

# Company Update Report

## Berkshire Hathaway Inc

### Financials

#### Analyst thesis

Our recommendation is based on:

- Diversified conglomerate with permanent capital advantage: Berkshire's insurance operations generate a substantial float, providing a large, low-cost funding base that supports acquisitions and long-term investments. Its wholly owned subsidiaries span insurance, railroads, energy, manufacturing, and retail, contributing to diversified earnings and cash flows across economic cycles.
- Record cash reserves support strategic optionality: Berkshire held a record cash and US Treasury Bills at 4Q25, reflecting disciplined capital allocation and a fortress balance sheet. This substantial liquidity, combined with strong operating cash flow, provides capacity for large-scale acquisitions and opportunistic deployment.
- Leadership transition introduces near term valuation risk: Warren Buffett's exit creates the risk of removing a long-standing 'Buffett premium' from Berkshire's valuation, reflecting his exceptional capital allocation track record. Any missteps by successor Greg Abel could lead to the shares trading at or below fair value rather than at a premium, as investors reassess management quality and execution risk.
- Valuation supported by quality and balance sheet strength: While Berkshire trades at a premium to its long-term average book value multiple, its diversified earnings base, conservative leverage and strong balance sheet provide support for steady intrinsic value growth. Relative to its quality, track record and financial resilience, we see scope for continued long-term outperformance versus the broader market.

As at: 6 March 2026

<b>Ticker</b>	BRK.B-US
<b>Share price</b>	\$499
<b>Intrinsic value</b>	\$510
<b>Upside/(Downside)</b>	2%
<b>Recommendation</b>	Hold

#### Latest company and market insights

##### Key highlights

In this report, we review the latest FY25 results for the year ended 31 December 2025.

##### Financial results at a glance:

- Berkshire's operating earnings were 6% lower to \$44.5 billion in FY25 versus \$47.4 billion in FY24, modestly lower YoY but comfortably ahead of the five-year average of \$37.5 billion, underscoring the resilience and breadth of the group's operating businesses.
- Net earnings attributable to Berkshire shareholders declined by 25% from \$89.0 billion in FY24 to \$67.0 billion in FY25, primarily reflecting lower investment gains and an \$8.3 billion after-tax impairment on equity-method investments, rather than a deterioration in underlying operating performance.
- Insurance operations delivered strong profitability, with a property and casualty combined ratio of 87.1 versus a five-year average of 90.7, supported by disciplined underwriting at GEICO, Primary and Reinsurance, benign US catastrophe activity and continued emphasis on risk-adequate pricing.
- Net cash flow from operating activities, rose approximately 50% YoY to \$46.0 billion, above the five-year average of \$40 billion, driven by stronger insurance cash generation, favourable working capital movements and the add-back of a non-cash equity method investment impairment in FY25.
- The balance sheet remains exceptionally strong, with cash and US Treasury holdings exceeding \$370 billion at year-end 2025, enabling Berkshire to meet extreme stress obligations, act as a source of strength to the financial system and retain substantial dry powder for future investment opportunities.
- Insurance float increased by 3% to \$176 billion for FY25, up from \$171 billion in FY24, continuing the long-term structural growth in low-cost funding that underpins Berkshire's investment engine.

##### Sector outlook

The US multi-sector financial and industrial conglomerate space should remain supported by steady nominal GDP growth and ongoing infrastructure and energy investment, alongside a resilient, though moderating, consumer backdrop. Elevated interest rates continue to support investment income on sizeable cash and fixed-income portfolios, even if easing reduces the tailwind. Insurance pricing is normalising as capital re-enters reinsurance markets, though disciplined underwriting and expanding float should sustain attractive returns. Utility growth is underpinned by grid investment and electrification, while freight volumes may fluctuate but benefit from pricing discipline and network advantages. Strong balance sheets and permanent-capital structures position leading groups to deploy capital opportunistically and compound intrinsic value through the cycle.

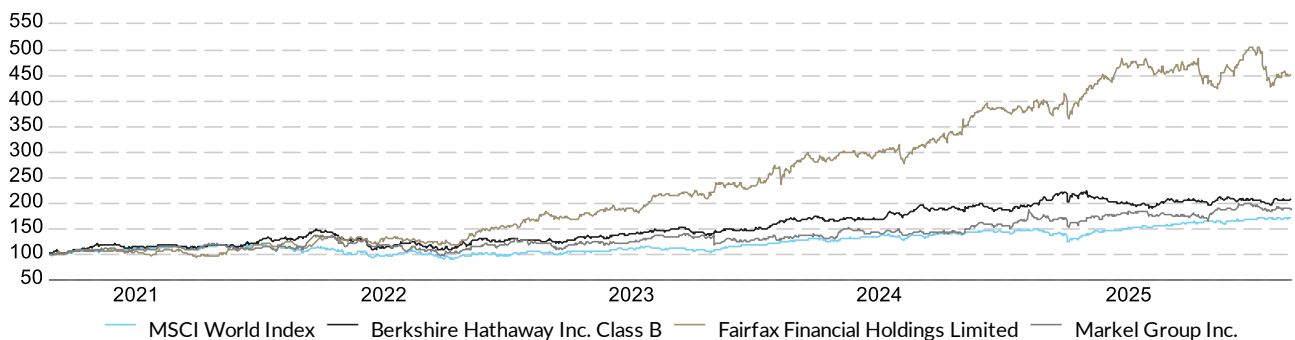


**Table 1: Qualitative summary**

Factor	Rating	Description
Growth	★★★★☆	Expected two-year revenue CAGR is 3.4% and expected two-year EPS CAGR is -16.7%. Revenue growth is expected to track overall GDP growth, while the company's large cash holdings may limit earnings-per-share expansion in the near term, but could also reduce risks should markets become more volatile or decline.
Valuation	★★★★☆	The share price is trading at a 2% discount to the IV. Current NTM P:E of 23.5x is trading at a 7% premium to the five-year average NTM P:E of 22x.
Dividend	★★★★☆	LTM dividend yield 0%. NTM dividend yield 0%.
Issuance	★★★★☆	Shares issued have decreased by 10% over the past five years.
Catalyst		Berkshire's diversified earnings base, fortress balance sheet and exceptional liquidity provide several avenues for continued value creation, even though current valuation levels appear to limit upside. Earnings growth should be supported by disciplined insurance underwriting and structurally growing float, higher-for-longer short-term rates on substantial cash and Treasury holdings, and resilient contributions from BNSF, Berkshire Hathaway Energy and the manufacturing, service and retail group. Berkshire's scale, permanent capital and disciplined capital-allocation framework position it to benefit from market dislocations, with its mix of insurance, regulated utilities, freight rail, and high-quality industrial and service businesses underpinning durable cash-flow generation and long-term compounding, supported by a large cash and Treasury portfolio that serves as dry powder for swift, self-funded deal execution.
Quality of earnings	★★★★☆	Five-year average ROE 11.5%. Five-year average net profit margin 18.5%. Four of the past 10 years had positive earnings growth. Earnings growth is supported by the performance of underlying subsidiaries and investments, with distributions from equity holdings contributing modestly to overall results.
Moat	★★★★☆	Scale and capital advantage: A uniquely large pool of permanent capital, substantial insurance float and retained earnings, with disciplined leverage, lets Berkshire pursue sizeable, high-quality deals without financing contingencies and invest when others are constrained. Regulatory and franchise advantage: Ownership of regulated utilities, freight rail and large insurance platforms creates high regulatory, capital and operational barriers to entry, supporting durable core earnings and a resilient Berkshire ecosystem through cycles. Network and relationship advantage: A long record of treating sellers and managers as partners, providing autonomy and a permanent home for businesses, makes the group a preferred acquirer for high-quality private companies. Its scale and diversification provide unique informational advantages, generating proprietary insights into trends across the U.S. economy that support capital allocation.
Management and governance	★★★★☆	Gregory Abel became CEO of Berkshire Hathaway on 1 January 2026 after leading Berkshire Hathaway Energy and serving as Vice Chairman for Non-Insurance Operations. Warren Buffett stepped down as CEO at the end of 2025 but remains Chairman, with Berkshire's governance still grounded in decentralisation, integrity and long-term shareholder alignment.
Balance sheet	★★★★☆	Debt to equity 18.6%. Debt has increased over the past few years, while equity levels outpaced the growth in debt, steadily improving the debt-to-equity ratio. Debt to assets 11.0%.
Risks		Insurance and catastrophe risk: Berkshire's insurance operations are exposed to underwriting losses, natural disasters, climate events, and large catastrophic claims, which could materially affect earnings and capital reserves. Large cash holdings generate low returns if not invested efficiently, potentially limiting earnings-per-share growth, while subpar performance of acquired businesses or investments could reduce overall profitability. Competitive risk: Subsidiaries face competition in insurance, rail, energy, and manufacturing, while new entrants or technological disruption could pressure margins or market share. Macro factors can reduce demand across Berkshire's diverse businesses, while equity market volatility may affect investment income from its large portfolio of publicly traded securities. Regulation: Changes in tax laws, insurance regulations, environmental rules, antitrust scrutiny, or litigation across subsidiaries could increase costs or restrict operations.

Source: FactSet

**Graph 1: Five-year price (Indexed to 100)**



Source: FactSet

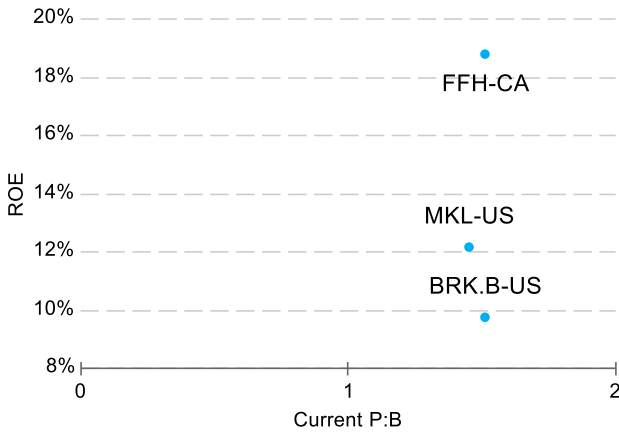


**Table 2: Price performance versus benchmark and peers**

Period	YTD	MTD	3M	6M	1Y	2Y	3Y	5Y	10Y
BRK.B-US	-0.7%	-1.2%	-1.1%	-0.2%	0.2%	23.5%	57.4%	97.1%	261.7%
FFH-CA	-15.3%	-5.7%	-4.6%	-6.8%	9.1%	50.5%	138.5%	328.2%	211.7%
MKL-US	-7.8%	-4.3%	-3.2%	3.7%	4.3%	31.6%	48.5%	79.1%	125.1%
MSCI world	-0.5%	-2.7%	-0.1%	5.2%	16.8%	30.0%	57.8%	66.5%	180.3%

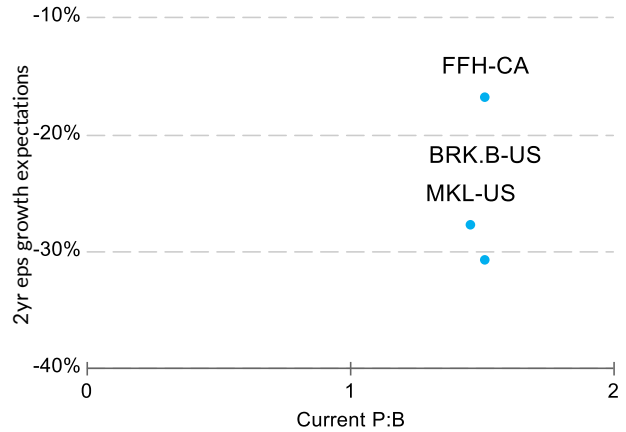
Source: FactSet

**Graph 2: Current P:B vs 2Y average ROE**



Source: FactSet

**Graph 3: Current P:B vs EPS 2Y CAGR forecast**



Source: FactSet

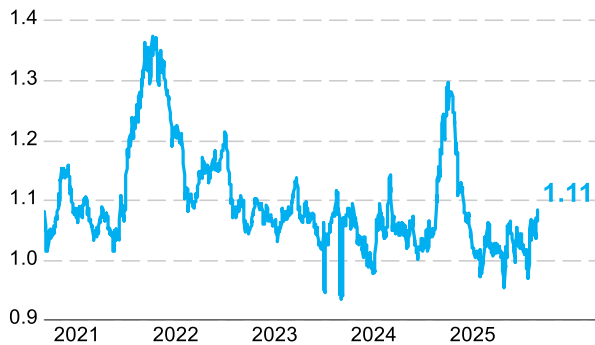
**Valuation**

Valuation of Berkshire Hathaway is based on a sum-of-the-parts framework combining listed investments and a DCF of non-listed operations. Listed holdings are valued per share at market prices, with bear and bull cases applying a 20% discount and 20% premium around those marks. Non-listed businesses are valued using a DCF model with a perpetuity growth rate under bear, base and bull scenarios, flexing normalised free cash flow and terminal growth to derive an intrinsic value range for BRK.B-US.

**Table 3: Valuation summary**

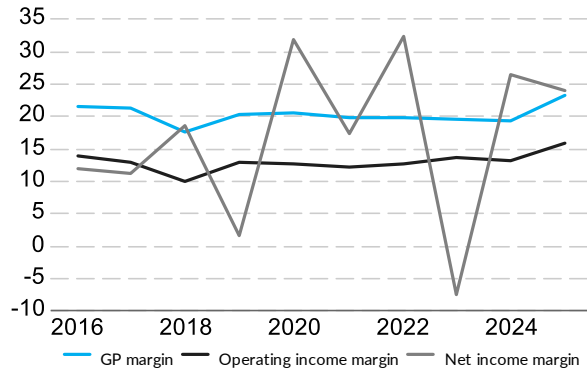
Valuation Probabilities			
	Bear	Base	Bull
Long-term growth rate	2%	3%	4%
Probability	20%	60%	20%
Implied share price	\$404	\$496	\$658
<b>Weighted intrinsic value</b>	<b>\$510</b>		
<b>Upside/(Downside)</b>	<b>2%</b>		

**Graph 4: NTM P:B relative to benchmark**



Source: FactSet

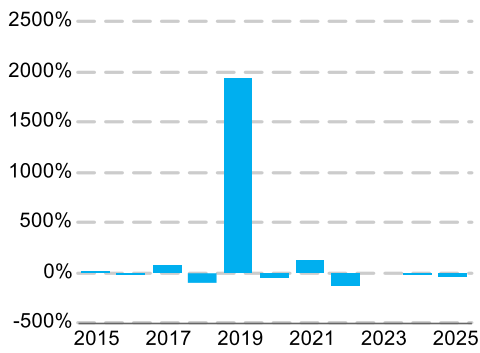
**Graph 5: Profit margins (%)**



Source: FactSet

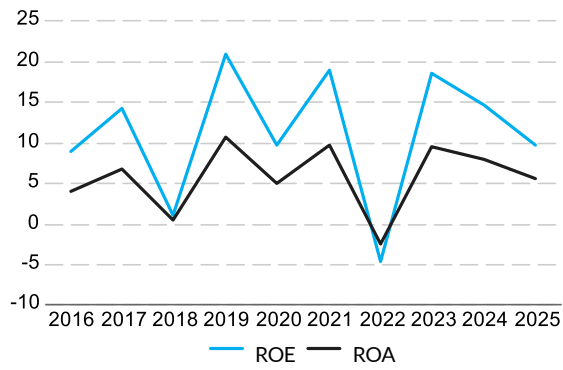


**Graph 6: 10Y EPS year-on-year change**



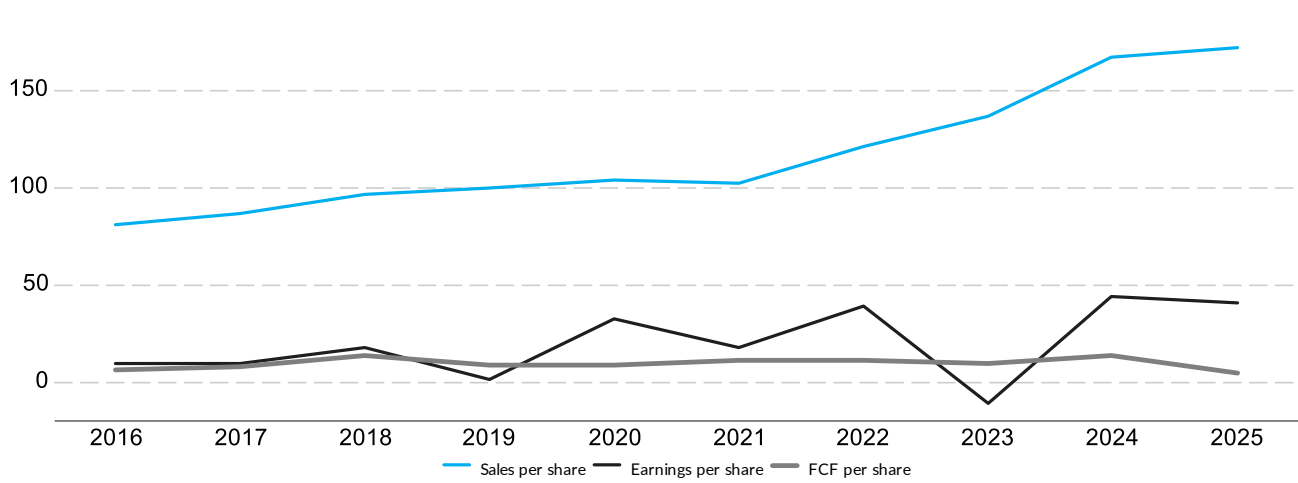
Source: FactSet

**Graph 7: ROE and ROA (%)**



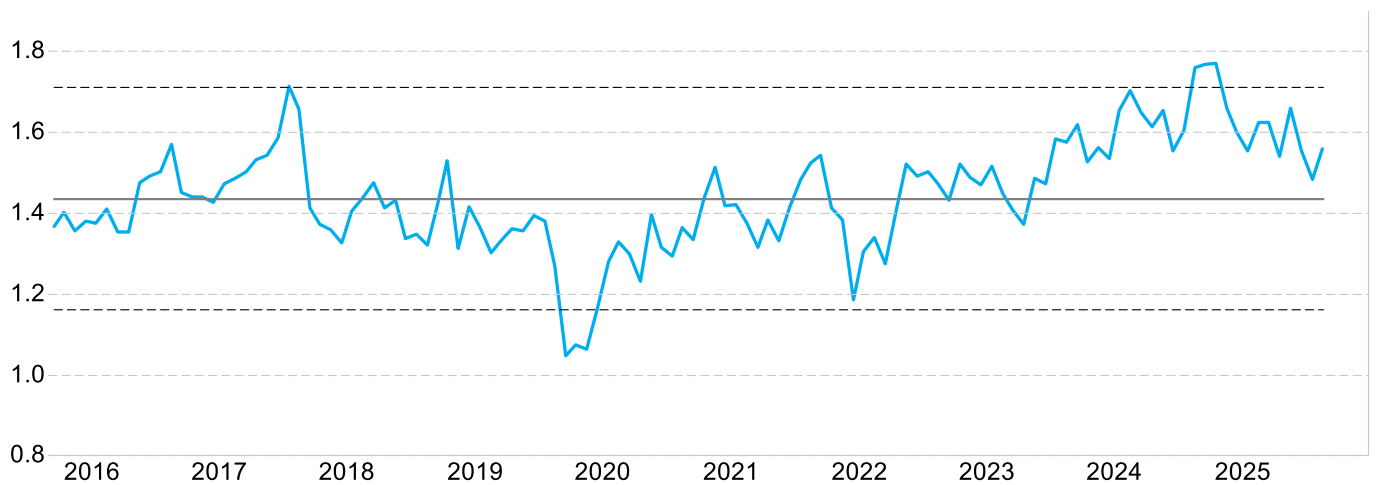
Source: FactSet

**Graph 8: Sales, earnings and FCF per share (USD)**



Source: FactSet

**Graph 9: Current P:B**



Source: FactSet



**Table 4: Financials and ratios**

Income statement (\$Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Revenue	276 094	302 020	364 482	371 433	371 444	0%	7%	9%
Cost of sales	220 930	242 626	293 536	284 855	283 669	0%	5%	8%
Gross income	55 164	59 394	70 946	86 578	87 775	1%	14%	12%
EBIT	35 021	41 588	48 124	59 436	59 540	0%	13%	15%
EBITDA	45 739	52 487	60 610	72 291	73 016	1%	12%	12%
Net income	90 807	-21 998	97 147	89 561	67 260	-25%	59%	9%
EPS (USD)	39.6	-10.3	44.3	41.3	31.0	-25%	59%	12%
Balance sheet (\$Mn)	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	1Y Growth	3Y CAGR	5Y CAGR
Total assets	958 784	948 465	1 069 978	1 153 881	1 222 176	6%	9%	7%
Total shareholders' equity	514 930	481 681	570 770	651 655	719 703	10%	14%	10%
Total liabilities	443 854	466 784	499 208	502 226	502 473	0%	2%	4%
Ratios	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	5Y Avg		
Net debt/EBITDA*	-0.7	-0.1	-0.6	-2.7	-3.3	-1.5		
Interest coverage	8.4	9.6	9.6	11.4	11.7	10.1		
Debt/assets	12%	13%	12%	12%	11%	12%		

Source: FactSet

\*Negative numbers reflect a net cash position.

**Table 5: Standard finance and investment abbreviations**

Abbreviation	Definition
\$	United States Dollar
BNSF	Burlington Northern Santa Fe
BRK.B-US	Berkshire Hathaway Inc. Class B
CAGR	Compounded annual growth rate
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FCF	Free cash flow
FFH-CA	Fairfax Financial Holdings Limited
FY	Financial year
GEICO	Government Employees Insurance Company
LTM	Last twelve months (also known as trailing)
M	Month
MKL-US	Markel Group Inc.
MTD	Month to date
NTM	Next twelve months (also known as forward)
P:E	Price to earnings
ROA	Return on assets
ROE	Return on equity
U.S.	United States
YoY	Year on year
YTD	Year to date



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\*Share price as at closing.

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