

Intrinsic Value Weekly

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"Through the Vale and Up the Curve"

Our observations of last week seem to have captured the sentiment of bond investors, or perhaps just a coincidence. As we now have a positive yield curve (short rates lowest, longer rates higher) as a result of lowering overnight rates, bond investors decided to pile on and sold longer term securities, driving longer rates up further and "steepening" the curve. As if that weren't enough, the GDP deflator for the first quarter was reported Friday at 3.2%, and further Fed rate cuts look to be in jeopardy. Okay, lets go to the videotape. Commodity prices are generally still falling, gold in particular is quiescent at \$263 per ounce. Concerns about credit quality are evaporating in the light of a first quarter 2% growth in GDP, so the dollar soars and stocks suddenly look like they can make it through this vale of rotten earnings reports. The prospect of growth returning will give "visibility" to analysts eventually and the gap between intrinsic value (based on intermediate to long term analysis) and price (based on short term analysis and news events) will begin to close. Now is the time to pay attention to the magnitude of the value gaps.

The Intrinsic Value Portfolio did OK versus the S&P500 Index last week, again because it has no Technology stocks. Against the non-Tech parts of the market it did less well. The star last week was **Nucor Corporation (NUE - NYSE)** which is closing its value gap rapidly now that the news is improving. Again, opportunities in stocks always precede good news, not the other way around. **NUE** was about \$30 six months ago. Now, at \$50, and the only good news is a quarter-to-quarter increase in orders, the stocks up more than sixty percent from the trough. Another twenty percent and the stock will reflect its long term intrinsic value.

Delta Air Lines (DAL - NYSE) settled its dispute with its pilots, maybe. The vote is still to be held by the union leadership and the 9800 pilots. Meanwhile, Comair, owned by Delta laid off half its non-striking employees. Too soon to cheer.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	4/27/2001	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change	
BGP	Borders Group, Inc.	9/22/2000	\$ 17.730	\$29.31	(39.5%)	1.5	0.7%	
BGG	Briggs & Stratton	9/22/2000	\$ 42.420	\$98.87	(57.1%)	1.3	1.3%	
CTL	CenturyTel, Inc.	9/22/2000	\$ 27.400	\$40.74	(32.7%)	1.3	(4.5%)	
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 44.520	\$66.30	(32.9%)	0.8	2.1%	
MLHR	Herman Miller, Inc.	3/6/2000	\$ 26.600	\$46.28	(42.5%)	2.4	4.2%	
NUE	Nucor Corporation	9/22/2000	\$ 50.900	\$60.65	(16.1%)	1.2	6.5%	
WEN	Wendy's International	3/26/2001	\$ 24.540	\$30.37	(19.2%)	1.9	2.3%	
					Average:	(34.3%)	Average:	1.8%
							S&P 500	0.8%

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	1.7	9.2%	5.2%	8.6%	9.0%	0.0%	17.9	1.6	0.4	1.4
BGG	2.2	(15.4%)	12.9%	30.5%	(8.2%)	2.9%	10.3	2.0	0.7	0.9
CTL	0.3	16.3%	28.5%	9.8%	25.0%	0.7%	17.4	2.2	2.0	3.9
DAL	0.6	12.5%	10.4%	11.6%	(1.7%)	0.2%	5.3	0.9	0.3	5.5
MLHR	1.9	18.0%	12.1%	17.6%	12.6%	0.5%	11.9	6.1	1.0	2.0
NUE	1.5	2.3%	10.4%	15.9%	(14.3%)	1.3%	10.5	1.5	0.9	3.9
WEN	1.1	8.2%	13.9%	15.7%	7.6%	1.0%	15.1	2.5	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	0.5%	(28.6%)	(13.7%)
CONSUMER CYCLICALS	(24.2%)	(11.8%)	(5.4%)
CONSUMER STAPLES	(10.7%)	(12.7%)	7.4%
HEALTH	(29.1%)	(1.0%)	6.6%
ENERGY	21.6%	130.3%	90.2%
FINANCIAL	(13.8%)	(19.3%)	(29.1%)
CAPITAL GOODS	(16.1%)	(4.1%)	(7.2%)
TECHNOLOGY	(49.7%)	(27.0%)	(16.7%)
COMMUNICATIONS	(36.8%)	11.3%	(8.1%) *
UTILITY	4.0%	(16.2%)	(10.0%)
TRANSPORTATION	(33.0%)	(18.4%)	(9.8%)
Weighted Total:	(21.4%)	(3.9%)	(1.1%)

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 4/27/2001	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.5%	2.9%	4.0%	1.6%	4.6%	4.8%
CONSUMER CYCLICALS	8.6%	2.0%	14.5%	2.3%	19.1%	5.9%
CONSUMER STAPLES	12.5%	1.5%	7.8%	1.9%	9.8%	4.3%
HEALTH	12.8%	3.3%	11.6%	4.8%	11.8%	6.5%
ENERGY	7.0%	5.5%	7.8%	8.4%	7.4%	9.3%
FINANCIAL	17.0%	1.7%	16.5%	1.7%	11.1%	2.9%
CAPITAL GOODS	9.5%	3.2%	6.9%	4.8%	12.8%	3.1%
TECHNOLOGY	19.4%	(6.6%)	19.2%	2.2%	15.9%	(0.4%)
COMMUNICATIONS	5.9%	3.2%	1.6%	1.2%	0.4%	5.6% *
UTILITY	3.9%	3.8%	8.3%	3.2%	4.3%	4.5%
TRANSPORTATION	0.7%	1.0%	1.9%	1.4%	2.9%	3.2%
Index Total:		0.8%		2.7%		3.8%

* Sector contains only 4 companies

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

Sector Comments: Large Cap stocks did well last week, except for that old nemesis, Technology. In the Mid Cap and Small Cap markets, the picture was more mixed, but generally positive. Especially, the cyclically-sensitive stocks did pretty well. Now that we know that we're not in a recession and not going to have one, (unless all those numbers get revised), the road appears to be clear to have some "visibility" again. What a difference a sign makes; a positive sign on GDP change instead of a negative sign. Suddenly, the risks of increasing losses impairing the banking system and sending us into a "post-bubble" credit trap are fading like the piles of winter snow and the memories of Bill Clinton. Spring is here.

The biggest value gap among all the economic sectors and markets is Large Cap Technology, followed closely by Large Cap Communications. While Technology is up from its bottom in March, Communications stocks are now actually up this year. Much of the fundamental damage in Technology was done in gear sold to Communications companies. And the drop in Communications stocks preceded the huge fall in Tech stocks. While that relationship may be a tenuous basis for concluding that the recent strength in Tech will continue, just consider that legislation is moving through Congress which will make buying broadband equipment a profitable activity again. See <http://www.broadbandweek.com> "Broadband Bill Passes Subcommittee" Page 3 this week highlights the Value Drivers in Large Cap Communications companies.

(\$millions)	Large Capitalization		Mid-Cap Capitalization		Small-Cap Capitalization	
\$	11,111,588	90.3%	\$848,103	6.9%	\$ 352,197	2.9%

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Communications Stocks are Actually Up This Year

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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								
ALLTEL CORP	AT	\$8,134	9.3%	\$ 54.0	\$ 67.39	25.71	8.4	3.2	28.4%	16.10	2.4%
AT&T CORP	T	\$75,725	5.4%	\$ 22.7	\$ 37.62	21.01	23.9	0.8	41.1%	6.80	0.7%
BELLSOUTH CORP	BLS	\$80,445	(8.1%)	\$ 43.0	\$ 58.30	32.68	18.2	4.5	23.9%	18.28	1.8%
CENTURYTEL INC	CTL	\$3,854	25.0%	\$ 27.4	\$ 30.75	27.91	17.4	2.2	46.8%	9.75	0.7%
CITIZENS COMMUNICATIONS C	CZCN	\$3,056	18.7%	\$ 11.5	\$ (5.69)	11.21	(84.3)	2.0	52.4%	3.29	0.0%
GLOBAL CROSSING LTD	GX	\$10,479	14.9%	\$ 11.9	\$ (39.10)	(35.50)	(7.0)	1.1	38.7%	(5.98)	0.0%
NEXTEL COMMUNICATIONS	NXTL	\$13,024	68.0%	\$ 17.1	\$ (15.89)	6.91	(11.9)	4.6	48.6%	1.99	0.0%
QWEST COMMUNICATION INTL	Q	\$66,554	49.6%	\$ 39.8	\$ 19.71	23.22	(584.2)	1.4	29.4%	7.47	0.0%
SBC COMMUNICATIONS INC	SBC	\$141,903	(11.0%)	\$ 41.9	\$ 43.26	23.92	19.0	5.0	23.9%	15.07	2.4%
SPRINT FON GROUP	FON	\$19,063	(0.9%)	\$ 21.6	\$ 24.32	17.10	15.0	1.6	55.1%	9.00	2.3%
SPRINT PCS GROUP	PCS	\$24,649	74.3%	\$ 25.3	\$ (45.55)	(27.66)	(9.7)	11.3	42.7%	(8.59)	0.0%
VERIZON COMMUNICATIONS	VZ	\$150,526	11.8%	\$ 55.7	\$ 53.79	24.16	12.4	4.8	30.8%	14.88	2.8%
WORLDCOM INC	WCOM	\$53,907	(2.6%)	\$ 18.7	\$ 37.24	22.07	12.8	1.0	31.8%	8.18	0.0%

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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