

# Berkshire Hathaway Inc BRK.B (XNYS)

<b>Morningstar Rating</b> ★★★★ 15 May 2020 21:49, UTC	<b>Last Price</b> 169.25 USD 15 May 2020	<b>Fair Value Estimate</b> 228.00 USD 08 Apr 2020 18:54, UTC	<b>Price/Fair Value</b> 0.74	<b>Trailing Dividend Yield %</b> — 15 May 2020	<b>Forward Dividend Yield %</b> 0.00 15 May 2020	<b>Market Cap (Bil)</b> 411.02 15 May 2020	<b>Industry</b> Insurance - Diversified	<b>Stewardship</b> Exemplary
--	--	---	---------------------------------	--	--	--	--	---------------------------------

Morningstar Pillars	Analyst	Quantitative
Economic Moat	Wide	Wide
Valuation	★★★★	Undervalued
Uncertainty	Medium	High
Financial Health	—	Moderate

Source: Morningstar Equity Research

## Quantitative Valuation



	Current	5-Yr Avg	Sector	Country
Price/Quant Fair Value	0.78	0.94	0.87	0.83
Price/Earnings	43.0	20.5	12.7	20.1
Forward P/E	91.7	—	10.5	13.9
Price/Cash Flow	11.0	11.9	9.5	13.1
Price/Free Cash Flow	18.9	20.1	10.9	19.5
Trailing Dividend Yield%	—	—	3.64	2.35

Source: Morningstar

## Bulls Say

- ▶ Book value per share, which is a good proxy for measuring changes in Berkshire's intrinsic value, increased at an estimated 18.8% CAGR during 1965-2019, compared with a 10.1% return for the S&P 500 TR Index.
- ▶ Berkshire's stock performance has solid as well, increasing at an 8.5% (13.1%) CAGR during 2015-19 (2010-19), compared with an 11.7% (13.6%) average annual return for the S&P 500 TR Index.
- ▶ At the end of December 2019, Berkshire had \$129.4 billion in insurance float. The cost of the firm's float has been negative for much of the past decade.

## Bears Say

- ▶ Given the size of its operations, Berkshire's biggest long-term hurdle will be its ability to consistently find deals that not only add value but are large enough to be meaningful.
- ▶ Another big issue facing the firm is the longevity of chairman and CEO Warren Buffett (who turns 90 at the end of August 2020) and managing partner Charlie Munger (who turned 96 in January 2020).
- ▶ Berkshire's insurance business faces competitive and highly cyclical markets that occasionally produce large losses, and several of its noninsurance operations are economically sensitive and focused on U.S. markets.

## Important Disclosure:

The conduct of Morningstar's analysts is governed by Code of Ethics/Code of Conduct Policy, Personal Security Trading Policy (or an equivalent of), and Investment Research Policy. For information regarding conflicts of interest, please visit <http://global.morningstar.com/equitydisclosures>

## Berkshire a Net Seller of Equities So Far This Year; Sale of Goldman Sachs Stake Stands Out in Q1

### Business Strategy and Outlook

Greggory Warren, CFA, Analyst, 08 April 2020

We think Berkshire Hathaway's decentralized business model, broad business diversification, high cash-generation capabilities, and unmatched balance sheet strength provide opportunities for its subsidiaries that might elude other firms and offer potential downside protection in a downturn. The company remains a broadly diversified conglomerate, with a collection of moaty businesses operating in industries ranging from property-casualty insurance to railroads, utilities and pipelines, and manufacturing, service, and retailing. Aside from having economic moats built on cost advantage, efficient scale, and intangible assets, most of these businesses have operated essentially as private companies under the Berkshire umbrella--while still taking advantage of the parent company's strong balance sheet, diverse income statement, and larger consolidated tax return.

While Berkshire will be negatively affected by the impact that the coronavirus is having on not only the global credit and equity markets but the global economy as well, we believe these core advantages in the company's business model should allow it to continue to grow book value per share at a high-single-digit rate on average in the near to medium term, comfortably above our estimate of the firm's cost of capital. Although CEO Warren Buffett has lamented the dearth of investment opportunities over much of the past decade, which has allowed large sums of cash to build on Berkshire's balance sheet, it has also been a natural byproduct of the company's disciplined approach to investing, a lack of a dividend, and a limited amount of share repurchases over the years. We expect that a fair amount of that cash might finally get put to work in the near term as Buffett takes advantage of the unfolding economic crisis to invest in firms that need both capital and the Buffett seal of approval. We also think Berkshire will continue to evolve from a reinvestment machine to one that returns more and more capital to shareholders--expecting the company (barring any good investment opportunities) to buy back meaningful amounts of stock in the near to medium term.

## Analyst Note

Greggory Warren, CFA, Analyst, 15 May 2020

There were few surprises in wide-moat Berkshire Hathaway's first-quarter 13-F filing. In fact, knowing that the insurer eliminated its stakes in the four major airlines--American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines--during early April makes the filing a bit outdated. Of the purchases reported for the first quarter--0.5 million shares of PNC Financial (for an estimated \$67 million), 1 million shares of Delta Airlines (\$42 million) and 0.2 million shares of United Airlines (\$13 million)--the purchase of the bank shares was the only one that still holds true. That said, since the start of the second quarter, Berkshire has reported slightly higher stakes in Bank of New York Mellon and US Bancorp than has been reported in the firm's 13-F filing, as well as confirming the total sale of stakes in American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines.

As for the major sales that were made during the March quarter, the largest was Goldman Sachs (where Berkshire has already worked down 35% of its stake during the fourth quarter of 2019), with the insurer unloading another 10.1 million shares (for an estimated \$1.9 billion). This left it with just 1.9 million shares of Goldman (leaving the position 90% smaller than it was a year ago). Other major transactions involved the sale of 1.9 million shares of JPMorgan Chase (\$207 million), as well as the elimination of stakes in Travelers Companies (\$37 million) and Phillips 66 (\$19 million). The insurer also trimmed stakes in DaVita, VeriSign, Sirius XM Radio, Liberty Media SiriusXM, Liberty Global PLC, Synchrony Financial, General Motors, Amazon.com, Axalta Coating Systems, Teva Pharmaceutical, Suncor Energy, Biogen, and Liberty Latin America--all of which seemed to be more moves on the part of Todd Combs and Ted Weschler to either take some profit off the table or derisk parts of their portfolios. Stock sales net of purchases amounted to \$1.8 billion during the first quarter.

## Economic Moat

Greggory Warren, CFA, Analyst, 08 April 2020

Berkshire's wide economic moat is more than just a sum of its parts, although the parts that make up the whole of the firm are fairly moaty in their own regard. The company's insurance operations--Geico, Berkshire

# Berkshire Hathaway Inc BRK.B (XNYS)

<b>Morningstar Rating</b> ★★★★ 15 May 2020 21:49, UTC	<b>Last Price</b> 169.25 USD 15 May 2020	<b>Fair Value Estimate</b> 228.00 USD 08 Apr 2020 18:54, UTC	<b>Price/Fair Value</b> 0.74	<b>Trailing Dividend Yield %</b> — 15 May 2020	<b>Forward Dividend Yield %</b> 0.00 15 May 2020	<b>Market Cap (Bil)</b> 411.02 15 May 2020	<b>Industry</b> Insurance - Diversified	<b>Stewardship</b> Exemplary
--	--	---	---------------------------------	--	--	--	--	---------------------------------

Close Competitors	Currency (Mil)	Market Cap	TTM Sales	Operating Margin	TTM/PE
Progressive Corp PGR	USD	44,606	39,022	0.00	12.58
Allstate Corp ALL	USD	29,960	43,761	0.00	8.03
Markel Corp MKL	USD	11,455	7,509	0.00	0.00

even when gains are the result of the investing prowess of someone like Buffett. We believe insurers that consistently achieve positive underwriting profitability are better bets in the long run, as insurance profitability tends to be more sustainable than investment income.

Hathaway Reinsurance Group, or BHRG, and Berkshire Hathaway Primary Group, or BHPG--remain important contributors to the overall business. Not only do they account for 25%-35% of Berkshire's pretax earnings (and close to 40% of our current valuation of the firm owing to the firm being overcapitalized and maintaining a larger than normal equity investment portfolio for a property and casualty insurer), but they also generate low-cost float. These temporary cash holdings, which arise from premiums being collected in advance of future claims, have allowed Berkshire to generate additional returns as the company has invested these funds in assets that are commensurate with the duration of the business that is being underwritten, and have tended to come at little to no cost to Berkshire given the company's proclivity for generating underwriting gains the past several decades. That said, from an economic moat perspective, we don't believe the insurance industry is particularly conducive to the development of sustainable competitive advantages. While there are some high-quality companies operating in the industry (with Berkshire having some of the best operators in the different segments where it competes), the product that insurers sell is basically a commodity, with excess returns being difficult to achieve on a consistent basis.

Buyers of insurance are not inclined to pay a premium for brands, and the products themselves are easily replicable. Competition among insurance firms is fierce, and participants have been known to slash prices or simply undercut competitors to gain market share. Insurance is also one of the few industries where the cost of goods sold (signified by claims) may not be known for years, providing an incentive for companies to sacrifice long-term profitability in favor of near-term growth. In reinsurance, this dynamic can be even more pronounced, as losses in this business tend to be large in nature and may not be realized for years after a policy is written. Insurers can, however, develop sustainable cost advantages by either focusing on less commodified areas of the market or by developing efficient and/or scalable distribution platforms. What they can't do is gain a sustainable competitive advantage through investing,

Given the continued strong growth of its auto insurance operations, and the more meager growth in its reinsurance operations, Geico has become the largest generator of earned premiums for Berkshire. The auto insurer has made great strides with its direct-selling operations, moving from its position as the seventh-largest U.S. private auto insurance underwriter two decades ago (with less than 5% market share) to the second-largest at the end of 2018, with 13.4% of the market compared with industry leader State Farm at 17.1%. Much like its closest competitor, Progressive (which generated 11.0% of written premiums during 2018), Geico has set itself apart from the rest of the industry by its scale in the direct response channel. While scaling is typically difficult for insurance companies, personal line insurers like Geico and Progressive have been better at spreading fixed costs over a wider base, as their business models do not require as much human capital and specialized underwriters as other insurance lines. Given the similarity in their auto insurance operations, with both firms at the forefront of the shift into non-agent-derived business, as well as the level and consistency of each insurer's underwriting profitability the past decade (with Geico producing an average annual combined ratio, including the impact of hurricanes and other natural disasters, of 95.8% during 2010-19 compared with Progressive at 92.9%), we believe that Geico, much like Progressive, has a narrow economic moat.

With regards to Berkshire's reinsurance arm--BHRG--we believe that at best it has a narrow economic moat around its operations. For a premium, reinsurers assume all or part of an insurance or reinsurance policy written by another insurer. While any insurance company can underwrite reinsurance, a handful of larger companies--Munich Re, Swiss Re, Berkshire Hathaway, Hannover Rueck, and SCOR SE--hold sway over the lion's share of global premiums written. The policies underwritten by reinsurers often contain large long-tail risks that few companies have the capacity to endure and, when priced appropriately, can generate favorable long-term returns. That said, reinsurers compete almost exclusively on price and capital strength, making it almost impossible to build structural

# Berkshire Hathaway Inc BRK.B (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★★ 15 May 2020 21:49, UTC	169.25 USD 15 May 2020	228.00 USD 08 Apr 2020 18:54, UTC	0.74	— 15 May 2020	0.00 15 May 2020	411.02 15 May 2020	Insurance - Diversified	Exemplary

cost advantages. Losses in the reinsurance market are also lumpy and may not be realized for years after a policy is written, magnifying the importance of disciplined and accurate underwriting skills. While we don't normally view reinsurers as benefiting from favorable competitive positions, there are some specialty lines where a long history of underwriting incidence and/or from unique relationships can allow firms to build sustainable competitive advantages. We believe that Berkshire's reinsurance operations are unique. The company's overall balance sheet strength makes it capable of taking on large amounts of super-catastrophe underwriting (covering events like terrorism and natural catastrophes) that few companies have the capacity to endure. Historically, it has also had the luxury of walking away from business when an appropriate premium cannot be obtained, something its publicly traded peers cannot always do. However, its underwriting profitability has been less consistent because of the nature of the risks that it is underwriting and is much narrower than Berkshire's other insurance businesses. The company sticks with reinsurance, though, even if it can be unprofitable from time to time, because it generates float that can be invested for longer periods of time than short-tail lines such as auto insurance.

As for BHPG, which has been Berkshire's most profitable insurance business the past two decades, we believe the segment has developed a narrow economic moat. What is all the more remarkable about this is that BHPG is a conglomeration of several different insurance operations, including National Indemnity's primary group, Berkshire Hathaway Homestate Companies, Berkshire Hathaway Specialty Insurance, Medical Protective Company, U.S. Investment Corporation, Berkshire Hathaway Guard Insurance Companies, and Applied Underwriters, which Berkshire is in the process of divesting. These entities offer coverage as varied as workers' compensation and commercial auto and property coverage to excess and surplus lines. By focusing more on specialty lines that require extensive experience or unique relationships to underwrite effectively, BHPG has been able to put together a continuous record of solid earned premium growth and underwriting profitability, which is a rarity in the insurance business (with most P&C insurers willing to take underwriting losses from time to time in order to generate earned premium growth, believing that they can make up the difference with investment gains).

Of the more than 70 noninsurance businesses that make

up Berkshire's remaining subsidiaries, Burlington Northern Santa Fe and Berkshire Hathaway Energy are usually lumped together under the company's railroad utilities and energy segment in Berkshire's financial statements. While their contribution to pretax earnings and our own fair value estimate for the firm are now overshadowed a bit by the manufacturing, service, and retailing segment (which rolled up Berkshire's finance and financial products division at the end of 2018), they are far more transparent than the company's other operating segments. On a combined basis, BNSF and BHE have generated 30%-35% of Berkshire's pretax earnings on average and currently contribute 28% to our estimate of the company's overall fair value. The most interesting thing about these two businesses is that neither one was a major contributor to Berkshire's pretax earnings just over a decade ago. Buffett's shift into such debt-heavy capital-intensive businesses as railroads and utilities has represented a marked departure from many of Berkshire's other acquisitions over the years, which have tended to require less ongoing capital investment and have had little to no debt and have tended to produce higher returns on average. That said, were Buffett to focus on buying more asset-light companies with fewer capital investment needs, it would have left his successors with even greater amounts of cash to have to reinvest annually in the longer term. During 2015-19, the firm generated an average of \$22.9 billion annually in free cash flow. The amount of excess cash Buffett would have needed to find a home for would have been meaningfully higher had Berkshire purchased similar-size companies to BNSF and BHE with similar cash flow profiles that were not investing close to \$10 billion on average annually collectively in their own property and equipment.

With BNSF, which was acquired in full in February 2010, Berkshire picked up a Class I railroad operator--an industry designation for a large operator with an extensive system of interconnected rails, yards, terminals, and expansive fleets of motive power and rolling stock. We believe that all of the major North American Class I railroads benefit from colossal barriers to entry due to their established, practically impossible-to-replicate networks of rights of way and continuously welded steel rail. While barges, ships, aircraft, and trucks also haul freight, railroads are by far the lowest-cost option when no waterway connects the origin and destination, especially for freight with low value per unit weight. Customers have few choices thus wield limited buyer power, with most Class I railroads

# Berkshire Hathaway Inc BRK.B (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★★ 15 May 2020 21:49, UTC	169.25 USD 15 May 2020	228.00 USD 08 Apr 2020 18:54, UTC	0.74	— 15 May 2020	0.00 15 May 2020	411.02 15 May 2020	Insurance - Diversified	Exemplary

operating as duopolies (and some being a monopoly supplier) to the end client in many markets. This provides the major North American Class I railroads with efficient scale. Believing that operators like BNSF will continue to leverage their competitive advantages of low cost and efficient scale to generate returns on invested capital in excess of their cost of capital, we have awarded them wide-moat ratings. As for Berkshire Hathaway Energy, which Buffett built up through investments in MidAmerican Energy (supplanting a 76% equity stake taken in early 2000 with additional purchases that have raised its interest to 90.9%), PacifiCorp (acquired in full during 2005), NV Energy (acquired in full at the end of 2013), and AltaLink (acquired in full at the end of 2014), we think the business overall is endowed with a narrow economic moat. While BHE has picked up pipeline assets—which have wide-moat characteristics—the majority of its revenue and profitability (and ongoing capital investment) are driven by its three main regulated utilities: MidAmerican Energy, PacifiCorp, and NV Energy. We think that regulated utilities cannot establish more than a narrow moat around their businesses, even with their difficult-to-replicate networks of power generation, transmission, and distribution, given that their rates, as well as their returns, are set by state and federal regulators.

While Berkshire's manufacturing, service, and retailing operations are now one of the largest contributors to pretax earnings, following the folding of the old finance and financial products segment into the MSR unit, getting a handle on the profitability (and economic moats) of the wide array of businesses (operating in more than a handful of different industries) that make up the segment is difficult at best. Unlike BNSF and BHE, both of which file quarterly and annual reports with the Securities and Exchange Commission, there is little financial information available on the firms operating in this segment. That said, given Buffett's penchant for acquiring companies that have consistent earnings power, generate above-average returns on capital, hold little debt, and are run by solid management teams, we believe that the vast majority of the businesses that make up the segment are collectively endowed with a narrow economic moat. We'd also note that during 2019, the five largest companies (on a pretax earnings basis) in the MSR segment—Precision Castparts, Lubrizol, Clayton Homes, Marmon, and IMC/ISCAR—accounted for more than half of the pretax earnings produced by the division. Each of these subsidiaries, by our estimates, has

a fairly solid narrow moat around its operations. When combined with the next five largest subsidiaries—Shaw Industries, Forest River, Johns Manville, TTI, and MiTek Industries—the 10 subsidiaries accounted for more than 70% of the MSR segment's pretax earnings during 2019, with a moat rating overall that skews to the narrow end of the spectrum.

With Buffett running Berkshire on a decentralized basis, the managers of the company's operating subsidiaries are empowered to make their own business decisions. In most cases, the managers running Berkshire's subsidiaries are the same individuals who sold their firms to Buffett, leaving them with a vested interest in the businesses they run. Barring a truly disruptive event in their industries, we expect these firms to continue to have the same advantages that attracted Buffett to them in the first place. That does not mean that there won't be subsidiaries whose competitive advantages diminish over time (exemplified by the demise of the textile manufacturer that Berkshire Hathaway derives its own name from), it's just that the large collection of moaty firms that reside within Berkshire's manufacturing, service, and retailing operations, is more likely to maintain a narrow economic moat in aggregate, even as a few firms along the way succumb to changing competitive dynamics within their industries.

## Fair Value & Profit Drivers

Greggory Warren, CFA, Analyst, 08 April 2020

We've lowered our fair value estimate for Berkshire Hathaway to \$228 per Class B share from \$253. With the company's book value expected to decline in the low double digits this year, and then rebound in the high single digits next year, our new estimate is equivalent to 1.46 and 1.35 times our estimates for the company's book value per share at the end of 2020 and 2021, respectively. For some perspective, during the past five (10) calendar years, Berkshire's shares have traded at an average of 1.48 (1.43) times the company's trailing calendar year-end book value per share. We use a 9.0% cost of equity in our valuation.

We use a sum-of-the-parts methodology to arrive at our fair value estimate. Our valuation for Berkshire's insurance operations (which includes its equity investment holdings) is \$88 per Class B share (down from \$98). Our five-year forecast, which includes a year of catastrophe-related losses, has earned premium growth averaging 7.9% per year during 2020-24, with the insurance group's combined

# Berkshire Hathaway Inc BRK.B (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★ 15 May 2020 21:49, UTC	169.25 USD 15 May 2020	228.00 USD 08 Apr 2020 18:54, UTC	0.74	— 15 May 2020	0.00 15 May 2020	411.02 15 May 2020	Insurance - Diversified	Exemplary

ratio averaging 97.5% annually. During 2015-19 (2010-19), earned premiums grew at an average annual rate of 9.4% (8.4%), with the operations maintaining a combined ratio of 98.4% (96.5%) on average.

Our fair value estimate for the company's railroad operations is \$45 per Class B share (down from \$49). In this forecast, we expect unit volumes to increase at a 0.9% CAGR during 2020-24, with freight revenue expanding 2.5% on average annually and the company's operating ratio reaching 64.0% by the end of 2024. For Berkshire's utilities and energy division, our relatively unchanged fair value estimate of \$20 per Class B share assumes constructive rate-case outcomes for each of the division's U.S. regulated utilities, which should generate results that are near their allowable returns on equity over the next five years.

Our valuation for Berkshire's manufacturing, service, and retail operations is equivalent to \$75 per Class B share (down from \$86). This assumes average annual revenue growth of 1.7% during 2020-24 (down from 3.7%), a period that includes a meaningful slowdown in the U.S. economy, with pretax operating margins averaging around 8.0% annually. Although the MSR segment has provided plenty of opportunity to deploy capital through acquisitions and internal investments, our expectations are for more modest levels of investment going forward, with the unit impacted by an anticipated slowdown in the U.S. economy, as well.

## Risk & Uncertainty

Greggory Warren, CFA, Analyst, 08 April 2020

Berkshire is exposed to large potential losses through its insurance operations. While the company believes its catastrophe and supercatastrophe underwriting can generate solid long-term results, the volatility of these business lines, which have the potential to subject the firm to especially large losses, tends to be high. Berkshire maintains much higher capital levels than almost all other insurers, though, which we believe mitigates much of this risk.

Several of the firm's key businesses--insurance, energy generation and distribution, and rail transport--operate in industries that are subject to higher degrees of regulatory oversight, which could have an impact on future business combinations, as well as the setting of rates that are charged to customers. On top of that, many of the firm's

noninsurance operations are exposed to the cyclical nature of the economy, with results typically suffering during economic slowdowns and recessions.

Berkshire is also exposed to foreign currency, equity price, and credit default risk through its various investments and operating companies. The company's derivative contracts, in particular, could affect the firm's earnings and capital position, especially during more volatile markets, given that they are recorded at fair value and are, therefore, updated periodically to reflect the ongoing changes in the value of these contracts. These contracts started expiring in 2019 and will continue to do so until 2025.

Berkshire depends on two key employees, Warren Buffett and Charlie Munger, for almost all of its investment and capital-allocation decisions. With Buffett turning 90 in August 2020 and Munger having turned 96 in January 2020, it has become increasingly likely that our valuation horizon will end up exceeding their life spans, with the quality of investment returns and capital allocation likely to deteriorate under new management.

## Stewardship

Greggory Warren, CFA, Analyst, 08 April 2020

Warren Buffett has been the chairman and CEO of Berkshire Hathaway since 1970. Charlie Munger has served as the company's vice chairman since 1978. Berkshire has two classes of common stock, with Class B shares holding 1/1,500th of the economic rights of Class A shares and only 1/10,000th of the voting rights. Buffett is Berkshire's largest shareholder, with a 31.0% voting stake and a 16.0% economic interest in the firm. He has been a strong steward of investor capital, consistently aligning his own interests with those of shareholders, with Berkshire's wide economic moat derived in part from the success that he has had in melding the firm's financial strength and underwriting ability with his own investment acumen. Buffett's stewardship has allowed Berkshire to increase its book value per share (by our estimates) at a compound annual growth rate of 18.8% during 1965-2019, compared with a 10.1% return for the S&P 500 TR Index. The firm has not only increased its book value per share at a double-digit rate annually 43 separate times during 1965-2019 but has reported declines in book value just twice the past 55 years (in 2001 and 2008). While Buffett has attempted to beg investors off focusing on book value per share growth, stating in Berkshire's 2018 annual report that the "metric has lost the relevance it once had," we

# Berkshire Hathaway Inc BRK.B (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★★ 15 May 2020 21:49, UTC	169.25 USD 15 May 2020	228.00 USD 08 Apr 2020 18:54, UTC	0.74	— 15 May 2020	0.00 15 May 2020	411.02 15 May 2020	Insurance - Diversified	Exemplary

still view it as a valuable gauge for assessing changes in intrinsic value—that is, until such time that Berkshire is buying back a ton of its own common stock. Until then, we expect the firm to increase book value per share at a high-single- to low-double-digit rate—comfortably above its cost of capital—much as we've seen the firm do since the start of the millennium.

Given the impressive long-term track record that Buffett and Munger have put together while at the helm at Berkshire, it is important that much of what they've built remains intact once they depart the scene. Succession was not formally addressed by the company until 2005, when Berkshire noted that Buffett's three main jobs—chairman, chief executive, and chief investment officer—would be handled by one chairman (expected to be his son, Howard Buffett), one CEO (with candidates identified but not revealed), and several external hires (reporting directly to the CEO) to manage the investment portfolio. While we have clarity on the investment side of things, with Todd Combs (who is now serving as Geico's CEO) and Ted Weschler expected to be the only outside hires to work with Berkshire's investment portfolio, questions linger over who the firm's next CEO will be. We continue to envision the main role of the next chief executive at Berkshire to be one of capital allocator in chief. With all of the company's operating businesses managed on a decentralized basis, eliminating the need for layers of management control and pushing responsibility for each business down to the subsidiary level, Buffett has had the freedom to focus on managing the firm's investments and making capital-allocation decisions. He has noted at times, though, that the job requires more than just investment prowess and, as such, he would not advocate for a candidate to run Berkshire who only had investing experience, with no operational experience to speak of. Buffett has also been vocal about the next CEO coming from within the company's ranks.

We believe Ajit Jain, who was added to Berkshire's board at the start of 2018 and assumed the title of Vice Chairman-Insurance Operations, and Greg Abel, who also joined the board and was elevated to Vice Chairman-Noninsurance Business Operations, are the top two candidates to replace Buffett. While Jain is the first name the board might want to turn to in the event of Buffett's departure, we think Berkshire would be better served longer term having him focus on overseeing the entire insurance business (which his position now allows

him to do). While Jain's experience has primarily been on the underwriting side of the business, his success there has been built on his ability to avoid making "dumb decisions" rather than making "brilliant" ones. If the firm's next CEO is expected to do nothing more than act as a caretaker for the business, tending to the needs of the managers of the different subsidiaries, overseeing the actions of the investment managers handling the company's investment portfolio, and dealing with the capital-allocation and risk assessments that need to be made along the way, then we could not think of a better candidate than Jain. The only problem is that Jain has been on the record several times saying he does not want the job, which is the main reason we regard Abel—who not only brings with him the operational experience of running Berkshire Hathaway Energy for many years but has a ton of experience doing acquisitions—as the most likely choice to succeed Buffett.

# Berkshire Hathaway Inc BRK.B (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★★ 15 May 2020 21:49, UTC	169.25 USD 15 May 2020	228.00 USD 08 Apr 2020 18:54, UTC	0.74	— 15 May 2020	0.00 15 May 2020	411.02 15 May 2020	Insurance - Diversified	Exemplary

## Analyst Notes Archive

### Todd Combs to Replace Bill Roberts as Geico CEO; Nicely Remains on as Executive Chairman

Greggory Warren, CFA, Analyst, 23 December 2019

To say that we were surprised to see wide-moat rated Berkshire Hathaway announce that Todd Combs would be taking over as CEO of Geico at the start of 2020 would be a huge understatement. Bill Roberts has only been CEO of Geico since June 2018, having taken over the day-to-day operations of Berkshire's auto insurance arm from Tony Nicely (now aged 76), who continues to serve as executive chairman. With Roberts turning 70 years of age this year, he decided it was time to retire (staying on as vice chairman until the end of 2020), which opened up the door for Combs, who until now has been running around \$14 billion worth of investments for Berkshire, as well as sitting on the board of directors at JPMorgan Chase and a handful of Berkshire's operating subsidiaries, to take over as Geico's CEO.

While this does raise a lot of questions about the bench at the auto insurer, as well as its succession planning efforts (given the limited amount of time that Roberts spent as CEO and the decision to go outside of the firm for the next CEO), Combs has historically been more focused on financial services firms in his investment portfolios. And prior to his running money via the different hedge funds he worked with, eventually joining Berkshire to help run the investment portfolio in 2010, Combs was a pricing analyst at Progressive, one of Geico's biggest competitors, from 1996 to 2000 and was an insurance analyst at Keefe, Bruyette & Woods, a full-service boutique investment bank and broker/dealer specializing in the financial services sector, from 2000 to 2002. While we are certain that this will raise a lot of new questions about succession at Berkshire at the company's next annual meeting, we do not expect it to have a material impact on our \$380,000 (\$253) per Class A (B) share fair value estimates or our wide moat rating for the firm.

### Berkshire Was a Net Seller of Equities in 4Q; Insurer Sells Shares in Wells Fargo and Goldman Sachs

Greggory Warren, CFA, Analyst, 15 February 2020

There were few surprises in wide-moat Berkshire Hathaway's fourth-quarter 13-F filing, with the company adding to its stake in Occidental Petroleum (purchasing another 11.5 million shares for an estimated \$490 million,

well below the exercise price of \$62.50 per share attached to the warrants Berkshire received to purchase up to 80 million shares of Occidental's common stock as part of its deal to help finance the oil company's purchase of Anadarko) while also continuing to whittle down its stake in Wells Fargo (selling off close to 15% of its holdings in the bank as part of ongoing moves to keep the insurer's stake below the 10% bank holding company threshold that would invite increased regulatory oversight).

As for the other purchases during the quarter, Berkshire picked up another 0.5 million shares of Restoration Hardware for an estimated \$100 million, another 2.7 million shares of General Motors for an estimated \$100 million, and another 4.3 million shares of Suncor Energy for an estimated \$135 million. The insurer also made two new-money purchases during the period, picking up 0.6 million shares of Biogen for an estimated \$170 million and 18.9 million shares of Kroger for an estimated \$520 million.

As for the other sales made during the period, Berkshire once again trimmed its stake in Apple (selling 3.7 million shares for an estimated \$950 million), sold off close to 35% of its stake in Goldman Sachs (selling 6.3 million shares for an estimated \$1.4 billion), and made small adjustments to its holdings in American Airlines, Bank of New York Mellon, and Bank of America. The insurer also came close to clearing out its small positions in Phillips 66 and The Travelers Companies, both of which we would be surprised to see still in the portfolio at the end of the first quarter. Net proceeds from the company's purchases and sales amounted to an estimated \$5.2 billion, so we would expect that Berkshire's cash on hand exceeded \$135 billion at the end of last year.

### Lapping of 2018 Equity Market Sell-Off Lifts Berkshire's Q4 and Full-Year Results; No Change to FVE

Greggory Warren, CFA, Analyst, 22 February 2020

With wide-moat Berkshire Hathaway's fourth-quarter and full-year operating results being more or less in line with our expectations, we are leaving our \$380,000 (\$253) per Class A (B) share fair value estimate in place. With the company lapping a difficult fourth quarter on the investment side of things, fourth-quarter (full-year) revenue, which includes unrealized and realized gains/losses from Berkshire's investments and derivatives portfolios, increased 243.7% (45.2%) to \$96.9 (\$327.2) billion. Excluding the impact of investment and derivative

# Berkshire Hathaway Inc BRK.B (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★ 15 May 2020 21:49, UTC	169.25 USD 15 May 2020	228.00 USD 08 Apr 2020 18:54, UTC	0.74	— 15 May 2020	0.00 15 May 2020	411.02 15 May 2020	Insurance - Diversified	Exemplary

gains/losses and other adjustments, fourth-quarter (full-year) operating revenue increased 3.0% (2.7%) to \$65.6 (\$254.6) billion. Meanwhile, net operating earnings, excluding the impact of investment and derivative gains/losses, declined 22.7% (3.3%) year over year to \$4.4 (\$24.0) billion during the fourth quarter (full year), as expenses rose faster than revenue (especially in the back half of the year). When including the impact of the investment and derivative gains/losses, Berkshire's net earnings increased dramatically, having lapped poor investment results during the fourth quarter of 2018, with the company reporting \$29.2 (\$81.4) billion in fourth-quarter (full-year) net earnings compared with negative \$25.4 (positive \$4.0) billion in the prior year's period(s). Book value per share, which still serves as a decent proxy for measuring changes in Berkshire's intrinsic value, increased 7.2% sequentially to \$260,906 (from \$243,483 at the end of the September quarter), better than our forecast of \$252,614. The company closed out 2019 with a record \$128.0 billion in cash and cash equivalents, down slightly from \$128.2 billion at the end of the third quarter of 2019 (but up from \$111.9 billion at the end of 2018). This left Berkshire, by our estimates, with around \$104 billion in dry powder at the start of 2020 that could be committed to investments, acquisitions, share repurchases, and dividends.

## Questions That Should Be Asked at Berkshire Hathaway's Annual Meeting This Year

Greggory Warren, CFA, Analyst, 01 May 2020

While wide-moat-rated Berkshire Hathaway's annual meeting takes place this weekend, earlier changes to the format on Berkshire's part, as well as the constraints imposed by the coronavirus pandemic, will leave it a significantly smaller affair with no shareholders in attendance in Omaha and just CEO Warren Buffett and Greg Abel (vice chairman of Berkshire's noninsurance business operations) taking questions that have been submitted to the three journalists--Andrew Ross Sorkin (of The New York Times and CNBC), Carol Loomis (formerly of Fortune magazine), and Becky Quick (of CNBC)--that have historically run shareholder questions by Buffett and Charlie Munger in the past.

Although the analyst panel has been waylaid, we feel that given all that has taken place this year, being able to ask questions from the panel would have been insightful, especially since there is far more unknown about the impact that the COVID-19 pandemic and subsequent

economic shutdown will have on many businesses and industries, let alone Berkshire's own operations.

At the very least, we expect that the company's results will be affected in the near term by historically low interest rates, increased credit and equity market volatility, and a deep recession that could take some time to crawl out of, which begs the following questions: Should Berkshire have been better prepared for the COVID-19 pandemic? What is Berkshire's exposure to pandemic-related claims or underwriting credits? Is Berkshire's preferred model for acquisitions keeping it from doing deals in this environment? How much cash and cash equivalents should we consider as being counted toward Berkshire's cash reserves? Has Berkshire ramped up its share repurchases this year?

We hope that these questions, as well as a handful of other queries, get tossed to Buffett and Abel this weekend, providing us with nuggets of information that help us to shape our long-term thinking about Berkshire's operations and valuation.

## Unrealized Investment Losses Mar Berkshire's First-Quarter Operating Results

Greggory Warren, CFA, Analyst, 02 May 2020

With wide-moat Berkshire Hathaway's first-quarter results being more or less in line with our expectations, we are leaving our \$342,500 (\$228) per Class A (B) share fair value estimate in place. That said, as we expect to continue to uncover tidbits of information related to the impact that the coronavirus pandemic could have on Berkshire's different operating subsidiaries, we are likely to make adjustments to our near-term assumptions as details become available, which should allow us to make more informed projections for the firm's businesses (and possibly alter our fair value estimate).

First-quarter revenue, which now includes unrealized and realized gains/losses from Berkshire's investments and derivatives portfolios, decreased 111.1% to negative \$9.0 billion. Excluding the impact of investment and derivative gains/losses and other adjustments, First-quarter operating revenue increased 1.0% to \$61.3 billion. Operating earnings, exclusive of the impact of investment and derivative gains/losses, increased 5.7% year over year to \$5.9 billion during the March quarter. When including the impact of the investment and derivative gains/losses, operating earnings fell 453.5% to negative

# Berkshire Hathaway Inc BRK.B (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★★ 15 May 2020 21:49, UTC	169.25 USD 15 May 2020	228.00 USD 08 Apr 2020 18:54, UTC	0.74	— 15 May 2020	0.00 15 May 2020	411.02 15 May 2020	Insurance - Diversified	Exemplary

\$49.7 billion.

Book value per share, which still serves as a decent proxy for measuring changes in Berkshire's intrinsic value, declined 12.2% sequentially to \$228,953 (from \$260,906 at the end of December), slightly better than our forecast of \$228,293. The company closed out the March quarter with a record \$137.3 billion in cash and cash equivalents, up from \$128.0 at the end of last year. This left Berkshire with an estimated \$112 billion in dry powder that could be committed to investments, acquisitions, and share repurchases. While the company did repurchase \$1.6 billion of common stock during the March quarter, the bulk of that took place in February and the total amount was less than the \$2.2 billion spent on buybacks during the fourth quarter of 2019.

## Extreme Caution and Cash Preservation Are Main Takeaways From Berkshire's Annual Meeting

Greggory Warren, CFA, Analyst, 04 May 2020

While wide-moat-rated Berkshire Hathaway's annual meeting has always been entertaining, it hasn't generally been a big source of meaningful insights into the firm's operations. This year's event, which was a significantly smaller affair with no shareholders in attendance in Omaha and just CEO Warren Buffett and Greg Abel (vice chairman of Berkshire's noninsurance business operations) taking questions from a remotely located Becky Quick (of CNBC), who was collating all of the questions for the three journalists on the journalist panel, was relatively subdued. The meeting not only started later in the day, but Buffett spent much of the first two hours of the five-hour event speaking about his thoughts about the COVID-19 pandemic and its potential economic impacts, touching on everything from monetary and fiscal policy to consumer and commercial behavior.

The main thing we took away from Buffett's preamble, as well as the question-and-answer segment, was that Berkshire (much as we heard from Charlie Munger in a Wall Street Journal interview in mid-April) is being extremely cautious right now, given all of the uncertainties surrounding the COVID-19 pandemic and subsequent shutdown/recession. Unlike Buffett's famous maxim to "[b]e fearful when others are greedy and greedy when others are fearful," Berkshire actually dumped some stocks, did not pursue any deals, and let its cash balances expand during the first quarter.

While it was no surprise to see Berkshire dump the airlines, we were shocked to see that Buffett stopped buying back Berkshire's shares on March 10 and didn't repurchase any of the company's common stock between then and the end of April. Our general feeling has been that with cash reserves being guarded, distressed opportunities few and far between, and many of Berkshire's stock holdings either struggling with the COVID-19 pandemic or subsequent shutdown/recession, the best option for the company's excess cash may be Berkshire's own common stock.

## Berkshire a Net Seller of Equities So Far This Year; Sale of Goldman Sachs Stake Stands Out in Q1

Greggory Warren, CFA, Analyst, 15 May 2020

There were few surprises in wide-moat Berkshire Hathaway's first-quarter 13-F filing. In fact, knowing that the insurer eliminated its stakes in the four major airlines--American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines--during early April makes the filing a bit outdated. Of the purchases reported for the first quarter--0.5 million shares of PNC Financial (for an estimated \$67 million), 1 million shares of Delta Airlines (\$42 million) and 0.2 million shares of United Airlines (\$13 million)--the purchase of the bank shares was the only one that still holds true. That said, since the start of the second quarter, Berkshire has reported slightly higher stakes in Bank of New York Mellon and US Bancorp than has been reported in the firm's 13-F filing, as well as confirming the total sale of stakes in American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines.

As for the major sales that were made during the March quarter, the largest was Goldman Sachs (where Berkshire has already worked down 35% of its stake during the fourth quarter of 2019), with the insurer unloading another 10.1 million shares (for an estimated \$1.9 billion). This left it with just 1.9 million shares of Goldman (leaving the position 90% smaller than it was a year ago). Other major transactions involved the sale of 1.9 million shares of JPMorgan Chase (\$207 million), as well as the elimination of stakes in Travelers Companies (\$37 million) and Phillips 66 (\$19 million). The insurer also trimmed stakes in DaVita, VeriSign, Sirius XM Radio, Liberty Media SiriusXM, Liberty Global PLC, Synchrony Financial, General Motors, Amazon.com, Axalta Coating Systems, Teva Pharmaceutical, Suncor Energy, Biogen, and Liberty Latin America--all of which seemed to be more moves on the part of Todd Combs and Ted Weschler to either take some profit off the table

# Berkshire Hathaway Inc BRK.B (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★★ 15 May 2020 21:49, UTC	169.25 USD 15 May 2020	228.00 USD 08 Apr 2020 18:54, UTC	0.74	— 15 May 2020	0.00 15 May 2020	411.02 15 May 2020	Insurance - Diversified	Exemplary

or derisk parts of their portfolios. Stock sales net of purchases amounted to \$1.8 billion during the first quarter.

# Berkshire Hathaway Inc Class B BRK.B ★★★★★<sup>Q</sup> 15 May 2020 02:00 UTC

**Last Close**  
15 May 2020  
169.25

**Fair Value<sup>Q</sup>**  
15 May 2020 02:00 UTC  
215.88

**Market Cap**  
15 May 2020  
415.3 Bil

**Sector**  
Financial Services

**Industry**  
Insurance - Diversified

**Country of Domicile**  
USA United States

There is no one analyst in which a Quantitative Fair Value Estimate and Quantitative Star Rating are attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative fair value. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>

## Company Profile

Berkshire Hathaway is a holding company with a wide array of subsidiaries engaged in diverse activities. The firm's core business segment is insurance, run primarily through Geico, Berkshire Hathaway Reinsurance Group and Berkshire Hathaway Primary Group. Berkshire has used the excess cash thrown off from these and its other operations over the years to acquire Burlington Northern Santa Fe (railroad), Berkshire Hathaway Energy (utilities and energy distributors), and the firms that make up its manufacturing, service, and retailing

## Quantitative Scores

		Scores		
		All	Rel Sector	Rel Country
Quantitative Moat	Wide	100	100	99
Valuation	Undervalued	44	51	43
Quantitative Uncertainty	High	98	100	97
Financial Health	Moderate	91	47	91

BRK.B



Undervalued    Fairly Valued    Overvalued

Source: Morningstar Equity Research

## Valuation

	Current	5-Yr Avg	Sector Median	Country Median
Price/Quant Fair Value	0.78	0.94	0.87	0.83
Price/Earnings	43.0	20.5	12.7	20.1
Forward P/E	91.7	—	10.5	13.9
Price/Cash Flow	11.0	11.9	9.5	13.1
Price/Free Cash Flow	18.9	20.1	10.9	19.5
Trailing Dividend Yield %	—	—	3.64	2.35
Price/Book	1.1	1.4	1.1	2.4
Price/Sales	1.8	1.9	2.9	2.4

## Profitability

	Current	5-Yr Avg	Sector Median	Country Median
Return on Equity %	2.7	11.0	10.1	12.9
Return on Assets %	1.3	5.3	1.4	5.2
Revenue/Employee (K)	605.9	660.4	762.0	325.9

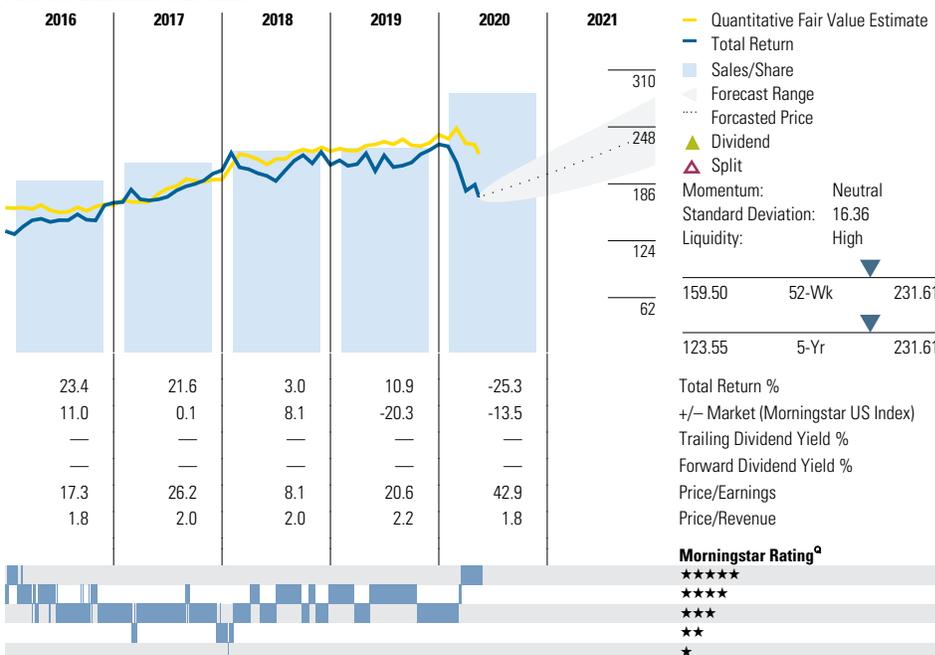
## Financial Health

	Current	5-Yr Avg	Sector Median	Country Median
Distance to Default	0.7	0.8	0.8	0.5
Solvency Score	—	—	503.7	552.4
Assets/Equity	1.9	2.1	3.7	1.7
Long-Term Debt/Equity	0.2	0.3	0.3	0.4

## Growth Per Share

	1-Year	3-Year	5-Year	10-Year
Revenue %	45.2	13.6	10.9	11.3
Operating Income %	—	—	—	—
Earnings %	1,937.1	50.4	32.7	25.4
Dividends %	—	—	—	—
Book Value %	23.0	15.1	12.3	12.0
Stock Total Return %	-16.6	1.1	3.1	8.3

## Price vs. Quantitative Fair Value

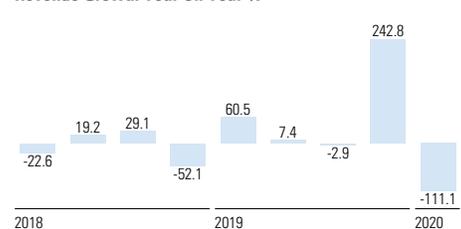


	2015	2016	2017	2018	2019	TTM	Financials (Fiscal Year in Mil)
Revenue	210,821	223,604	242,137	225,382	327,223	237,213	Revenue
% Change	8.3	6.1	8.3	-6.9	45.2	-27.5	% Change
Operating Income	—	—	—	—	—	—	Operating Income
% Change	—	—	—	—	—	—	% Change
Net Income	24,083	24,074	44,940	4,021	81,417	10,010	Net Income
Operating Cash Flow	31,491	32,535	45,776	37,400	38,687	37,908	Operating Cash Flow
Capital Spending	-16,082	-12,954	-11,708	-14,537	-15,979	-15,796	Capital Spending
Free Cash Flow	15,409	19,581	34,068	22,863	22,708	22,112	Free Cash Flow
% Sales	7.3	8.8	14.1	10.1	6.9	9.3	% Sales
EPS	9.77	9.76	18.22	1.63	33.22	3.98	EPS
% Change	21.2	-0.1	86.6	-91.0	1,937.1	-88.0	% Change
Free Cash Flow/Share	6.16	7.62	13.38	8.71	8.88	9.27	Free Cash Flow/Share
Dividends/Share	—	—	—	—	—	—	Dividends/Share
Book Value/Share	100.72	109.17	124.95	152.60	163.13	174.81	Book Value/Share
Shares Outstanding (Mil)	2,465	2,466	2,467	2,461	2,437	2,430	Shares Outstanding (Mil)
Return on Equity %	9.7	8.9	14.2	1.2	21.1	2.7	Return on Equity %
Return on Assets %	4.5	4.1	6.8	0.6	10.7	1.3	Return on Assets %
Net Margin %	11.4	10.8	18.6	1.8	24.9	4.2	Net Margin %
Asset Turnover	0.39	0.38	0.37	0.32	0.43	0.32	Asset Turnover
Financial Leverage	2.2	2.2	2.0	2.0	1.9	2.0	Financial Leverage
Gross Margin %	—	—	—	—	—	—	Gross Margin %
Operating Margin %	—	—	—	—	—	—	Operating Margin %
Long-Term Debt	82,300	99,550	96,267	93,117	98,682	100,678	Long-Term Debt
Total Equity	255,550	283,001	348,296	348,703	424,791	371,565	Total Equity
Fixed Asset Turns	1.5	1.5	1.6	1.4	1.9	1.4	Fixed Asset Turns

## Quarterly Revenue & EPS

Revenue (Bil)	Mar	Jun	Sep	Dec	Total
2020	-9.0	—	—	—	—
2019	81.0	73.6	75.9	96.7	327.2
2018	50.5	68.6	78.2	28.2	225.4
2017	65.2	57.5	60.5	58.9	242.1
Earnings Per Share (I)					
2020	-20.44	—	—	—	—
2019	8.81	5.74	6.75	11.92	33.22
2018	-0.46	4.87	7.52	-10.32	1.63
2017	1.65	1.73	1.65	13.19	18.22

## Revenue Growth Year On Year %



© Morningstar 2020. All Rights Reserved. Unless otherwise provided in a separate agreement, you may use this report only in the country in which its original distributor is based. The information, data, analyses and opinions presented herein do not constitute investment advice; are provided solely for informational purposes and therefore is not an offer to buy or sell a security; are not warranted to be correct, complete or accurate; and are subject to change without notice. Except as otherwise required by law, Morningstar shall not be responsible for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions of their use. The information herein may not be reproduced, in any manner without the prior written consent of Morningstar. Please see important disclosures at the end of this report.



# Research Methodology for Valuing Companies

## Qualitative Equity Research Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

### 1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats:

intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

### 2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

#### Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

#### Stage II: Fade

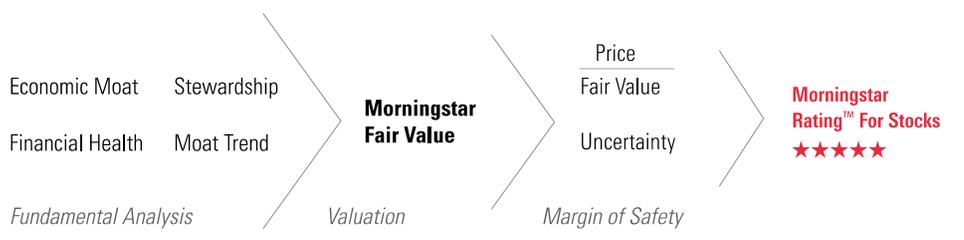
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

#### Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

## Morningstar Research Methodology for Valuing Companies



# Research Methodology for Valuing Companies

## 3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

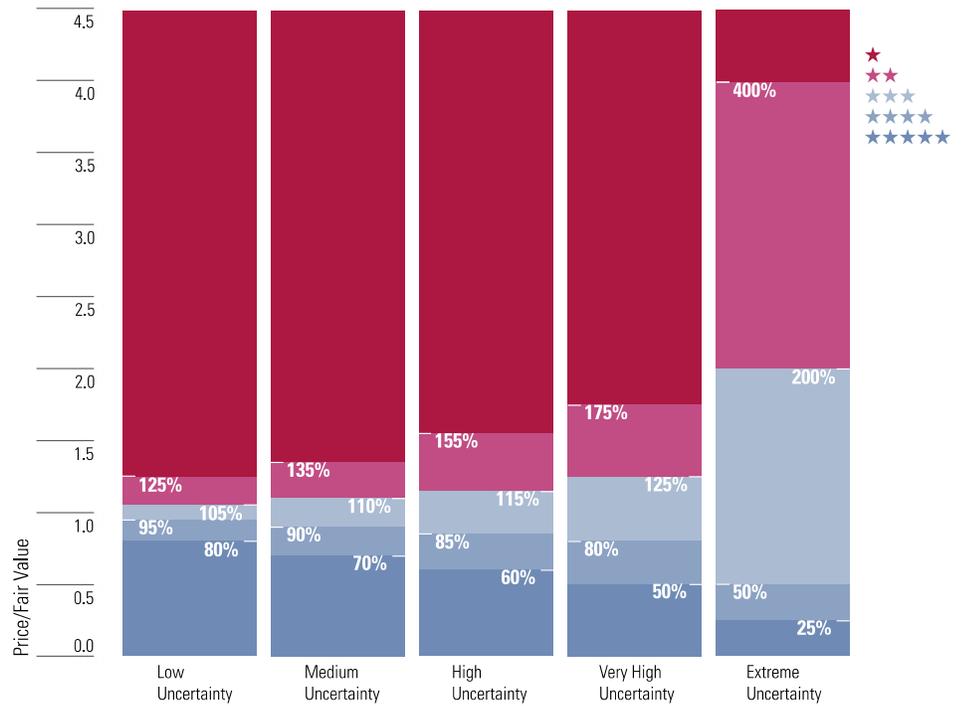
- ▶ Low—margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- ▶ Medium—margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- ▶ High—margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- ▶ Very High—margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- ▶ Extreme—margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

## 4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to <https://shareholders.morningstar.com>.

Morningstar Equity Research Star Rating Methodology



## Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

# Research Methodology for Valuing Companies

## Other Definitions

**Last Price:** Price of the stock as of the close of the market of the last trading day before date of the report.

**Stewardship Rating:** Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

**Quantitative Valuation:** Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ▶ Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ▶ Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ▶ Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

## Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

## Quantitative Equity Reports Overview

The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the

quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

## Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of:

- (i) Quantitative Fair Value Estimate
  - (ii) Quantitative Star Rating
  - (iii) Quantitative Uncertainty
  - (iv) Quantitative Economic Moat
  - (v) Quantitative Financial Health
- (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar," "we," "our") calculates Quantitative Ratings for companies whether it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

**Quantitative Fair Value Estimate:** Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the quantitative fair value estimate using a statistical model derived from the fair value estimate Morningstar's equity analysts assign to companies. Please go to <https://shareholders.morningstar.com> for information about fair value estimates Morningstar's equity analysts assign to companies.

**Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

- ▶ Narrow: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.
- ▶ Wide: assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.
- ▶ None: assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

**Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair

Value Estimate, current market price, and the Quantitative Uncertainty Rating. The rating is expressed as 1-Star, 2-Star, 3-Star, 4-Star, and 5-Star.

★: the stock is overvalued with a reasonable margin of safety.

Log (Quant FVE/Price) < -1 \* Quantitative Uncertainty

★★: the stock is somewhat overvalued.

Log (Quant FVE/Price) between (-1 \* Quantitative Uncertainty, -0.5 \* Quantitative Uncertainty)

★★★: the stock is approximately fairly valued.

Log (Quant FVE/Price) between (-0.5 \* Quantitative Uncertainty, 0.5 \* Quantitative Uncertainty)

★★★★: the stock is somewhat undervalued.

Log (Quant FVE/Price) between (0.5 \* Quantitative Uncertainty, 1 \* Quantitative Uncertainty)

★★★★★: the stock is undervalued with a reasonable margin of safety. Log (Quant FVE/Price) > 1 \* Quantitative Uncertainty

**Quantitative Uncertainty:** Intended to represent Morningstar's level of uncertainty about the accuracy of the quantitative fair value estimate. Generally, the lower the quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

- ▶ Low: the interquartile range for possible fair values is less than 10%.
- ▶ Medium: the interquartile range for possible fair values is less than 15% but greater than 10%.
- ▶ High: the interquartile range for possible fair values is less than 35% but greater than 15%.
- ▶ Very High: the interquartile range for possible fair values is less than 80% but greater than 35%.
- ▶ Extreme: the interquartile range for possible fair values is greater than 80%.

**Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

- ▶ Weak: assigned when Quantitative Financial Health < 0.2
- ▶ Moderate: assigned when Quantitative Financial Health is between 0.2 and 0.7
- ▶ Strong: assigned when Quantitative Financial Health > 0.7

# Research Methodology for Valuing Companies

## Other Definitions

**Last Close:** Price of the stock as of the close of the market of the last trading day before date of the report.

**Quantitative Valuation:** Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ▶ Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ▶ Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ▶ Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

This Report has not been made available to the issuer of the security prior to publication.

## Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report.

The quantitative equity ratings are not statements of fact. Morningstar does not guarantee the completeness or accuracy of the assumptions or models used in determining the quantitative equity ratings. In addition, there is the risk that the price target will not be met due to such things as unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, and tax rate. For investments in foreign markets there are further risks, generally based on exchange rate changes or changes in political and social conditions.

A change in the fundamental factors underlying the quantitative equity ratings can mean that the valuation is subsequently no longer accurate.

For more information about Morningstar's quantitative methodology, please visit <http://global.morningstar.com/equitydisclosures>.

# Berkshire Hathaway Inc BRK.B (XNYS)

<b>Morningstar Rating</b> ★★★★★ 15 May 2020 21:49, UTC	<b>Last Price</b> 169.25 USD 15 May 2020	<b>Fair Value Estimate</b> 228.00 USD 08 Apr 2020 18:54, UTC	<b>Price/Fair Value</b> 0.74	<b>Trailing Dividend Yield %</b> — 15 May 2020	<b>Forward Dividend Yield %</b> 0.00 15 May 2020	<b>Market Cap (Bil)</b> 411.02 15 May 2020	<b>Industry</b> Insurance - Diversified	<b>Stewardship</b> Exemplary
---	--	---	---------------------------------	--	--	--	--	---------------------------------

## General Disclosure

The analysis within this report is prepared by the person (s) noted in their capacity as an analyst for Morningstar's equity research group. The equity research group consists of various Morningstar, Inc. subsidiaries ("Equity Research Group"). In the United States, that subsidiary is Morningstar Research Services LLC, which is registered with and governed by the U.S. Securities and Exchange Commission.

The opinions expressed within the report are given in good faith, are as of the date of the report and are subject to change without notice. Neither the analyst nor Equity Research Group commits themselves in advance to whether and in which intervals updates to the report are expected to be made. The written analysis and Morningstar Star Rating for stocks are statements of opinions; they are not statements of fact.

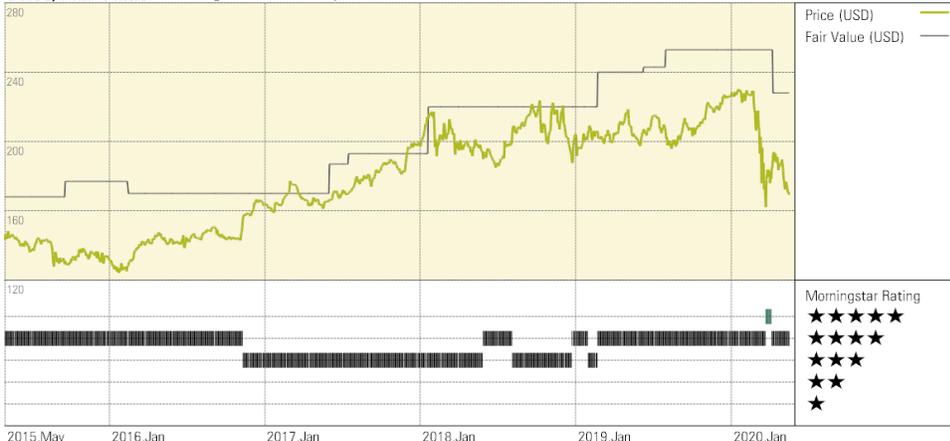
The Equity Research Group believes its analysts make a reasonable effort to carefully research information contained in the analysis. The information on which the analysis is based has been obtained from sources believed to be reliable such as, for example, the company's financial statements filed with a regulator, company website, Bloomberg and any other the relevant press sources. Only the information obtained from such sources is made available to the issuer who is the subject of the analysis, which is necessary to properly reconcile with the facts. Should this sharing of information result in considerable changes, a statement of that fact will be noted within the report. While the Equity Research Group has obtained data, statistics and information from sources it believes to be reliable, neither the Equity Research Group nor Morningstar, Inc. performs an audit or seeks independent verification of any of the data, statistics, and information it receives.

## General Quantitative Disclosure

The Quantitative Equity Report ("Report") is derived from data, statistics and information within Morningstar, Inc.'s database as of the date of the Report and is subject to change without notice. The Report is for informational purposes only, intended for financial professionals and/or sophisticated investors ("Users") and should not be the sole piece of information used by such Users or their clients in making an investment decision. The quantitative equity ratings noted the Report are provided in good faith, are as of the date of

## Price/Fair Value

Morningstar data as of May 15, 2020



the Report and are subject to change. While Morningstar has obtained data, statistics and information from sources it believes to be reliable, Morningstar does not perform an audit or seeks independent verification of any of the data, statistics, and information it receives.

The quantitative equity ratings are not a market call, and do not replace the User or User's clients from conducting their own due-diligence on the security. The quantitative equity rating is not a suitability assessment; such assessments take into account may factors including a person's investment objective, personal and financial situation, and risk tolerance all of which are factors the quantitative equity rating statistical model does not and did not consider.

Prices noted with the Report are the closing prices on the last stock-market trading day before the publication date stated, unless another point in time is explicitly stated.

## General Disclosure (applicable to both Quantitative and Qualitative Research)

Unless otherwise provided in a separate agreement, recipients accessing this report may only use it in the country in which the Morningstar distributor is based. Unless stated otherwise, the original distributor of the report is Morningstar Research Services LLC, a U.S.A. domiciled financial institution.

This report is for informational purposes only and has no regard to the specific investment objectives,

financial situation or particular needs of any specific recipient. This publication is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor. Therefore, investments discussed and recommendations made herein may not be suitable for all investors: recipients must exercise their own independent judgment as to the suitability of such investments and recommendations in the light of their own investment objectives, experience, taxation status and financial position.

The information, data, analyses and opinions presented herein are not warranted to be accurate, correct, complete or timely. Unless otherwise provided in a separate agreement, neither Morningstar, Inc. or the Equity Research Group represents that the report contents meet all of the presentation and/or disclosure standards applicable in the jurisdiction the recipient is located.

Except as otherwise required by law or provided for in a separate agreement, the analyst, Morningstar, Inc. and the Equity Research Group and their officers, directors and employees shall not be responsible or liable for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions within the report. The Equity Research Group encourages recipients of this report to read all relevant issue documents (e.g., prospectus) pertaining to the security concerned, including without limitation, information relevant to its investment objectives, risks, and costs before making an

# Berkshire Hathaway Inc BRK.B (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★	169.25 USD	228.00 USD	0.74	—	0.00	411.02	Insurance - Diversified	Exemplary
15 May 2020 21:49, UTC	15 May 2020	08 Apr 2020 18:54, UTC		15 May 2020	15 May 2020	15 May 2020		

investment decision and when deemed necessary, to seek the advice of a legal, tax, and/or accounting professional.

The Report and its contents are not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Morningstar, Inc. or its affiliates to any registration or licensing requirements in such jurisdiction.

Where this report is made available in a language other than English and in the case of inconsistencies between the English and translated versions of the report, the English version will control and supersede any ambiguities associated with any part or section of a report that has been issued in a foreign language. Neither the analyst, Morningstar, Inc., or the Equity Research Group guarantees the accuracy of the translations.

This report may be distributed in certain localities, countries and/or jurisdictions ("Territories") by independent third parties or independent intermediaries and/or distributors ("Distributors"). Such Distributors are not acting as agents or representatives of the analyst, Morningstar, Inc. or the Equity Research Group. In Territories where a Distributor distributes our report, the Distributor is solely responsible for complying with all applicable regulations, laws, rules, circulars, codes and guidelines established by local and/or regional regulatory bodies, including laws in connection with the distribution third-party research reports.

## Conflicts of Interest:

- No interests are held by the analyst with respect to the security subject of this investment research report. – Morningstar, Inc. may hold a long position in the security subject of this investment research report that exceeds 0.5% of the total issued share capital of the security. To determine if such is the case, please click <http://msi.morningstar.com> and <http://mdi.morningstar.com>.
- Analysts' compensation is derived from Morningstar, Inc.'s overall earnings and consists of salary, bonus and in some cases restricted stock.

- Neither Morningstar, Inc. or the Equity Research Group receives commissions for providing research nor do they charge companies to be rated.

- Neither Morningstar, Inc. or the Equity Research Group is a market maker or a liquidity provider of the security noted within this report.

- Neither Morningstar, Inc. or the Equity Research Group has been a lead manager or co-lead manager over the previous 12-months of any publicly disclosed offer of financial instruments of the issuer.

- Morningstar, Inc.'s investment management group does have arrangements with financial institutions to provide portfolio management/investment advice some of which an analyst may issue investment research reports on. However, analysts do not have authority over Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them.

- Morningstar, Inc. is a publically traded company (Ticker Symbol: MORN) and thus a financial institution the security of which is the subject of this report may own more than 5% of Morningstar, Inc.'s total outstanding shares. Please access Morningstar, Inc.'s proxy statement, "Security Ownership of Certain Beneficial Owners and Management" section <https://shareholders.morningstar.com/investor-relations/financials/sec-filings/default.aspx>

- Morningstar, Inc. may provide the product issuer or its related entities with services or products for a fee and on an arms' length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

Further information on Morningstar, Inc.'s conflict of interest policies is available from <http://global.morningstar.com/equitydisclosures>. Also, please note analysts are subject to the CFA Institute's Code of Ethics and Standards of Professional Conduct.

For a list of securities which the Equity Research Group

currently covers and provides written analysis on please contact your local Morningstar office. In addition, for historical analysis of securities covered, including their fair value estimate, please contact your local office.

**For Recipients in Australia:** This Report has been issued and distributed in Australia by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544; ASFL: 240892). Morningstar Australasia Pty Ltd is the provider of the general advice ('the Service') and takes responsibility for the production of this report. The Service is provided through the research of investment products. To the extent the Report contains general advice it has been prepared without reference to an investor's objectives, financial situation or needs. Investors should consider the advice in light of these matters and, if applicable, the relevant Product Disclosure Statement before making any decision to invest. Refer to our Financial Services Guide (FSG) for more information at <http://www.morningstar.com.au/fsg.pdf>.

**For Recipients in Canada:** This research is not prepared subject to Canadian disclosure requirements.

**For Recipients in Hong Kong:** The Report is distributed by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this research, please contact a Morningstar Investment Management Asia Limited Licensed Representative at <http://global.morningstar.com/equitydisclosures>.

**For Recipients in India:** This Investment Research is issued by Morningstar Investment Adviser India Private Limited. Morningstar Investment Adviser India Private Limited is registered with the Securities and Exchange Board of India (Registration number INA00001357) and provides investment advice and research. Morningstar Investment Adviser India Private Limited has not been the subject of any disciplinary action by

# Berkshire Hathaway Inc BRK.B (XNYS)

Morningstar Rating	Last Price	Fair Value Estimate	Price/Fair Value	Trailing Dividend Yield %	Forward Dividend Yield %	Market Cap (Bil)	Industry	Stewardship
★★★★★	169.25 USD	228.00 USD	0.74	—	0.00	411.02	Insurance - Diversified	Exemplary
15 May 2020 21:49, UTC	15 May 2020	08 Apr 2020 18:54, UTC		15 May 2020	15 May 2020	15 May 2020		

SEBI or any other legal/regulatory body. Morningstar Investment Adviser India Private Limited is a wholly owned subsidiary of Morningstar Investment Management LLC. In India, Morningstar Investment Adviser India Private Limited has one associate, Morningstar India Private Limited, which provides data related services, financial data analysis and software development.

The Research Analyst has not served as an officer, director or employee of the fund company within the last 12 months, nor has it or its associates engaged in market making activity for the fund company.

\*The Conflicts of Interest disclosure above also applies to relatives and associates of Manager Research Analysts in India # The Conflicts of Interest disclosure above also applies to associates of Manager Research Analysts in India. The terms and conditions on which Morningstar Investment Adviser India Private Limited offers Investment Research to clients, varies from client to client, and are detailed in the respective client agreement.

**For recipients in Japan:** The Report is distributed by Ibbotson Associates Japan, Inc., which is regulated by Financial Services Agency. Neither Ibbotson Associates Japan, Inc., nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information.

**For recipients in Singapore:** This Report is distributed by Morningstar Investment Adviser Singapore Pte Limited, which is licensed by the Monetary Authority of Singapore to provide financial advisory services in Singapore. Investors should consult a financial adviser regarding the suitability of any investment product, taking into account their specific investment objectives, financial situation or particular needs, before making any investment decisions.