

Intrinsic Value Weekly

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"Stumbling Around in the Dark"

The lack of any current information about what companies are experiencing is sometimes exacerbated by the statements that companies make describing their outlook. We'll examine the incentives company managements face now under Regulation FD.

First, if a company is so well informed as to actually have a solid fix on what will happen over the next several months, the announcement of those results will bring somewhere between a yawn and a sharp selloff in the stock. So, companies, in order to create positive surprise, must err on the side of gloom to create the impression of success down the road.

Second, if a company hasn't a clue about what will happen, they can't let on that that's the case. The market hates that kind of uncertainty. So, management must describe a really awful future just to create a possibility of positive surprise when we all find out what actually happens.

Third, if a company is rosy about its outlook and reality comes up short, the CEO could lose his job. Just look at some of the Technology companies last year. Lucent Corp. (LU - NYSE) may have even gone so far as to make up numbers. But even there, the CEO lost his job anyway.

So, the outlook business is now solidly grounded in gloom. You won't find solace there. Look to valuations based on each company's actual history and a reasonable expectation of the **intermediate and longer term**. Without that perspective, no investor can look at today's outlook with anything but abject terror. A longer term perspective will help keep your balance.

Note: **Delta's (DAL - NYSE)** pilots have voted to strike and continue to work through the National Mediation Board. But, if no deal is reached by February 28, a strike could come as soon as April 1. This is not the only labor problem in the airline business, but none of these spats is good for shareholders. We expect **DAL** will find a way to settle, but pressure on the stock price could increase before that happens.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	2/9/2001	Intrinsic Value	Over/Under Priced	Q Ratio	Weekly Price Change
BGP	Borders Group, Inc.	9/22/2000	\$ 14.100	\$29.31	(51.9%)	1.1	0.6%
BGG	Briggs & Stratton	9/22/2000	\$ 42.330	\$98.87	(57.2%)	1.4	1.1%
CTL	CenturyTel, Inc.	9/22/2000	\$ 29.100	\$40.74	(28.6%)	1.5	(4.4%)
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 44.840	\$66.30	(32.4%)	0.9	(5.4%)
LOW	Lowes Companies	9/22/2000	\$ 53.510	\$56.04	(4.5%)	2.8	(0.6%)
MLHR	Herman Miller, Inc.	3/6/2000	\$ 26.000	\$46.28	(43.8%)	2.7	(7.6%)
NYT	New York Times Co.	9/22/2000	\$ 42.500	\$46.26	(8.1%)	2.8	(0.9%)
NUE	Nucor Corporation	9/22/2000	\$ 42.890	\$60.65	(29.3%)	1.2	(0.8%)
WEN	Wendy's International	9/22/2000	\$ 24.330	\$28.69	(15.2%)	1.7	3.1%
Average:					(30.1%)	Average:	(1.7%)
						S&P 500	(2.6%)

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Capital Turnover	Sales				Quarterly Sales Y/Y	Yield	PE Last 12M	Price/Book	Price/Market Sales (\$billions)	Market Cap (\$billions)
		Growth Last 12M	EBIT Margin %	Return On Capital	Return On Sales						
BGP	1.0	11.4%	5.7%	10.9%	7.2%	0.0%	12.1	1.4	0.3	1.1	
BGG	2.2	(13.5%)	12.9%	30.5%	(12.9%)	2.9%	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	4.1	
DAL	0.6	13.8%	11.6%	11.9%	1.5%	0.2%	6.7	1.2	0.3	5.5	
LOW	2.2	17.9%	7.4%	11.1%	15.2%	0.3%	25.0	4.4	1.1	20.5	
MLHR	1.9	18.4%	12.1%	17.6%	27.7%	0.6%	15.0	7.6	1.0	2.0	
NYT	1.1	10.8%	18.7%	13.1%	7.8%	1.1%	18.4	5.2	2.1	7.0	
NUE	1.4	14.4%	9.3%	14.4%	(7.5%)	1.4%	10.9	1.6	0.8	3.3	
WEN	0.9	8.1%	13.8%	10.2%	7.2%	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	(5.9%)	(27.4%)	(10.6%)
CONSUMER CYCLICALS	(27.3%)	(9.8%)	(7.3%)
CONSUMER STAPLES	(5.6%)	(8.2%)	5.6%
HEALTH	(21.8%)	4.0%	2.3%
ENERGY	19.2%	134.0%	76.8%
FINANCIAL	(8.5%)	(15.7%)	(24.4%)
CAPITAL GOODS	(19.2%)	(5.5%)	(5.2%)
TECHNOLOGY	(40.7%)	(16.4%)	(7.9%)
COMMUNICATIONS	(35.3%)	15.9%	(40.0%) *
UTILITY	3.7%	(21.7%)	(15.0%)
TRANSPORTATION	(27.1%)	(10.2%)	(4.3%)
Weighted Total:	(18.8%)	(0.7%)	(1.6%)

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 2/9/2001	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.3%	(1.4%)	3.9%	1.8%	3.9%	(0.5%)
CONSUMER CYCLICALS	8.0%	(4.7%)	14.7%	(0.8%)	18.9%	(1.3%)
CONSUMER STAPLES	11.6%	1.9%	8.6%	2.8%	9.8%	2.5%
HEALTH	13.3%	0.3%	11.2%	3.8%	10.0%	0.8%
ENERGY	6.7%	4.3%	7.4%	6.8%	6.9%	7.6%
FINANCIAL	17.4%	(1.3%)	15.0%	0.9%	12.3%	1.6%
CAPITAL GOODS	8.8%	(2.1%)	6.4%	(3.4%)	13.1%	(2.5%)
TECHNOLOGY	21.9%	(9.5%)	21.9%	(3.8%)	17.8%	(5.6%)
COMMUNICATIONS	6.0%	(3.7%)	1.6%	(6.4%)	0.2%	(14.1%) *
UTILITY	3.6%	3.5%	7.3%	2.4%	4.0%	2.2%
TRANSPORTATION	0.6%	(2.0%)	2.0%	(2.5%)	3.1%	0.7%
Index Total:		(2.6%)		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: All three markets are now down for the year to date. The "tug of war" between slower revenue and earnings growth and lower interest rates is often a real see-saw battle. And the market's focus on the very short term creates volatility and excessive emotion. When one company warns investors of coming difficulty, the stock's price will get hammered of course, but prices of all its competitors' stocks will suffer as well. That reminds us of the old saw, "when they raid the [house of ill repute], they take the piano player too!". So, somehow, growth is dead for a whole range of technologies. Certainly, the enthusiasm was overdone on the plus side a year ago, as we never tired of pointing out. It wouldn't do to quit while we're ahead, though, so we'll just say that considerable future return is now available in the Technology Sector, the Capital Goods sector, the Transportation sector, the Consumer Cyclical sector and the Communications sector. And, though the Utility sector and the Energy sector are performing well now, they are no longer a place to find above average future return.

The one of these sectors that has perked up this year is Consumer Cyclical stocks; Large, Mid and Small. The logic is compelling that with credit costs coming down, this sector should benefit quickly. We present the Value Drivers for Large Cap Consumer Cyclicals on Page 3 this week because on average they have the deepest discounts to Intrinsic Value.

(\$millions)	Large Capitalization	Mid-Cap Capitalization	Small-Cap Capitalization
	\$ 11,496,203	90.3%	\$ 354,216
		\$884,669	6.9%
			2.8%

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Consumer Cyclical Come First in Recovery

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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%	12.3	32.15	10.4	9.4	0.6	64.1%	7.97	6.8%
AUTOZONE INC	AZO	\$2,819	5.7%	24.8	56.20	14.0	12.5	3.2	50.5%	16.26	0.0%
BED BATH & BEYOND INC	BBBY	\$7,233	25.3%	25.3	11.75	11.5	48.3	13.3	0.3%	42.75	0.0%
BEST BUY CO INC	BBY	\$8,071	20.1%	38.9	43.15	4.5	27.5	9.1	1.6%	47.17	0.0%
BLACK & DECKER CORP	BDK	\$3,703	-6.2%	45.0	57.22	9.2	13.3	4.9	33.4%	10.81	1.1%
BLOCK H & R INC	HRB	\$3,909	60.7%	42.8	57.37	19.3	18.8	3.5	34.1%	18.70	2.8%
BRUNSWICK CORP	BC	\$1,791	1.5%	20.5	34.68	6.8	8.6	1.4	40.4%	10.78	2.4%
CARNIVAL CORP	CCL	\$19,182	7.5%	32.8	23.72	29.1	20.0	3.4	6.4%	14.75	1.3%
CENDANT CORP	CD	\$9,612	-24.6%	13.2	9.82	28.4	16.0	4.1	62.2%	9.67	0.0%
CENTEX CORP	CTX	\$2,491	14.7%	42.2	115.27	9.3	10.0	1.7	50.0%	18.02	0.4%
CIRCUIT CITY STR CRCT CTY (C	CC	\$3,165	-7.0%	15.4	39.12	7.7	11.8	1.9	59.9%	12.56	0.5%
CONSOLIDATED STORES CORP	CNS	\$1,484	8.9%	13.3	16.79	5.7	9.6	1.1	59.0%	7.32	0.0%
CONVERGYS CORP	CVG	\$6,740	19.7%	43.8	15.70	12.7	37.1	7.8	14.1%	11.66	0.0%
COOPER TIRE & RUBBER	CTB	\$934	16.9%	12.9	29.75	10.7	10.0	1.0	56.1%	11.67	3.3%
COSTCO WHOLESALE CORP	COST	\$18,507	10.0%	41.3	33.34	3.5	32.6	4.9	10.9%	16.63	0.0%
DANA CORP	DCN	\$2,521	-8.5%	17.1	64.19	7.7	6.8	1.0	70.4%	10.46	7.3%
DELPHI AUTOMOTIVE SYS CO	DPH	\$8,263	-4.7%	14.8	32.87	6.0	7.8	2.6	54.9%	12.81	1.9%
DILLARDS INC -CL A	DDS	\$1,499	-3.7%	17.0	25.11	5.6	20.1	0.5	68.0%	6.17	0.9%
DOLLAR GENERAL CORP	DG	\$6,374	15.1%	19.3	16.46	9.3	28.6	7.0	0.9%	36.22	0.7%
DOW JONES & CO INC	DJ	\$5,260	-0.2%	60.1	31.63	15.5	39.1	9.8	26.9%	12.89	1.7%
FEDERATED DEPT STORES	FD	\$8,178	1.4%	41.2	57.76	7.5	(114.3)	1.5	47.4%	10.74	0.0%
FORD MOTOR CO	F	\$49,910	-4.1%	26.9	32.33	10.0	7.7	2.6	80.9%	7.04	4.5%
GANNETT CO	GCI	\$17,069	26.2%	64.7	38.05	18.4	17.4	3.8	18.0%	12.46	1.4%
GAP INC	GPS	\$22,946	12.1%	27.0	10.99	14.4	27.2	12.4	42.2%	7.74	0.3%
GENERAL MOTORS CORP	GM	\$30,784	2.0%	54.5	(44.25)	6.2	8.2	1.6	87.2%	4.31	3.7%
GENUINE PARTS CO	GPC	\$4,536	3.7%	26.2	25.82	5.7	11.5	2.1	34.5%	9.15	4.2%
GOODYEAR TIRE & RUBBER CO	GT	\$3,776	5.9%	24.0	(19.64)	2.6	26.0	1.1	69.5%	2.76	5.0%
HARCOURT GENERAL INC	H	\$4,172	5.9%	57.0	28.27	14.2	22.9	6.4	38.2%	12.04	1.5%
HARLEY-DAVIDSON INC	HDI	\$12,864	14.6%	42.5	21.64	17.5	39.5	11.8	4.5%	26.52	0.2%
HARRAHS ENTERTAINMENT INC	HET	\$3,724	14.4%	31.9	17.72	11.3	(326.4)	2.5	41.7%	8.77	0.0%
HASBRO INC	HAS	\$2,218	-26.9%	12.9	23.47	8.6	(14.5)	1.2	44.4%	10.44	0.9%
HILTON HOTELS CORP	HLT	\$4,383	37.1%	11.9	(10.20)	14.2	16.0	3.1	59.0%	4.49	0.7%
HOME DEPOT INC	HD	\$102,992	16.9%	44.4	14.19	7.0	41.6	9.0	7.7%	13.65	0.4%
IMS HEALTH INC	RX	\$7,562	2.1%	25.8	14.66	24.1	46.7	15.4	9.3%	21.07	0.3%
INTERPUBLIC GROUP OF COS	IPG	\$12,573	14.7%	40.9	12.77	11.2	38.1	7.3	24.6%	9.36	0.9%
K MART CORP	KM	\$4,070	3.0%	8.4	19.31	4.0	(43.8)	0.7	76.4%	7.17	0.0%
KB HOME	KBH	\$1,049	1.7%	30.8	56.21	7.6	5.9	2.1	65.3%	14.64	1.0%
KNIGHT-RIDDER INC	KRI	\$4,297	1.7%	58.3	48.68	12.1	14.5	2.6	29.0%	9.84	1.6%
KOHL'S CORP	KSS	\$21,808	31.4%	65.8	13.18	9.4	74.0	13.7	9.7%	12.33	0.0%
LEGGETT & PLATT INC	LEG	\$4,007	4.4%	20.4	19.55	8.7	15.8	2.5	22.7%	12.21	2.2%
LIMITED INC	LTD	\$7,714	5.1%	18.1	14.70	8.0	17.6	4.1	42.8%	8.84	1.7%
LIZ CLAIBORNE INC	LIZ	\$2,577	7.1%	48.6	78.78	10.7	13.9	3.1	4.8%	28.74	0.9%
LOWES COS	LOW	\$20,487	15.2%	53.5	23.07	5.1	25.0	4.4	15.1%	11.09	0.3%
MARRIOTT INTL INC	MAR	\$10,634	12.4%	44.3	21.40	7.8	23.2	3.9	33.1%	7.62	0.5%
MASCO CORP	MAS	\$10,416	11.1%	23.3	28.72	15.8	14.5	3.4	19.5%	17.08	2.2%
MATTEL INC	MAT	\$6,895	-11.0%	16.3	5.73	4.9	37.1	3.2	23.8%	6.48	2.2%

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@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

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Red - Warning

Bold Blue - Favorable Drivers

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

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Consumer Cyclical Come First in Recovery

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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	\$10,782	4.7%	36.2	43.78	8.8	15.0	3.1	29.5%	13.53	2.6%
MAYTAG CORP	MYG	\$2,616	-6.7%	34.0	68.83	10.6	13.6	6.8	34.8%	17.72	2.1%
MCGRAW-HILL COMPANIES	MHP	\$12,181	5.5%	62.3	29.54	12.6	24.7	7.4	14.2%	13.39	1.5%
MEREDITH CORP	MDP	\$1,829	-2.0%	36.5	44.79	17.8	26.1	4.1	28.5%	16.14	0.9%
NEW YORK TIMES CO -CL A	NYT	\$7,007	7.8%	42.5	25.15	12.2	18.4	5.2	17.2%	13.13	1.1%
NIKE INC -CL B	NKE	\$14,753	6.8%	54.7	34.32	9.1	24.8	4.7	22.5%	12.32	0.9%
NORDSTROM INC	JWN	\$2,458	13.5%	18.3	18.89	5.4	18.9	2.3	44.3%	8.91	2.0%
OFFICE DEPOT INC	ODP	\$2,696	9.4%	9.0	8.42	6.2	10.7	1.7	73.1%	7.58	0.0%
OMNICOM GROUP	OMC	\$15,781	20.0%	89.1	28.84	11.6	33.4	10.4	18.9%	11.88	0.8%
PENNEY (J C) CO	JCP	\$3,658	-1.2%	14.0	(10.34)	2.9	(21.5)	0.5	74.4%	3.48	3.6%
PULTE CORP	PHM	\$1,421	8.6%	34.9	96.43	9.3	6.7	1.4	51.4%	20.55	0.5%
RADIOSHACK CORP	RSH	\$8,500	18.8%	45.6	29.50	12.6	31.1	13.1	22.6%	15.79	0.5%
REEBOK INTERNATIONAL LTD	RBK	\$1,780	0.0%	31.2	37.12	5.4	19.2	2.9	18.3%	11.45	0.0%
SEARS ROEBUCK & CO	S	\$12,559	2.4%	37.3	68.18	7.4	10.0	2.1	68.1%	8.77	2.5%
SHERWIN-WILLIAMS CO	SHW	\$4,269	0.2%	26.6	28.71	9.2	268.5	2.6	36.8%	10.56	2.0%
SNAP-ON INC	SNA	\$1,748	-2.9%	30.1	55.82	11.5	14.0	2.1	28.7%	12.05	3.2%
STANLEY WORKS	SWK	\$2,951	-3.5%	34.3	56.05	12.4	15.5	4.2	18.2%	21.12	2.7%
STAPLES INC	SPLS	\$7,295	17.0%	15.6	15.84	6.0	26.7	4.4	7.3%	24.58	0.0%
STARWOOD HOTELS&RESORT	HOT	\$7,454	1.7%	36.9	(0.54)	16.8	19.0	2.0	50.4%	4.73	1.9%
TARGET CORP	TGT	\$30,410	8.3%	34.0	21.00	5.0	27.6	5.9	19.4%	13.16	0.6%
TIFFANY & CO	TIF	\$4,875	14.6%	33.4	14.92	14.2	28.5	7.2	17.8%	10.90	0.5%
TJX COMPANIES INC	TJX	\$7,982	10.1%	28.5	(14.43)	8.6	17.2	8.3	66.9%	2.35	0.6%
TOYS R US INC	TOY	\$4,942	-9.9%	25.0	6.74	5.0	15.7	1.7	58.4%	5.49	0.0%
TRIBUNE CO	TRB	\$11,624	81.3%	38.8	13.59	17.1	54.5	4.3	23.0%	7.80	1.0%
TRW INC	TRW	\$4,444	-10.6%	35.8	49.21	6.3	10.2	1.6	67.7%	9.01	3.9%
VF CORP	VFC	\$3,908	7.2%	34.4	44.11	7.6	15.1	1.9	31.0%	11.14	2.7%
VISTEON CORP	VC	\$1,862	-8.2%	14.2	56.99	3.8	6.8	@NA	71.1%	9.20	1.7%
WAL-MART STORES	WMT	\$225,120	13.0%	50.4	12.28	3.1	40.9	9.8	11.3%	10.69	0.5%
WHIRLPOOL CORP	WHR	\$3,519	-4.1%	52.9	138.84	7.7	10.0	2.1	41.1%	15.30	2.6%

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