



APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

Berkshire Hathaway HY 2026 Results

Share Price	\$516
Date	13 August 2026

RESULTS SUMMARY

Berkshire Hathaway's first-half 2026 results highlighted a pivot toward "new economy" equity investments and a return to net buying activity after years of accumulation. While higher claims at GEICO weighed on insurance underwriting, strong performance across the manufacturing, rail and energy businesses supported overall earnings growth.

Operating income increased 16.3% year-over-year, while insurance underwriting remained profitable at US\$3.45bn for the first half. GEICO faced pressure from higher claims and increased advertising spend. Elsewhere, BNSF Railway delivered a 9.5% increase in net earnings to US\$2.94bn, supported by improved West Coast import volumes and disciplined cost management. Berkshire Hathaway Energy's net earnings rose 11.5% to US\$2.01bn, while the MSR segment increased earnings by 15.1% to US\$7.67bn, driven by a 20.3% increase in manufacturing pre-tax profits.

Capital deployment was a key focus, with Berkshire becoming a net buyer of equities in 1H26 after 14 consecutive quarters of net selling. The group purchased US\$19.8bn of net equities in the second quarter, including a US\$10bn investment into Alphabet. Despite this increased deployment, cash and Treasury holdings remained substantial at US\$359.2bn at the end of June, providing significant flexibility for future investments. Berkshire also repurchased around US\$4.5bn of its own shares during the second quarter, with a further estimated US\$3.3bn repurchased in July.

With insurance float of around US\$177.5bn, a fortress balance sheet and significant liquidity, Berkshire Hathaway remains a diversified long-term compounder with strong downside protection. The transition to more active capital deployment under its new leadership could further enhance long-term earnings growth, while continued share repurchases provide additional support for shareholder returns.

OUR LONG-TERM INVESTMENT VIEW

- Berkshire is a diversified group including insurance, railroad, energy, manufacturing, and other consumer services. Each industry will likely benefit from a strong US macro environment
- Berkshire's operating businesses are managed on a decentralised basis, allowing management to take ownership of their business, with very few centralised business functions. This provides a level of autonomy that we believe is important in an investment holding business.
- Berkshire has a reputation for increasing its commercial value, and the group's competitive advantages across its insurance and non-insurance businesses will continue to drive long-term, sustainable growth, regardless of any acquisitions completed in the future.
- The group's substantial cash reserves should further support growth by enabling bolt-on and large acquisitions as well as continued investment in its equity investment portfolio, although activity in this regard is expected to be limited given market valuations.

UNPACKING THE HY 2026 RESULTS

High-level numbers

- Berkshire Hathaway reported robust 1H26 operating momentum as operating income reached \$12.98bn in the second quarter alone, representing a 16.3% increase year-over-year. This growth in operating results was driven by strong performance across non-insurance segments
- Insurance performance was characterized by a 3.6% increase in net underwriting earnings to

Results from operations

- **Insurance:** Underwriting earnings increased 3.6% y-o-y, primarily aided by the absence of significant catastrophe events compared to 1H25. However, GEICO's underwriting profit were 45% lower in Q2 due to higher claims frequency, severity, and increased advertising spend to regain market share. Underlying loss ratio rose to **76.6%**, above sell-side expectations of 75.0%, reflecting higher claims frequency and

\$3.4bn, aided by a lack of significant catastrophe events. However, insurance investment income fell 8.3% to \$5.7bn, reflecting the impact of lower short-term interest rates on the group's cash and Treasury holdings

- Liquidity remained a core structural strength, with cash, cash equivalents, and U.S. Treasury Bills totalling \$359bn at June 30, 2026. Capital deployment accelerated as the company spent \$9.4 billion to acquire OxyChem in January and authorized \$4.8 billion in share repurchases during the first half, signalling a move toward more aggressive cash utilization
- During the first half of 2026, **Berkshire Hathaway** executed approximately \$4.5bn in share repurchases during the second quarter, with an estimated additional \$3.3bn conducted in July.

Equity investment portfolio

- Berkshire Hathaway returned to being a net buyer of equities in 1H26, reversing a 14-quarter streak of net selling. The group purchased \$19.8bn in net equities during the second quarter alone, driven by \$23.5bn in purchases against just \$3.7bn in sales. This pivot came despite management's continued caution toward broader market valuations, as the conglomerate's cash and Treasury position remained exceptionally high at \$359.2bn at the end of June
- The listed portfolio remains highly concentrated, with the top five holdings now including Alphabet alongside core positions in Apple, American Express, Bank of America, and Coca-Cola. As of the end of the first quarter, Apple and American Express accounted for 22% and 16% of the portfolio value, respectively.
- The new \$10 billion stake in Alphabet represents a strategic move to close the performance gap versus technology-heavy indices
- Major portfolio adjustments included a \$4.5bn impairment recognized on Kraft Heinz in 2025, with Berkshire subsequently registering its 27.5% stake in the company for a potential sale in early 2026. The group also fully exited positions in Visa, Mastercard, and UnitedHealth during the first quarter. The sustained \$359.2bn liquidity buffer signals that while hurdles for new deployment remain high, management is increasingly willing to utilize its "war chest" for opportunistic acquisitions and large-scale buybacks when intrinsic value discounts emerge.

increased average claim severity

- **BNSF:** BNSF Railway delivered a 9.5% increase in net earnings for 1H26. Revenues rose 5% in the first quarter, driven by a 2.2% increase in carload volumes and a 2.8% rise in average revenue per car. Pre-tax operating income for the half reached \$3.88bn, as margin discipline and improved West Coast import traffic helped offset higher fuel costs.
- **Berkshire Hathaway Energy (BHE):** BHE reported a 11.5% rise in net earnings to \$2.01bn for 1H26, supported by strong performance in natural gas pipelines and U.S. utilities. Natural gas pipeline earnings grew 24.2% in the first quarter due to extreme cold weather and higher volumes. Pre-tax operating earnings for 1H26 totalled \$1.35bn, with long-term stability underpinned by a \$34bn three-year capital plan focused on electric transmission and data center load opportunities
- **Manufacturing, Services & Retail (MSR):** The MSR segment was a standout performer, with net earnings surging 15.1% in 1H26. Pre-tax earnings grew to \$10.08bn, driven primarily by the manufacturing group, which saw pre-tax profits rise 20.3%. Industrial products were bolstered by the acquisition of OxyChem and strong demand for aerospace components at PCC, while the retail group saw more modest earnings growth of 2.1%

Looking ahead

With no formal earnings guidance from Berkshire, the key focus for the remainder of 2026 will be how management deploys its substantial liquidity under CEO Greg Abel. The completion of the Taylor Morrison acquisition and the move into Alphabet provide early indications of a more active approach to capital allocation, with further opportunities likely to emerge across both public equities and acquisitions.

The bottom line

We expect Berkshire's diversified earnings base and financial strength to continue supporting steady compounding through different market environments. The shift towards more active capital deployment provides an additional potential source of earnings growth, while the group's valuation remains supported by its strong balance sheet and ability to generate cash organically. We continue to view Berkshire as a high-quality long-term compounder and a core holding in our clients' portfolios.