

# Company Overview

Legal Name: Berkshire Hathaway Inc

## Financial Snapshot

### Key Financial Metrics

Metric	Value	Interpretation
Revenue Per Share (LFY)	251561.20	High revenue relative to share price
Eps (LFY)	66411.98	Company is profitable
Book Value Per Share (LFY)	388195.90	Positive net asset value
Cash Per Share (LFY)	26297.33	Strong cash position
Free Cash Flow Per Share (TTM)	14618.14	Strong cash generation

These numbers show how the company defis doing financially. Revenue per share tells us how much money the company makes for each share. Earnings per share shows if the company is making a profit. Book value per share represents what each share is worth based on the company's assets. These metrics provide crucial insights into the company's financial health and performance. Revenue per share indicates the company's sales relative to its outstanding shares, with higher values suggesting stronger revenue generation. Earnings per Share (EPS) reflects profitability on a per-share basis, with positive values indicating profitability and negative values signaling losses. Book value per share represents the company's net asset value per share, offering insight into the underlying value of the company. Cash per share and free cash flow per share provide information about the company's liquidity and ability to generate excess cash, respectively.

## Valuation Analysis

## Valuation Ratios

Ratio	Value	Interpretation
Pe Ratio (LFY)	10.63	Good: Stock might be cheap
Price To Sales (LFY)	2.78	Caution: Stock might be overvalued
Price To Book (LFY)	1.82	Fairly valued
Price To Cash Flow (TTM/LFY)	8.43	Potentially undervalued
Price To Free Cash Flow (LFY/TTM)	34.05	Potentially overvalued

These ratios help us understand if the stock price is fair. A low P/E ratio might mean the stock is cheap, while a high one could mean it's expensive. Price-to-sales and price-to-book ratios compare the stock price to the company's sales and book value.

## Efficiency and Profitability

### Efficiency Metrics

Metric	Value	Interpretation
Operating Margin (TTM/LFY)	13.18	Good: Decent profit from operations
Net Profit Margin (TTM/LFY)	29.08	High profitability
Gross Margin (LFY/TTM)	20.57	Average gross profitability
Free Cash Flow Margin (TTM/LFY)	5.69	Good cash flow generation

These metrics show how well the company uses its resources. Operating margin tells us how much profit the company makes from its main business. Net profit margin shows how much of the company's sales turn into profit after all expenses.

These metrics show how efficiently the company operates and generates profits. Operating margin indicates profitability from core business operations. Net profit margin shows overall profitability after all expenses. Gross margin reflects efficiency in production and pricing. Free cash flow margin indicates the company's ability to generate cash relative to revenue.

## SWOT Analysis

### Strengths

- Diverse portfolio of businesses across sectors, including insurance, utilities, manufacturing, and retail.
- Strong liquidity position with no debt, maintaining over \$100 billion in cash and cash equivalents.
- Sound investment decisions led by Warren Buffett and his team, leveraging excess cash (float) from insurance operations to make strategic acquisitions.

- Consistent 5-year growth rate despite economic slowdown, with a 5-year CAGR of revenue and net income exceeding the S&P; 500.
- Robust balance sheet with significant shareholders' equity of \$571.5 billion as of March 31, 2024.
- Financial resilience with a stable and varied revenue base from diverse subsidiaries.

## Weaknesses

- Exposure to market volatility, as substantial holdings in publicly traded securities can significantly affect earnings.
- Dependence on key individuals, particularly Warren Buffett, whose strategic direction is integral to the company's overall performance.
- Potential inefficiencies in managing a decentralized structure, which could lead to inconsistencies in subsidiary operations.

## Opportunities

- Strategic acquisitions to enhance competitive position and open new avenues for growth, leveraging substantial cash reserves.
- Global expansion into emerging markets, such as India and China, to diversify revenue streams and tap into new customer segments.
- Investing in emerging technologies like AI and machine learning to enhance customer experiences, automate processes, and improve risk management.
- Developing financial products and services aligned with ESG principles to attract investors and customers prioritizing sustainability.

## Threats

- Economic uncertainty, including inflationary pressures and potential recessions, which could affect consumer behavior and investment returns.
- Regulatory changes, such as the Inflation Reduction Act of 2022 and global minimum tax rules (Pillar Two), that could impose additional costs or constraints on the company.
- High competition from fintech startups disrupting traditional financial services with innovative products and digital customer experiences.
- Threats from cyber attacks, particularly in heavily regulated industries like insurance and utilities.

## AI Insights

### Market Analysis

- Revenue Growth: Berkshire Hathaway has achieved a revenue of \$383.19 billion in 2024, representing a 5.13% increase from the previous year.
- Market Capitalization: As of November 27, 2024, Berkshire Hathaway's market capitalization is approximately \$1.040 trillion, reflecting its significant size and influence in the market.
- Performance Stability: Berkshire Hathaway's long-term success is largely due to its consistent performance. The company has only experienced losses in 4 out of the past 17 years, compared to the S&P; 500 which declined in 5 years during the same period.

## **Competitor Benchmarking**

- Peer Companies: Berkshire Hathaway is often compared to other large financial and conglomerate companies. For example:
  - American Express Co: Market capitalization of \$214.33 billion.
  - Bank of America Corp: Market capitalization of \$366.53 billion.
  - JPMorgan Chase & Co: Market capitalization of \$703.24 billion.
- Industry Comparison: Berkshire's diversified portfolio includes various industries such as insurance, retail, manufacturing, railroads, home goods, power, and energy. This diversification helps mitigate risks and provides a stable revenue stream.

## **Risk Factors**

- Market Volatility: As a significant player in the stock market, Berkshire Hathaway's investment profits are closely tied to market performance. Volatility in the stock market can impact Berkshire's investment returns.
- Economic Factors: Economic downturns or changes in consumer behavior can affect the performance of Berkshire's subsidiaries, particularly those in retail and packaged foods.
- Succession Planning: With Warren Buffett advancing in age and Charlie Munger's passing, succession planning is a critical risk factor. The continuity of Berkshire's investment strategy and leadership is essential for maintaining its performance stability.

## **Strategic Recommendations**

- Diversification: Continue to diversify the portfolio to minimize risks associated with market volatility and economic changes.
- Cash Management: Maintain a strong cash reserve, as seen in the third quarter of 2024 where Berkshire closed with a record \$325.2 billion in cash and cash equivalents.
- Investment Strategy: Focus on long-term investments that provide stable returns, rather than short-term gains.
- Subsidiary Management: Ensure that each subsidiary is managed efficiently to maximize revenue and profitability.

## **Future Projections**

- Revenue Growth: Berkshire Hathaway is expected to continue its revenue growth, driven by the performance of its subsidiaries and the stability of its investment strategy.
- Market Capitalization: The company's market capitalization is likely to remain high, reflecting its continued influence and stability in the market.
- Investment Profits: While market volatility remains a risk, Berkshire's diversified portfolio and long-term investment strategy are expected to maintain consistent profitability.

- Strategic Acquisitions: There is potential for strategic acquisitions or investments that could further enhance Berkshire's portfolio and revenue streams.

By focusing on these areas, Berkshire Hathaway can continue to maintain its position as a stable and profitable conglomerate.