



# EMPIRE

FINANCIAL RESEARCH

## BERKSHIRE HATHAWAY, UKRAINE, OBESITY, ANOREXIA & THE VALUE INVESTING SEMINAR ITALY

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VALUEx Klosters, February 2, 2023

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# OVERVIEW

- Berkshire Hathaway has everything we look for in a stock: it's safe, cheap, and growing at a healthy rate
  - Safe: Berkshire's huge hoard of liquid assets, the quality and diversity of its businesses, the fact that much of its earnings aren't tied to the economic cycle, and the conservative way in which it's managed all protect Berkshire's intrinsic value, while the share repurchase program provides downside protection to the stock
  - Cheap: today the stock is 15% below intrinsic value (without giving any credit to immense optionality), with 34% upside over the next year
  - Growing: intrinsic value is growing at roughly 8% annually

# THE BERKSHIRE HATHAWAY EMPIRE TODAY



Largest Stakes in Public Companies (\$B)

Company	Shares (M)	Price	Value (\$B)
Apple	915.2	\$145.43	\$133.1
Bank of America	1,032.9	\$35.92	\$37.1
Chevron	169.7	\$171.36	\$29.1
American Express	151.6	\$173.61	\$26.3
Coca-Cola	400.0	\$61.33	\$24.5
Kraft Heinz	325.6	\$40.54	\$13.2
Occidental Petroleum	194.4	\$63.50	\$12.3
Moody's	24.7	\$323.27	\$8.0
Taiwan Semiconductor	60.1	\$94.74	\$5.7
BYD	153.3	\$33.50	\$5.1
Activision Blizzard	60.1	\$76.70	\$4.6
HP	121.0	\$29.87	\$3.6
Bank of NY Mellon	62.5	\$50.80	\$3.2
Itochu	98.4	\$31.88	\$3.1
DaVita	36.1	\$84.81	\$3.1
Others			\$34.6
<b>TOTAL</b>			<b>\$346.7</b>

Notes: Stock prices as of 2/1/23.

DESPITE BEING VERY CONSERVATIVELY POSITIONED, BERKSHIRE HAS MODESTLY OUTPERFORMED THE LONG BULL MARKET THAT BEGAN IN MARCH 2009



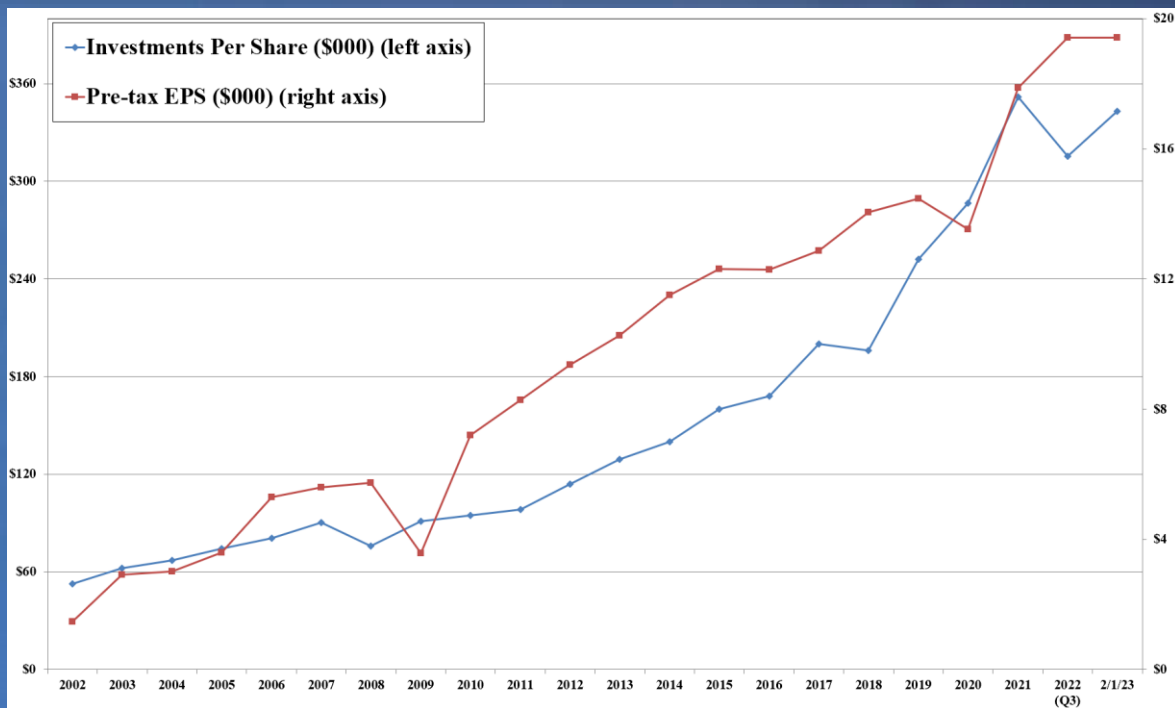
## BERKSHIRE UNDERPERFORMED IN THE FIRST 11 MONTHS AFTER THE PANDEMIC CRASH LOW, AS GROWTH STOCKS LIKE ARKK SOARED



AS THE GROWTH STOCK BUBBLE BURST, BERKSHIRE HAS  
DRAMATICALLY OUTPERFORMED IN THE PAST TWO YEARS



# BERKSHIRE'S EARNINGS AND INVESTMENTS PER SHARE HAVE STEADILY RISEN

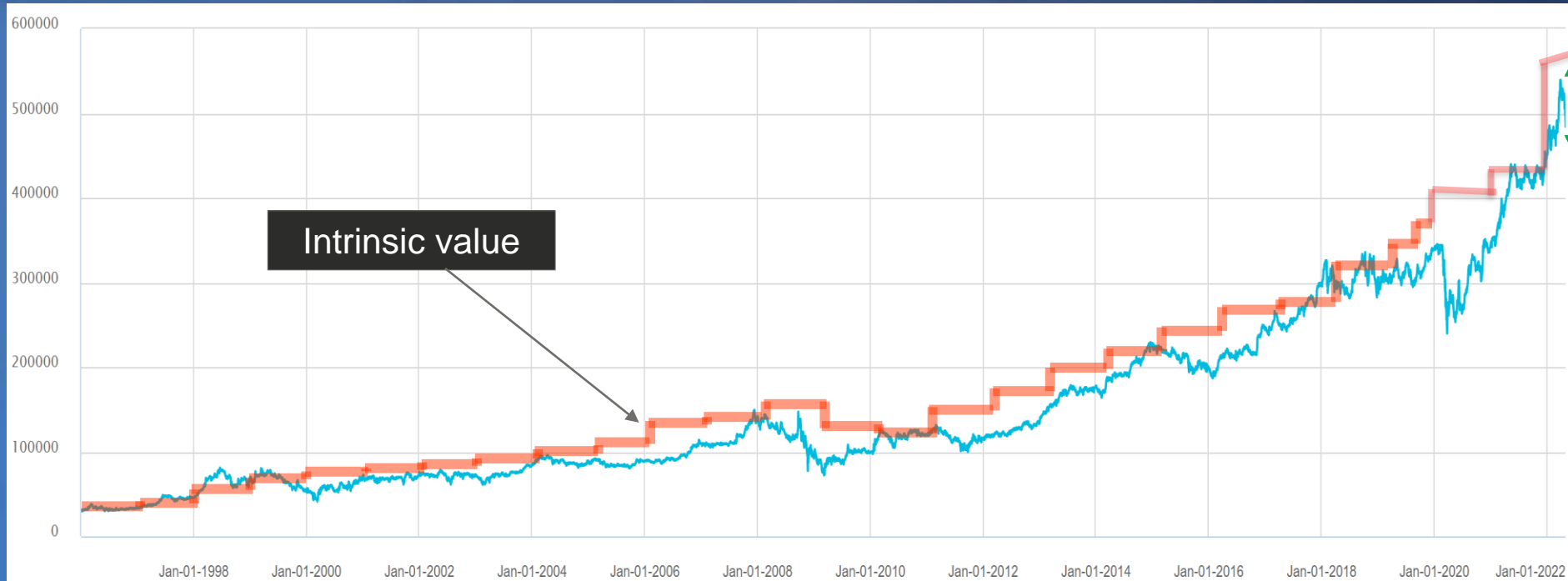


# BERKSHIRE'S INTRINSIC VALUE

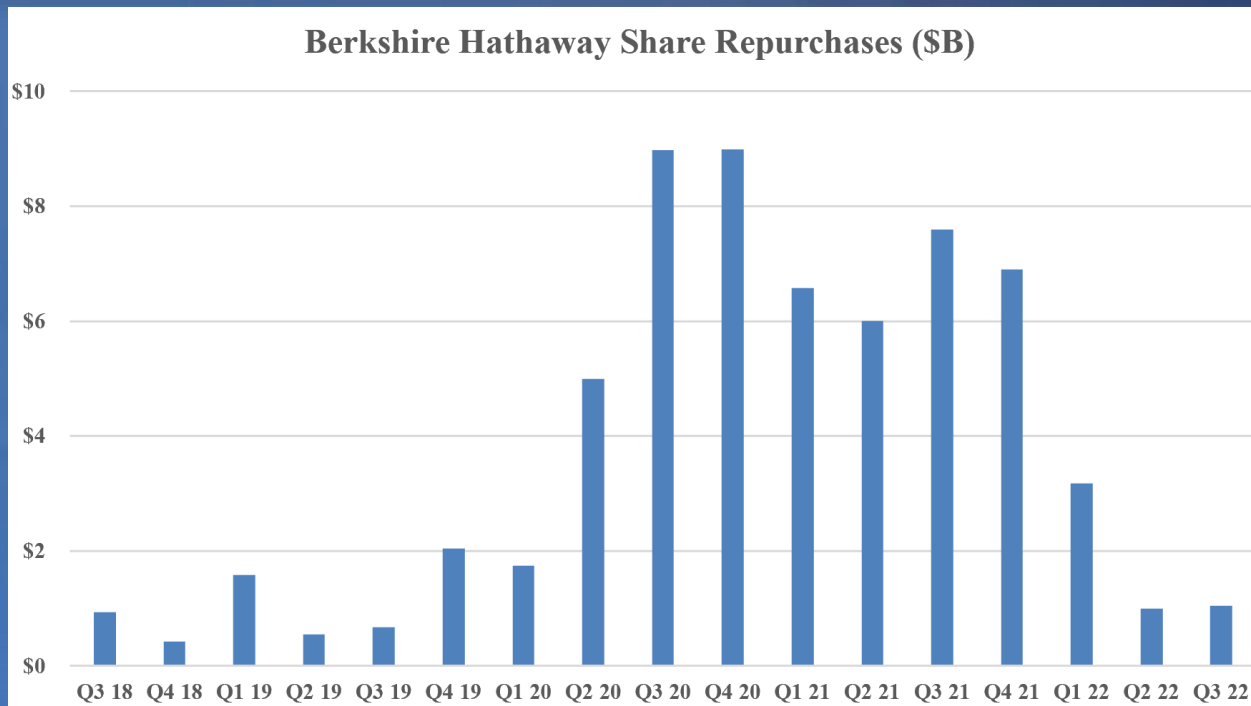
<u>Year End</u>	<u>Cash and Investments Per Share (000)</u>	<u>Pre-tax EPS Excluding All Income From Investments (\$B)</u>	<u>Intrinsic Value Per Share</u>	<u>Subsequent Year Stock Price Range</u>
2002	\$53	\$1.5	\$70,255	\$60,600-\$84,700
2003	\$62	\$2.9	\$97,217	\$81,000-\$95,700
2004	\$67	\$3.0	\$103,003	\$78,800-\$92,000
2005	\$74	\$3.6	\$117,329	\$85,700-\$114,200
2006	\$81	\$5.3	\$144,236	\$107,200-\$151,650
2007	\$90	\$5.6	\$157,543	\$84,000-\$147,000
2008	\$76	\$5.7	\$121,728	\$70,050-\$108,100
2009	\$91	\$3.6	\$119,659	\$97,205-\$128,730
2010	\$95	\$7.2	\$152,330	\$98,952-\$131,463
2011	\$98	\$8.3	\$181,158	\$114,500-\$134,060
2012	\$114	\$9.4	\$207,460	\$139,610-\$178,275
2013	\$129	\$10.3	\$231,814	\$163,038-\$229,374
2014	\$140	\$11.5	\$255,153	\$192,200-\$224,880
2015	\$160	\$12.3	\$282,829	\$189,640-\$249,711
2016	\$168	\$12.3	\$290,940	\$240,280-\$299,360
2017	\$200	\$12.9	\$341,377	\$279,410-\$335,900
2018	\$196	\$14.0	\$350,591	\$287,000-\$340,380
2019	\$252	\$14.5	\$411,383	\$240,000-\$307,638
2020	\$287	\$13.5	\$435,463	\$341,000-\$488,000
2021	\$352	\$17.9	\$548,421	\$393,000-\$544,000
2022 (Q3)	\$315	\$19.4	\$528,732	?
2/1/23	\$343	\$19.4	\$556,364	?

1. For EPS, we subtract each year's insurance earnings, which can fluctuate widely, but then add back the average annual earnings from Berkshire's insurance businesses over the past decade of \$1.4 billion.
2. Historically we believe Buffett used a 12x multiple, but given compressed multiples during the downturn, we used 8x in 2008-2010 , 10x from 2011-2016, and 11x since then.

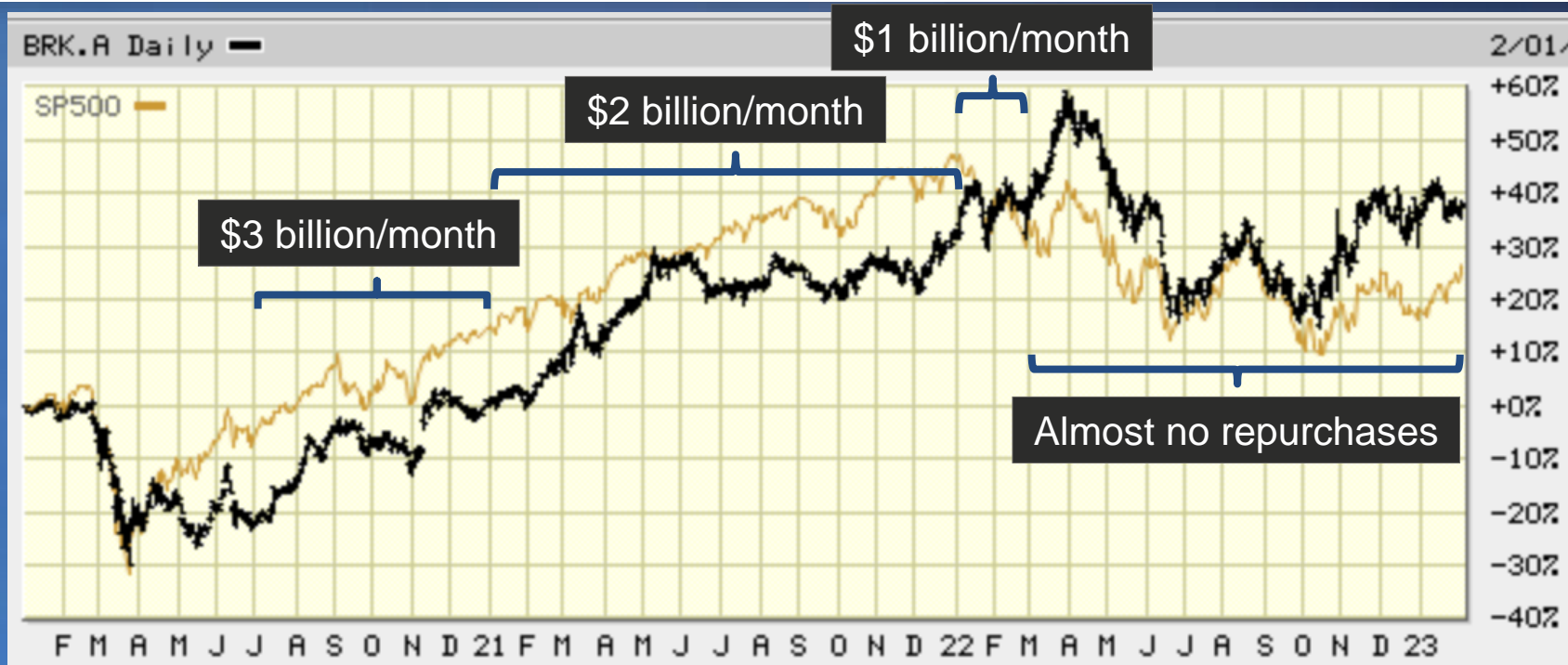
# BERKSHIRE IS TRADING 15% BELOW ITS INTRINSIC VALUE TODAY



# BUFFETT HAS BOUGHT BACK 10% OF BERKSHIRE'S STOCK SINCE THE END OF 2019



# BUFFETT'S REPURCHASES ARE HIGHLY PRICE DEPENDENT



# 12-MONTH INVESTMENT RETURN

- Current intrinsic value: \$556,000/share
- Plus 8% annual growth of intrinsic value of the business
- Plus 3% share repurchases
- Plus ~\$10,000/share cash build over next 12 months
- Equals intrinsic value in one year of ~\$629,000
- 34% above today's price

# THE HIGHEST ROI INVESTMENT IN THE WORLD

## GENERATORS FOR UKRAINE

- One \$50,000-\$100,000 generator can provide electricity, water, or heat for 100,000-300,000 people
- Howard Buffett has been to Ukraine four times in the last year (meeting Zelensky once), and his foundation has given ~\$100 million, including \$30 million of heavy-duty generators



# BIG GENERATORS

Generators can be delivered within two weeks, are mobile, and maintain their value



# SOLDIERS IN THE TRENCHES NEED ECOFLOWS

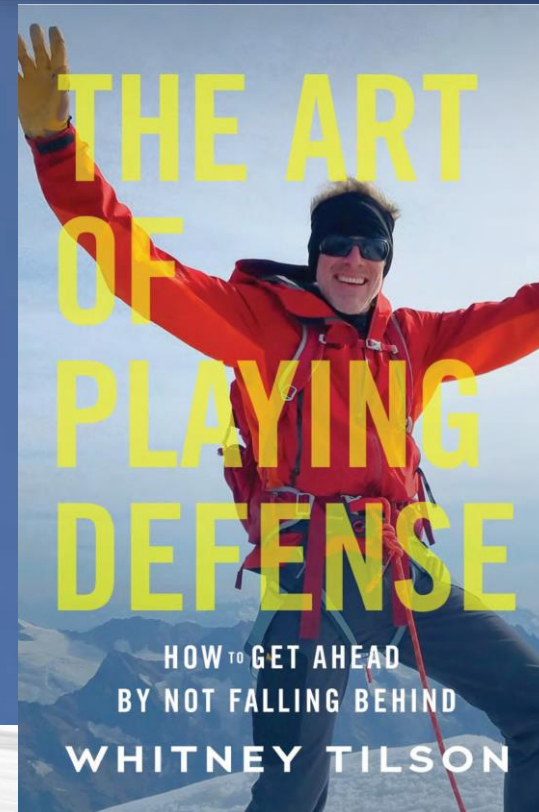
- Cost \$1,000 in the U.S.; ~\$1,500 in Europe; ~\$2,000 in Ukraine

EcoFlow DELTA Portable  
Power Station



# I GAVE A TALK HERE FIVE YEARS AGO ON “THE FIVE CALAMITIES THAT CAN DESTROY YOUR LIFE – AND HOW TO AVOID THEM”

- Focused on “The 12 Questions to Ask Before You Marry Someone” and how to maintain a healthy marriage
- Led me to write a book:



# CALAMITY: HAVING YOUR BODY BREAK DOWN

- Book excerpt:

Having your body break down prematurely is a genuine calamity. Most people don't take care of their bodies—more than two-thirds of Americans are overweight, and 40% are obese. As a result, as they age, they often suffer years of pain and disability and die years before they should.

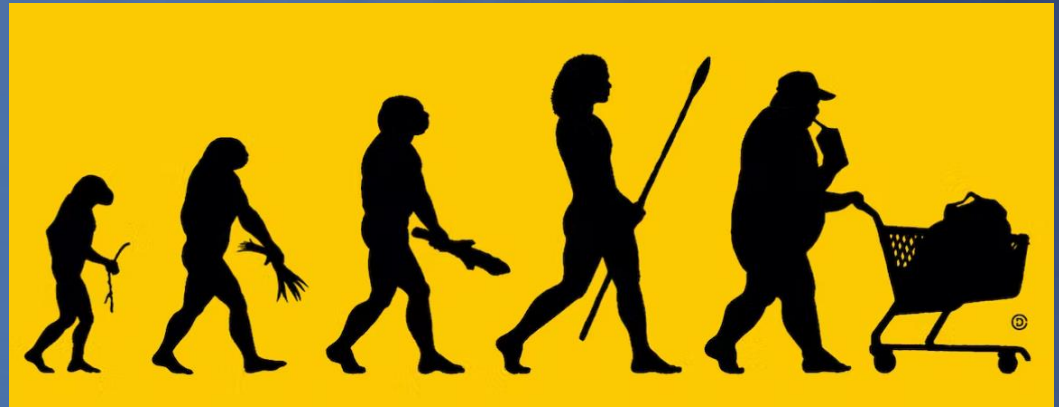
Buffett gives a wonderful analogy: “If you were only given one car and you had to make it last for your entire life, imagine how you'd treat it: you'd drive it slowly and carefully, change the oil regularly, etc.”

Yet most people do the opposite with their bodies: they stuff it full of sugar and fat, poison it with drugs, cigarettes, and excess amounts of alcohol, and do little to no exercise.

If you take nothing else from this book, vow to treat your body better.

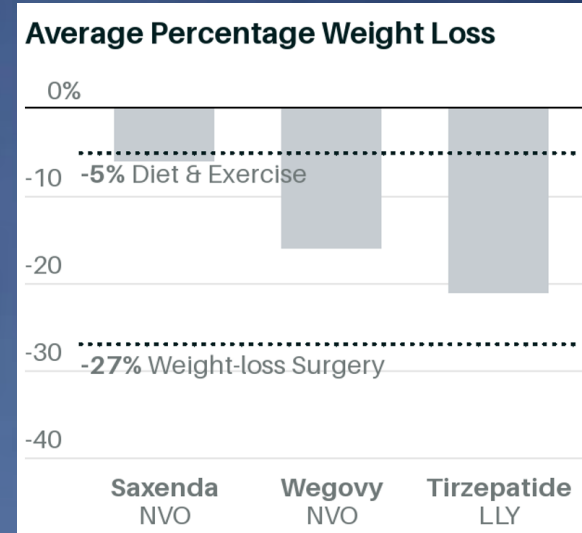
# THERE IS A GLOBAL OBESITY EPIDEMIC

- 71% of Americans are overweight (29%) or obese (42%)
- Global obesity rate has tripled since 1975
- Accounts for 8-14% of healthcare spending in developed countries
- Causes 3-5 million deaths worldwide every year



# THE MIRACULOUS NEW WEIGHT-LOSS DRUGS

- Two primary options:
  - Semaglutide (Novo Nordisk), sold under the names Wegovy and Ozempic
  - Tirzepatide (Lilly), sold under the name Mounjaro (works better with few side effects)
- The drugs not only suppress appetite, but appear to affect brain chemistry to reduce food cravings
- A study of obese adolescents showed that those on these drugs lost an average of 35 pounds in a year (!) while the control group gained an average of 5 pounds...
- A half dozen of my friends are on it and have seen incredible results:
  - 280 pounds to 205 and 275 to 230 in a year; 248 to 218 and 230 to 186 in six months; 269 to 244 in two months
  - Only one has had average results: losing 5 pounds in the first two months
  - One friend said, “It’s the best anti-depressant I’ve ever taken!”



# ELON MUSK IS ON OZEMPIC



HOME > HEALTH

## Elon Musk says he used a popular weight-loss drug to get 'fit, ripped, and healthy'

Anna Medaris Oct 12, 2022, 11:48 AM



# THERE IS A GLOBAL EPIDEMIC OF ANXIETY AND DEPRESSION, ESPECIALLY AMONG YOUTH

- Hospital admissions due to self-harm jumped 50% for 15-19-year-old girls and *tripled* for 10-14-year-old girls between 2009 and 2015
- The youth suicide rate has increased 56% in a decade
- Teen suicide has skyrocketed — up 77% for older teen girls and up 151% for younger teens
- Possible cause: teens who are on social media for 5+ hours a day are twice as likely to be depressed than those who are on for less than an hour

# THE iPHONE AND THE RISE OF SOCIAL MEDIA

DEPRESSION AND SUICIDE HAVE ONLY INCREASED AMONG THOSE AGE 25 AND UNDER

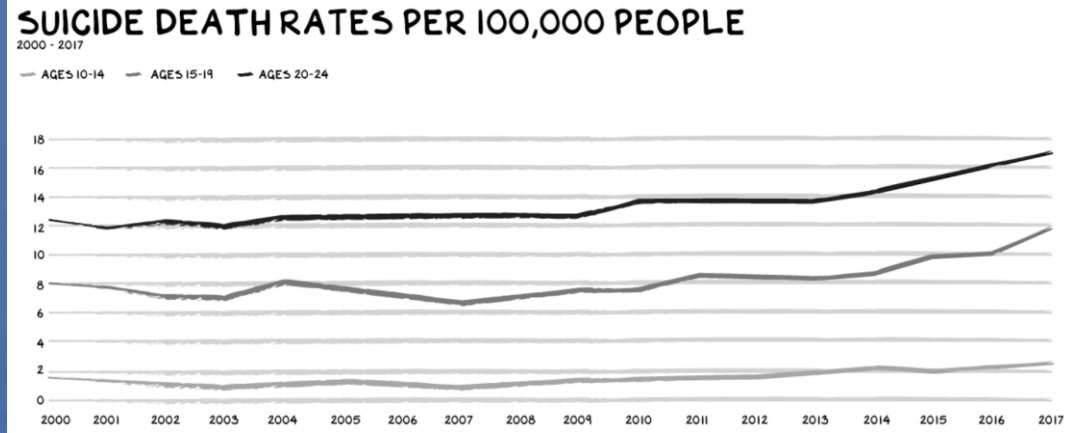
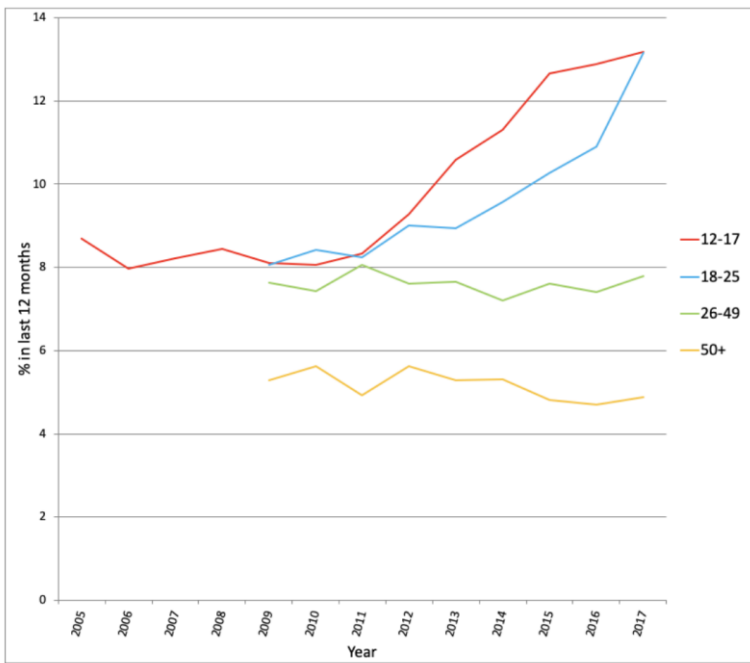
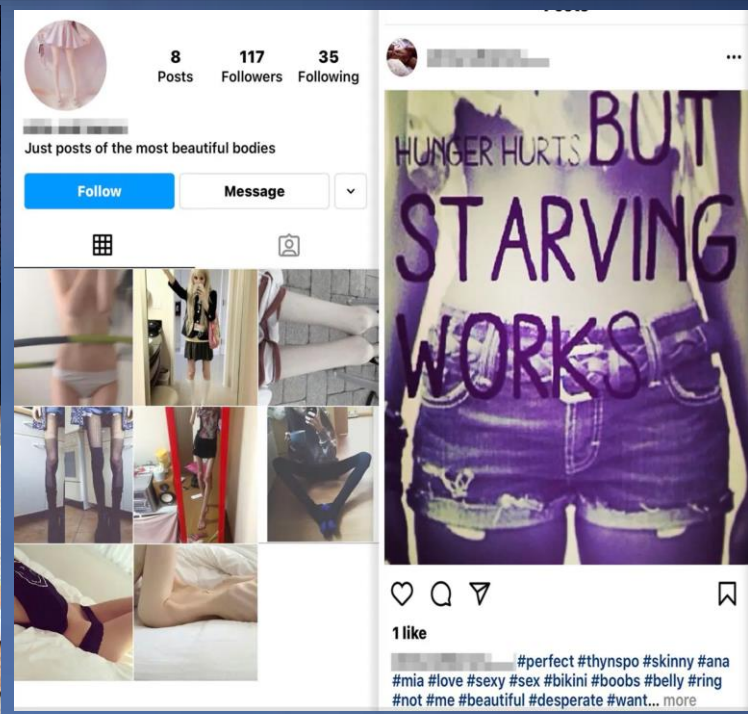
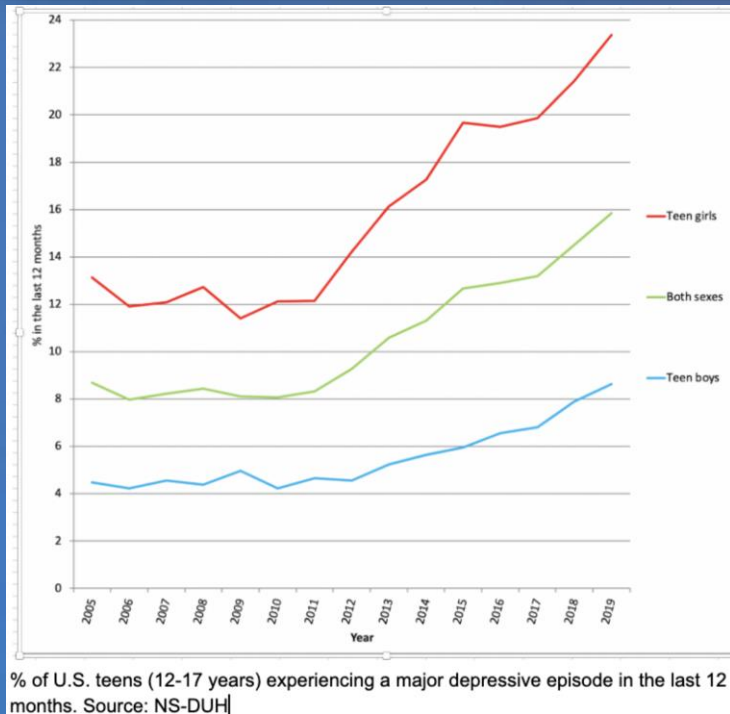


Figure 1: Major depressive episode in the last 12 months, by age group, 2005-2017

# TEENAGE GIRLS ARE AT GREATEST RISK FOR DEPRESSION AND EATING DISORDERS



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