

Intrinsic Value Weekly

Volume 4, No. 9

Published Weekly by Intrinsic Value Associates, LLC

February 26, 2001

"Up, Down, Up, Down"

The warning season is now extended and now seems like a continuous stream of unfavorable news. Not only that, but the tight integration of companies business is on display. We have emphasized the cyclical nature of Technology and Capital Goods makers in the past. We think that the current educational process in the markets ultimately could have a beneficial effect on the realism with which investors assess the stream of free cash flow in these stocks. But for now, the reaction of investors seems to have progressed only so far as one cycle: up, then down. When that becomes up, down, up, down, etc.; then these stocks will again have long term appeal. Their valuations are now very attractive though and for the realistic and patient investor these price levels are quite alluring.

The Intrinsic Value Portfolio worked pretty well last week. Many of these stocks are certainly cyclical, but investors already seem to know that. As the prospects for a cyclical bottom get brighter they seem to perform better. **BGG** didn't, at least last week. **BGG** sells its engines to Original Equipment Manufacturers. When Y2K came and went quietly, **BGG's** customers discovered that they had too much inventory. The demand for engines has been soft since then. And more demand for smaller engines. And weakness in the exchange rate of the Euro vs. the dollar. All of this has brought profitability down. And the company expects to bring inventories into line by the end of the current fiscal year. In its most recent filing of Form 10Q, the company expressed an expectation for full year net income of \$70 to \$75 million. Its expectation for Q3 is for net income to fall 15 to 20% from last year's third quarter. Just doing the arithmetic, its fourth quarter net income could be up by 12% from the prior year. If the company's OEM customers find that lower interest rates and a better retail environment are depleting their inventories of products that have air-cooled engines, then **BGG** could have a very good outlook indeed. With the market capitalization of its equity standing at \$864 million and an upturn in sales and earnings likely over the next few quarters, **BGG** could finally find its cash flow improving dramatically.

Investors who have any questions about the slowdown in economic activity in the Communications sector ought to visit the website of the Federal Communications Commission. A three-hour webcast of its monthly public meeting is available there. The "deregulation" of communications in 1996 seems to have produced a deep and pervasive involvement of the FCC in the communications business. How any telephone company can grow with this burden is a real mystery.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	2/23/2001	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
BGP	Borders Group, Inc.	9/22/2000	\$ 15.150	\$29.31	(48.3%)	1.1	2.2%
BGG	Briggs & Stratton	9/22/2000	\$ 38.220	\$98.87	(61.3%)	1.4	(10.1%)
CTL	CenturyTel, Inc.	9/22/2000	\$ 29.000	\$40.74	(28.8%)	1.5	(0.2%)
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 41.850	\$66.30	(36.9%)	0.9	(4.3%)
MLHR	Herman Miller, Inc.	3/6/2000	\$ 26.000	\$46.28	(43.8%)	2.7	0.0%
NYT	New York Times Co.	9/22/2000	\$ 41.980	\$46.26	(9.3%)	2.5	(3.6%)
NUE	Nucor Corporation	9/22/2000	\$ 42.260	\$60.65	(30.3%)	1.2	(2.5%)
WEN	Wendy's International	9/22/2000	\$ 24.800	\$28.69	(13.6%)	1.7	1.1%
Average:					(34.0%)	Average:	(2.2%)
						S&P 500	(4.3%)

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%	12.1	1.4	0.4	1.2
BGG	2.2	(13.5%)	12.9%	30.5%	(12.9%)	3.2%	11.4	2.2	0.6	0.8
CTL	0.4	10.1%	30.3%	11.1%	23.6%	0.7%	19.0	2.4	2.2	4.1
DAL	0.6	13.8%	11.6%	11.9%	1.5%	0.2%	6.7	1.2	0.3	5.1
MLHR	1.9	18.4%	12.1%	17.6%	27.7%	0.6%	15.0	7.6	1.0	2.0
NYT	1.1	11.5%	19.0%	22.1%	10.3%	1.1%	18.4	5.2	2.0	6.8
NUE	1.4	14.4%	9.3%	14.4%	(7.5%)	1.4%	10.9	1.6	0.8	3.3
WEN	0.9	8.2%	13.8%	10.2%	7.6%	1.0%	16.2	2.7	1.3	2.8

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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	(9.1%)	(29.4%)	(11.4%)
CONSUMER CYCLICALS	(28.1%)	(11.8%)	(8.3%)
CONSUMER STAPLES	(8.8%)	(12.8%)	2.9%
HEALTH	(25.0%)	(4.7%)	1.9%
ENERGY	13.0%	123.6%	65.1%
FINANCIAL	(14.3%)	(20.3%)	(28.1%)
CAPITAL GOODS	(19.9%)	(6.9%)	(8.8%)
TECHNOLOGY	(46.6%)	(20.7%)	(15.2%)
COMMUNICATIONS	(37.8%)	3.9%	(41.5%) *
UTILITY	0.6%	(23.2%)	(14.4%)
TRANSPORTATION	(35.0%)	(13.0%)	(10.6%)
Weighted Total:	(22.5%)	(5.4%)	(5.4%)

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 2/23/2001	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.3%	(4.7%)	4.0%	(0.9%)	4.0%	(1.4%)
CONSUMER CYCLICALS	8.3%	(5.8%)	15.2%	(3.1%)	19.1%	(2.4%)
CONSUMER STAPLES	11.8%	(1.6%)	8.0%	(2.4%)	9.9%	(0.2%)
HEALTH	13.5%	(3.9%)	10.9%	(4.9%)	10.6%	0.4%
ENERGY	6.7%	(1.1%)	7.4%	2.0%	6.7%	0.4%
FINANCIAL	17.1%	(7.6%)	15.0%	(4.5%)	12.0%	(3.3%)
CAPITAL GOODS	9.2%	(3.0%)	6.7%	(4.8%)	13.0%	(6.3%)
TECHNOLOGY	20.8%	(18.4%)	21.9%	(8.7%)	17.2%	(13.1%)
COMMUNICATIONS	6.0%	(7.4%)	1.5%	(16.1%)	0.2%	(16.2%) *
UTILITY	3.7%	0.4%	7.5%	0.4%	4.2%	3.0%
TRANSPORTATION	0.6%	(12.7%)	2.0%	(5.6%)	3.0%	(6.0%)
Index Total:		(4.3%)		(4.0%)		(4.5%)

* Sector contains only 3 companies

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

Sector Comments: The pain in the Technology sector is now acute. Much more of this and the sector will become the second largest in the market. While revenue and profit estimates are dropping for technology stocks, the long term growth of the sector has long been regarded as the highest in the economy. That consensus may be crumbling among investors who have seen their portfolios shrink inexorably. The intellectual case for the sector is still quite sound, but the market in the short term is hardly a paragon of reasoned argument. So, the continued drum-beat of negative stories could drive prices lower. We view the sector as the single best group over the next 18 to 24 months, as the current downturn runs its course and the long-term case re-emerges coincident with a resumption of revenue and profit growth.

Some measure of the intensity of emotion extant in last week's market is the dramatic relative performance of the Utility Sector. The case for utilities long term lies in the increased utilization of electric production and distribution plant. This case rests on a assumption of solid economic domestic growth. With the fears of contraction running rampant among technology investors, the rise of utility shares seems foolish if one is worried about economic growth. I suppose when you're drowning any stock that isn't going down looks wonderful. Those with a more probing inclination could likely find advantage in this seeming anomaly. Page 3 this week focuses on Large Cap Consumer Cyclical, an early-cycle group.

(\$millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
	\$ 10,906,407	90.2%	\$846,430
			7.0%
			\$ 341,818
			2.8%

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Consumer Cyclicals are improving fast

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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%	13.0	32.15	10.38	9.4	0.6	62.8%	7.97	6.5%
AUTOZONE INC	AZO	\$2,806	5.7%	24.7	56.20	14.02	12.5	3.2	50.6%	16.26	0.0%
BED BATH & BEYOND INC	BBBY	\$7,376	25.3%	25.8	11.75	11.46	48.3	13.3	0.3%	42.75	0.0%
BEST BUY CO INC	BBY	\$8,103	20.1%	39.0	43.15	4.54	27.5	9.1	1.6%	47.17	0.0%
BLACK & DECKER CORP	BDK	\$3,501	(6.2%)	42.5	57.22	9.17	13.3	4.9	34.6%	10.81	1.1%
BLOCK H & R INC	HRB	\$4,009	60.7%	43.9	57.37	19.28	18.8	3.5	33.5%	18.70	2.7%
BRUNSWICK CORP	BC	\$1,817	1.5%	20.8	34.68	6.82	8.6	1.4	40.1%	10.78	2.4%
CARNIVAL CORP	CCL	\$17,540	7.5%	30.0	23.72	29.14	20.0	3.4	6.9%	14.75	1.4%
CENDANT CORP	CD	\$9,480	(11.5%)	13.0	9.82	28.42	16.0	4.1	62.5%	9.67	0.0%
CENTEX CORP	CTX	\$2,330	14.7%	39.4	115.27	9.25	9.8	1.7	51.7%	18.02	0.4%
CIRCUIT CITY STR CRCT CTY (CC	CC	\$3,097	(7.0%)	15.1	39.12	7.74	11.8	1.9	60.4%	12.56	0.5%
CONSOLIDATED STORES CORP	CNS	\$1,473	8.9%	13.2	16.79	5.68	9.6	1.1	59.1%	7.32	0.0%
CONVERGYS CORP	CVG	\$6,455	19.7%	42.0	15.70	12.67	37.1	7.8	14.6%	11.66	0.0%
COOPER TIRE & RUBBER	CTB	\$992	16.9%	13.7	29.75	10.74	10.0	1.0	54.7%	11.67	3.1%
COSTCO WHOLESALE CORP	COST	\$18,534	10.0%	41.4	33.34	3.45	32.6	4.9	10.9%	16.63	0.0%
DANA CORP	DCN	\$2,548	(18.8%)	17.2	64.19	7.68	8.5	1.0	70.2%	10.46	7.2%
DELPHI AUTOMOTIVE SYS CO	DPH	\$8,028	(4.7%)	14.3	40.18	7.26	7.8	2.2	59.3%	14.57	2.0%
DILLARDS INC -CL A	DDS	\$1,558	(3.7%)	17.7	25.11	5.63	20.1	0.5	67.4%	6.17	0.9%
DOLLAR GENERAL CORP	DG	\$6,225	15.1%	18.8	16.46	9.26	28.6	7.0	0.9%	36.22	0.7%
DOW JONES & CO INC	DJ	\$5,207	(0.2%)	59.5	31.63	15.47	39.1	9.8	27.1%	12.89	1.7%
FEDERATED DEPT STORES	FD	\$8,774	1.4%	44.2	57.76	7.55	(114.3)	1.5	45.9%	10.74	0.0%
FORD MOTOR CO	F	\$52,561	(4.1%)	28.4	32.33	9.96	7.7	2.6	80.2%	7.04	4.2%
GANNETT CO	GCI	\$17,298	29.8%	65.6	38.05	18.36	17.4	3.8	17.8%	12.46	1.3%
GAP INC	GPS	\$23,498	12.1%	27.7	10.99	14.44	27.2	12.4	41.6%	7.74	0.3%
GENERAL MOTORS CORP	GM	\$29,970	2.0%	53.0	(44.25)	6.24	8.2	1.6	87.5%	4.31	3.8%
GENUINE PARTS CO	GPC	\$4,668	2.2%	27.0	25.82	5.69	11.5	2.1	33.9%	9.15	4.1%
GOODYEAR TIRE & RUBBER CO	GT	\$3,845	(4.1%)	24.4	12.79	3.53	101.1	1.1	62.0%	4.03	4.9%
HARCOURT GENERAL INC	H	\$4,093	5.9%	56.0	28.27	14.19	22.9	6.4	38.6%	12.04	1.5%
HARLEY-DAVIDSON INC	HDI	\$12,879	14.6%	42.5	21.64	17.50	39.5	11.8	4.5%	26.52	0.2%
HARRAHS ENTERTAINMENT INC	HET	\$3,598	14.4%	30.8	17.72	11.30	(326.4)	2.5	42.5%	8.77	0.0%
HASBRO INC	HAS	\$2,185	(26.9%)	12.7	23.47	8.57	(14.5)	1.2	44.7%	10.44	0.9%
HILTON HOTELS CORP	HLT	\$3,948	37.1%	10.7	(10.20)	14.16	16.0	3.1	61.1%	4.49	0.7%
HOME DEPOT INC	HD	\$92,746	14.1%	40.0	14.19	6.96	41.6	9.0	8.4%	13.65	0.4%
IMS HEALTH INC	RX	\$7,914	(14.1%)	27.0	14.66	24.08	64.7	15.4	8.9%	21.07	0.3%
INTERPUBLIC GROUP OF COS	IPG	\$12,791	14.7%	41.6	12.77	11.19	38.1	7.3	24.3%	9.36	0.9%
K MART CORP	KM	\$4,442	3.0%	9.2	19.31	4.05	(43.8)	0.7	74.8%	7.17	0.0%
KB HOME	KBH	\$916	1.7%	26.9	56.21	7.57	5.9	2.1	68.4%	14.64	1.1%
KNIGHT-RIDDER INC	KRI	\$4,279	1.7%	58.0	48.68	12.10	14.5	2.6	29.1%	9.84	1.6%
KOHL'S CORP	KSS	\$22,720	31.4%	68.5	13.18	9.40	74.0	13.7	9.3%	12.33	0.0%
LEGGETT & PLATT INC	LEG	\$3,731	4.4%	19.0	19.55	8.68	15.8	2.5	24.0%	12.21	2.3%
LIMITED INC	LTD	\$7,573	5.1%	17.8	14.70	7.98	17.6	4.1	43.3%	8.84	1.7%
LIZ CLAIBORNE INC	LIZ	\$2,572	11.4%	48.5	78.78	10.68	14.2	3.1	4.8%	28.74	0.9%
LOWES COS	LOW	\$20,897	15.2%	54.6	23.07	5.11	25.0	4.4	14.9%	11.09	0.3%
MARRIOTT INTL INC	MAR	\$9,676	12.4%	40.3	21.40	7.79	23.2	3.9	35.2%	7.62	0.6%
MASCO CORP	MAS	\$9,711	5.3%	21.8	28.72	15.81	18.3	3.4	20.6%	17.08	2.4%
MATTEL INC	MAT	\$7,132	3.8%	16.8	5.73	4.93	37.2	3.2	23.2%	6.48	2.1%

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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

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Consumer Cyclical are improving fast

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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	\$10,958	4.5%	36.8	43.8	8.8	15.0	3.1	29.2%	13.53	2.5%
MAYTAG CORP	MYG	\$2,470	(6.7%)	32.1	68.8	10.6	13.6	6.8	36.0%	17.72	2.2%
MCGRAW-HILL COMPANIES	MHP	\$11,482	5.0%	58.8	29.5	12.6	26.3	7.4	15.0%	13.39	1.6%
MEREDITH CORP	MDP	\$1,764	(2.0%)	35.3	44.8	17.8	26.1	4.1	29.2%	16.14	0.9%
NEW YORK TIMES CO -CL A	NYT	\$6,816	10.3%	42.0	56.1	19.6	18.4	5.2	19.1%	22.14	1.1%
NIKE INC -CL B	NKE	\$13,215	6.8%	49.0	34.3	9.1	24.8	4.7	24.5%	12.32	1.0%
NORDSTROM INC	JWN	\$2,533	7.7%	18.9	18.9	5.4	18.9	2.3	43.5%	8.91	1.9%
OFFICE DEPOT INC	ODP	\$2,674	12.1%	9.0	9.1	2.0	62.6	1.7	23.9%	3.75	0.0%
OMNICOM GROUP	OMC	\$15,971	20.0%	90.2	28.8	11.6	32.0	10.4	18.7%	11.88	0.8%
PENNEY (J C) CO	JCP	\$3,642	1.0%	13.9	(10.3)	2.9	(21.5)	0.5	74.5%	3.48	3.6%
PULTE CORP	PHM	\$1,336	8.6%	32.8	96.4	9.3	6.7	1.4	52.9%	20.55	0.5%
RADIOSHACK CORP	RSH	\$7,373	14.0%	39.6	29.5	12.6	28.4	13.1	25.2%	15.79	0.6%
REEBOK INTERNATIONAL LTD	RBK	\$1,493	(0.0%)	26.2	38.1	5.5	19.2	2.9	21.0%	11.71	0.0%
SEARS ROEBUCK & CO	S	\$13,162	2.4%	39.1	68.2	7.4	10.0	2.1	67.0%	8.77	2.4%
SHERWIN-WILLIAMS CO	SHW	\$3,885	0.2%	24.2	28.7	9.2	268.5	2.6	39.0%	10.56	2.2%
SNAP-ON INC	SNA	\$1,680	(2.9%)	28.9	55.0	11.4	14.0	2.1	29.5%	12.83	3.3%
STANLEY WORKS	SWK	\$2,950	(3.5%)	34.3	56.1	12.4	15.5	4.2	18.2%	21.12	2.7%
STAPLES INC	SPLS	\$7,179	17.0%	15.4	15.8	6.0	26.7	4.4	7.4%	24.58	0.0%
STARWOOD HOTELS&RESORT	HOT	\$6,888	1.7%	34.1	(0.5)	16.8	19.0	2.0	52.0%	4.73	2.0%
TARGET CORP	TGT	\$32,013	8.3%	35.7	21.0	5.0	27.6	5.9	18.6%	13.16	0.6%
TIFFANY & CO	TIF	\$4,564	14.6%	31.3	14.9	14.2	28.5	7.2	18.7%	10.90	0.5%
TJX COMPANIES INC	TJX	\$8,581	10.1%	30.7	(14.4)	8.6	17.2	8.3	65.3%	2.35	0.5%
TOYS R US INC	TOY	\$4,818	(9.9%)	24.4	6.7	5.0	15.7	1.7	59.0%	5.49	0.0%
TRIBUNE CO	TRB	\$11,879	81.3%	39.7	13.6	17.1	54.5	4.3	22.7%	7.80	1.0%
TRW INC	TRW	\$4,841	(10.6%)	39.0	49.2	6.3	10.2	1.6	66.2%	9.01	3.6%
VF CORP	VFC	\$3,992	7.2%	35.1	44.1	7.6	15.1	1.9	30.6%	11.14	2.6%
VISTEON CORP	VC	\$1,850	(8.2%)	14.1	57.0	3.8	6.8	@NA	71.2%	9.20	1.7%
WAL-MART STORES	WMT	\$224,584	10.0%	50.3	35.3	5.9	40.9	9.8	7.8%	19.03	0.5%
WHIRLPOOL CORP	WHR	\$3,427	(4.1%)	51.5	138.8	7.7	10.0	2.1	41.8%	15.30	2.6%

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