INC	CYT	\$1,404	7.0%	34.9	32.27	11.0	10.2	2.8	6.8	8.64	0.0%
<b>FERRO CORP</b>	<b>FOE</b>	<b>\$721</b>	<b>6.4%</b>	<b>21.0</b>	<b>47.79</b>	<b>10.0</b>	<b>9.3</b>	<b>2.7</b>	<b>6.1</b>	<b>20.12</b>	<b>2.8%</b>
FULLER (H. B.) CO	FULL	\$483	-2.7%	34.2	82.11	7.7	8.1	1.1	5.5	11.26	2.5%
<b>GEORGIA GULF CORP</b>	<b>GGC</b>	<b>\$415</b>	<b>65.4%</b>	<b>13.2</b>	<b>9.91</b>	<b>11.3</b>	<b>3.6</b>	<b>6.3</b>	<b>4.4</b>	<b>8.84</b>	<b>2.4%</b>
GEORGIA-PACIFIC TIMBER CO	TGP	\$2,233	-31.7%	27.9	56.26	70.5	6.8	17.8	5.2	27.49	3.6%
GLATFELTER (P H) CO	GLT	\$469	0.3%	11.1	12.69	10.0	11.3	1.4	5.2	7.51	6.3%
IMC GLOBAL INC	IGL	\$1,457	-7.3%	12.7	6.25	13.0	(2.5)	1.5	(3.8)	4.96	2.8%
LONGVIEW FIBRE CO	LFB	\$707	11.5%	13.7	5.16	7.8	15.4	1.5	6.8	5.14	3.5%
LUBRIZOL CORP	LZ	\$1,151	-1.9%	20.9	36.94	10.3	9.2	1.4	5.1	10.71	5.0%
LYONDELL CHEMICAL CO	LYO	\$1,800	-0.1%	15.3	n.a.	n.a.	4.5	1.4	8.2	983.82	5.9%
MARTIN MARIETTA MATERIALS	MLM	\$1,832	7.5%	39.2	24.94	10.8	14.2	2.3	7.3	7.97	1.4%
MAXXAM INC	MXM	\$131	4.3%	19.0	(656.25)	(3.4)	(19.7)	5.8	0.9	(1.75)	0.0%
<b>MINERALS TECHNOLOGIES INC</b>	<b>MTX</b>	<b>\$647</b>	<b>0.7%</b>	<b>31.7</b>	<b>50.95</b>	<b>12.8</b>	<b>14.8</b>	<b>2.0</b>	<b>5.5</b>	<b>11.94</b>	<b>0.3%</b>
OLIN CORP	OLN	\$792	10.9%	17.6	5.06	4.9	13.2	2.4	8.2	4.73	4.6%
RAYONIER INC	RYN	\$955	-1.7%	35.1	0.42	9.7	11.1	1.5	5.5	4.87	4.1%
<b>RPM INC-OHIO</b>	<b>RPM</b>	<b>\$931</b>	<b>11.6%</b>	<b>9.1</b>	<b>2.11</b>	<b>4.8</b>	<b>15.1</b>	<b>1.4</b>	<b>7.8</b>	<b>5.35</b>	<b>5.4%</b>
SCHULMAN (A.) INC	SHLM	\$300	-2.4%	10.1	18.67	4.9	8.8	1.0	4.6	9.36	5.4%
<b>SOLUTIA INC</b>	<b>SOI</b>	<b>\$1,314</b>	<b>5.9%</b>	<b>12.7</b>	<b>32.83</b>	<b>13.6</b>	<b>7.5</b>	<b>15.2</b>	<b>3.9</b>	<b>14.76</b>	<b>1.3%</b>
<b>SONOCO PRODUCTS CO</b>	<b>SON</b>	<b>\$1,815</b>	<b>9.3%</b>	<b>18.3</b>	<b>19.37</b>	<b>8.4</b>	<b>9.8</b>	<b>2.0</b>	<b>5.5</b>	<b>9.67</b>	<b>4.4%</b>
SOUTHDOWN INC	SDW	\$2,598	-1.2%	72.4	82.66	18.5	11.9	3.1	9.0	15.62	0.8%
UCAR INTERNATIONAL INC	UCR	\$398	-8.6%	8.8	18.75	14.0	27.6	(2.0)	4.6	13.62	0.0%
UNIVERSAL CORP/VA	UVV	\$784	-16.9%	28.3	123.94	7.3	7.8	1.7	4.8	17.20	4.4%
VALSPAR CORP	VAL	\$1,147	-3.3%	26.9	26.07	7.2	11.4	2.5	9.5	13.59	1.9%
WAUSAU-MOSINEE PAPER CO	WMO	\$462	-2.1%	9.0	14.22	8.2	29.8	1.0	4.7	8.87	3.8%

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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