



Berkshire Hathaway, Inc. BRK.A, BRK.B Disclosure: Long	PRICE 11/12/23	\$350.56	SHARES OUT	2.168m	MARKET CAP	\$760bn
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DESCRIPTION: Omaha, NE – based conglomerate with major operations in insurance, reinsurance, railroad, energy, and numerous manufacturing, service, and retailing businesses.

PREVIOUS ANALYSIS:
Deep Dives: April '22 & '23
[LINK TO BACK ISSUES](#)

Figures in \$ millions		Tax	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022-9M	2023-9M	
OPERATING EARNINGS	GEICO	Pre	1,127	1,159	460	462	(310)	2,449	1,506	3,428	1,259	(1,880)	(1,424)	2,270	
	BRK Primary	Pre	385	626	824	657	719	670	383	110	607	393	53	1,050	
	BRK Reinsurance	Pre	1,577	883	553	1,012	(3,648)	(1,109)	(1,472)	(2,700)	(930)	1,389	1,191	2,495	
	Insurance Underwriting Total	After	1,995	1,692	1,162	1,370	(2,219)	1,566	325	657	728	(90)	(190)	4,580	
	Investment Income	After	3,708	3,542	3,725	3,636	3,887	4,554	5,530	5,039	4,807	6,484	4,484	6,808	
	Railroad	After	3,793	3,869	4,248	3,569	3,959	5,219	5,481	5,161	5,990	5,946	4,477	3,732	
	Utilities & Energy	After	1,470	1,882	2,132	2,230	2,033	2,621	2,840	3,141	3,572	3,904	3,165	1,699	
	Pilot Travel Centers	After													380
	Industrial Products	Pre	2,777	3,159	2,994	4,989	5,065	5,822	5,635	3,755	4,469	4,862	1,375	1,427	
	Building Products	Pre	846	896	1,167	1,922	2,147	2,336	2,636	2,858	3,390	4,789	1,236	1,167	
	Consumer Products	Pre	582	756	732	824	1,112	1,208	1,251	1,387	1,982	1,526	272	483	
	Service	Pre	1,093	1,202	1,156	1,399	1,519	1,836	1,681	1,600	2,672	3,047	806	772	
	Retailing	Pre	376	344	564	659	785	860	874	1,028	1,809	1,724	396	414	
	McLane	Pre	486	435	502	431	299	246	288	251	230	271	112	116	
	Other	After	(712)	(145)	30	(343)	(485)	1,457	424	(326)	434	509	1,961	629	
Operating Earnings	After	\$15,139	\$16,551	\$17,358	\$17,577	\$14,457	\$24,781	\$23,972	\$21,922	\$27,455	\$30,793	\$24,228	\$28,869		
Per Share - Class A	After	\$9,211	\$10,071	\$10,564	\$10,693	\$8,791	\$15,075	\$14,671	\$13,749	\$18,180	\$20,964	\$16,474	\$19,897		
Per Share - Class B	After	\$6.14	\$6.71	\$7.04	\$7.13	\$5.86	\$10.05	\$9.78	\$9.17	\$12.12	\$13.98	\$10.98	\$13.26		
BALANCE SHEET	Cash (Ex. Rail / Utilities)		42,433	57,974	61,181	70,919	113,044	109,255	124,973	135,014	143,854	125,034	105,201	151,974	
	Cash % Total Assets		8.8%	11.0%	11.1%	11.4%	16.1%	15.4%	15.3%	15.5%	15.0%	13.2%	11.7%	14.9%	
	Notes Payable & Borrowings		59,095	67,473	72,338	86,260	102,587	97,490	103,368	116,895	114,262	122,744	113,496	124,781	
	Net Debt (Cash) Position		16,662	9,499	11,157	15,341	(10,457)	(11,765)	(21,605)	(18,119)	(29,592)	(2,290)	8,295	(27,193)	
	Equity Securities		115,464	115,529	110,527	120,471	170,540	172,757	248,027	281,170	350,719	308,793	306,167	318,621	
	Avg. Class A SH Out.		1,643,613	1,643,456	1,643,183	1,643,826	1,644,615	1,643,795	1,633,946	1,594,469	1,510,180	1,468,876	1,470,714	1,450,934	
	BRK Shareholders' Equity		221,890	240,170	255,550	283,001	348,296	348,703	424,791	443,164	506,199	472,360	455,430	525,330	
	Float		77,000	84,000	88,000	91,600	114,000	123,000	129,000	138,000	147,000	164,000	150,000	167,000	
	Cost of Avg. Float - Pre-Tax		-4.12%	-3.31%	-2.14%	-2.37%	3.15%	-1.70%	-0.33%	-0.63%	-0.66%	0.06%	0.12%	-3.51%	
	CAPITAL	(Purchase) / Sale Equities		(4,689)	1,882	(1,473)	11,956	(814)	(24,427)	(4,306)	8,595	7,401	(34,266)	(48,903)	23,644
Net Capex			(4,579)	(7,815)	(8,303)	(4,053)	(2,520)	(4,758)	(5,915)	(2,416)	(2,558)	(4,565)	(2,766)	(4,344)	
Acquisitions			(6,431)	(4,824)	(4,902)	(31,399)	(2,708)	(3,279)	(1,683)	(2,532)	(456)	(10,594)	(183)	(8,564)	
Share Repurchases			-	(400)	-	-	-	(1,346)	(4,850)	(24,706)	(27,061)	(7,854)	(5,246)	(6,978)	

Notes:

Share repurchases, net investment in equity securities, acquisitions, and capex represent cash flows. I.e. negative numbers are cash out, positive are cash in.

Cash includes investments in Treasuries

Q3 2023 UPDATE

The image of a See's caramel chocolate comes to mind when thinking about Berkshire's YTD results. On the surface things are strong, with operating earnings of \$28.9 billion YTD, up 19% from the \$24.2 billion reported YTD Q3-2022. Yet signs of softness lurk beneath the surface and portend a fall from grace of this currently strong American economy.

BNSF is a good barometer of the overall economy and an example of the not-so-solid caramel center. Overall volumes declined 4.8% in Q3 compared to last year

(though up 4% sequentially) and declined 8.7% YTD. The biggest drop was in consumer products which declined 6.6% and 13% for Q3 and YTD, respectively. Blame trucking spot rates and pricing.

GEICO's combined ratio came in at 89.3% in Q3 and 92.2% for YTD – wonderful results. But...losses included \$1.2 billion of favorable adjustments from prior years' claims. While a real economic benefit, this means the \$2.3 billion YTD profit was really \$1 billion for 2023 accidents, a lower but still respectable 96.7%



combined ratio. Property damage claims continue to run high at +17% to +19%. GEICO is increasing prices to compensate but losing policies (-12.7% over the last 12 months) as a result. That GEICO slashed its advertising budget by 54% isn't surprising.

The Primary Group continues to churn out profits and improved results over the prior year. In reinsurance, a lack of hurricanes led to big profits in the property/casualty line. Life/health and variable annuity show profits (as they should). Of note, retroactive reinsurance and periodic payment annuity have no earned premiums – as in a big fat zero – for all of 2023. Berkshire avoids these lines when it doesn't make sense to write them. Associated losses are related to accounting charges and are a feature of the business.

Berkshire's average cost of float was negative 3.51% on ending float of \$167 billion. Discipline pays.

Berkshire Hathaway Energy earnings were hit by pre-tax charges of \$1.3 billion in Q3 and \$1.6 billion YTD from wildfires in PacificCorp's operating territories for which the company is very likely ultimately liable. Real estate brokerage reflected the slowdown in U.S. home sales and weighed on BHE's results.

Within the industrial products segment, Precision Castparts rebounded strongly with revenues up 26% and earnings up 33% from higher aerospace demand and resulting production efficiencies. Lubrizol, Marmon, and IMC reported flat earnings when considering one-time events in the prior periods.

Building products revenues declined 11.7% and earnings declined by 5.6% because of the slowdown in the housing market. Within that segment, Clayton Homes saw unit sales decline 18%, although its financial services segment benefited from higher interest rates.

The consumer products segment had some noise from the inclusion of Jazwares (Alleghany). Forest River's results were down by a third but not unexpected given

the strength seen in 2022. Apparel and footwear continue to struggle. Revenues declined 10% YTD compared to last year although earnings were up 27% compared to 2022, which saw significant input cost inflation.

The service group segment now contains IPS, a construction management company acquired with Alleghany, which contributed almost \$1 billion of revenues YTD. Aviation contributed to results while TTI experienced slowdowns in Asia.

Retailing is dominated by Berkshire Hathaway Automotive (68% of revenues). BHA revenues were up mid-single digits both quarterly and YTD and reflected a nearly 14% increase in new auto sales and a 9% decline in used auto sales. BHA earnings were up 18.6% YTD. Meanwhile, home services businesses (18% of revenues) declined 9% due to lower foot traffic, another harbinger of potential weakness ahead.

Much has been written in the business press about BRK's record level of cash, now topping \$152 billion excluding rail/energy. Yet it's about average compared to BRK's total assets. Including *all* debt, even that of the regulated utilities and rail, BRK sits in the enviable position of having net cash of \$27 billion.

On the capital allocation front, Berkshire was a net seller of \$24bn equities YTD. It remains in growth mode with \$4 billion growth capex in excess of depreciation. Share repurchases have slowed but still amounted to a meaningful \$7 billion or ~1% of shares. Acquisitions net of acquired cash soaked up \$8.6 billion YTD, including \$8.2 billion for an additional 41.4% of Pilot and \$3.3 billion for an additional 50% interest (to 75% total) in the Cove Point LNG facility formerly owned by Dominion.

At about \$350 per Class B share, Berkshire is trading at a slight discount to intrinsic value, which I estimate to be around \$800 billion (\$370/share). Access the [live Google Sheet](#) to see more details on each operating segment and the complete valuation.

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