

## Berkshire

\$10 billion Precision Castparts impairment. Paid \$31 billion for it.

Approximately \$5.1 billion was used to repurchase Berkshire shares during the second quarter bringing the six month total to \$6.7 billion. At June 30, 2020, insurance float (the net liabilities we assume under insurance contracts) was approximately \$131 billion, an increase of \$2 billion since yearend 2019.

Pretty good given the environment – operating earnings not far from 2019. Don't get confused by the accounting for stock prices going up and down and the impairment.

An analysis of Berkshire's operating earnings follows (dollar amounts are in millions).

	<u>Second Quarter</u>		<u>First Six Months</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Insurance-underwriting*.....	\$ 806	\$ 353	\$ 1,169	\$ 742
Insurance-investment income.....	1,368	1,366	2,754	2,603
Railroad, utilities and energy.....	1,764	1,945	3,515	3,803
Other businesses.....	1,449	2,487	3,487	4,687
Other.....	<u>126</u>	<u>(12)</u>	<u>498</u>	<u>(141)</u>
Operating earnings.....	<u>\$ 5,513</u>	<u>\$ 6,139</u>	<u>\$11,423</u>	<u>\$11,694</u>

So, it is likely over the long-term BRK will keep earning approximately \$24 billion in operating earnings from the businesses, then we have the hidden earnings from the companies owned, the growth etc.

So, let's say \$32 billion earnings – likely growth ahead of 5% plus 4% buyback yield. So, expected return now is around 7 to 8%.

Cash pile remains huge

**Part I Financial Information**  
**Item 1. Financial Statements**  
**BERKSHIRE HATHAWAY INC.**  
**and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**  
*(dollars in millions)*

	June 30, 2020 (Unaudited)	December 31, 2019
<b>ASSETS</b>		
<b>Insurance and Other:</b>		
Cash and cash equivalents*	\$ 32,318	\$ 61,151
Short-term investments in U.S. Treasury Bills	110,518	63,822
Investments in fixed maturity securities	19,210	18,685
Investments in equity securities	207,454	248,027
Equity method investments	17,132	17,505
Loans and finance receivables	18,175	17,527
Other receivables	33,546	32,418
Inventories	19,277	19,852
Property, plant and equipment	21,122	21,438
Equipment held for lease	14,887	15,065
Goodwill	47,034	57,052
Other intangible assets	29,847	31,051
Deferred charges under retroactive reinsurance contracts	13,193	13,747
Other	14,021	13,232
	<u>597,734</u>	<u>630,572</u>
<b>Railroad, Utilities and Energy:</b>		
Cash and cash equivalents*	3,756	3,024
Receivables	3,220	3,417
Property, plant and equipment	138,780	137,838
Goodwill	24,719	24,830
Regulatory assets	2,989	2,881
Other	16,935	15,167
	<u>190,399</u>	<u>187,157</u>
	<u>\$ 788,133</u>	<u>\$ 817,729</u>

\* Cash and cash equivalents includes U.S. Treasury Bills with maturities of three months or less when purchased of \$10.9 billion at June 30, 2020 and \$37.1 billion at December 31, 2019.

*See accompanying Notes to Consolidated Financial Statements*

Nothing really to add except for the higher buyback activity. They can't buy much due to the liquidity of the stock.

\$30 billion of created value per year will likely give a return of around 7 to 9% on the current market capitalization of \$500 billion.

There will be some growth and buybacks from the earnings so to keep that in mind.

Old stable good Berkshire!.