



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Company Spotlight (ABBV) + "Berkshire Double Jeopardy!" – May 3rd, 2019

Berkshire Company Spotlight: AbbVie (ABBV)

We believe shares of AbbVie are attractive. The company posted solid earnings and margins recently, but the market is clearly and rightly worried about run off from Humira, which is one of the most successful biotech drugs ever. While generics are a real threat, it's a very durable drug franchise with many applications, so AbbVie can probably finesse out more margin than the market expects. Humira generates about \$19 bill in high margin sales dwarfing its other drugs by a factor of 5. So new therapies will be critical to long term success but the copious cash flow from Humira will help finance R&D efforts. AbbVie's blood cancer drug, Imbruvica is ramping nicely and is expected to generate nearly \$4 billion in sales in the next 12 months and more than \$7 billion in 5 years. AbbVie's hepatitis C drug, is also off to a great start, showing superior efficacy, and favorable reimbursement rates. News flow relating to all of these drug existing franchises, as well entirely new ones could provide positive news catalysts.

The stock now yields approx. 5.40% and trades around 10 times 2019 earnings.

Free cash flow covers the current dividend by a wide margin

1 year dividend growth rate: 37.63%

3 year dividend growth rate: 23.41%

5 year dividend growth rate: 20.17%

Total dividends per share paid out 5 years: \$13.03

"Berkshire Double Jeopardy!"

With his aggressive style, James Holzhauer continues to clean up on Jeopardy! He's won 21 episodes straight and well over \$1.5MM in earnings.

Since advisors had such fun with Berkshire Jeopardy! last week, we thought we'd keep it going with Double Jeopardy!

Can you provide the right responses to these companies in the Berkshire portfolio? Please email us your responses!

- **Berkshire Stocks for \$200** – This company is the premier sponsor to the stadium that hosted the 2010 NFL Season Super Bowl (Home to the Dallas Cowboys)

- **Berkshire Stocks for \$400** – Headquartered in San Jose, CA, this company once had the highest market capitalization in the world during the dot-com bubble in 2000.

- **Berkshire Stocks for \$600** – If you are standing at the base of the Kuala Lumpur Tower in Malaysia, your likely to notice this US company's iconic emblem. The company's emblem is one of the most recognizable in the world.

- **Berkshire Stocks for \$800** – The founder of this mega-cap US company promised to do the hula on Wall Street if the company reached 8 percent pre-tax profit in 1983. He took to the street on March 15, 1983, wearing a grass skirt and a lei.

- **Berkshire Stocks for \$1000** – In 1865, Sir Joseph Lister becomes the first surgeon to perform an operation in a chamber sterilized by pulverizing antiseptic in the air. Surgical mortality rates begin to fall. The concept goes on to become a widely used product sold by this U.S. based parent company

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Dividend Highlights

- Dividend growth can often provide transparent insight into a company's fundamentals and vitality.
- Dividend growth can provide an attractive stream of increasing cash flow to satisfy many financial objectives.

- **Berkshire Stocks Final Jeopardy!** – Wanting to keep the Russian's from winning an international contract, this company once agreed to receive 80,000 frozen chickens as an alternative form of payment for its product from the Thai government. The deal eventually fell through.

Best Regards,
-Gerry

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