

# Berkshire Hathaway Inc.

**Recommendation** **HOLD** ★★☆☆☆

**Price** USD 227.42 [as of market close Nov 13, 2020] **12-Mo. Target Price** USD 228.00

**Report Currency** USD

**Investment Style** Large-Cap Value

**Equity Analyst** Catherine Seifert

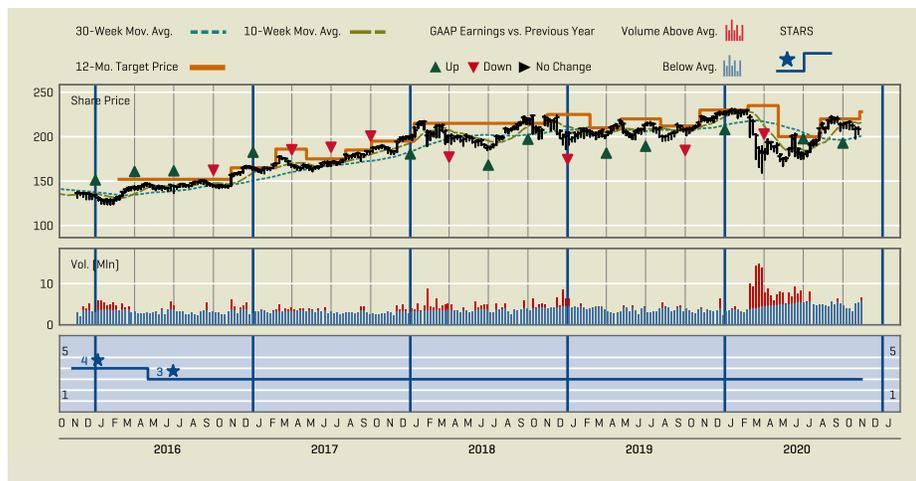
**GICS Sector** Financials  
**Sub-Industry** Multi-Sector Holdings

**Summary** This holding company has interests in insurance, railroads, energy, financial services, publishing, retailing, and manufacturing.

**Key Stock Statistics** [Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports]

52-Wk Range	<b>USD 230.2 - 162.13</b>	Oper.EPS2020E	<b>USD 9.41</b>	Market Capitalization[B]	<b>USD 533.64</b>	Beta	<b>0.83</b>
Trailing 12-Month EPS	<b>USD 22232.21</b>	Oper.EPS2021E	<b>USD 10.95</b>	Yield [%]	<b>N/A</b>	3-yr Proj. EPS CAGR[%]	<b>5</b>
Trailing 12-Month P/E	<b>0.01</b>	P/E on Oper.EPS2020E	<b>24.17</b>	Dividend Rate/Share	<b>N/A</b>	SPGMI's Quality Ranking	<b>B+</b>
USD 10K Invested 5 Yrs Ago	<b>15319.0</b>	Common Shares Outstg.[M]	<b>2.00</b>	Institutional Ownership [%]	<b>47.0</b>		

**Price Performance**



Source: CFRA, S&P Global Market Intelligence

Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Catherine Seifert on Nov 10, 2020 03:39 AM ET, when the stock traded at USD 221.50.

**Highlights**

- ▶ We see operating revenues in 2020 flat to down 5% and see growth of 3% to 6% in 2021, before the impact of acquisitions. We expect some near-term weakness at GEICO to be offset by an acceleration in growth at Berkshire's reinsurance units. Berkshire's growth has also historically been aided by acquisitions. After an extended period with a lack of any material deals, Berkshire announced plans in July to acquire natural gas units of Dominion Energy in a deal valued at \$10 billion. We see acquisitions remaining part of Berkshire's capital allocation strategy, given the \$146 billion in cash and short-term investments on hand at September 30, 2020.
- ▶ The improvement in underwriting results expected in 2021 assumes an easing of Covid 19 and weather related catastrophe claims that have impacted profitability in 2020. Insurance operating revenues rose by 4.7%, year-over-year (YoY), in the first nine months of 2020, as 0.8% higher revenues at GEICO were offset by 20% higher reinsurance revenues. Insurance pretax operating profits sank by 11.4% YoY, on adverse claim trends.
- ▶ We estimate operating EPS \$9.41 in 2020, \$10.95 in 2021, and \$12.05 in 2022, versus operating EPS of \$9.78 reported in 2019.

**Investment Rationale/Risk**

- ▶ Our opinion on the shares is Hold. Berkshire's premium valuation -- versus the broader market and the company's historical averages -- is dependent upon its ability to produce revenue growth and operating profit margins that are superior to broader averages. Berkshire's financial results in 2019 and the first nine months of 2020 did not meet that hurdle, in our view. Operating revenue growth of 2.8% in 2019 and a 4.3% decline in the first nine months of 2020 lagged most peers and Berkshire's long-term historical averages.
- ▶ Risks to our opinion and target price include significant erosion in claims and premium pricing trends as well as an erosion in the economy, which would likely dampen demand for many of Berkshire's products.
- ▶ Our 12-month target price of \$228 assumes the shares will trade at 24.2x our 2020 operating EPS estimate and at 20.8x our 2021 operating EPS estimate. These multiples compare to Berkshire's 10-year average forward multiple of 19.1x and are a premium to most insurance and reinsurance peers. This premium is warranted amid Berkshire's superior financial strength, in our view. Our target price also equates to about 1.6x estimated 2020 year-end tangible book value per share.

**Analyst's Risk Assessment**

LOW MEDIUM HIGH

The low risk represented by the company's diversified revenue and earnings base is partly offset by the corporate governance weaknesses -- we think -- that are embedded in Berkshire as a result of the company's decentralized management style. While we view Chairman and CEO Warren Buffett's advanced age as a risk factor, we think Berkshire has addressed succession issues with the January 2018 appointment of two new vice chairmen.

**Revenue/Earnings Data**

Revenue (Million USD)	1Q	2Q	3Q	4Q	Year
2020	61,265	56,840	63,024	--	--
2019	60,678	63,598	65,206	65,635	256,100
2018	58,267	62,572	63,587	63,111	247,537
2017	64,830	57,191	59,815	58,815	240,651
2016	50,313	53,611	55,693	56,434	215,865
2015	48,547	51,006	50,723	51,294	201,570

**Earnings Per Share (USD)**

	1Q	2Q	3Q	4Q	Year
2022	<b>E 2.87</b>	<b>E 3.01</b>	<b>E 3.08</b>	<b>E 3.09</b>	<b>E 12.05</b>
2021	<b>E 2.61</b>	<b>E 2.74</b>	<b>E 2.80</b>	<b>E 2.80</b>	<b>E 10.95</b>
2020	2.41	2.28	2.30	<b>E 2.42</b>	<b>E 9.41</b>
2019	2.26	2.50	3.21	1.81	9.78
2018	2.14	2.79	2.80	2.32	10.05
2017	1.44	1.67	1.40	1.35	5.86

Fiscal Year ended Dec 31. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

**Dividend Data**

No cash dividends have been paid in the last year.

# Berkshire Hathaway Inc.

## Business Summary Nov 10, 2020

**CORPORATE OVERVIEW.** This insurance-based conglomerate's segment operating revenues totaled \$254.0 billion in 2019 [up from \$247.6 billion in 2018] and were derived as follows: GEICO Corp. 14%, Berkshire Hathaway Reinsurance Group 6%, Berkshire Hathaway Primary Group 4%, investment income 2%, Burlington Northern Santa Fe 9%, McLane Company 20%, Berkshire Hathaway Energy 8%, Manufacturing 25% and Service and Retailing 12%.

Berkshire has grown through acquisitions and we think will continue to do so, despite a lack of any meaningful acquisition activity in several years. During 2019 Berkshire expended \$1.7 billion for several smaller, "bolt-on" acquisitions. In late April 2019, Berkshire committed \$10 billion in a preferred stock investment in Occidental Petroleum [OXY \*\*\*] to help fund OXY's takeover of Anadarko Petroleum. On January 26, 2016, Berkshire acquired Precision Cast Parts, an aerospace components manufacturer, for some \$32.7 billion in cash and the assumption of debt. Berkshire completed its acquisition of the Duracell battery business from Procter & Gamble [PG \*\*\*] for some \$4.7 billion in PG stock currently held by Berkshire in February 2016. Duracell also received a \$1.8 billion cash infusion from PG prior to closing. On December 9, 2013, Berkshire's Mid American unit acquired NV energy, Inc. for \$5.6 billion. On June 7, 2013, Berkshire and 3G Capital acquired H.J. Heinz Company for \$72.50 a share in cash in a transaction valued at \$23.25 billion. In September 2011, Berkshire acquired Lubrizol [LIZ] for \$9.7 billion [\$135 a share in cash]. In February 2010, Berkshire acquired the 77.5% of Burlington Northern Santa Fe it did not already own for \$26.5 billion.

Berkshire's equity holdings had a market value of more than \$248 billion as of December 31, 2019, up from \$172.8 billion at December 31, 2018. The largest holdings were The Coca-Cola Company [KO] (with a 12/31/19 market value of \$22.1 billion), Wells Fargo [WFC] [\$18.6 billion], and American Express [AXP] [\$18.9 billion]. Among the more significant investments Berkshire made recently was the purchase of Apple [AAPL] shares, which had a value of \$73.7 billion as of December 31, 2019. Other significant purchases included the August 2011 purchase of \$5 billion of Bank of America [BAC] 6% preferred stock that came with warrants to buy 700 million BAC common shares at \$7.14 a share. Berkshire's equity stake in BAC equaled \$33.4 billion as of December 31, 2019. At year-end 2019, Berkshire's carrying value of Kraft-Heinz [KHC \*\*\*] was \$13.8 billion, versus KHC's market value of \$10.5 billion.

**CORPORATE STRATEGY.** The company has outlined a series of principles that guide its operations and the management of its business. Central, we think, is its long-term goal of maximizing the "average annual rate of gain in intrinsic business value on a per-share basis." To achieve that goal, Berkshire has stressed a preference for directly owning a diversified group of businesses that generate cash and consistently earn above-average returns on capital. The company has also outlined its acquisition criteria. To be considered for acquisition, Berkshire requires a business to be large enough [at least \$75 million in pretax earnings]; have a demonstrated consistent earning power; earn "good" returns on equity with little or no debt; have a management team in place; be simple; and have an offering price. Also, once Berkshire acquires a business, it typically does not plan on selling it. The company's second choice is to invest in similar types of companies through the purchase of marketable common stocks by its insurance subsidiaries. [The degree to which the company is able to do this is influenced by the capital needs of its insurance subsidiaries.] Berkshire also seeks to achieve its goals without an over-reliance on the issuance of debt. Moreover, in instances where it finds it necessary to issue debt, it seeks to do so on a long-term, fixed-rate basis. The company also will not issue stock that it thinks would be dilutive to existing holders. Berkshire also stresses the "partnership" mindset it has with its shareholders and that most directors of the firm have a major portion of their net worth invested in the company.

Berkshire's board, on July 17, 2018, amended the firm's share repurchase program. Under the revised plan, Berkshire may now repurchase shares "at any time that both Chairman and CEO Warren Buffet and Vice Chairman Charlie Munger believe that the purchase price is below Berkshire's intrinsic value, conservatively determined." We think this amended plan gives Messrs. Buffet and Munger significant discretion in allocating capital, although we note Berkshire remains committed to maintaining a cash position of \$20 billion.

**MANAGEMENT.** Famed value investor Warren Buffett is the chairman and chief executive officer of Berkshire Hathaway, a position he has held since 1970. The company stresses that each of its operating units functions independently and with its own management team. Buffett oversees the company's investments and allocation of capital. Because Buffett is in his 80s, succession planning is an important consideration, in our view. The company has not as of August 2018 publicly announced a successor to Buffett. However, in his annual letter to shareholders Buffett noted in late February 2014 that a successor had been chosen. We think Berkshire took an important step toward succession when it named two new vice chairmen in January 2018: Greg Abel, CEO of Berkshire Energy, and Ajit Jain, head of Berkshire's reinsurance operations.

**LEGAL/REGULATORY ISSUES.** An investigation by several state attorneys general [including New York's], the SEC and the Department of Justice into certain insurance underwriting and marketing practices, including the use of non-traditional, finite reinsurance products, culminated in the indictment, in February 2006, of several former executives of General Re Corp., a wholly owned subsidiary of Berkshire Hathaway. The fraud charges levied against these executives stemmed from a controversial finite reinsurance deal consummated in 2000 with American International Group [AIG], which ultimately led to the ouster of long-time AIG CEO Maurice "Hank" Greenberg.

## Corporate information

### Investor contact

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### Office

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### Telephone

402-346-1400

### Fax

N/A

### Website

www.berkshirehathaway.com

### Officers

#### Chairman, President & CEOVP, Controller & Principal

W. E. Buffett

Accounting Officer

D. J. Jaksich

#### Senior VP, CFO & Secretary

M. D. Hamburg

### Board Members

A. Jain	M. K. Rose
C. Guyman	O. M. Nicely
C. T. Munger	R. L. Olson
D. S. Gottesman	S. B. Burke
G. E. Abel	S. L. Decker
H. G. Buffett	T. S. Murphy
K. I. Chenault	W. E. Buffett
M. B. Witmer	W. Scott
M. K. Rhinehart	

### Domicile

Delaware

### Auditor

Deloitte & Touche LLP

### Founded

1998

### Employees

391,500

### Stockholders

N/A

## Berkshire Hathaway Inc.

Quantitative Evaluations					Expanded Ratio Analysis								
<b>Fair Value Rank</b>	1	2	3	4	5		<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>			
	LOWEST				HIGHEST				Price/Sales	0.00	0.00	0.00	0.00
	Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].												
<b>Fair Value Calculation</b>	<b>USD</b>	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that BRK.B is undervalued by USD 795.97 or 350.00%											
<b>Volatility</b>	LOW	AVERAGE	HIGH										
<b>Technical Evaluation</b>	<b>NEUTRAL</b>	Since October, 2020, the technical indicators for BRK.B have been NEUTRAL"											
<b>Insider Activity</b>	UNFAVORABLE	NEUTRAL	FAVORABLE										
	<b>Key Growth Rates and Averages</b>												
	<b>Past Growth Rate [%]</b>			<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>							
	Net Income			1924.79	50.10	32.59							
	Sales			3.46	5.86	6.03							
	<b>Ratio Analysis [Annual Avg.]</b>												
	Net Margin [%]			31.79	17.36	15.04							
	% LT Debt to Capitalization			17.25	19.71	21.67							
	Return on Equity [%]			20.94	12.13	11.02							

Company Financials Fiscal year ending Dec 31										
Per Share Data [USD]	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Tangible Book Value	191,497	143,495	142,136	102,446	111,354	103,175	94,686	74,928	61,457	61,516
Free Cash Flow	13,898	13,909	20,686	11,980	9,378	10,238	10,110	6,767	7,446	7,285
Earnings	49,828	2,446	27,326	14,645	14,656	12,092	11,850	8,977	6,215	7,928
Earnings [Normalized]	39,053	1,338	8,808	12,586	13,091	10,507	10,725	8,121	5,503	6,976
Dividends	N/A									
Payout Ratio [%]	NM									
Prices: High	228.23	224.07	200.50	167.25	152.67	152.94	119.30	90.93	87.65	85.86
Prices: Low	191.04	184.75	158.61	123.55	125.50	108.12	88.11	75.86	65.35	64.72
P/E Ratio: High	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
P/E Ratio: Low	0.00	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income Statement Analysis [Million USD]										
Revenue	256,100	247,537	240,651	215,865	201,570	191,124	178,085	161,001	142,414	134,100
Operating Income	105,481	10,021	25,210	36,299	38,181	30,928	31,056	24,344	17,325	20,906
Depreciation + Amortization	10,064	9,779	9,188	8,901	7,779	7,370	6,508	6,154	5,492	4,971
Interest Expense	3,961	3,853	4,386	3,741	3,113	2,797	2,260	2,108	2,011	1,855
Pretax Income	102,696	4,001	23,838	33,667	34,946	28,105	28,796	22,236	15,314	19,101
Effective Tax Rate	20.40	-8.00	-90.30	27.40	30.10	28.20	31.10	31.10	29.80	29.40
Net Income	81,417	4,021	44,940	24,074	24,083	19,872	19,476	14,824	10,254	12,967
Net Income [Normalized]	63,810	2,200	14,486	20,689	21,510	17,268	17,629	13,410	9,079	11,411
Balance Sheet and Other Financial Data [Million USD]										
Cash	127,997	111,867	115,954	74,858	64,618	60,975	45,833	44,928	35,759	37,324
Current Assets	184,286	166,788	167,014	142,636	119,824	108,031	91,239	91,449	79,547	82,045
Total Assets	817,729	707,794	702,095	620,854	552,257	525,867	484,931	427,452	392,647	372,229
Current Liabilities	54,861	44,883	44,820	42,880	37,023	35,504	41,747	43,508	43,303	38,544
Long Term Debt	88,262	93,117	96,267	82,297	70,349	66,321	58,146	48,275	44,858	42,415
Total Capital	537,813	449,990	454,541	387,072	342,916	322,917	296,709	254,324	229,345	221,508
Capital Expenditures	15,979	14,537	11,708	12,954	16,082	15,185	11,087	9,775	8,191	5,980
Cash from Operations	38,687	37,400	45,728	32,647	31,491	32,010	27,704	20,950	20,476	17,895
Current Ratio	3.36	3.72	3.73	3.33	3.24	3.04	2.19	2.10	1.84	2.13
% Long Term Debt of Capitalization	17.20	20.70	21.20	25.20	24.00	24.50	24.00	24.10	25.70	25.70
% Net Income of Revenue	31.80	1.60	18.70	11.20	11.90	10.40	10.90	9.20	7.20	9.70
% Return on Assets	8.64	0.89	2.38	3.87	4.43	3.82	4.25	3.71	2.83	3.90
% Return on Equity	20.90	1.20	14.20	9.00	9.70	8.60	9.50	8.50	6.50	9.00

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

# Berkshire Hathaway Inc.

## Sector Outlook

CFRA recommends underweighting the S&P 500 financials sector. Year to date through October 1, the S&P 500 financials index, which represented 12.9% of the S&P 500 index, was up 15.1% in price, compared with a 17.3% increase for the S&P 500. In 2018, this sector index fell 14.7% versus a price decline of 6.2% for the 500. There are 12 sub-industry indices in this sector. Diversified banks is the largest, representing 32.6% of the sector's market value, while reinsurance is the smallest, accounting for 0.3% of the sector.

The cap-weighted average of this sector's component company CFRA STARS [Stock Appreciation Ranking System] is 3.3 out of 5.0, as compared with a cap-weighted average of 3.8 for the S&P 500. The sub-industries within this sector that currently show the highest average STARS are investment banking, life & health insurance, multi-line insurance, property & casualty insurance and regional banks. Those with the lowest average STARS include consumer finance, financial exchanges & data, insurance brokers, multi sector holdings and thrifts & mortgage finance. According to S&P Capital IQ consensus estimates, the sector is projected to record a 7.9% year-over-year increase in operating earnings per share in 2019, as compared with the S&P 500's estimated EPS gain of 0.9%. Sector EPS are projected to advance 5.5% in 2020 versus a 10.2% expected increase for the S&P 500. In addition, revenues for the sector are forecast to increase by 3.1% in 2019 and 3.5% again in 2020 versus the S&P 500's projected rise of 4.5% and 5.8%, respectively. The sector's price-to-earnings ratio of 12.4x, based on S&P Capital IQ consensus next 12-month operating EPS estimates, is well below the S&P 500's forward P/E of 17.6x. S&P Capital IQ also reports that the consensus long-term EPS growth estimate for this sector is 10.0% versus the S&P 500's 11.7%, giving the sector a P/E-to-projected EPS growth rate [PEG] ratio of 1.2x, which is below the broader market's PEG of 1.5x. Finally, this sector pays a dividend yield of 2.3%, as compared with the yield of 2.0% for the S&P 500.

CFRA's proprietary technical indicator for this

sector currently shows a positive reading. In researching the past market history of prices and trading volume for each company, CFRA's computer models apply special technical methods and formulas to identify and project price trends for the sector.

/ Sam Stovall

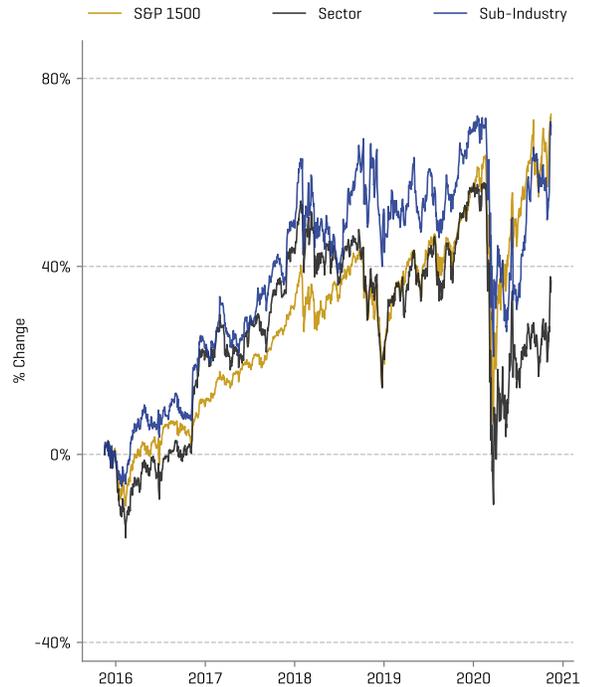
## Industry Performance

### GICS Sector: Financials

### Sub-Industry: Multi-Sector Holdings

Based on S&P 1500 Indexes

Five-Year market price performance through Nov 14, 2020



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

## Sub-Industry: Multi-Sector Holdings Peer Group\*: Multi-Sector Holdings

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield on Equity [%]	Return on Equity [%]	LTD to Cap [%]
<b>Berkshire Hathaway Inc.</b>	<b>BRK.B</b>	<b>NYSE</b>	<b>USD</b>	<b>224.72</b>	<b>526,733.0</b>	<b>5.8</b>	<b>2.2</b>	<b>NM</b>	<b>1,023.39</b>	<b>N/A</b>	<b>20.9</b>	<b>17.2</b>
Exor N.V.	EXXR.F	OTCPK	USD	62.70	14,546.0	13.1	-18.6	6.0	N/A	N/A	12.6	30.9
First Pacific Company Limited	FPAFY	OTCPK	USD	1.62	11,318.0	17.8	-12.9	NM	N/A	N/A	1.4	37.9
Groupe Bruxelles Lambert SA	GBLB.Y	OTCPK	USD	8.59	13,132.0	-4.8	N/A	2.0	N/A	N/A	3.9	19.2
HAL Trust	HAL.F	OTCPK	USD	135.50	11,766.0	2.4	-14.5	47.0	N/A	N/A	5.9	20.4
Investor AB [publ]	IVSX.F	OTCPK	USD	67.85	52,759.0	3.5	31.1	4.0	N/A	N/A	27.0	15.0
Jefferies Financial Group Inc.	JEF	NYSE	USD	23.05	5,888.0	13.5	21.1	8.0	27.05	N/A	9.6	35.3
Kinnevik AB	KNVK.F	OTCPK	USD	40.62	11,414.0	3.2	51.8	5.0	N/A	N/A	30.0	1.8
L E Lundbergföretagen AB [publ]	LBGU.F	OTCPK	USD	46.40	11,502.0	N/A	N/A	8.0	N/A	N/A	17.7	9.7
Pargesa Holding SA	PRGA.F	OTCPK	USD	86.40	7,383.0	4.5	7.5	17.0	N/A	N/A	3.9	19.5
Sofina Société Anonyme	SFNX.F	OTCPK	USD	289.02	10,087.0	N/A	30.2	7.0	N/A	N/A	16.9	N/A

\*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available; NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

**Berkshire Hathaway Inc.****November 09, 2020**

12:50 PM ET... CFRA Keeps Hold Opinion on Class B Shares of Berkshire Hathaway Inc. [BRK.B 208.85\*\*\*]:  
 We raise our 12-month target price by \$8, to \$228, or 20.8x our 2021 operating EPS estimate of \$10.95 and 18.9x our newly initiated 2022 operating EPS estimate of \$12.05, versus the shares' three-year average forward multiple 20.8x. We cut our 2020 operating EPS estimate by \$0.14 after Q3 operating EPS of \$2.30 versus \$3.30 (restated) lagged our \$2.44 EPS estimate and the \$2.41 consensus forecast on an insurance operating loss of \$213 million (versus a profit of \$440 million), 32% lower investment income, 8.1% lower railroad profits, 4.4% lower manufacturing, and mixed results elsewhere. Per-share results were aided by \$9B in Q3 buybacks (\$16B YTD). We see flat-5% lower operating revenues in 2020, with gains of 3%-6% in 2021. Weighing Berkshire's exposure to an economic recovery with what we view as some secular challenges in several of its manufacturing units, coupled with operating metrics at GEICO that are starting to lag peers, we view the dividend-less shares as fairly valued versus historical averages. / Catherine Seifert

[BRK.B 208.85\*\*\*]:

We cut our 12-month target price by \$35, to \$200, or 19.6x our 2020 operating EPS estimate of \$10.20 [cut today by \$0.55], 18x our 2021 EPS estimate of \$11.10 [cut by \$0.50], versus a 10 year average forward multiple of 18.9x. Q1 operating EPS of \$2.41 versus \$2.26 lagged our \$2.57 EPS estimate, the \$2.51 consensus, on 1% higher operating revenues (versus our 2%-6% forecasted rise) as 10% higher insurance premiums were offset by 4.9% lower railroad/energy/utility revenues and 1.5% lower sales and service revenues, while margins also contracted. Our takeaway from Buffett's annual meeting comments, including the disclosed sale of all BRK's airline holdings, is one of long term optimism, but near term caution that we think may limit the deployment of BRK's \$133.3B cash stockpile. We also think BRK's balance sheet strength is being diluted by some underwater investments. Goodwill accounted for 10% of 3/31 assets of \$573B. BRK is carrying its Kraft -Heinz investment at \$13.6B [versus fair value of \$8.1B] / Catherine Seifert

**October 21, 2020**

10:08 AM ET... CFRA Keeps Hold Opinion on Class B Shares of Berkshire Hathaway Inc. [BRK.B 210.06\*\*\*]:

We keep our 12-month target price of \$220, which assumes the Class B shares trade at 23x our 2020 operating EPS estimate of \$9.55, versus the shares' five year average forward multiple of 20.4x. The U.S. Treasury Department announced that Berkshire agreed to pay a \$4.1M fine for violating U.S. sanctions with Iran. The fine stems from BRK's indirect wholly owned subsidiary, Iscar Turkey, which sold cutting tools and related equipment to third party distributors, knowing the goods would be shipped to Iran. While the fine is not material for Berkshire, we think this incident highlights the risks and shortcomings of Berkshire's hands off and decentralized approach to management. Further, we note Berkshire has made no public comment about this incident, and since the company does not conduct analyst or investor calls, no follow up inquiries can be made. Berkshire's lack of oversight and transparency continues to temper our view of the dividend-less shares, which we view as fairly valued versus historical averages. / Catherine Seifert

**February 24, 2020**

10:52 AM ET... CFRA Keeps Hold Opinion on Class B Shares of Berkshire Hathaway Inc. [BRK.B 229.33\*\*\*]:

We raise our 12-month target price by \$5 to \$235, or 21.9x our 2020 operating EPS estimate of \$10.75 [cut today by \$0.41] and 20.3x our 2021 operating EPS estimate of \$11.60 [cut by \$0.30], versus the shares' five-year average forward multiple of 20.2x. Q4 operating EPS of \$1.81 versus \$2.32 lagged our \$2.62 EPS estimate and the \$2.48 consensus forecast. Full-year operating EPS of \$9.78 versus \$10.05 lagged our \$10.59 EPS estimate and the \$10.47 consensus forecast on 2.7% operating revenue growth (below our forecast of a 3% to 6% rise), and a 79% plunge in insurance underwriting profits amid a 39% drop at GEICO, a 43% decline in the Primary Group, and wider Reinsurance underwriting losses of \$1.5B versus \$1.1B. We view these results as troubling, as they lag most peers and may portend a longer term trend that may be more challenging to address. Currently trading at 21.3x our 2020 operating EPS estimate, we view the dividend-less shares as fairly valued versus peer and historical averages. / Catherine Seifert

**August 10, 2020**

07:05 AM ET... CFRA Keeps Hold Opinion on Class B Shares of Berkshire Hathaway Inc. [BRK.B 209.48\*\*\*]:

We raise our 12 month target price by \$20, to \$220, or 20.1x our 2021 operating EPS estimate of \$10.95 (cut today by \$0.15), in line with BRK's 5-year average forward multiple. We trim our 2020 operating EPS estimate by \$0.15, to \$9.55. Q2 operating EPS equaled \$2.28 versus \$2.50, versus our \$2.25 EPS estimate and the \$2.30 consensus forecast. Per share results were help by 1.4% fewer shares on buybacks, but operating revenues fell 10.6%, lagging our 1%-5% growth forecast as 4.9% higher insurance premiums were offset by 16% lower sales and a 15% drop in railroad and energy revenues. We see 2020 operating revenues flat to down 5%, though stronger insurance results amid a firming of rates could change this trajectory. We applaud the \$10B Precision Castparts writedown, but note BRK is carrying Kraft-Heinz \$2.7B above fair value. Given the \$146.6B of cash at 6/30/20, BRK has plenty of dry power after the \$10B Dominion deal, though our view of the shares is muted by mixed fundamentals and adequate valuation. / Catherine Seifert

**December 22, 2019**

07:00 PM ET... CFRA Keeps Hold Opinion on Class B Shares of Berkshire Hathaway Inc. [BRK.B 225.47\*\*\*]:

We keep our 12-month target price of \$230, or 20.6x our 2020 operating EPS estimate of \$11.16, in line with BRK.B's three-year average forward multiple of 21.1x. Published, unconfirmed reports in Reuters claim that Berkshire has just named Todd Combs, currently a portfolio manager at Berkshire and often viewed as a Buffet heir apparent, to the additional role of CEO of GEICO, a key Berkshire subsidiary. We think this reported move highlights the shallowness of the managerial bench at Berkshire, but also may portend a greater role for Combs in the future, post-Buffet. We also think GEICO needs an infusion of new managerial blood, as the once market-leading company is now lagging its peers in its adoption of usage-based insurance and telematics. We do not recommend adding to positions at this juncture, but think investors should be mindful of the potential for additional managerial changes at Berkshire. / Catherine Seifert

**July 06, 2020**

09:06 AM ET... CFRA Keeps Hold Opinion on Class B Shares of Berkshire Hathaway Inc. [BRK.B 178.83\*\*\*]:

We keep our 12-month target price of \$200, or 20.6x our 2020 operating EPS estimate of \$9.70 [cut today by \$0.50], versus the shares' 5-year average forward multiple of 20.1x. We expect the markets to react favorably to news BRK is set to acquire gas pipeline and storage assets from Dominion Energy Inc. [D 83 \*\*\*\*] for \$9.7B [\$4B in cash and the assumption of \$5.7B of debt]. Though not the blockbuster deal many were hoping for, this transaction, in our view, is more targeted and strategic, increasing Berkshire Energy's share of the interstate gas transmission market to around 18% (from about 8%) and increasing BRK's revenue from Berkshire Energy to more than 10%. We expect BRK to pursue other deals in this space, as it opportunistically seeks to gain additional economies of scale in a beaten down sector. Ahead of Q2 earnings, set to be reported August 8, we lower our Q2 operating EPS estimate by \$0.15, to \$2.25, and 2020 operating EPS estimate by \$0.50, to \$9.70. / Catherine Seifert

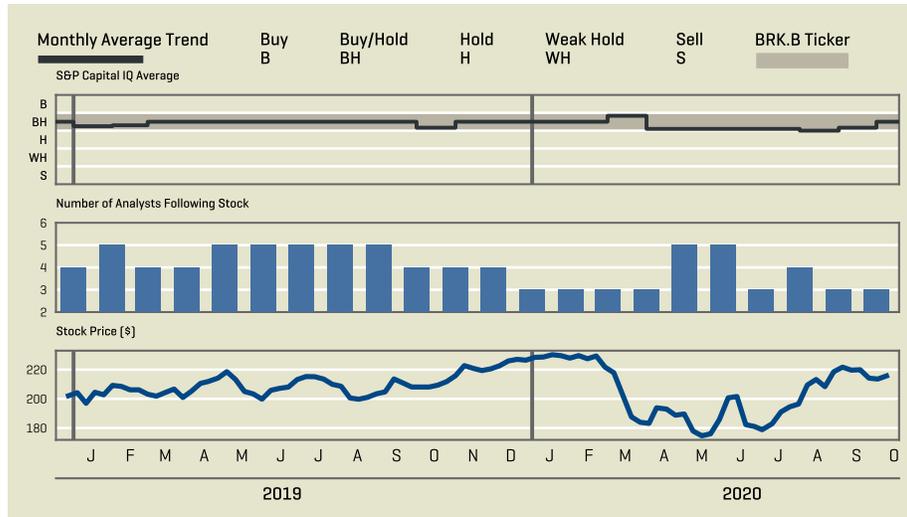
**May 04, 2020**

08:16 AM ET... CFRA Keeps Hold Opinion on Class B Shares of Berkshire Hathaway Inc. [BRK.B 182.67\*\*\*]:

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

# Berkshire Hathaway Inc.

## Analysts Recommendations



	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	1	25	1	1
Buy/Hold	1	25	1	0
Hold	2	50	1	2
Weak hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	4	100	3	3

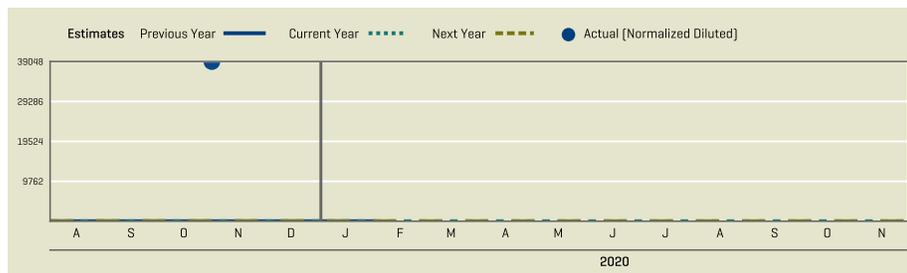
## Wall Street Consensus Opinion

Buy/Hold

### Wall Street Consensus vs. Performance

For fiscal year 2020, analysts estimate that BRK.B will earn USD 9.31. For fiscal year 2021, analysts estimate that BRK.B's earnings per share will grow by 17.01% to USD 10.89.

## Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2021	10.89	10.98	10.80	3	20.88
2020	9.31	9.34	9.28	2	24.43
<b>2021 vs. 2020</b>	<b>▲ 17%</b>	<b>▲ 18%</b>	<b>▲ 16%</b>	<b>▲ 50%</b>	<b>▼ -15%</b>
Q4'21	2.80	2.82	2.79	3	81.12
Q4'20	2.33	2.41	2.25	2	97.68
<b>Q4'21 vs. Q4'20</b>	<b>▲ 20%</b>	<b>▲ 17%</b>	<b>▲ 24%</b>	<b>▲ 50%</b>	<b>▼ -17%</b>

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

**Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.**

# Berkshire Hathaway Inc.

## Glossary

### STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs [American Depositary Receipts], and ADSs [American Depositary Shares] based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark [e.g., a regional index [MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index]], based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

### S&P Global Market Intelligence's Quality Ranking

[also known as **S&P Capital IQ Earnings & Dividend Rankings**] - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A	Above	C	Lowest
B+	Average	D	In Reorganization
NC	Not Ranked		

### EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus [average] EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

### 12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

### CFRA Equity Research

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### Abbreviations Used in Equity Research Reports

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations
FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value
PEG Ratio	- P/E-to-Growth Ratio
PV	- Present Value
R&D	- Research & Development
ROCE	- Return on Capital Employed
ROE	- Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

**Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes [paid in the country of origin].**

### Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

### STARS Ranking system and definition:

#### ★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★★ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

#### ★★★★★ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

#### ★★★★★ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price is not anticipated to show a gain.

#### ★★★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

### Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

# Berkshire Hathaway Inc.

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Qualitative STARS recommendations are determined and assigned by equity analysts. For reports containing STARS recommendations refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

### Quantitative Stock Reports:

Quantitative recommendations are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative recommendations refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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### STARS Stock Reports:

Global STARS Distribution as of June 28, 2019

Ranking	North America	Europe	Asia	Global
Buy	34.4%	29.0%	41.1%	33.5%
Hold	56.1%	54.8%	46.4%	54.6%
Sell	10.5%	16.2%	12.5%	11.9%
Total	100.0%	100.0%	100.0%	100.0%

### Analyst Certification:

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