

Intrinsic Value Weekly

Volume 3, No. 6

Published Weekly by Intrinsic Value Associates, LLC

February 7, 2000

"The Tug of War"

The market is often a cauldron of conflicting forces, vying for supremacy. This year so far is marked by this turbulence. With the 10-year US Treasury Note yielding 6.5%, a full 1.75% higher than its yield nadir in 1998, the market is certainly in thrall to the idea of higher capital costs. Whether the motivating factor is higher usefulness of capital or higher inflation expectations, we don't know. But one of the indicators we use to decide that question is gold prices. And because gold prices have been extremely tame, we expected the driving force for higher capital costs had come from the extraordinary flow of each marginal dollar of capital into the technology business. In fact, high revenue growth rates and stratospheric valuations often accompany such flows. But now, gold prices have done another spate of short-covering in response to the exit of another producer from the hedging game. Is this now an announcement of the true inflationary nature of this current economy? Or is it just one more confirmation of the success of low inflation policy? The gold analysts have been quick to say that demand is greater than supply in the world gold producing business. But if that were true, wouldn't the price have been rising steadily? We still think that the flow of capital from low return businesses to high return businesses is in full flood and, unless the Federal Reserve gets really cranky, the outlook for continued rapid economic growth with low inflation is solid. And the rise in yields is a response to higher potential real economic growth. So raise your revenue estimates.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 2/4/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgt LP	9/24/1999	\$ 39.375	\$44.68	(11.9%)	5.4	5.4%
HON	Honeywell Int'l Inc.	4/29/1999	\$ 47.375	\$64.60	(26.7%)	2.4	4.8%
BGP	Borders Group, Inc.	1/10/2000	\$ 14.063	\$33.34	(57.8%)	1.2	0.5%
BGG	Briggs & Stratton	9/20/1999	\$ 43.000	\$117.62	(63.4%)	2.0	(4.2%)
CTL	CenturyTel, Inc.	3/1/1999	\$ 39.063	\$45.97	(15.0%)	2.0	3.6%
DAL	Delta Air Lines, Inc.	3/1/1999	\$ 47.750	\$66.79	(28.5%)	0.9	1.1%
G	Gillette Company	6/23/1999	\$ 37.500	\$48.52	(22.7%)	4.5	(1.3%)
LOW	Lowes Companies	9/27/1999	\$ 48.375	\$61.77	(21.7%)	4.2	8.6%
MLHR	Herman Miller, Inc.	7/5/1999	\$ 22.031	\$46.47	(52.6%)	2.5	1.3%
NYT	New York Times Co.	3/1/1999	\$ 48.313	\$48.21	0.2%	3.3	4.3%
NUE	Nucor Corporation	3/1/1999	\$ 48.750	\$57.99	(15.9%)	1.9	(3.8%)
PFE	Pfizer, Inc.	6/23/1999	\$ 35.750	\$42.73	(16.3%)	9.4	1.6%
WEN	Wendy's International	3/1/1999	\$ 18.438	\$29.86	(38.3%)	1.6	(1.0%)
Average:					(29.9%)	Average:	1.6%
						S&P 500	4.7%

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Sales		EBIT Margin %	ROC	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/Book	Price/Sales
	Growth Last 12M								
AC	41.2%		27.7%	38.6%	67.7%	5.0%	13.8	11.9	2.7
HON	0.7%		13.0%	11.5%	(1.0%)	1.4%	17.7	6.1	1.6
BGP	13.7%		6.4%	8.8%	17.6%	0.0%	15.9	1.8	0.4
BGG	14.4%		12.0%	26.4%	17.3%	2.8%	9.8	3.4	0.8
CTL	6.3%		30.4%	10.9%	2.8%	0.5%	28.4	4.3	3.9
DAL	4.5%		12.7%	10.4%	7.7%	0.2%	6.2	1.6	0.5
G	(1.6%)		23.1%	17.1%	(4.4%)	1.6%	33.5	9.6	4.6
LOW	19.7%		6.8%	10.7%	19.2%	0.2%	35.6	6.7	1.4
MLHR	(1.3%)		12.7%	18.4%	(0.2%)	0.7%	13.6	8.8	1.1
NYT	3.7%		17.5%	11.8%	6.9%	0.9%	30.3	5.8	3.1
NUE	(12.2%)		9.9%	12.6%	1.6%	1.1%	23.0	2.3	1.3
PFE	19.6%		27.0%	20.2%	16.6%	0.9%	47.7	14.3	7.6
WEN	2.0%		12.6%	9.2%	11.4%	1.3%	18.6	2.4	1.3

Intrinsic Value Weekly

ECONOMIC SECTOR VALUATION

<u>SECTORS</u>	<u>S&P 500</u>	<u>S&P MIDCAP</u>	<u>S&P SMALL CAP</u>
BASIC INDUSTRY	19.2%	(30.3%)	(8.3%)
CONSUMER CYCLICALS	(12.6%)	(22.7%)	(20.8%)
CONSUMER STAPLES	(7.9%)	(11.0%)	(15.2%)
HEALTH	(31.1%)	4.2%	5.7%
ENERGY	(3.3%)	47.0%	12.5%
FINANCIAL	(18.4%)	(36.3%)	(33.7%)
CAPITAL GOODS	16.3%	10.3%	2.1%
TECHNOLOGY	34.5%	38.2%	90.3%
COMMUNICATIONS	1.9%	61.6% *	115.9% *
UTILITY	(15.8%)	(23.7%)	(14.9%)
TRANSPORTATION	(34.7%)	(38.6%)	(13.1%)
Weighted Total:	4.6%	3.7%	19.8%

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 2/4/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.7%	0.7%	4.3%	(1.8%)	3.7%	(0.8%)
CONSUMER CYCLICALS	8.6%	4.8%	14.0%	1.0%	15.7%	2.1%
CONSUMER STAPLES	11.0%	0.3%	8.4%	0.1%	7.0%	(0.9%)
HEALTH	9.8%	2.5%	10.8%	3.0%	12.0%	2.0%
ENERGY	5.4%	(1.1%)	4.6%	2.9%	3.0%	2.4%
FINANCIAL	12.4%	0.6%	10.0%	1.2%	9.6%	2.2%
CAPITAL GOODS	8.0%	3.0%	7.7%	4.9%	12.5%	0.0%
TECHNOLOGY	30.9%	11.1%	28.4%	9.1%	29.1%	7.0%
COMMUNICATIONS	8.2%	5.1%	1.7%	(1.6%) *	0.9%	7.8% *
UTILITY	2.5%	0.9%	9.2%	1.7%	3.4%	0.9%
TRANSPORTATION	0.6%	(0.2%)	0.9%	0.6%	3.1%	3.8%
Index Total:		4.7%		3.5%		3.3%

* Sector contains only 3 companies

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

Sector Comments Technology continues to drag this market higher. Now, including all market caps, the Technology Sector comprises 30.7% of the market value of all the S&P Indices, another new high. Clearly, Mr. Market expects great things from all the new capital flowing into technology businesses. In the past, when great expectations lifted valuations to dizzying heights, either a great fall or a long period of stagnation were the result. Biotech in the early 1990's comes to mind. Now after many years, the Biotech sector has come to life again in a big way, looking much like internet stocks now in some respects. The buzz-word is now genomics. With designer DNA, some companies will be able to perform what any sensible person would view as miracles. It's still too soon to have an idea of revenue streams yet, but expectations are rising fast. Some of this enthusiasm will lift the Health stocks, mostly small and mid cap size, but big ones too. Keep an eye on this one because some mighty big products will be made obsolete overnight when new products are announced.

Transport stocks are economically sensitive, both to manufacturing and trade, but also to discretionary income. Some of the capacity changes among airlines in the past week may be targeted at the leisure traveller looking for more legroom at a slightly elevated cost. This will bode well for "yields" and returns on capital in a business that could use more of each. Transport stocks on Page 3 this week.

(Millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
\$	11,887,090	\$905,435	\$ 378,672
	90.3%	6.9%	2.9%

Intrinsic Value Weekly

Some Transports could be getting a lift

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 EXPRESS INTERNATIONAL	AEIC	\$1,098	9.3%	32.7	30.56	4.6	23.2	3.5	18.1	20.26	0.9%
AIRBORNE FREIGHT CORP	ABF	\$949	1.9%	19.5	0.00	0.0	9.5	1.4	2.9	-	0.8%
ALASKA AIR GROUP INC	ALK	\$810	9.8%	30.7	47.60	16.7	6.4	1.2	3.3	7.77	0.0%
ALEXANDER & BALDWIN INC	ALEX	\$889	-22.1%	20.6	5.49	6.6	23.3	1.4	7.6	4.45	4.4%
AMERICAN FREIGHTWAYS CO	AFWY	\$437	20.1%	13.6	7.61	6.2	12.0	2.0	5.2	7.02	0.0%
AMR CORP/DE	AMR	\$8,469	-2.5%	57.2	93.93	12.5	12.7	1.6	3.6	8.34	0.0%
ARKANSAS BEST CORP	ABFS	\$238	9.7%	12.1	17.98	3.4	5.9	1.4	3.2	7.17	0.0%
ARNOLD INDUSTRIES INC	AIND	\$320	7.4%	13.0	34.01	14.3	10.2	1.5	4.9	20.06	3.4%
ATLANTIC COAST AIRLINES HL	ACAI	\$358	16.6%	19.3	9.72	23.9	14.8	4.2	10.3	12.37	0.0%
BRLNGTN NTHRN SANTA FE	BNI	\$10,733	5.2%	22.8	28.76	22.9	10.1	1.5	5.4	8.05	2.1%
CNF TRANSPORTATION INC	CNF	\$1,527	14.5%	31.6	26.76	6.6	10.3	1.9	5.3	7.58	1.3%
CSX CORP	CSX	\$6,045	19.6%	27.7	(4.07)	10.8	35.7	1.2	5.2	4.56	4.3%
DELTA AIR LINES INC	DAL	\$6,344	7.7%	47.8	125.96	15.8	6.2	1.6	3.2	10.36	0.2%
EAGLE USA AIRFREIGHT INC	EUSA	\$977	29.3%	34.4	24.40	7.6	42.7	8.5	28.1	33.96	0.0%
EXPEDITORS INTL WASH INC	EXPD	\$2,268	40.2%	44.9	14.93	5.5	40.0	10.0	35.0	19.53	0.2%
FEDEX CORP	FDX	\$11,692	8.6%	39.2	24.57	8.0	19.3	2.6	7.0	7.73	0.0%
FRITZ COS INC	FRTZ	\$378	11.7%	10.3	7.88	1.8	29.2	1.4	9.2	6.80	0.0%
FROZEN FOOD EXPRESS INDS	FFEX	\$67	3.9%	4.1	13.68	4.5	15.5	0.7	3.5	14.03	0.0%
GATX CORP	GMT	\$1,481	2.1%	30.1	12.32	25.3	11.5	2.3	3.8	6.46	3.7%
HEARTLAND EXPRESS INC	HTLD	\$392	6.5%	13.1	25.51	19.2	14.3	2.5	7.7	27.29	0.0%
HUNT (JB) TRANSPRT SVCS IN	JBHT	\$445	12.1%	12.5	26.34	5.4	13.2	1.3	2.4	10.96	1.6%
KANSAS CITY SOUTHERN INDE	KSU	\$8,130	38.7%	73.6	24.46	24.8	31.5	8.9	30.6	10.62	0.2%
KIRBY CORP	KEX	\$389	56.8%	18.8	5.25	6.6	18.5	3.0	10.4	5.12	0.0%
LANDSTAR SYSTEM INC	LSTR	\$551	13.9%	56.3	43.47	2.8	10.5	4.0	13.1	13.45	0.0%
M S CARRIERS INC	MSCA	\$269	16.4%	21.9	0.00	0.0	9.9	1.4	2.9	-	0.0%
MESA AIR GROUP INC	MESA	\$215	43.9%	6.3	(3.20)	12.9	(11.9)	1.7	46.3	5.02	0.0%
MIDWEST EXPRESS HOLDINGS	MEH	\$333	19.3%	23.5	30.98	12.5	11.4	4.6	7.2	10.86	0.0%
NORFOLK SOUTHERN CORP	NSC	\$6,022	43.1%	15.8	0.00	0.0	21.1	1.3	8.4	-	5.1%
OVERSEAS SHIPHOLDING GRC	OSG	\$501	-19.2%	14.6	(6.21)	11.0	(11.6)	0.8	11.5	2.50	4.1%
RAILTEX INC	RTEX	\$173	10.2%	18.6	16.05	15.2	10.9	1.2	6.4	6.72	0.0%
ROLLINS TRUCK LEASING	RLC	\$569	9.2%	9.9	13.33	18.8	12.2	2.1	2.4	8.55	2.2%
RYDER SYSTEM INC	R	\$1,546	-3.6%	22.6	38.10	12.1	16.3	1.6	2.1	7.64	2.7%
SKYWEST INC	SKYW	\$722	14.8%	29.4	(11.58)	23.6	13.4	2.7	10.8	6.05	0.4%
SOUTHWEST AIRLINES	LUV	\$8,134	15.0%	16.1	12.88	17.0	16.8	3.4	11.8	10.92	0.1%
SWIFT TRANSPORTATION CO	SWFT	\$832	19.1%	12.9	10.09	10.5	17.3	3.4	8.1	9.05	0.0%
UNION PACIFIC CORP	UNP	\$9,991	6.8%	40.3	(65.87)	4.9	121.4	1.5	22.8	1.62	2.0%
US AIRWAYS GROUP INC	U	\$1,536	0.7%	21.5	86.14	15.3	6.5	4.5	2.1	8.98	0.0%
USFREIGHTWAYS CORP	USFC	\$1,066	23.6%	40.3	34.41	5.1	13.5	2.7	7.0	9.26	0.9%
WERNER ENTERPRISES INC	WERN	\$625	20.8%	13.2	26.75	11.3	10.7	1.5	4.5	15.51	0.8%
WISCONSIN CENTRAL TRANSF	WCLX	\$689	5.9%	13.4	22.32	38.0	10.4	1.5	7.1	10.39	0.0%
YELLOW CORP	YELL	\$429	19.9%	17.3	39.18	3.7	9.6	1.2	3.1	9.54	0.0%

FOR INFORMATIONAL PURPOSES ONLY The information contained in this publication has been obtained from a variety of sources. We cannot vouch for their reliability. However, through our analysis we attempt to provide reliable information. We do not guarantee accuracy or completeness. Intrinsic Value Weekly is published solely for informational purposes and should not be construed as a solicitation to buy or sell any security. All opinions and estimates included in this report represent our judgment as of this date and are subject to change without notice. Delivery of this publication shall not, under any circumstances, create any implication that there has been no change in the information provided herein from the date of this report which is February 7, 2000. Intrinsic Value Associates, LLC or its affiliates may maintain ownership positions in any of the companies mentioned in this report

@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

Bold Blue - Favorable Drivers

Source: Standard & Poors Corporation Compustat Research Insight®, Intrinsic Value Associates, LLC