



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: Dividend Increase + Portfolio Changes – November 22, 2019

Dividend Increase: M&T Bank Corporation (MTB)

We are pleased to announce MTB plans to increase its dividend by 10%. Although a 10% increase is less than we expected, this bump is attractive relative to many other industries like consumer or utility which tend to raise dividends in low single digits. The company is also buying back nearly \$2 billion in stock: <https://www.nasdaq.com/articles/daily-dividend-report%3A-mtb-wm-nxpi-luv-dlr-2019-11-20>

Portfolio Change: Sold Schlumberger (SLB)

- While SLB is a best in class provider, the upstream service providers continue to face erratic demand
- Infrastructure spending continues to see pressure in the space and free cash flow generation still looks cloudy
- We are concerned the company may have to use its balance sheet to fund dividend

Portfolio Change: Purchased Chevron (CVX)

- We believe Chevron has better near-term dividend growth potential, and allows us to stay in an inexpensive sector
- 4.91% dividend yield; attractive valuation
- Purchase allows us to move from a company more solely tied to new exploration / upstream, to a more diversified, integrated oil play
- CVX's downstream refining and chemical businesses are attractive, add diversification
- While other major oils are invested for longer term projects to pay off, CVX is in a better position to generate free cash flow *now*
- Strengthening balance sheet, scaling back cap ex and major cost cutting initiatives also bode well for stability and growth of the dividend

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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.

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