

Intrinsic Value Weekly

Volume 4, No. 11

Published Weekly by Intrinsic Value Associates, LLC

March 12, 2001

"Whew!"

Whew! If we needed another reminder that stocks that sell at or above intrinsic value are vulnerable to bad news, we surely got one in the announcement by **The New York Times (NYT - NYSE)** that its fundamentals are deteriorating. The stock sank mere hours after our exit. We didn't spend much time celebrating, though. Our first instinct was to check the rest of the portfolio to see if such a risk is likely there too. No guarantees of course. But, we think that the underpinnings of the other IVP members are in pretty good shape. The one exception may be **Delta Air Lines (DAL - NYSE)** with its struggles in getting a new contract with its pilots. It would appear that the demands of the pilots could not only add enormously to labor costs, but possibly put **DAL** at a cost disadvantage to its competitors. The company's pilots cost the airline about 11% of revenues currently. While **DAL**'s operating costs are below the industry average and below their principal competitors, an adverse outcome could narrow that advantage. In a brutally competitive industry like air travel, success is defined as being the lowest-cost, highest quality participant. The emergence of the White House in the midst of the Northwest Airlines labor dispute last week changed the landscape. In recent years, the government has usually refrained from direct intervention. This new factor raised the prices of airline stocks generally, and airlines that are in labor negotiations especially. Intervention can stop just as quickly as it started, so it is not a factor upon which one rests an investment theme. However, if a settlement results in the termination of this uncertainty, the longer term fundamentals will likely emerge to move this stock toward its intrinsic value. The discount is substantial and based on a reasonable continuation of the cost advantages now held by **DAL**.

Much has been made of the importance of the currently-debated tax cut proposal. The improvement in incentives in the bill passed by the House of Representatives is modest for the most productive. And delays in the implementation of tax rate reductions will diminish their economic impact to near invisibility. Don't count on these tax cuts as a mover of markets.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	3/9/2001	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change	
BGP	Borders Group, Inc.	9/22/2000	\$ 16.000	\$29.31	(45.4%)	1.1	(0.4%)	
BGG	Briggs & Stratton	9/22/2000	\$ 42.460	\$98.87	(57.1%)	1.3	5.9%	
CTL	CenturyTel, Inc.	9/22/2000	\$ 28.200	\$40.74	(30.8%)	1.4	(1.1%)	
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 44.380	\$66.30	(33.1%)	0.8	8.1%	
MLHR	Herman Miller, Inc.	3/6/2000	\$ 26.938	\$46.28	(41.8%)	2.5	3.9%	
NUE	Nucor Corporation	9/22/2000	\$ 46.910	\$60.65	(22.7%)	1.2	2.9%	
WEN	Wendy's International	9/22/2000	\$ 25.490	\$28.69	(11.1%)	1.7	2.6%	
					Average:	(34.6%)	Average:	3.1%
						S&P 500	(0.1%)	

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Capital Turnover	Sales Growth		Return On Capital	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/Book	Price/ Sales	Market Cap (\$billions)
		Last 12M	EBIT Margin %							
BGP	1.0	11.4%	5.7%	10.9%	7.2%	0.0%	13.5	1.5	0.4	1.3
BGG	2.2	(13.5%)	12.9%	30.5%	(12.9%)	2.9%	10.6	2.1	0.7	0.9
CTL	0.4	10.1%	30.3%	11.1%	23.6%	0.7%	17.5	2.2	2.1	4.0
DAL	0.6	13.8%	11.6%	11.9%	1.5%	0.2%	6.0	1.1	0.3	5.5
MLHR	1.9	18.4%	12.1%	17.6%	27.7%	0.5%	13.4	6.8	1.0	2.1
NUE	1.4	14.4%	9.3%	14.4%	(7.5%)	1.3%	11.6	1.7	0.9	3.7
WEN	0.9	8.2%	13.8%	10.2%	7.6%	0.9%	16.7	2.7	1.3	2.9

Intrinsic Value Weekly

ECONOMIC SECTOR VALUATION

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	0.4%	(25.3%)	(7.8%)
CONSUMER CYCLICALS	(25.6%)	(10.6%)	(8.2%)
CONSUMER STAPLES	(8.3%)	(11.8%)	3.7%
HEALTH	(25.6%)	(10.9%)	(0.2%)
ENERGY	19.7%	146.3%	88.7%
FINANCIAL	(13.4%)	(20.1%)	(28.1%)
CAPITAL GOODS	(20.3%)	(6.2%)	(10.1%)
TECHNOLOGY	(51.6%)	(25.7%)	(22.4%)
COMMUNICATIONS	(40.2%)	3.3%	(43.1%) *
UTILITY	2.9%	(22.2%)	(13.8%)
TRANSPORTATION	(34.7%)	(13.5%)	(15.1%)
Weighted Total:	(21.8%)	(3.6%)	(4.0%)

RED - Overvalued

BLUE - (Undervalued)

Bold - outperformed the relevant index

WEEKLY PRICE CHANGE

SECTORS	S&P 500		S&P MIDCAP		S&P SMALL CAP	
	Weight	Price	Weight	Price	Weight	Price
prices as of 3/9/2001	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.5%	6.5%	4.2%	3.0%	4.2%	2.8%
CONSUMER CYCLICALS	8.7%	(0.2%)	15.6%	(0.1%)	19.3%	(0.2%)
CONSUMER STAPLES	12.1%	(0.4%)	8.1%	0.6%	10.1%	0.4%
HEALTH	13.5%	2.2%	10.2%	1.5%	10.6%	1.9%
ENERGY	7.1%	2.1%	8.1%	3.7%	7.8%	3.6%
FINANCIAL	17.3%	0.3%	15.3%	2.3%	12.0%	1.7%
CAPITAL GOODS	9.3%	(1.4%)	6.7%	(0.1%)	12.9%	(1.0%)
TECHNOLOGY	19.1%	(6.7%)	20.6%	(4.3%)	15.8%	(6.5%)
COMMUNICATIONS	6.0%	(2.2%)	1.5%	(0.2%)	0.2%	(4.7%) *
UTILITY	3.8%	1.5%	7.7%	1.4%	4.3%	1.2%
TRANSPORTATION	0.6%	(0.8%)	2.0%	(0.8%)	2.8%	(1.4%)
Index Total:		(0.0%)		(0.6%)		(0.2%)

* Sector contains only 3 companies

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

Sector Comments: Our last week's emphasis on Basic Industry stocks bore significant fruit, but now the Large Cap Basics are modestly above Intrinsic Value. The Mid Cap Basics are a better bet.

Two other sectors that are under-priced and also attracting buyers are Consumer Cyclical and Communications stocks. Most up in the latter group this year is **AT&T (T - NYSE)**. Of course, T was a disaster last year. We believe that the slowdown in Technology stocks was really born in the problems of the Communications group last summer. Symmetrically, the recovery of T and the Communications group could be the first sign of some reversal of the carnage in Technology stocks. When that might occur is completely unknowable. Like the first robin, though, signs of fundamental recovery are often (not always) presaged by stock price recovery. And if fundamental recovery of the Communications stocks is in the wind, can fundamental recovery of Technology stocks be very far behind?

As for Consumer Cyclical, the anticipation in the stock price recovery is seemingly based on expectations of lower interest rates. But, we assert that lower interest rates are likely only if they are consistent with price stability. And if that relationship is broken by the Fed, then worries about higher future inflation will insert a real monkey wrench into the pricing of stocks. The Fed should stick to managing inflation to zero.

Again, we present the Value Drivers for the Consumer Cyclical, but only for the Large Caps. We expect that this group will perform well if inflation stays low and interest rates fall.

(\$millions)	Large Capitalization	Mid-Cap Capitalization	Small-Cap Capitalization
	\$ 10,780,017	90.1%	\$844,621
			7.1%
			\$ 339,428
			2.8%

Intrinsic Value Weekly

Consumer Cyclical Depend on Lower Rates and Low Inflation

Page 3

Company Name	Ticker	Market Value - Equity	12 Mo.	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Leverage At Market	Return on Capital	Dividend Yield
			Quarterly Sales Growth								
AMERICAN GREETINGS -CL A	AM	\$8,134	22.9%	13.9	32.15	10.38	9.7	0.7	61.4%	7.97	2.9%
AUTOZONE INC	AZO	\$3,141	5.4%	27.6	56.20	14.02	12.1	3.1	47.8%	16.26	0.0%
BED BATH & BEYOND INC	BBBY	\$8,126	25.3%	28.4	11.75	11.46	44.8	12.4	0.2%	42.75	0.0%
BEST BUY CO INC	BBY	\$9,765	26.3%	47.0	43.15	4.54	22.6	7.5	1.3%	47.17	0.0%
BLACK & DECKER CORP	BDK	\$3,575	(6.2%)	44.5	94.47	13.96	12.3	4.8	39.4%	17.22	1.1%
BLOCK H & R INC	HRB	\$4,656	29.0%	51.0	57.37	19.28	20.3	4.0	30.3%	18.70	2.4%
BRUNSWICK CORP	BC	\$1,970	1.5%	22.6	34.68	6.82	9.3	1.5	38.2%	10.78	2.2%
CARNIVAL CORP	CCL	\$17,564	7.5%	30.1	24.13	28.04	20.7	3.5	12.4%	12.40	1.4%
CENDANT CORP	CD	\$10,734	(11.5%)	14.7	9.82	28.42	16.3	4.2	59.7%	9.67	0.0%
CENTEX CORP	CTX	\$2,516	14.7%	42.6	115.27	9.25	9.9	1.7	49.7%	18.02	0.4%
CIRCUIT CITY STR CRCT CTY (CC	\$2,660	(7.0%)	13.0	39.12	7.74	9.5	1.5	64.0%	12.56	0.5%
CONSOLIDATED STORES CORP	CNS	\$1,394	(39.8%)	12.5	22.68	5.66	17.6	1.3	15.5%	6.57	0.0%
CONVERGYS CORP	CVG	\$5,884	19.7%	38.3	15.70	12.67	33.1	7.0	15.8%	11.66	0.0%
COOPER TIRE & RUBBER	CTB	\$1,011	16.9%	13.9	29.75	10.74	10.2	1.0	54.3%	11.67	3.0%
COSTCO WHOLESALE CORP	COST	\$17,639	7.4%	39.4	33.34	3.45	29.4	4.4	11.4%	16.63	0.0%
DANA CORP	DCN	\$2,973	(18.8%)	20.1	64.19	7.68	7.7	0.9	67.0%	10.46	6.2%
DELPHI AUTOMOTIVE SYS CO	DPH	\$8,481	(4.7%)	15.2	40.18	7.26	7.4	2.1	58.0%	14.57	1.8%
DILLARDS INC -CL A	DDS	\$1,668	(3.7%)	19.0	25.11	5.63	24.7	0.7	66.4%	6.17	0.8%
DOLLAR GENERAL CORP	DG	\$6,030	22.5%	18.2	14.82	7.35	30.0	6.6	3.5%	27.91	0.7%
DOW JONES & CO INC	DJ	\$4,779	(0.2%)	55.0	80.88	22.47	(45.6)	10.0	11.3%	26.09	1.8%
FEDERATED DEPT STORES	FD	\$9,510	2.4%	47.9	57.76	7.55	(53.7)	1.6	44.2%	10.74	0.0%
FORD MOTOR CO	F	\$55,805	(4.1%)	30.1	32.33	9.96	7.6	2.5	79.4%	7.04	4.0%
GANNETT CO	GCI	\$16,130	29.8%	61.2	38.05	18.36	18.1	4.0	18.8%	12.46	1.4%
GAP INC	GPS	\$21,798	18.7%	25.7	24.94	10.65	26.4	10.4	9.6%	12.00	0.3%
GENERAL MOTORS CORP	GM	\$32,315	2.7%	59.0	77.29	8.57	7.8	1.6	87.3%	5.53	3.4%
GENUINE PARTS CO	GPC	\$4,661	2.2%	26.9	25.82	5.69	12.3	2.2	33.9%	9.15	4.1%
GOODYEAR TIRE & RUBBER CO	GT	\$4,310	(4.1%)	27.4	18.35	3.92	98.1	1.1	59.3%	4.48	4.4%
HARCOURT GENERAL INC	H	\$4,093	1.0%	56.0	59.48	15.71	24.8	6.3	25.4%	22.43	1.5%
HARLEY-DAVIDSON INC	HDI	\$12,834	14.6%	42.4	21.64	17.50	37.7	11.3	4.5%	26.52	0.2%
HARRAHS ENTERTAINMENT IN	HET	\$3,714	14.4%	31.8	17.72	11.30	(344.7)	2.6	41.8%	8.77	0.0%
HASBRO INC	HAS	\$2,421	(26.9%)	14.1	23.47	8.57	(15.0)	1.3	42.2%	10.44	0.9%
HILTON HOTELS CORP	HLT	\$4,169	37.1%	11.3	(10.20)	14.16	14.5	2.8	60.0%	4.49	0.7%
HOME DEPOT INC	HD	\$103,200	14.1%	44.5	14.19	6.96	38.3	7.9	7.6%	13.65	0.4%
IMS HEALTH INC	RX	\$8,026	(14.1%)	27.3	14.66	24.08	69.0	16.5	8.8%	21.07	0.3%
INTERPUBLIC GROUP OF COS	IPG	\$11,564	14.2%	37.6	12.77	11.19	31.9	6.6	26.2%	9.36	1.0%
K MART CORP	KM	\$4,641	3.0%	9.6	19.31	4.05	(46.8)	0.7	74.0%	7.17	0.0%
KB HOME	KBH	\$978	1.7%	28.6	109.68	9.76	5.2	1.8	68.4%	15.88	1.0%
KNIGHT-RIDDER INC	KRI	\$4,272	1.7%	57.9	48.68	12.10	14.9	2.7	29.1%	9.84	1.7%
KOHL'S CORP	KSS	\$21,473	31.4%	64.7	13.18	9.40	68.7	12.8	9.8%	12.33	0.0%
LEGGETT & PLATT INC	LEG	\$4,060	4.4%	20.7	19.55	8.68	14.5	2.3	22.5%	12.21	2.3%
LIMITED INC	LTD	\$7,284	7.2%	17.1	14.70	7.98	18.4	3.5	44.3%	8.84	1.8%
LIZ CLAIBORNE INC	LIZ	\$2,695	11.4%	50.8	78.78	10.68	14.1	3.1	4.6%	28.74	0.9%
LOWES COS	LOW	\$23,941	19.9%	62.5	23.07	5.11	26.4	4.6	13.2%	11.09	0.2%
MARRIOTT INTL INC	MAR	\$9,854	12.4%	41.1	21.40	7.79	21.4	3.6	34.8%	7.62	0.6%
MASCO CORP	MAS	\$10,911	5.3%	24.5	28.72	15.81	17.8	3.3	18.8%	17.08	2.1%
MATTEL INC	MAT	\$7,833	3.8%	18.5	5.73	4.93	42.4	3.6	21.6%	6.48	2.0%

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 March 12, 2001. 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

Red - Warning

Bold Blue - Favorable Drivers

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

Intrinsic Value Weekly

Consumer Cyclicals Depend on Lower Rates and Low Inflation

Page 4

Company Name	Ticker	Market Value - Equity	12 Mo. Quarterly Sales Growth	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Leverage At Market	Return on Capital	Dividend Yield
MAY DEPARTMENT STORES C	MAY	\$12,060	8.0%	40.5	43.8	8.8	15.1	3.2	27.4%	13.53	2.3%
MAYTAG CORP	MYG	\$2,816	(6.7%)	36.6	68.8	10.6	13.0	6.5	33.2%	17.72	2.0%
MCGRAW-HILL COMPANIES	MHP	\$11,611	5.0%	59.4	29.5	12.6	24.3	6.8	14.8%	13.39	1.6%
MEREDITH CORP	MDP	\$1,749	(2.0%)	35.0	44.8	17.8	26.6	4.2	29.4%	16.14	1.0%
NEW YORK TIMES CO -CL A	NYT	\$6,864	7.2%	42.3	60.1	24.5	18.6	5.6	34.3%	21.97	1.1%
NIKE INC -CL B	NKE	\$10,818	6.8%	40.1	34.3	9.1	17.6	3.4	28.4%	12.32	1.2%
NORDSTROM INC	JWN	\$2,451	6.9%	18.3	18.9	5.4	23.7	2.1	44.3%	8.91	2.0%
OFFICE DEPOT INC	ODP	\$2,740	12.0%	9.2	8.9	1.9	57.5	1.6	23.5%	3.86	0.0%
OMNICOM GROUP	OMC	\$15,643	20.0%	88.4	28.8	11.6	31.8	10.4	19.1%	11.88	0.8%
PENNEY (J C) CO	JCP	\$4,651	(0.8%)	17.8	(10.3)	2.9	(9.6)	0.6	71.2%	3.48	2.8%
PULTE CORP	PHM	\$1,451	8.6%	35.7	96.4	9.3	6.6	1.4	50.9%	20.55	0.4%
RADIOSHACK CORP	RSH	\$8,012	14.0%	43.0	29.5	12.6	22.1	10.2	23.7%	15.79	0.5%
REEBOK INTERNATIONAL LTD	RBK	\$1,574	(0.0%)	27.6	38.1	5.5	18.0	2.7	20.2%	11.71	0.0%
SEARS ROEBUCK & CO	S	\$13,670	2.4%	40.6	68.2	7.4	10.6	2.2	66.2%	8.77	2.3%
SHERWIN-WILLIAMS CO	SHW	\$4,263	0.2%	26.5	28.7	9.2	251.0	2.4	36.8%	10.56	2.2%
SNAP-ON INC	SNA	\$1,746	(2.9%)	30.0	55.0	11.4	13.4	2.0	28.7%	12.83	3.2%
STANLEY WORKS	SWK	\$3,190	(3.5%)	37.1	56.1	12.4	15.7	4.2	17.0%	21.12	2.5%
STAPLES INC	SPLS	\$7,946	18.4%	17.1	13.6	4.1	114.4	3.9	8.1%	16.39	0.0%
STARWOOD HOTELS&RESORT	HOT	\$7,020	1.7%	34.8	(0.5)	16.8	17.2	1.8	51.6%	4.73	2.0%
TARGET CORP	TGT	\$33,757	12.8%	37.6	35.2	6.7	27.9	6.1	18.2%	16.94	0.6%
TIFFANY & CO	TIF	\$4,822	3.0%	33.1	31.7	19.0	23.7	6.0	7.2%	20.02	0.5%
TJX COMPANIES INC	TJX	\$8,849	10.6%	31.6	(14.4)	8.6	16.4	8.2	64.6%	2.35	0.5%
TOYS R US INC	TOY	\$5,163	(4.5%)	26.1	6.7	5.0	12.8	1.6	57.4%	5.49	0.0%
TRIBUNE CO	TRB	\$12,445	81.3%	41.6	13.6	17.1	54.9	4.4	21.9%	7.80	1.1%
TRW INC	TRW	\$4,961	(10.6%)	39.9	49.2	6.3	11.0	1.8	65.8%	9.01	3.5%
VF CORP	VFC	\$4,122	7.2%	36.3	44.1	7.6	15.6	1.9	29.9%	11.14	2.5%
VISTEON CORP	VC	\$2,059	(8.2%)	15.7	57.0	3.8	6.9	@NA	68.5%	9.20	1.5%
WAL-MART STORES	WMT	\$226,817	10.0%	50.8	28.5	4.9	35.5	8.6	7.7%	17.43	0.5%
WHIRLPOOL CORP	WHR	\$3,770	(4.1%)	56.7	138.8	7.7	10.1	2.1	39.6%	15.30	2.4%

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 March 12, 2001. 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

Red - Warning

Bold Blue - Favorable Drivers

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