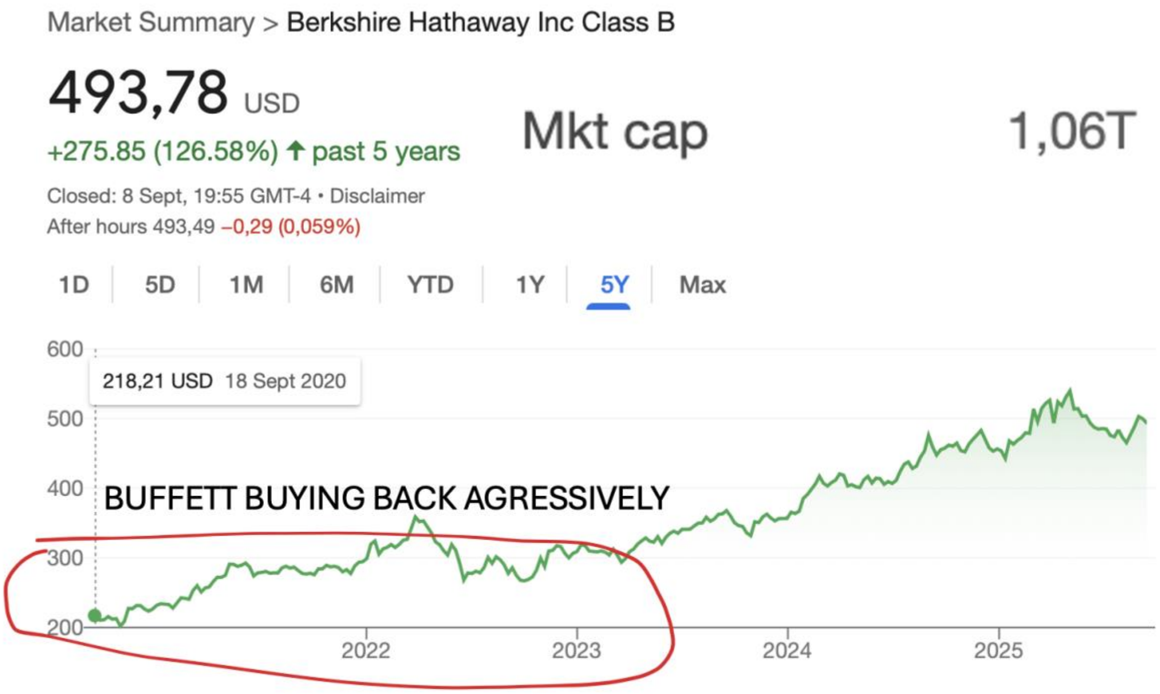
Berkshire Hathaway Stock Investing Summary

Uh, BRK is a great business, one of the few truly value investing mindsets out there, but it might not be a great investment at current prices! Buffett has not been doing buybacks for a while, and historical valuations have been between 10 and 20, we are closer to a PE ratio of 25 now.



1H 2025 net income was $17 billion for BRK. Thus, we can expect $34 billion for the year. Approximately $14 billion of that is interest from Treasury investments so if you count the cash in your valuation, you need to deduct $14 billion.

On top of the accounting reported earnings, there are the hidden earnings as only the dividends received from the stocks owned are reported into BRK financial statements. Companies that don't distribute all earnings as dividends, create some hidden earnings for BRK.

Company	Symbol	Holdings	Stake	Mkt. price	Value	Pct of portfolio
TOTAL					$302,688,616,092	100.0%
Apple Inc	AAPL	280,000,000	1.9%	$237.88	$66,606,400,000	22.0%
American Express Co	AXP	151,610,700	21.8%	$325.41	$49,335,637,887	16.3%
Bank of America Corp	BAC	605,267,375	8.2%	$49.46	$29,936,524,368	9.9%
Coca-Cola Co	KO	400,000,000	9.3%	$67.43	$26,972,000,000	8.9%
Chevron Corp	CVX	122,064,792	6.0%	$154.00	$18,797,977,968	6.2%
Moody's Corp	MCO	24,669,778	13.8%	$507.63	$12,523,119,406	4.1%
Occidental Petroleum Corp	OXY	264,941,431	26.9%	$45.38	$12,023,042,139	4.0%
Mitsubishi Corp	8058:TYO	389,043,900	10.2%	$23.55	$9,160,137,524	3.0%
Kraft Heinz Co	KHC	325,634,818	27.5%	$26.90	$8,759,576,604	2.9%

Apple uses most of the money for buybacks, so we can't say much about it, but let's add a billion as hidden there on the current position. Amercian Express has an earnings yield of 4.37% but only pays a dividend of 1.1%. Thus the 3.3% difference can be taken as hidden earnings, or $1.65 billion on the $50 billion position. We could calculate a total of $6 billion of hidden earnings for a conservative, back of a napkin perspective.

TOTAL BRK NET VALUE CREATION PER YEAR $40 billion!

BRK EARNINGS $40 billion - historical average PE 15 = VALUATION = $600 billion

Now, if you prefer a sum of parts valuation, you first need to deduct $14 billion that is received on the cash, and also approximately $8 billion for the stock portfolio ($2 billion dividends + $6 billion hidden earnigns). Then, something people completely forget when making a sum of parts analysis, is to also calculate the liabilities on the insurance side, a good $300 billion.

(dollars in millions)

	June 30, 2025 (Unaudited)	December 31, 2024
Liabilities:		
Insurance and Other:		
Unpaid losses and loss adjustment expenses	$ 118,788	$ 115,151
Unpaid losses and loss adjustment expenses - retroactive reinsurance contracts	31,733	32,443
Unearned premiums	32,414	30,808
Life, annuity and health insurance benefits	17,865	17,616
Other policyholder liabilities	10,634	10,703
Accounts payable, accruals and other liabilities	36,988	37,489
Payable for purchases of U.S. Treasury Bills	—	12,769
Aircraft repurchase liabilities and unearned lease revenues	9,747	9,356
Notes payable and other borrowings	45,040	44,885
	303,209	311,220

Thus:

BRK Earnings $20 billion * PE 15 = $300 billion, plus $350 billion in cash, plus $300 stock portfolio, minus $300 billion in insurance liabilities = $650 billion!

Hm, the valuation end up equal.

As Buffett stopped doing buybacks as the stock went away from the above valuation examples, it is also a clear sign Buffett too thinks current stock levels are a bit frothy.

On the other hand, the cash position, BRK's history of doing the right thing at the right moment in time (selling Apple), and the investment/growth focus, make BRK a much better investment than many others, at whatever price.

VALUATION CONCLUSION

BRK is likely to return around 4 to 5% from its current level over the next decade or two. That is too little of a return in my opinion for the risks. There could be insurance disasters, investment mistakes, or simply a shift in perspective from exuberance now, to pessimism (which is something that happens ever decade or two with BRK).

Thus, as Buffett is not doing buybacks, it is neither a buy for me!

BRK.B LINK TO RESEARCH

STOCK PRICE	0,00	
		DIVIDEND PAYOUT RATIO 0%

COMPARATIVE TABLE'!A1

												Terminal Value	Growth rate	
Scenario 1	**EARNINGS IN BILLIONS**		**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2035**	7%	next 5 years
normal case		40,00	42,80	45,80	49,00	52,43	56,10	60,03	64,23	68,73	73,54	78,69	1103,08	7%	5 to 10 years
	PV(10%)		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	425,28	10%	Discount rate
	INTRINSIC VALUE		425,28											15,0	Terminal multiple

													Terminal Value	Growth rate	
Scenario 2		**EARNINGS IN BILLIONS**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2035**	9%	next 5 years
best case		40,00	43,60	47,52	51,80	56,46	61,54	67,08	73,12	79,70	86,88	94,69	1737,51	9%	5 to 10 years
	0	PV(10%)	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	669,89	10%	Discount rate
		Present value sum	669,89											20,0	Terminal multiple

												Terminal Value	Growth rate	
Scenario 3	**EARNINGS IN BILLIONS**		**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2035**	5%	next 5 years
worst case		40,00	42,00	44,10	46,31	48,62	51,05	53,60	56,28	59,10	62,05	65,16	744,64	5%	5 to 10 years
MARGIN OF	PV(10%)		0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	287,09	10%	Discount rate
SAFETY	Present value sum		287,09											12,0	Terminal multiple

Scenario	Probability	PV	Part
Scenario 1 (normal case)	34%	425,28	144,60
Scenario 2 (best case)	33%	669,89	221,06
Scenario 3 (worst case)	33%	287,09	94,74
STOCK PRICE NOW	0	**Sum**	**460,40**

SVEN CARLIN

RESEARCH PLATFORM