

# [Berkshire hathaway essay](https://assignbuster.com/berkshire-hathaway-essay/)

Berkshire Hathaway From Wikipedia, the free encyclopedia Jump to: navigation, search Berkshire Hathaway Inc. Type Public (NYSE: BRKA, NYSE: BRKB) Founded1839 (as Valley Falls Company) Founder Warren Buffett Headquarters Omaha, Nebraska Area servedUSA Key peopleWarren E. Buffett (Chairman) & (CEO) Charles T. Munger (Vice Chairman) Industry Property and casualty insurance, Diversified investments Products Conglomerate focused on insurance Market cap US$ 196 Billion (2008) Revenue ^ US$ 118. 245 Billion (2007) Operating income ^ US$ 20.

161 Billion (2007) Net income US$ 13. 213 Billion (2007) Total assets ^ US$ 273. 160 Billion (2007) Total equity ^ US$ 120. 733 Billion (2007) Employees 233, 000 (mostly in subsidiaries) (2008) Website www. berkshirehathaway. com Berkshire Hathaway (NYSE: BRKA for supervoting shares and NYSE: BRKB for nonvoting shares) is a conglomerate holding company headquartered in Omaha, Nebraska, U.

S. , that oversees and manages a number of subsidiary companies. Berkshire Hathaway’s core business is insurance, including property and casualty insurance, reinsurance and specialty nonstandard insurance. The Company averaged an annual return in excess of 21% to its shareholders for the last 42 years while employing large amounts of capital and minimal debt. [citation needed] Warren Buffett is the company’s chairman and CEO.

Buffett has used the “ float” provided by Berkshire Hathaway’s insurance operations (a policyholder’s money which it holds temporarily until claims are paid out) to finance his investments. In the early part of his career at Berkshire, he focused on long-term investments in publicly quoted stocks, but more recently he has turned to buying whole companies. Berkshire now owns a diverse range of businesses including candy production; retail, home furnishings, encyclopedias, vacuum cleaners, jewelry sales; newspaper publishing; manufacture and distribution of uniforms; manufacture, import and distribution of footwear; as well as several regional electric and gas utilities. Contents [hide] •1 History •2 Berkshire facts •3 Corporate governance •4 Financials •5 Holdings o5. 1 Insurance and finance subsidiaries o5.

2 Other subsidiaries •6 Berkshire Hathaway businesses o6. 1 Insurance and reinsurance businesses o6. 2 Non-insurance businesses 6. 2. 1 Apparel ? 6. 2.

2 Building products ? 6. 2. 3 Flight services ? 6. 2. 4 Retail businesses ? 6. 2.

5 Other non-insurance businesses o6. 3 Common stock holdings o6. 4 Companies with a “ beneficial owner” relationship •7 Regulatory filings •8 External links •9 References [edit] History Berkshire Hathaway traces its roots to a textile manufacturing company established by Oliver Chace in 1839 as the Valley Falls Company in Valley Falls, Rhode Island. Chace had previously worked for Samuel Slater, the founder of the first successful textile mill in America. Chace founded his first textile mill in 1806.

In 1929 the Valley Falls Company merged with the Berkshire Cotton Manufacturing Company established in 1889, in Adams, Massachusetts. The combined company was known as Berkshire Fine Spinning Associates. [1] Hathaway Mills, New Bedford, Mass. In 1955 Berkshire Fine Spinning Associates merged with the Hathaway Manufacturing Company which was founded in 1888 in New Bedford, Massachusetts by Horatio Hathaway.

Hathaway was successful in its first decades, but it suffered during a general decline in the textile industry after World War I. At this time, Hathaway was run by Seabury Stanton, whose investment efforts were rewarded with renewed profitability after the Depression. After the merger, Berkshire Hathaway had 15 plants employing over 12, 000 workers with over $120 million in revenue and was headquartered in New Bedford, Massachusetts. However, seven of those locations were closed by the end of the decade, accompanied by large layoffs. In 1962, Warren Buffett began buying stock in Berkshire Hathaway.

After some clashes with the Stanton family, he bought up enough shares to change the management and soon controlled the company. Buffett initially maintained Berkshire’s core business of textiles, but by 1967, he was expanding into the insurance industry and other investments. Berkshire first ventured into the insurance business with the purchase of National Indemnity Company. In the late 1970s, Berkshire acquired an equity stake in the Government Employees Insurance Company (GEICO), which forms the core of its insurance operations today (and is a major source of capital for Berkshire Hathaway’s other investments). In 1985, the last textile operations (Hathaway’s historic core) were shut down. edit] Berkshire facts Berkshire’s Class A shares sold for $125, 000 as of September 16, 2008, making them the highest-priced shares on the New York Stock Exchange, in part because they have never had a stock split.

Shares closed over $100, 000 for the first time October 23, 2006. Berkshire Class B shares trade at a fraction (1/30) of the Class A prices. Despite its size, Berkshire is not included in broad stock market indices such as the S&P 500. Berkshire’s CEO, Warren Buffett, is respected for his investment prowess and his deep understanding of a wide spectrum of businesses. His annual chairman letters are read and quoted widely.

Barron’s Magazine named Berkshire the most respected company in the world in 2007 based on a survey of American money managers. [2] As of 2005, Buffett owned 38% of Berkshire Hathaway. Berkshire’s Vice-Chairman Charlie Munger also holds a stake big enough to make him a billionaire, and early investments in Berkshire by David Gottesman and Franklin Otis Booth resulted in their becoming billionaires as well. Bill Gates’ Cascade Investments LLC is the second largest shareholder of Berkshire and owns more than 5% of class B shares. Berkshire Hathaway is notable in that it has never split its shares, which not only contributed to their high per-share price but also significantly reduced the liquidity of the stock. This refusal to split the stock reflects the management’s desire to attract long-term investors as opposed to short-term speculators.

However, Berkshire Hathaway has created a Class B stock, with a per-share value kept (by specific management rules) close to 1/30th of that of the original shares (now Class A) and 1/200th of the per-share voting rights. Holders of Class A stock are allowed to convert their stock to Class B, though not vice versa. Buffett was reluctant to create the Class B shares, but did so to thwart the creation of unit trusts that would have marketed themselves as Berkshire look-alikes. As Buffett said in his 1995 shareholder letter: “ The unit trusts that have recently surfaced fly in the face of these goals. They would be sold by brokers working for big commissions, would impose other burdensome costs on their shareholders, and would be marketed en masse to unsophisticated buyers, apt to be seduced by our past record and beguiled by the publicity Berkshire and I have received in recent years. The sure outcome: a multitude of investors destined to be disappointed.

” Berkshire’s annual shareholders’ meetings, taking place in the Qwest Center in Omaha, Nebraska, are routinely visited by 20, 000 people. [3] The 2007 meeting had an attendance of approximately 27, 000. The meetings, nicknamed “ Woodstock for Capitalists”, are considered Omaha’s largest annual event along with the baseball College World Series. [4] Known for their humor and light-heartedness, the meetings typically start with a movie made for Berkshire shareholders. The 2004 movie featured Arnold Schwarzenegger in the role of “ The Warrenator” who travels through time to stop Buffett and Munger’s attempt to save the world from a “ mega” corporation formed by Microsoft-Starbucks-Wal-Mart.

Schwarzenegger is later shown arguing in a gym with Buffett regarding Proposition 13. [5] The 2006 movie depicted actresses Jamie Lee Curtis and Nicollette Sheridan lusting after Munger. [6] The meeting is also an opportunity for investors to ask Mr. Buffett questions, which is scheduled to last six hours.

The salary for the CEO is US$100, 000 per year with no stock options, which is among the lowest salaries[7] for CEOs of other large companies in the United States. [8] [edit] Corporate governance Current members of the board of directors of Berkshire Hathaway are: Howard Graham Buffett, Warren Buffett, Susan Decker, Bill Gates, David Gottesman, Charlotte Guyman, Donald Keough, Charlie Munger, Thomas S. Murphy, Ronald Olson, and Walter Scott Jr. [edit] Financials •Cash and cash equivalents at December 31, 2007: USD 44. 329 billion •Equity investments at December 31, 2007: USD 74.

99 billion •Total shareholders’ equity at December 31, 2007: USD 120. 733 billion •Revenue for 2007: USD 118. 245 billion •Net earnings for 2007: USD 13. 213 billion •Income taxes for 2007: USD 6.

594 billion [edit] Holdings Main article: List of assets owned by Berkshire Hathaway [edit] Insurance and finance subsidiaries •GEICO •General Re •Kansas Bankers Surety Company •National Indemnity Company •Wesco Financial Corporation •Applied Underwriters Inc. •Medical Protective •Nederlandse Reassurantie Groep •Berkshire Hathaway Assurance [edit] Other subsidiaries •Acme Brick Company Ben Bridge Jeweler •Benjamin Moore Paints •Borsheim’s Fine Jewelry •Brooks Sports, Inc. •Business Wire •Clayton Homes •Cort Furniture •Dairy Queen •FlightSafety International •Forest River •Fruit of the Loom •Helzberg Diamonds •HH Brown Shoe Group •ISCAR Metalworking •Jordan’s Furniture •Justin Brands Inc. •Marmon Holdings Inc •McLane Company •Mouser Electronics •Nebraska Furniture Mart •NetJets •The Pampered Chef •Richline Group •Russell Corporation •See’s Candies •Shaw Industries •R.

C. Willey Home Furnishings •TTI, Inc. •World Book •Xtra Lease [edit] Berkshire Hathaway businesses edit] Insurance and reinsurance businesses Insurance and reinsurance business activities are conducted through more than 50 domestic and foreign-based insurance companies. Berkshire’s insurance businesses provide insurance and reinsurance of property and casualty risks primarily in the United States.

In addition, as a result of the General Re acquisition in December 1998, Berkshire’s insurance businesses also included life, accident and health reinsurers, as well as internationally-based property and casualty reinsurers. Berkshire’s insurance companies maintain capital strength at exceptionally high levels. This strength differentiates Berkshire’s insurance companies from their competitors. Collectively, the aggregate statutory surplus of Berkshire’s U. S.

based insurers was approximately $48 billion at December 31, 2004. All of Berkshire’s major insurance subsidiaries are rated AAA by Standard & Poor’s Corporation, the highest Financial Strength Rating assigned by Standard & Poor’s, and are rated A++ (superior) by A. M. Best with respect to their financial condition and operating performance. •GEICO — Berkshire acquired GEICO in January 1996. GEICO is headquartered in Chevy Chase, Maryland and its principal insurance subsidiaries include: Government Employees Insurance Company, GEICO General Insurance Company, GEICO Indemnity Company, and GEICO Casualty Company.

Over the past five years, these companies have offered primarily private passenger automobile insurance to individuals in 49 states and the District of Columbia. The subsidiaries market their policies primarily through direct response methods, in which applications for insurance are submitted directly to the companies by telephone, through the mail, or via the Internet. General Re — Berkshire acquired General Re in December 1998. General Re held a 91% ownership interest in Cologne Re as of December 31, 2004.

General Re subsidiaries currently conduct global reinsurance business in approximately 72 cities and provide reinsurance coverage worldwide. General Re operates the following reinsurance businesses: North American property/casualty, international property/casualty, which principally consists of Cologne Re and the Faraday operations, and life/health reinsurance. General Re’s reinsurance operations are primarily based in Stamford, Connecticut and Cologne, Germany. General Re is one of the largest reinsurers in the world based on net premiums written and capital. •NRG (Nederlandse Reassurantie Groep) — Berkshire acquired NRG, a Dutch life reinsurance company, from ING Group in December 2007. [9] •Berkshire Hathaway Assurance — Berkshire created a government bond insurance company to insure municipal and state bonds.

These type bonds are issued by local governments to finance public works projects such as schools, hospitals, roads, and sewer systems. Few companies are capable of competing in this area. [9] [edit] Non-insurance businesses [edit] Apparel Berkshire’s apparel businesses include manufacturers and distributors of a variety of clothing and footwear. Businesses engaged in the manufacture and distribution of clothing include Fruit of the Loom, Garan, Fechheimer Brothers and Russell Corporation. Berkshire’s footwear businesses include H.

H. Brown Shoe Group, Acme Boots and Justin Brands. •Berkshire acquired Fruit of the Loom on April 29, 2002 for $835 million in cash. Fruit of the Loom, headquartered in Bowling Green, Kentucky, is a vertically integrated manufacturer of basic apparel. •Berkshire acquired Russell Corporation on August 2, 2006 for $600 million or $18.

0 per share. [edit] Building products •In August 2000, Berkshire entered the building products business with the acquisition of Acme Building Brands. Acme, headquartered in Fort Worth, Texas, manufactures and distributes clay bricks (Acme Brick), concrete block (Featherlite) and cut limestone (Texas Quarries). •Berkshire acquired Benjamin Moore & Co. in December 2000.

Benjamin Moore, headquartered in Montvale, New Jersey, is a formulator, manufacturer and retailer of primarily architectural coatings, available principally in the United States and Canada. •Berkshire acquired Johns Manville in February 2001. JM has been serving the building products industry since 1885 and is a manufacturer of fiber glass wool insulation products for walls, attics and floors in homes and commercial buildings, as well as pipe, duct and equipment insulation products. •Berkshire acquired a 90% equity interest in MiTek Inc. in July 2001. MiTek is headquartered in Chesterfield, Missouri and makes engineered connector products, engineering software and services, and manufacturing machinery for the truss fabrication segment of the building components industry.

•Berkshire acquired Shaw Industries, Inc. n 2001. Shaw, headquartered in Dalton, Georgia, is the world’s largest carpet manufacturer based on both revenue and volume of production. Shaw designs and manufactures over 3, 000 styles of tufted and woven carpet and laminate flooring for residential and commercial use under about 30 brand and trade names and under certain private labels. •On August 7, 2003, Berkshire acquired Clayton Homes, Inc.

Clayton, headquartered near Knoxville, Tennessee, is a vertically integrated manufactured housing company. At year-end 2004, Clayton operated 32 manufacturing plants in 12 states. Clayton’s homes are marketed in 48 states through a network of 1, 540 retailers, 391 of which are company-owned sales centers. [edit] Flight services •In 1996, Berkshire acquired FlightSafety International Inc. FSI’s corporate headquarters is located at LaGuardia Airport in Flushing, New York. FSI engages primarily in the business of providing high technology training to operators of aircraft and ships.

FlightSafety is the world’s leading provider of professional aviation training services. •Berkshire acquired NetJets Inc. in 1998. NJ is the world’s leading provider of fractional ownership programs for general aviation aircraft.

In 1986, NJ created the fractional ownership of aircraft concept and introduced its NetJets program in the United States with one aircraft type. In 2004, the NetJets program operated 15 aircraft types. In late 1996, NJ expanded its fractional ownership programs to Europe via a joint venture arrangement which is now 100% owned by NJ. The fractional ownership of aircraft concept permits customers to acquire a specific percentage of a certain aircraft type and allows them to utilize the aircraft for a specified number of flight hours per annum.

[edit] Retail businesses The home furnishings businesses are the Nebraska Furniture Mart, R. C. Willey Home Furnishings, Star Furniture Company, and Jordan’s Furniture, Inc. •CORT Business Services Corporation was acquired in 2000 by an 80. 1% owned subsidiary of Berkshire and is the leading national provider of rental furniture, accessories and related services in the “ rent-to-rent” segment of the furniture rental industry.

[edit] Other non-insurance businesses •Marmon Holdings Inc on December 25, 2007. Privately held conglomerate owned by the Pritzker family for over fifty years. Owns and operates an assortment of manufacturing companies that produce railroad tank cars, plumbing pipes, metal fasteners, and wiring and water treatment products used in residential construction. [10] •Berkshire acquired McLane Company, Inc. in May 2003 from Wal-Mart Stores, Inc.

McLane provides wholesale distribution and logistics services in all 50 states and internationally in Brazil to customers that include discount retailers, convenience stores, quick service restaurants, drug stores and movie theatre complexes. Scott Fetzer Companies — The Scott Fetzer Companies are a diversified group of 21 businesses that manufacture and distribute a wide variety of products for residential, industrial and institutional use. The two most significant of these businesses are Kirby home cleaning systems and Campbell Hausfeld products. Scott Fetzer also manufactures Ginsu Knives. •The Buffalo News publishes one edition daily from its headquarters in Buffalo, New York. •Berkshire acquired XTRA in September 2001.

XTRA, headquartered in St. Louis, Missouri, s a leading transportation equipment lessor. XTRA manages a diverse fleet of approximately 105, 000 units, constituting a net investment of approximately $1 billion as of December 31, 2004. The fleet includes over-the-road and storage trailers, chassis, intermodal piggyback trailers and domestic containers. •See’s Candies produces boxed chocolates and other confectionery products in two large kitchens in California. See’s revenues are highly seasonal with approximately 50% of total annual revenues being earned in the months of November and December.

Dairy Queen International services a system of approximately 6, 000 stores operating under the names Dairy Queen, Orange Julius and Karmelkorn that offer various dairy desserts, beverages, prepared foods, blended fruit drinks, popcorn and other snack foods. •In 2002, Berkshire acquired Albecca Inc. Albecca is headquartered in Norcross, Georgia, and primarily does business under the Larson-Juhl name. Albecca designs, manufactures and distributes custom framing products, including wood and metal moulding, matboard, foamboard, glass, equipment and other framing supplies. Berkshire acquired CTB International Corp.

in 2002. CTB, headquartered in Milford, Indiana, is a designer, manufacturer and marketer of systems used in the grain industry and in the production of poultry, hogs, and eggs. Products are produced in the United States and Europe and are sold primarily through a global network of independent dealers and distributors, with peak sales occurring in the second and third quarters. •In 2002 Berkshire acquired The Pampered Chef, LTD, the largest direct seller of kitchen tools in the United States.

Products are researched, designed and tested by TPC, and manufactured by third party suppliers. From its Addison, Illinois headquarters, TPC utilizes a network of more than 65, 000 independent sales representatives to sell its products through home-based party demonstrations, principally in the United States. •Berkshire currently holds 83. 7% (80. 5% on a fully-diluted basis) of the MidAmerican Energy Holdings Company. At the time of purchase, Berkshire’s voting interest was limited to 10% of the company’s shares, but this restriction ended when the Public Utility Holding Company Act of 1935 was repealed in 2005.

A major subsidiary of MidAmerican is CE Electric UK. [edit] Common stock holdings This includes outstanding stock as reported in the last SEC EDGAR filing (Form 13F), and the latest annual report. •American Express Co. (13. 1%) •Anheuser-Busch Cos.

(4. 8%) •Bank of America •Burlington Northern Santa Fe Corporation (17. 5%) •Carmax (10%) •The Coca-Cola Company (8. 6%) •Comcast •Comdisco (38%) •ConocoPhillips (sold out in 2008) •Costco Wholesale •Diageo PLC •Gannett •General Electric •GlaxoSmithKline •Goldman Sachs •The Home Depot •H&R Block Inc. (sold out in 2007) Ingersoll Rand •Iron Mountain •Johnson & Johnson (2. 2%) •Kraft Foods (8.

1%) •Lexmark International (sold out in 2006) •Lowe’s Companies •M Bank (6. 1%) •MidAmerican (83. 7%) •Moody’s Corporation (19. 1%) •Mueller Industries (sold out in 2006) •NRG Energy •Nike •Norfolk Southern Corp.

•Outback Steakhouse •PetroChina (sold out in 2007) •Pier 1 Imports (sold out in 2007) •Posco (4. 5%) •Procter & Gamble Co. (3. 3%) •Sanofi-Aventis (1. 3%) •Sealed Air (sold out in 2006) •ServiceMaster •Shaw Communications •SunTrust Banks •Tesco (2. 9%) •Torchmark (3.

2%) Tyco International (sold out in 2008) •UnitedHealth Group •Union Pacific Railroad •United Parcel Service •USG (19. 0%) •U. S. Bancorp (4. 4%) •WABCO •Wal-Mart Stores Inc. (0.

5%) •The Washington Post Company (18. 2%) •Wells Fargo (9. 2%) •Wellpoint •Wesco Financial Corporation (80%) •White Mountains Insurance (sold out in 2008) [edit] Companies with a “ beneficial owner” relationship This includes some of the companies where a Berkshire Hathaway stake is 5% or more of the outstanding stock, as reported in the last proxy statement SEC filing, and the latest annual report. In order of percentage stake: •Moody’s Corporation (19. 1%) •The Washington Post Company (18. 2%) •Burlington Northern Santa Fe Corp.

(17. 5%) •American Express (13. 1%) •Wells Fargo (9. 2%) •The Coca-Cola Company (8.

6%) [edit] Regulatory filings •SEC. gov – Berkshire Hathaway, Inc. (BRK. A) – EDGAR Filings (CIK: 0001067983) the EDGAR database •SEC. gov – Wesco Financial Corp (WSC) – EDGAR Filings (CIK: 0000105729) the EDGAR database •SEC. gov – Warren E.

Buffett – EDGAR Filings (CIK: 0000315090) the EDGAR database •SEC. gov – Charles T. Munger – EDGAR Filings (CIK: 0001078511) the EDGAR database [edit] External links •Berkshire Hathaway Official Website – Source for annual reports, which include Berkshire Hathaway Shareholder Letters by Warren Buffett. •Yahoo! – Berkshire Hathaway Inc. Company Profile •List of Berkshire Hathaway holdings •Berkshire Hathaway vs S 500 charts and table •Berkshire Hathaway’s most recent holdings [edit] References 1.

^ Providence Journal Article July 10, 2006 2. ^ Associated Press. Warren Buffett’s Berkshire Hathaway named most respected company. September 16, 2007. 3.

^ Taipei Times 4. ^ CNN 5. ^ [1] 6. ^ [2] 7.

^ Warren Buffett: Value Man Through And Through – Forbes. com 8. ^ Buffett on Berkshire, compensation and successors – May. 5, 2007 9.

^ a b Berkshire Hathaway to buy reinsurer, start bond insurer – MarketWatch 10. ^ http://www. berkshirehathaway. com/news/dec2507. pdf •Chairman’s Letter of 1990 Appendix B discusses Buffett’s hands-off management style.

^ •Krantz, Matt (15 March 2005). “ As company priorities shift, fewer get AAA debt rating”, USA Today.