

Intrinsic Value Weekly

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"Waiting is Hard"

Now the waiting sets in. The Federal Reserve has set in motion what we all expect will be a series of rate reductions over some period of time. Some have called for an immediate and final reduction to whatever terminal target rate might be appropriate, say 4.5 or 5%. It is certainly true that the "stimulative" effects of rate cuts will not finally kick in until the expectations of further substantial cuts is over. Who would load up at the mall when they know that a big sale will be announced soon? So, the speculation about how much and when is in full roar. We don't pretend to know and we won't speculate. But, we will say that we think that fundamental disappointments may continue to batter stocks until the Fed is done lowering rates.

The other uncertainty currently rampant is the timing and magnitude of marginal income tax rate cuts. All serious observers know that any postponement of rate cuts is ill-advised and likely to produce the opposite results from that which motivates phase-ins: maintaining a budget surplus. To the extent that a large portion of current revenue arises from collecting taxes from high-income individuals, any postponement of effective cuts would create a powerful incentive for those high-rate taxpayers to defer as much income as possible into whatever future time period that would give them the lower rate. That deferral would lower current tax receipts and reduce the surplus. Not only that, there could be substantial short-term economic effects from these deferrals which might cause tax collections from lower tax bracket to fall as well. As layoffs increase, unemployment benefits payouts rise and more people drop off the income tax rolls. Surplus could turn to deficit very rapidly. With so much concentration on the budget, common sense analysis may be in very short supply.

The Intrinsic Value Portfolio, heavy as it is in economically-sensitive companies, suffered from two warnings last week: **BGG** and **LOW**. More may come. Discretion is always the better part of valor, and staying with companies that have big discounts to intrinsic value is helpful and logical, but doesn't provide total insulation from investors' fears. Nevertheless, having the discount should offset short-run worries and provide an investor with a bit longer-term view the opportunity for decent gains. Periods like the present are also good times to be disciplined about kicking out stocks that have reached their intrinsic values. Keep an eye on **CTL**, **NYT** and **WEN**.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	1/19/01	Intrinsic Value	Over/Under Priced	Q Ratio	Weekly Price Change	
BGP	Borders Group, Inc.	9/22/00	\$ 11.938	\$29.31	(59.3%)	1.0	0.0%	
BGG	Briggs & Stratton	9/22/00	\$ 40.750	\$98.87	(58.8%)	1.5	(14.1%)	
CTL	CenturyTel, Inc.	9/22/00	\$ 38.500	\$40.74	(5.5%)	1.7	(1.0%)	
DAL	Delta Air Lines, Inc.	3/6/00	\$ 45.438	\$66.30	(31.5%)	0.9	(1.5%)	
LOW	Lowes Companies	9/22/00	\$ 44.375	\$56.04	(20.8%)	2.4	(11.9%)	
MLHR	Herman Miller, Inc.	3/6/00	\$ 26.813	\$46.28	(42.1%)	2.7	0.0%	
NYT	New York Times Co.	9/22/00	\$ 41.813	\$46.26	(9.6%)	2.6	(0.3%)	
NUE	Nucor Corporation	9/22/00	\$ 40.125	\$60.65	(33.8%)	1.1	1.6%	
WEN	Wendy's International	9/22/00	\$ 25.750	\$28.69	(10.2%)	1.8	3.0%	
					Average:	(30.2%)	Average:	(2.7%)
Bold - Outperformed the S&P 500 for the week							S&P 500	1.8%

Value Drivers

Standard Market Statistics

Symbol	Capital Turnover	Sales		EBIT Margin %	Return On Capital	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/Book	Price/Market Sales (\$billions)	Market Cap (\$billions)
		Growth Last 12M	Return On Capital								
BGP	1.0	11.4%	5.7%	10.9%	7.2%	0.0%	10.0	1.1	0.3	0.9	
BGG	2.2	(13.5%)	12.9%	30.5%	(12.9%)	3.0%	9.7	2.4	0.7	0.9	
CTL	0.4	4.8%	30.3%	11.1%	15.1%	0.5%	21.4	2.7	2.8	5.4	
DAL	0.6	11.0%	11.6%	8.6%	13.5%	0.2%	5.1	1.3	0.4	5.6	
LOW	2.2	17.9%	7.4%	11.1%	15.2%	0.3%	20.8	3.6	0.9	17.0	
MLHR	1.9	18.4%	12.1%	17.6%	27.7%	0.5%	15.1	7.6	1.1	2.1	
NYT	1.1	12.1%	18.7%	13.1%	7.9%	1.1%	18.7	4.8	2.1	6.9	
NUE	1.4	23.2%	9.3%	14.4%	13.3%	1.5%	10.2	1.5	0.7	3.1	
WEN	0.9	9.2%	13.8%	10.2%	8.5%	0.9%	17.3	2.9	1.5	2.9	

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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	(10.6%)	(32.2%)	(12.5%)
CONSUMER CYCLICALS	(29.1%)	(14.1%)	(11.7%)
CONSUMER STAPLES	(7.4%)	(12.2%)	1.6%
HEALTH	(25.1%)	(2.6%)	(1.1%)
ENERGY	10.0%	106.0%	55.5%
FINANCIAL	(11.2%)	(20.7%)	(26.7%)
CAPITAL GOODS	(17.2%)	(1.5%)	(3.9%)
TECHNOLOGY	(29.8%)	(14.1%)	(1.7%)
COMMUNICATIONS	(30.0%)	33.8%	(28.1%) *
UTILITY	(1.6%)	(23.3%)	(17.9%)
TRANSPORTATION	(30.1%)	(11.8%)	(11.3%)
Weighted Total:	(19.0%)	(4.9%)	(4.4%)

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 1/19/2001	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.1%	(1.4%)	3.8%	(0.7%)	3.9%	0.8%
CONSUMER CYCLICALS	7.5%	(4.3%)	14.5%	(1.2%)	18.5%	(1.0%)
CONSUMER STAPLES	10.7%	0.1%	8.2%	(1.4%)	9.6%	0.5%
HEALTH	12.4%	(0.7%)	10.7%	(7.9%)	9.9%	(3.4%)
ENERGY	5.9%	(4.0%)	6.9%	(4.8%)	6.2%	(9.2%)
FINANCIAL	16.4%	(0.3%)	14.4%	(2.0%)	12.2%	(0.2%)
CAPITAL GOODS	8.7%	1.5%	7.4%	3.6%	13.5%	2.6%
TECHNOLOGY	26.1%	9.1%	22.9%	0.8%	19.2%	4.4%
COMMUNICATIONS	6.4%	(0.1%)	1.9%	1.2%	0.3%	5.2% *
UTILITY	3.2%	1.1%	7.3%	0.6%	3.9%	(0.6%)
TRANSPORTATION	0.7%	(0.9%)	2.0%	(1.0%)	2.9%	0.5%
Index Total:		1.8%		(0.7%)		(0.0%)

* Sector contains only 3 companies

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

Sector Comments: Technology stocks just keep hogging the spotlight. Large Cap Techs rose 9% last week, a huge gain. If you examine all three markets ex-tech, you find that most stocks groups fell last week. And those who were counting on a continuation of the small stock "January Effect" were disappointed. In a burst of desperation, OPEC agreed to cut production last week to prop up prices. It didn't work and Energy stocks swooned. Ultimately, if OPEC persists in its policy, its world market share should recede and a comfortable overhang of discovered, but shut-in energy resources should emerge and keep the relative price of energy at the lower end of current expectations. We'd expect that the market's view would then be somewhat more realistic than at present.

We show the Energy Sector value drivers on Page 3 this week. There is a disconnect between the Last 12 month Revenue growth and the Free Cash Flow Annuity data. The latter is calculated only on an annual basis and therefore does not yet reflect the recent surge in cash flows. In March, when new annual data will be available, these companies will look much cheaper. However, it is the expectation about future cash flow that dominates valuation and drives stock prices. Here is an example of why looking at any static datum is often much like taking a snapshot of a passing race car, very blurred.

(\$millions)	Large Capitalization	Mid-Cap Capitalization	Small-Cap Capitalization
\$	11,838,805	\$863,865	\$ 347,432
	90.7%	6.6%	2.7%

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Few Energy Stocks Look Interesting in the Current Market

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Company Name	Ticker	12 Mo.		Free Cash			PE Ratio	Price/Book Ratio	Leverage At Market	Return on Capital	Dividend Yield
		Market Value - Equity	Quarterly Sales Growth	Current Price	Flow Annuity	NOPAT Margin					
AMERADA HESS CORP	AHC	\$5,929	57.2%	66.9	15.93	7.8	8.0	2.2	50.9%	5.26	0.9%
ANADARKO PETROLEUM CORP	APC	\$14,288	431.1%	56.9	(2.03)	23.4	29.1	6.8	11.8%	4.25	0.4%
APACHE CORP	APA	\$7,434	83.9%	60.2	17.41	24.9	14.9	3.1	22.4%	7.03	0.9%
ASHLAND INC	ASH	\$2,473	13.9%	35.3	68.92	6.8	8.7	1.3	56.8%	8.87	3.1%
ATWOOD OCEANICS	ATW	\$548	7.4%	39.6	22.34	18.9	26.1	2.8	11.5%	8.75	0.0%
BAKER-HUGHES INC	BHI	\$13,219	14.0%	39.8	(6.05)	3.1	218.7	4.5	24.3%	1.93	1.2%
BARRETT RESOURCES CORP	BRR	\$1,529	53.2%	46.3	6.37	3.9	63.1	5.1	19.5%	5.36	0.0%
BJ SERVICES CO	BJS	\$5,749	39.6%	69.6	22.73	12.4	46.2	4.9	16.3%	8.75	0.0%
BROWN (TOM) INC	TMBR	\$1,176	78.4%	31.1	3.90	7.2	27.9	3.1	7.8%	3.32	0.0%
BURLINGTON RESOURCES INC BR		\$9,624	59.3%	44.7	83.17	37.0	37.7	@NA	0.0%	38.72	1.2%
CABOT OIL & GAS CORP -CL A COG		\$787	19.7%	27.1	(2.15)	14.8	48.7	4.1	29.3%	3.84	0.6%
CAL DIVE INTERNATIONAL INC	CDIS	\$713	-15.0%	22.2	10.44	14.9	47.1	5.5	3.6%	14.42	0.0%
CHEVRON CORP	CHV	\$50,904	33.4%	79.3	41.88	9.1	12.2	3.1	21.3%	7.62	3.3%
CONOCO INC	COC.B	\$17,017	54.2%	27.3	7.49	5.0	10.8	4.0	34.0%	6.12	2.8%
COOPER CAMERON CORP	CAM	\$3,057	-6.8%	56.7	20.60	6.1	77.7	4.7	9.1%	7.01	0.0%
CROSS TIMBERS OIL CO	XTO	\$1,400	76.3%	20.1	(1.92)	22.1	27.8	8.2	43.8%	5.40	0.2%
DEVON ENERGY CORPORATIO	DVN	\$7,035	89.8%	54.9	5.69	26.3	16.0	2.8	22.0%	6.80	0.4%
DRIL-QUIP INC	DRQ	\$473	14.7%	27.4	15.70	11.3	54.3	3.9	0.0%	11.84	0.0%
ENSCO INTERNATIONAL INC	ESV	\$4,383	96.1%	31.6	(5.69)	(2.4)	83.1	3.8	8.6%	(0.48)	0.3%
EOG RESOURCES INC	EOG	\$5,165	74.0%	44.3	(7.44)	4.2	24.9	6.6	15.8%	1.32	0.3%
EXXON MOBIL CORP	XOM	\$276,126	21.3%	79.4	41.27	7.9	22.6	4.8	13.2%	11.34	2.2%
FRIEDE GOLDMAN HALTER INC	FGH	\$250	213.7%	5.1	(32.08)	(10.9)	(1.5)	0.6	58.7%	(11.02)	0.0%
GLOBAL MARINE INC	GLM	\$4,529	67.3%	25.8	14.30	21.6	59.1	@NA	17.2%	10.13	0.0%
GRANT PRIDECO INC	GRP	\$1,906	123.0%	17.6	@NA	(9.7)	(243.8)	@NA	8.8%	(4.17)	0.0%
HALLIBURTON CO	HAL	\$16,595	1.5%	37.1	9.29	3.9	56.6	3.7	26.0%	5.62	1.3%
HANOVER COMPRESSOR CO	HC	\$2,244	85.6%	33.9	12.36	21.1	50.9	6.9	9.8%	10.48	0.0%
HELMERICH & PAYNE	HP	\$1,987	33.1%	39.8	39.67	23.9	26.4	@NA	3.1%	12.96	0.8%
HS RESOURCES INC	HSE	\$689	82.2%	37.5	1.29	19.1	18.8	4.8	45.4%	5.39	0.0%
INPUT/OUTPUT INC	IO	\$554	67.3%	10.9	(5.24)	(13.7)	(7.1)	1.8	1.7%	(4.42)	0.0%
KERR-MCGEE CORP	KMG	\$6,061	44.8%	64.3	58.33	21.1	9.2	3.9	34.1%	14.75	2.8%
LOUIS DREYFUS NAT GAS COF	LD	\$1,380	63.7%	31.9	2.37	17.7	31.4	3.7	31.1%	4.18	0.0%
MURPHY OIL CORP	MUR	\$2,534	45.2%	56.3	77.13	13.9	9.8	2.6	21.7%	15.06	2.7%
NABORS INDUSTRIES	NBR	\$8,017	142.0%	54.8	(1.56)	6.2	95.4	5.5	8.3%	2.22	0.0%
NATIONAL-OILWELL INC	NOI	\$2,804	46.9%	34.9	(2.94)	1.1	297.6	5.7	9.6%	1.23	0.0%
NEWFIELD EXPLORATION CO	NFX	\$1,518	92.3%	35.7	14.62	22.3	18.6	5.3	17.1%	9.24	0.0%
NOBLE AFFILIATES INC	NBL	\$2,301	47.7%	41.1	16.74	11.2	18.1	3.8	18.0%	7.01	0.4%
NOBLE DRILLING CORP	NE	\$5,506	27.7%	41.0	9.97	19.6	44.3	4.1	12.7%	6.44	0.0%
NUEVO ENERGY CO	NEV	\$288	26.6%	16.4	(39.27)	(6.4)	11.5	1.3	61.8%	(2.10)	0.0%
OCCIDENTAL PETROLEUM COI	OXY	\$8,242	80.1%	22.3	7.55	10.5	5.2	2.5	47.5%	5.53	4.5%
OCEAN ENERGY INC	OEI	\$2,670	21.8%	15.9	3.57	18.0	17.0	3.1	35.5%	7.28	0.0%
OCEANEERING INTERNATIONAL	OII	\$395	0.1%	17.2	6.91	5.9	30.9	2.3	33.0%	6.38	0.0%
OFFSHORE LOGISTICS	OLOG	\$418	17.4%	19.8	(5.67)	4.3	22.7	1.6	37.0%	2.68	0.0%
PATINA OIL & GAS CORP	POG	\$409	47.2%	20.2	14.57	27.3	10.4	3.6	26.2%	7.71	0.8%
PENNZOIL-QUAKER STATE CO	PZL	\$974	5.0%	12.4	(0.06)	5.7	(3.2)	1.1	72.8%	4.61	6.1%
PHILLIPS PETROLEUM CO	P	\$15,646	36.6%	55.3	52.30	10.8	10.6	3.2	31.5%	10.34	2.5%
PIONEER NATURAL RESOURCI	PXD	\$1,693	43.0%	17.1	(9.47)	10.9	22.4	2.6	53.4%	2.29	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

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Few Energy Stocks Look Interesting in the Current Market

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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
PLAINS RESOURCES INC	PLX	\$371	-34.5%	20.8	66.29	3.1	(22.0)	21.9	62.9%	14.49	0.0%
POGO PRODUCING CO	PPP	\$1,046	87.1%	25.8	(20.91)	(1.8)	19.2	4.7	34.6%	(0.40)	0.5%
PRIDE INTERNATIONAL INC	PDE	\$1,323	63.1%	19.8	(18.56)	1.9	(144.9)	1.8	47.9%	0.56	0.0%
REMINGTON OIL&GAS CP -CL	ROIL	\$273	172.1%	12.7	(3.41)	(5.2)	7.5	4.9	13.1%	(2.13)	0.0%
ROWAN COS INC	RDC	\$2,394	51.7%	25.4	(9.76)	0.4	55.1	3.1	26.5%	0.11	0.0%
ROYAL DUTCH PET -NY REG	RD	\$125,844	34.4%	58.7	50.64	12.6	17.8	3.9	8.9%	14.14	2.4%
SCHLUMBERGER LTD	SLB	\$42,190	23.4%	73.7	5.64	7.2	81.6	5.9	13.9%	3.80	1.0%
SEACOR SMIT INC	CKH	\$822	30.1%	48.4	4.77	22.2	30.5	1.8	45.7%	4.36	0.0%
SEITEL INC	SEI	\$394	82.1%	16.4	6.52	23.1	30.2	1.8	40.6%	6.04	0.0%
SMITH INTERNATIONAL INC	SII	\$3,517	49.2%	70.7	(11.72)	1.7	69.7	5.1	17.3%	1.83	0.0%
ST MARY LAND & EXPLOR CO	MARY	\$847	169.5%	30.3	0.31	3.5	27.2	4.9	3.4%	1.31	0.3%
STONE ENERGY CORP	SGY	\$978	77.0%	52.8	31.54	30.9	18.1	4.5	11.3%	12.74	0.0%
SUNOCO INC	SUN	\$2,497	47.9%	29.4	81.54	7.8	10.1	2.0	48.3%	12.36	3.4%
SWIFT ENERGY CO	SFY	\$662	58.5%	30.9	15.13	34.4	16.7	4.6	27.5%	8.78	0.0%
TETRA TECHNOLOGIES INC/DE TTI		\$190	19.2%	14.1	(8.56)	0.7	140.9	1.4	36.9%	0.48	0.0%
TEXACO INC	TX	\$32,218	37.5%	58.6	11.60	3.7	14.7	2.9	26.1%	4.72	3.1%
TIDEWATER INC	TDW	\$2,402	12.2%	43.0	16.47	13.1	32.6	2.2	3.7%	6.01	1.4%
TOSCO CORP	TOS	\$4,630	78.1%	32.0	28.50	3.9	8.4	2.3	47.1%	8.46	1.0%
TRANSOCEAN SEDCO FOREX I RIG		\$8,797	90.3%	41.8	(9.79)	4.7	104.5	2.5	19.5%	0.63	0.3%
ULTRAMAR DIAMOND SHAMRC UDS		\$2,505	17.6%	28.8	43.61	3.8	7.6	1.7	46.9%	8.88	3.8%
UNOCAL CORP	UCL	\$7,956	56.8%	32.8	(19.26)	2.2	15.1	4.3	42.3%	1.44	2.4%
USX-MARATHON GROUP	MRO	\$8,428	48.6%	27.0	(5.62)	2.6	9.5	1.8	40.0%	3.59	3.4%
VALERO ENERGY CORP	VLO	\$2,022	56.2%	33.2	(19.45)	0.4	8.2	1.9	36.9%	1.22	1.0%
VARCO INTERNATIONAL INC	VRC	\$1,688	-10.3%	17.9	(3.38)	3.9	(1,087.5)	2.9	18.7%	1.94	0.0%
VERITAS DGC INC	VTS	\$818	62.1%	26.9	1.39	9.4	70.2	2.3	36.7%	4.42	0.0%
VINTAGE PETROLEUM INC	VPI	\$1,213	70.0%	19.3	8.73	17.8	7.1	3.1	34.3%	7.60	0.6%
WEATHERFORD INTL INC	WFT	\$4,952	42.8%	45.1	(5.20)	4.8	98.4	2.8	24.4%	1.89	0.0%

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