

Warren Buffett's Stock Portfolio

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With Berkshire Hathaway disclosing their holdings in their latest [2nd quarter 13-F](#), I thought it would be interesting to go through each position that is held and calculate the stock value in hopes of gaining some ideas.

Going through portfolio's of respected investors is another way of generating ideas. Davy Bui of The Enlightened American does a fine job of tracking and [displaying hedge fund holdings](#) of respected investors in an easy to read format.

There are 41 positions in the portfolio of Warren Buffett and Berkshire so I'll be breaking it up over numerous posts.

([Download the free E-Book format of Warren Buffett Stocks Series](#))

Old School Value's Circle of Competence

Although I'll try to put a value on each company, except financials, there are industries that are outside of my circle of competence which I may calculate incorrectly.

E.g. I don't know much about pharmaceuticals and commodities and how to look at these businesses as a future going concern which will make it difficult to apply a growth rate that I would be comfortable with compared to others.

Warren Buffett Stock Picks

Going through the first 10 Stock Ideas

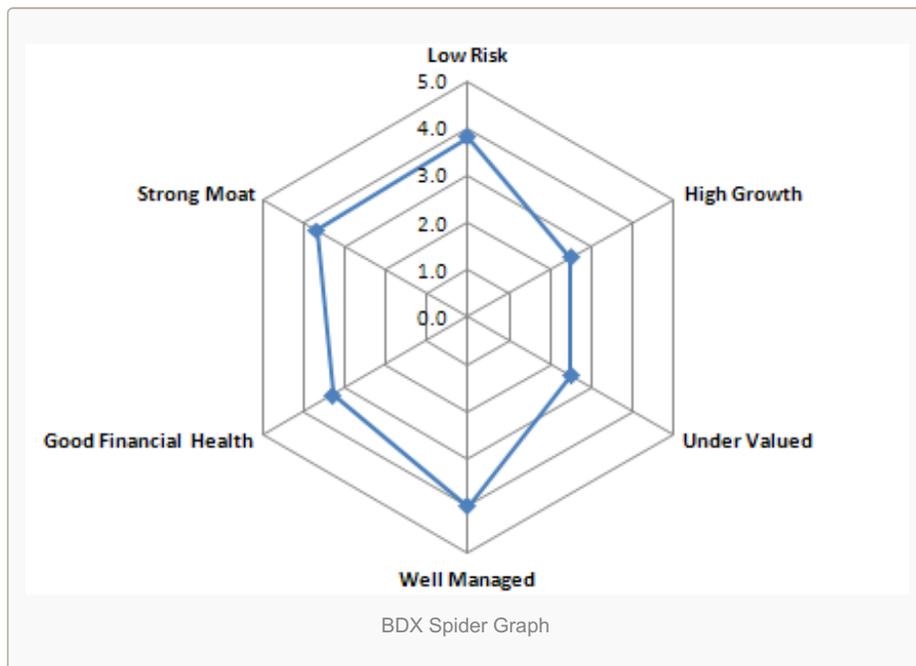
- *American Express (AXP) – outside circle of competence*
- *Bank of America (BAC) – outside circle of competence*
- Becton Dickinson & Co (BDX) – Latest addition to the portfolio
- Burlington Northern Santa Fe (BNI)
- CarMax (KMX)
- [Coca Cola \(KO\)](#)
- Comcast Corp (CMCSA)
- Comdisco Holding (CDCO)
- ConocoPhillips (COP)
- [Costco \(COST\)](#) - analysis

(Current stock prices vary due to timing of writing)

Becton Dickinson & Co (BDX) Stock Value

Becton, Dickinson and Company (BDX) is a medical technology company that operates through three business segments: BD Medical, BD Diagnostics, and BD Biosciences.

(The above graph is from an [analysis of BDX](#) which is posted at [Dividend Growth Investor](#).)



- Gross, operating and net margins steadily increasing even in recessionary environment
- FCF positive for more than 10 years
- Inventory turnover consistent but margins have increased. Leads to higher efficiency and profit.
- ROA and ROE increasing steadily
- Reduced debt
- Has plenty of FCF to pay down debt rather than issue stock or seek loans
- CROIC is very steady at 17%. Company makes 17c off every \$1 of cash invested
- FCF/sales = 12%. Converts 12c of every dollar in sales to FCF.

Intrinsic Value Estimates

DCF Stock Value: **\$87**

Graham Stock Value: **\$110**

Competitor and Peer Comparison: **\$76**

Burlington Northern Santa Fe (BNI) Stock Value

Burlington Northern Santa Fe is a holding company and engaged primarily in the freight rail transportation business.

- Impressive FCF growth previous 4 years and especially last year
- [High capex](#) but latest annual result was extraordinary
- lower sales and margins but improved efficiency in returns and turnover
- CROIC is on the low side at 3%
- Top line growth is also above average at 14%
- Debt to equity ratio is above 200% which isn't uncommon for capex heavy companies

Intrinsic Value Estimates

DCF Stock Value: **\$87**

Graham Stock Value: **\$145**

Competitor and Peer Comparison: **\$76**

CarMax (KMX) Stock Value

The Company is a retailer of used cars.

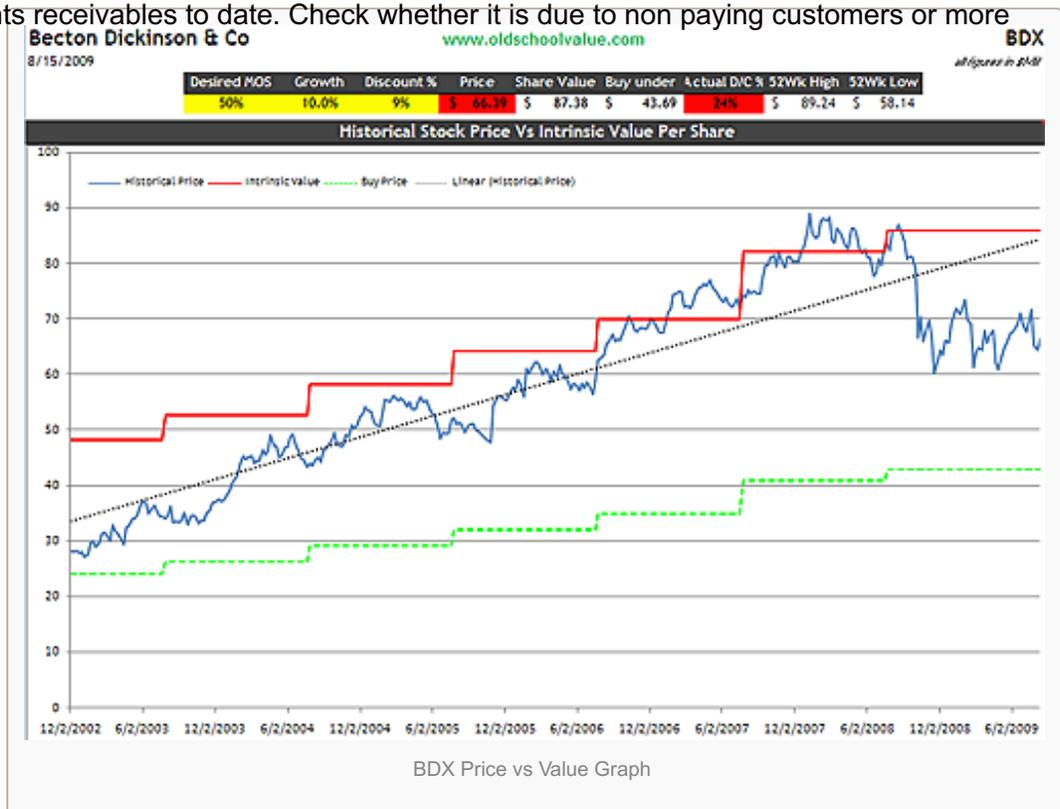
- Increase in gross margins but decline in operating and net margin
- Increased cash levels but a huge amount
- Highest accounts receivables to date. Check whether it is due to non paying customers or more lenient terms.

- No intangibles (as it should be with low to no moat companies)

- No long term debt
- Capex a little lower than the upper range

- Latest year cash from operations included higher amount of interest from securities and cash from reduction inventory

- Inventory turnover at the upper range
- FCF and CROIC close to 0%



Intrinsic Value Estimates

DCF Stock Value: **N/A**

Graham Stock Value: **\$11 – \$15**

Competitor and Peer Comparison: **N/A**

Can't seem to get within an acceptable fair value range on CarMax.

Thin margins, cyclical, inconsistent with low returns. Not quite sure how this position fits in. Definitely doesn't look like a Buffett pick.

Coca Cola (KO) Stock Value

No introduction needed.

Intrinsic Value Estimates

DCF Stock Value: **\$38 – \$44**

Graham Stock Value: **\$61**

Competitor and Peer Comparison: **Looks fairly valued**

Comcast Corp (CMCSA) Stock Value

Comcast Corporation is a provider of cable TV, internet and phone services.

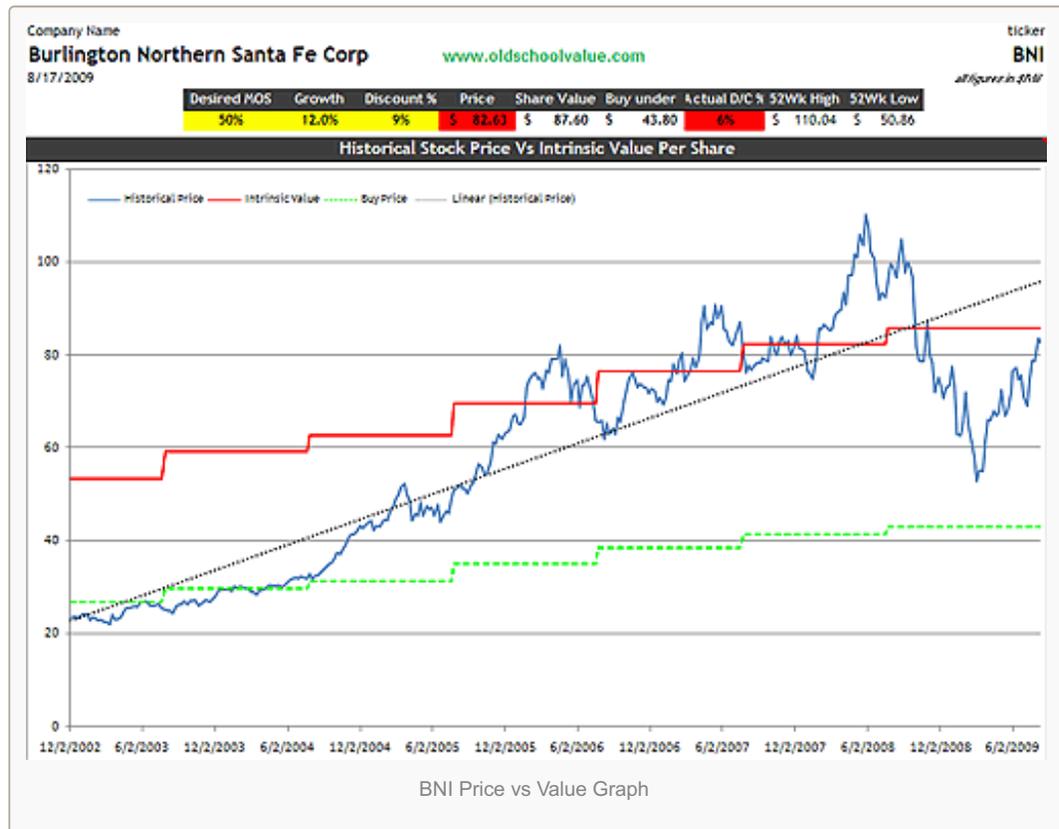
- FCF and CROIC are close. 10.9% and 9.4% respectively. This scenario occurs when a company has matured without much growth to be expected.

- Excellent margins and very stable returns in both the 2001 and 2008 recession
- Not over leveraged
- Plenty of FCF to cover debt
- Big decrease in tangible shareholders equity since 2005
- Intangibles more than double in 2007

Intrinsic Value Estimates

DCF Stock Value: **N/A**

Graham Stock Value: **\$22**



Competitor and Peer Comparison: **\$12.48**

Comdisco Holding (CDCO) Stock Value

Simply put, CDCO is a liquidation special situation.

Using [Ben Graham Net Net Spreadsheet](#), the liquidation value looks to be worth \$8.38 while the current price is at \$7.50. With most of the assets in cash, this would have been a pretty good liquidation play had the spread been wider.

Since the company emerged from bankruptcy in 2002, it doesn't seem like CDCO is in a hurry to sell the remaining assets.

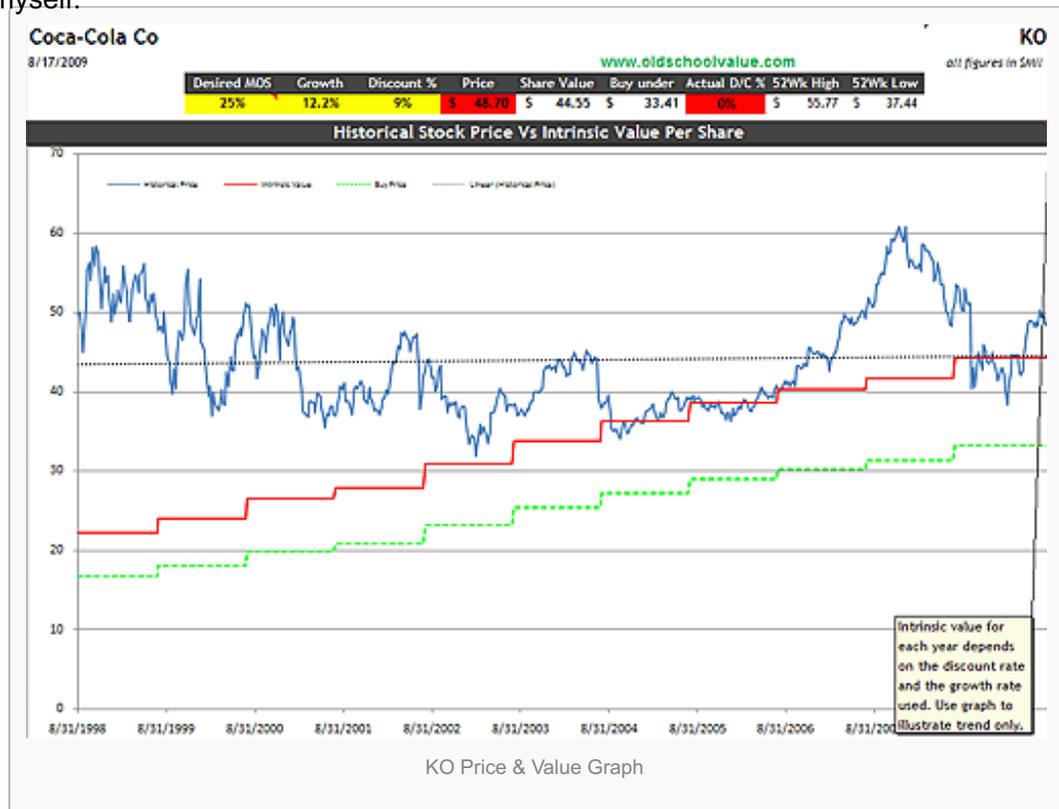
With real liquidations involving some fees, the current 11% margin of safety isn't big enough to take a bite for an investor like myself.

Ben Graham Net Net Value Estimate

Net Net Working
Capital value:
\$8.38

ConocoPhillips (COP) Stock Value

The investment
which Buffett
admits he made a
mistake for
buying at too high
a price.



- First time looking at the financials but now see from the rear view mirror why Buffett announced it was a big mistake
- COP lost a HUGE amount of money in 2008
- Increased debt to \$27 billion
- Large impairments seem to be showing up each quarter wiping out shareholders equity
- Good FCF numbers except for 2008. Will normalize for dcf value below

Intrinsic Value Estimates

DCF Stock Value: **\$64** adjusted to normalize a terrible year

Graham Stock Value: **N/A**

Competitor and Peer Comparison: **Looks to be on par with competitors**

In it's current state, COP doesn't look like a good hold.

Costco (COST) Stock Value

An excellent analysis and description of [Costco \(COST\)](#), its operations and valuation by Brad of [TMWTFS](#).

- FCF isn't as high as it used to be
- Rock solid margins – proves management is on top of their game
- Inventory continues to churn at a faster rate
- Average CROIC but somewhat consistent

Intrinsic Value Estimates

DCF Stock Value:
\$39

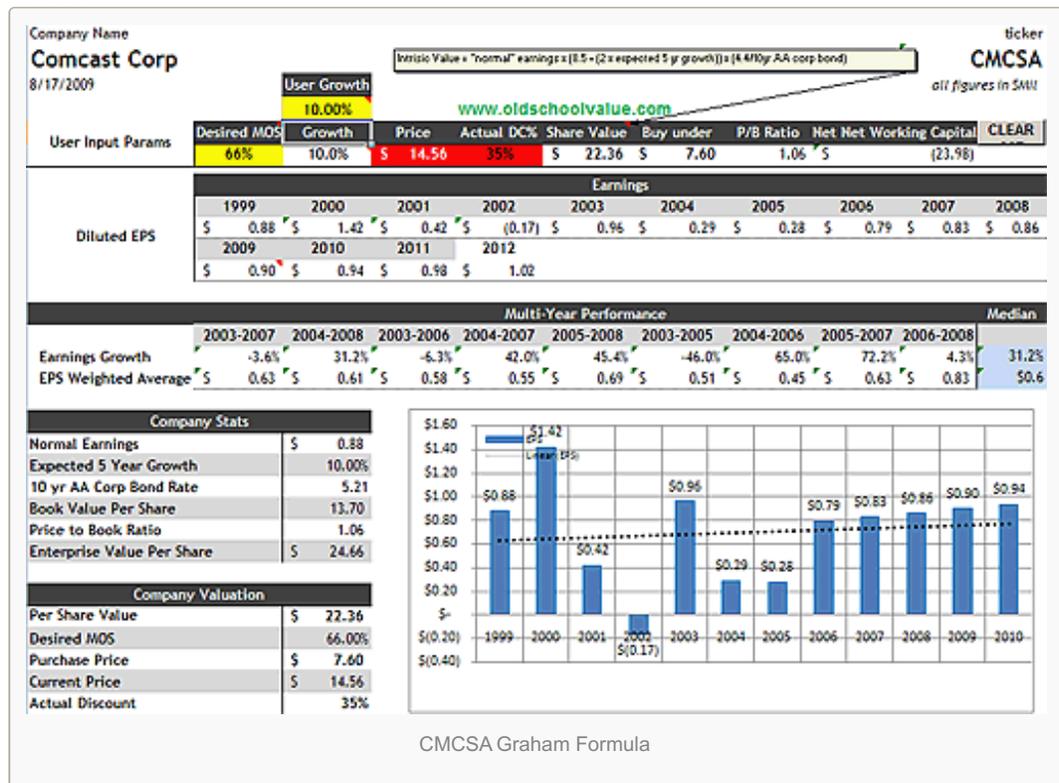
Graham Stock Value: **\$47** looks to be the upper limit

Competitor and Peer Comparison: More expensive than WMT. Should be around **\$37** based on competition.

Summary

Some obvious Buffett stock picks in this list while several seem to have been by other managers.

Took quite a while to get this all together but I hope you are getting some ideas as well how I quickly look at companies to filter what I deem to be the good from the bad.



Ticker 1 **CDCO**

Numbers from 2009/03 (go to SEC for accurate numbers)
 (Numbers From ADVFN)

<i>Figures in Millions except per share values</i>	BV	User Input	BV Multiplier	Net Net Value
Cash & Equivalents	\$ 62.80		100%	\$ 62.80
Marketable Securities	\$ -			
Accounts Receivable	\$ 3.70		75%	
Other Receivable	\$ -			
Receivables	\$ 3.70			\$ 2.78
<i>Inventories: Raw Materials</i>	\$ -			
<i>Inventories: Work in Progress</i>	\$ -			
<i>Inventories: Purchased Components</i>	\$ -		50%	
<i>Inventories: Finished Goods</i>	\$ -			
<i>Inventories: Other</i>	\$ -			
Inventories -- Total	\$ -			\$ -
Total Liabilities	\$ 31.80			\$ 31.80
Shares Outstanding	#VALUE!	4.03		4.03
			Total	Per Share
Net Net Working Capital	\$	33.78	\$	8.38
Current Market Cap/Share	#VALUE!		\$	7.50
Discount to Liquidation Price				11%

CDCO Ben Graham Net Net Value