

Intrinsic Value Weekly

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"Visibility"

"Visibility" is the watchword of the analytical community this week. One of its leading technology analysts said he didn't feel "comfortable" recommending a stock because profit "visibility" for the next few quarters is low. Never mind that that stock has fallen 63% from its 52-week high price when profit "visibility" was higher and that analyst was recommending its purchase. Never mind that the company is still growing its profit at 25% year over year when other companies' profits are shrinking. Never mind that the company's stock is priced at more than a 50% discount to reasonable valuation of its future free cash flows. Many analysts are incapable of dealing with the volatility, and indeed the cyclical, of technology companies' revenues and cash flows. So, when any interruption in the upward sweep of a company's results occurs, panic sets in until the trouble is ended. Only reported numbers are enough for these unfortunate analysts. An understanding of the nature of the business is not enough to cause a recommendation. As for the portfolio managers that dump stocks at the bottom, all we can say is that without them, buyers wouldn't have the opportunity to exploit the intense emotions that drives such unprofessional behavior.

The performance of the Intrinsic Value Portfolio was like much of the non-Technology market last week. As we have anticipated, the cyclical recovery of profits is being discounted well ahead of its realization (with the exception of technology stocks, as explained above). The price of **The New York Times (NYT - NYSE)** closed within 2% of its Intrinsic Value on Friday. Close enough for us. The stock price has increased 40% since January 1999 versus 2% for the Standard and Poors 500 Stock Index. We estimate, based on our sector work, that the S&P 500 is now under-priced by about 20%. So, just substituting a position in the index would provide much more value to investors than currently available in **NYT**. And finally, as is shown below, most of the balance of the IV Portfolio are more under-priced than the index. For the one that isn't, **WEN**, we are in the process of re-estimating its Intrinsic Value and expect that the actual discount is more than our current estimate.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	3/2/2001	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
BGP	Borders Group, Inc.	9/22/2000	\$ 16.060	\$29.31	(45.2%)	1.1	6.0%
BGG	Briggs & Stratton	9/22/2000	\$ 40.090	\$98.87	(59.5%)	1.4	4.9%
CTL	CenturyTel, Inc.	9/22/2000	\$ 28.520	\$40.74	(30.0%)	1.5	(1.7%)
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 41.050	\$66.30	(38.1%)	0.9	(1.9%)
MLHR	Herman Miller, Inc.	3/6/2000	\$ 25.938	\$46.28	(44.0%)	2.7	(0.2%)
NYT	New York Times Co.	9/22/2000	\$ 45.500	\$46.26	(1.7%)	2.5	8.4%
NUE	Nucor Corporation	9/22/2000	\$ 45.590	\$60.65	(24.8%)	1.2	7.9%
WEN	Wendy's International	9/22/2000	\$ 24.850	\$28.69	(13.4%)	1.7	0.2%
Average:					(32.1%)	Average:	2.9%
						S&P 500	(0.9%)

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	1.3
BGG	2.2	(13.5%)	12.9%	30.5%	(12.9%)	3.1%	11.4	2.2	0.6	0.9
CTL	0.4	10.1%	30.3%	11.1%	23.6%	0.7%	19.0	2.4	2.2	4.0
DAL	0.6	13.8%	11.6%	11.9%	1.5%	0.2%	6.7	1.2	0.3	5.0
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%	1.0%	18.4	5.2	2.1	7.4
NUE	1.4	14.4%	9.3%	14.4%	(7.5%)	1.3%	10.9	1.6	0.9	3.5
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

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	(3.2%)	(27.3%)	(8.9%)
CONSUMER CYCLICALS	(28.3%)	(11.9%)	(8.5%)
CONSUMER STAPLES	(9.2%)	(12.3%)	3.3%
HEALTH	(23.4%)	(3.3%)	3.8%
ENERGY	15.3%	132.0%	71.0%
FINANCIAL	(14.1%)	(18.4%)	(26.8%)
CAPITAL GOODS	(21.0%)	(7.0%)	(9.7%)
TECHNOLOGY	(50.2%)	(24.1%)	(20.7%)
COMMUNICATIONS	(39.2%)	3.8%	(44.3%) *
UTILITY	2.1%	(22.1%)	(13.4%)
TRANSPORTATION	(35.6%)	(13.7%)	(11.8%)
Weighted Total:	(22.4%)	(4.4%)	(5.2%)

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 3/2/2001	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.4%	6.5%	4.1%	3.0%	4.2%	2.8%
CONSUMER CYCLICALS	8.3%	(0.2%)	15.2%	(0.1%)	19.2%	(0.2%)
CONSUMER STAPLES	11.9%	(0.4%)	8.0%	0.6%	10.0%	0.4%
HEALTH	13.9%	2.2%	11.0%	1.5%	11.0%	1.9%
ENERGY	6.9%	2.1%	7.6%	3.7%	7.0%	3.6%
FINANCIAL	17.4%	0.3%	15.5%	2.3%	12.2%	1.7%
CAPITAL GOODS	9.2%	(1.4%)	6.6%	(0.1%)	13.0%	(1.0%)
TECHNOLOGY	19.6%	(6.7%)	20.8%	(4.3%)	16.2%	(6.5%)
COMMUNICATIONS	6.0%	(2.2%)	1.5%	(0.2%)	0.2%	(4.7%) *
UTILITY	3.7%	1.5%	7.6%	1.4%	4.3%	1.2%
TRANSPORTATION	0.6%	(0.8%)	2.0%	(0.8%)	2.8%	(1.4%)
Index Total:		(0.9%)		0.3%		(0.5%)

* Sector contains only 3 companies

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

Sector Comments: The message one ought to read from the market this past week is: "no one is immune". An economic retreat sinks all boats, just as economic recovery lifts all boats. While each company has its own strengths and weaknesses, economy-wide trends are nearly always inescapable. Many managers are trying to position their portfolios so that the current weakness is avoided. In doing that en masse, pricing distortions are created. Our mission is to identify those distortions so that they can be exploited.

An examination of the valuation discounts and premiums above reveals that the Energy and Utility sectors offer little more future return than their costs of capital, or about 7 to 8%. The overall market now offers an expected return much higher than that, though much of that will come from a recovery of the Capital Goods, Technology and Communications sectors. The key to out-performing the market over the long run is to try to exploit inefficiencies in the pricing of securities. This is almost always a most uncomfortable process. An investor trying this approach must often lean against the prevailing winds, avoiding the over-priced and well-loved areas and investing in those despised, ignored and even loathed sectors than have fallen from grace the most. Not only that, but short-run performance can suffer because none of us can exactly call the top or the bottom of any stock's or sector's relative performance.

On Page 3 this week, we present the fundamental drivers for that very cyclical sector, Basic Industry. The revenue performance of these companies has really been awful. Bound to get better.

(\$millions)	Large Capitalization	Mid-Cap Capitalization	Small-Cap Capitalization
	\$ 10,806,205	90.1%	\$849,670
			7.1%
			\$ 339,795
			2.8%

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Cycles Also Rise

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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								
AIR PRODUCTS & CHEMICALS	APD	\$8,134	14.0%	40.2	47.56	17.39	38.9	2.9	29.9%	12.38	1.9%
ALCAN ALUMINIUM LTD	AL	\$7,843	66.9%	37.8	44.46	10.81	14.8	1.5	37.3%	7.84	1.6%
ALCOA INC	AA	\$32,004	54.2%	37.0	33.62	11.79	20.1	4.3	28.2%	11.84	1.6%
ALLEGHENY TECHNOLOGIES II	ATI	\$1,420	1.6%	17.7	33.14	10.49	10.5	1.3	49.2%	10.84	4.5%
ARCHER-DANIELS-MIDLAND CO	ADM	\$9,595	7.1%	15.1	10.62	5.57	23.8	1.5	34.6%	5.99	1.3%
BARRICK GOLD CORPORATION	ABX	\$6,320	13.6%	16.0	11.30	27.44	(8.0)	1.5	11.0%	7.86	1.4%
BEMIS CO	BMS	\$1,783	15.8%	33.9	60.41	11.29	13.4	2.4	27.7%	16.02	2.8%
BOISE CASCADE CORP	BCC	\$1,911	(0.5%)	33.3	45.26	5.31	11.4	1.2	54.4%	7.65	1.8%
DOW CHEMICAL	DOW	\$23,149	2.8%	34.1	34.46	10.06	15.3	2.8	30.3%	9.43	3.4%
DU PONT (E I) DE NEMOURS	DD	\$46,439	(11.5%)	44.7	28.18	11.77	19.8	3.6	31.7%	9.01	3.1%
EASTMAN CHEMICAL CO	EMN	\$3,937	9.3%	51.2	6.47	5.91	11.8	2.1	46.2%	4.19	3.4%
ECOLAB INC	ECL	\$5,466	9.9%	43.0	21.62	10.28	25.5	7.1	10.1%	13.87	1.2%
ENGELHARD CORP	EC	\$3,089	38.6%	24.4	41.67	6.71	17.0	3.7	23.9%	17.65	1.6%
FMC CORP	FMC	\$2,352	(7.7%)	77.2	101.40	8.47	12.1	2.9	52.5%	8.39	0.0%
FREERT MCMOR COP&GLD	FCX	\$2,085	0.4%	14.0	6.49	13.40	45.0	5.7	46.2%	6.91	1.4%
GEORGIA-PACIFIC GROUP	GP	\$5,184	7.0%	30.4	32.86	5.27	15.9	1.4	60.5%	7.22	1.6%
GREAT LAKES CHEMICAL CORP	GLK	\$1,664	9.5%	33.1	0.00	0.00	14.0	1.9	0.0%	-	1.0%
HERCULES INC	HPC	\$1,516	(13.3%)	14.1	16.22	11.51	15.7	1.8	71.1%	6.26	0.0%
HOMESTAKE MINING	HM	\$1,476	(7.6%)	5.6	(3.14)	(0.38)	(14.6)	1.7	25.7%	(0.18)	0.4%
INCO LTD	N	\$2,885	5.2%	18.3	36.26	23.96	7.7	0.8	22.6%	8.35	0.5%
INTL FLAVORS & FRAGRANCE IFF	IFF	\$2,051	14.5%	20.8	40.27	19.78	18.1	2.7	10.1%	24.97	2.9%
INTL PAPER CO	IP	\$18,775	14.4%	39.0	1.97	5.00	47.1	1.6	39.0%	4.35	2.6%
LOUISIANA-PACIFIC CORP	LPX	\$1,063	(25.5%)	10.2	4.10	4.70	(85.8)	0.9	62.1%	5.19	5.5%
MEAD CORP	MEA	\$2,750	4.6%	27.3	29.83	7.91	18.9	1.3	47.4%	7.18	2.5%
NEWMONT MINING CORP	NEM	\$2,792	10.4%	16.6	2.60	9.09	#####	1.8	34.9%	5.37	0.7%
NUCOR CORP	NUE	\$3,550	(7.5%)	45.6	64.20	10.55	10.9	1.6	13.4%	14.36	1.3%
PACTIV CORP	PTV	\$2,199	4.6%	13.9	21.69	12.19	16.9	1.5	50.4%	9.03	0.0%
PHELPS DODGE CORP	PD	\$3,824	8.0%	48.6	(33.63)	2.40	125.4	1.1	48.1%	1.19	4.1%
PLACER DOME INC	PDG	\$3,067	7.0%	9.4	(4.33)	(0.71)	(38.4)	1.8	29.6%	(0.36)	1.1%
POTLATCH CORP	PCH	\$939	(3.0%)	33.0	20.82	6.82	(28.1)	1.0	45.8%	5.03	5.3%
PPG INDUSTRIES INC	PPG	\$8,812	9.8%	52.4	93.55	14.97	12.8	2.5	33.4%	14.72	3.1%
PRAXAIR INC	PX	\$6,988	5.8%	44.1	51.86	15.67	19.4	3.1	38.1%	10.00	1.4%
ROHM & HAAS CO	ROH	\$8,341	(1.7%)	38.0	12.82	10.64	22.3	2.3	37.1%	7.93	2.1%
SIGMA-ALDRICH	SIAL	\$3,387	4.2%	43.8	19.53	14.21	23.7	3.1	10.0%	8.99	0.8%
TEMPLE-INLAND INC	TIN	\$2,373	7.2%	48.3	(108.36)	12.03	13.3	1.4	85.0%	5.59	2.7%
USX-U S STEEL GROUP	X	\$1,422	(5.0%)	16.0	(23.22)	4.41	(47.4)	0.7	75.0%	2.57	6.2%
VULCAN MATERIALS CO	VMC	\$4,479	4.1%	44.4	42.21	14.17	19.7	3.5	18.7%	12.71	1.9%
WESTVACO CORP	W	\$2,648	15.8%	26.3	70.06	19.66	10.6	1.2	47.2%	12.05	3.3%
WEYERHAEUSER CO	WY	\$11,909	17.7%	54.4	46.93	10.84	14.1	1.7	39.8%	9.42	2.9%
WILLAMETTE INDUSTRIES	WLL	\$5,117	6.4%	46.8	72.58	14.04	15.0	2.4	30.7%	14.31	1.8%
WORTHINGTON INDUSTRIES	WOR	\$874	(3.4%)	10.2	28.71	10.00	13.0	1.2	35.5%	13.86	6.2%

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