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Hendershot Investments

SMARTLY INVESTING IN ARTIFICIAL INTELLIGENCE

Only a modicum of intelligence is needed to see that artificial intelligence (AI) will profoundly change our world given recent advancements in technology and innovation. During the pandemic, half of U.S. companies increased their investment in AI according to **Accenture.** AI holds enormous promise for companies to create value in all directions—from market leadership to a more skilled workforce to innovation that contributes to meeting the world's top challenges. Regarding AI's impact on society, Paul Daugherty, chief technology and innovation officer of Accenture, remarked, "This is by far the fastest moving technology that we've ever tracked in terms of its impact and we're just getting started."

Even though artificial intelligence was founded as an academic discipline more than 65 years ago, it has recently received remarkable buzz with the rollout of intelligent chatbots from **Microsoft** and **Google**. These chatbots use generative AI to rapidly produce answers in a "human voice" in response to questions or requests by synthesizing vast amounts of information on the Internet. Microsoft has invested billions in OpenAI's ChatGPT and is integrating it into its Bing search engine. More than 100 million users flocked to ChatGPT within its first two months of launch. Google has unveiled Bard, its chatbot competitor, which seeks to combine the breadth of the world's knowledge with the power, intelligence and creativity of its large language models.

Sundar Pichai, CEO of Google and **Alphabet**, said, "Whether it's helping doctors detect diseases earlier or enabling people to access information in their own language, AI helps people, businesses and communities unlock their potential. And it opens up new opportunities that could significantly improve billions of lives." He also noted, "Our long-term investments in deep computer science make us extremely well-positioned as AI reaches an inflection point, and I'm excited by the AI-driven leaps we're about to unveil in Search and beyond."

Microsoft plans to incorporate artificial-intelligence tools into all its products and make them available as platforms for other businesses to build upon. Microsoft's AI strategy also includes products than can expedite humanitarian aid efforts during natural disasters and accelerate research into solutions for climate control. Microsoft will invest billions of dollars to finance the computing power OpenAI needs to run its various products on Microsoft's Azure cloud platform. **Meta** is also investing billions of dollars in data centers, servers and network infrastructure to increase artificial intelligence capacity.

Apple's CEO Tim Cook stated that AI is a major strategic focus for the company and sees "enormous potential" for AI to impact "virtually everything we do." Cook added, "It's incredible in terms of how it can enrich customers' lives." Apple has already incorporated AI into its products, including crash detection in the iPhone 14 product line, fall detection on the Apple Watch, as well as the implementation of ECG readings on the Health app and Apple Watch.

The scale at which businesses are adopting AI technologies isn't matched yet by clear guidelines to regulate algorithms and help researchers avoid bias in datasets and other potential pitfalls. Warren Buffett, CEO of **Berkshire Hathaway**, suggested years ago that the widespread embrace of AI would have a "hugely beneficial social effect, but a very unpredictable political effect if it came in fast."

With the new generation of AI rolling out across American workplaces, McKinsey & Co. estimates that 25% of work activities in the U.S. across all occupations could be automated by 2030. This dovetails with a forecast made in 1930 by economist John Maynard Keynes who had predicted that in 100 years technology would eliminate the monotonous nature of work, freeing up humans to toil less and enjoy life more. By smartly investing in ***HI***-quality companies embracing artificial intelligence, long-term investors should reap bright rewards!

This issue:

Editor: Ingrid R. Hendershot, CFA   March 2023   Volume 30 Issue 1

STOCK PERFORMANCE

Stock-Symbol	Business	Purchase Date(a)	Purchase Price(b)	Price 2-24-23	Total (c) Return	Advice*	Comment
Accenture-ACN	Consulting/Outsourcing	03-06-12	59.95	266.53	**393%**	**BUY**	Expects to return $7.1 billion to investors in 2023 through dividends and buybacks
Alphabet, Cl A-GOOGL **Alphabet, Cl A-GOOGL** **Alphabet, Cl C-GOOG**	Online advertising; technology	06-10-11 06-08-15 06-10-11	12.82 27.32 12.74	 89.13 89.35	 **296%** **601%**	**BUY**	In 2022, generated a strong 23% ROE and impressive $60 billion in free cash flow
Apple-AAPL	iPhones, computers, services	09-07-10	9.24	146.71	**1,563%**	**BUY**	Apple's active devices crossed the 2 billion milestone in the last quarter
Automatic Data Processing-ADP	Human capital mgmt.	03-09-16 03-11-20	85.62 148.95	221.58	**102%**	**BUY**	In first half of fiscal 2023, free cash flow increased 34% to $1.5 billion
Bank of Hawaii-BOH	Financial services	09-09-20	53.68	75.12	**61%**	**BUY**	Announced new $100 million share buyback; dividend yields 3.7%
Berkshire Hathaway-BRKB	Insurance/diversified	12-28-94! 03-10-00 03-17-00	21.56 27.45 34.13	304.02	**1,041%**	**BUY**	In 2022, reported record operating profits of $30.8 billion and repurchased $7.9 billion of stock
Booking Holdings-BKNG	Online travel	09-07-21 06-02-22	2,338.50 2,374.74	2452.48	**4%**	**BUY**	New $20 billion share buyback program
Brown-Forman-BFB	Liquor	03-10-00	4.25	64.99	**1,747%**	**HOLD**	Increased dividend 9%, marking 39th consecutive year of dividend increases
Canadian National Railway-CNI	Railroad	06-08-15 12-03-19	58.05 88.61	115.24	**45%**	**BUY**	Increased dividend 8%, marking 27th consecutive year of dividend increases
Cisco Systems-CSCO	Internetworking	03-12-97 03-10-21	5.78 48.41	48.48	**38%**	**BUY**	Increased dividend 3%; raised sales and EPS outlook for fiscal 2023
Cognizant Tech.-CTSH	IT consulting	09-07-12 08-31-22	33.43 63.99	63.83	**22%**	**BUY**	In 2022, generated a solid 18.6% ROE and free cash flow of $2.2 billion
FactSet Research-FDS	Financial information	03-14-14	104.42	421.39	**325%**	**BUY**	Free cash flow increased 38% in 1Q
Fastenal-FAST	Industrial supplies	03-10-00 09-07-17	2.44 20.85	51.24	**238%**	**HOLD**	Free cash flow increased 25% in 2022; increased dividend 13%
General Dynamics-GD	Aerospace and defense	12-03-19	176.29	231.95	**40%**	**BUY**	In 2022, generated a powerful 18.3% ROE and $3.5 billion of free cash flow
Gentex-GNTX	Auto mirrors	12-08-15	16.29	28.49	**94%**	**BUY**	Generated shiny 15.4% ROE in 2022
Genuine Parts-GPC	Diversified distributor	03-10-00 09-09-15	20.81 84.09	178.82	**214%**	**HOLD**	Increased dividend 6%, marking the 67th consecutive year of dividend increases
Hormel Foods-HRL	Food	06-14-01	6.01	45.10	**824%**	**BUY**	Increased dividend 6%, marking 57th consecutive year of dividend increases
Johnson & Johnson-JNJ	Healthcare products	03-10-00 09-10-18	35.48 137.52	155.97	**81%**	**BUY**	In 2022, generated a healthy 23% ROE and $17.1 billion in free cash flow
3M-MMM	Diversified	03-07-07 09-10-18	73.70 213.64	107.80	**-10%**	**SELL**	**Selling position** (see p. 4)
Mastercard-MA	Global payments	09-05-14	76.45	353.12	**376%**	**BUY**	Increased dividend 16% and announced new $9 billion share buyback program
Maximus-MMS	Business services	06-02-16 12-03-19	57.54 73.70	82.83	**28%**	**SELL**	**Selling position** (see p. 4)
Meta Platforms-META	Social Media	06-04-18	193.35	170.39	**-12%**	**HOLD**	New $40 billion share buyback program

***All recommendations made in this newsletter may not be suitable for every account, depending on an individual's investment objective, risk-tolerance and financial situation. It should not be assumed that recommendations will be profitable or will equal the performance of securities listed here or recommended in the past. Clients should contact Hendershot Investments, Inc. if there are any changes in your financial situation or investment objectives, or if you wish to impose, add or modify any reasonable restrictions to the management of your account.** (a) Date purchased for Hendershot IRA. See personal trading restrictions footnote on page 3. ! Received BRKB shares following acquisition of FlightSafety Int'l in Dec '96 and Int'l Dairy Queen in Jan '98 (b) Price includes commissions paid. (c) Total return includes dividends. NI-Net Income, Q-quarter, H-half, YTD-year-to-date, ROE-return on equity

(continued)

Stock-Symbol	Business	Purchase Date(a)	Purchase Price(b)	Price 2-24-23	Total (c) Return	Advice*	Comment
Microsoft-MSFT	Software	06-07-07 12-03-10 12-07-22	30.16 26.94 244.54	249.22	**150%**	**BUY**	In first half of fiscal 2023, paid $9.7 billion in dividends and repurchased $11 billion of stock
Nike-NKE	Shoes and apparel	03-07-17	56.55	118.04	**119%**	**HOLD**	In 2Q paid $480 million in dividends and repurchased $1.6 billion of stock
NVR Inc. -NVR	Homebuilder	06-09-21	4,795.98	5,132.47	**7%**	**HOLD**	Generated 49% ROE in 2022
Oracle-ORCL	Software	09-05-13	32.31	88.66	**199%**	**BUY**	In first half of fiscal 2023, paid $1.7 billion in dividends and repurchased $1 billion of stock
Paychex-PAYX	Payroll processing	12-03-10 08-31-11	29.49 27.28	110.98	**380%**	**BUY**	Free cash flow increased 26% in first half of fiscal 2023 to $620 million
PepsiCo-PEP	Food and beverages	03-14-14 03-07-18 03-10-21	81.89 109.42 132.97	175.96	**74%**	**BUY**	Increased dividend 10%, marking the 51st consecutive year of dividend increases
PulteGroup Holdings-PHM	Homebuilder	06-02-22	45.26	53.58	**19%**	**HOLD**	In 2022, repurchased $1.1 billion of its stock; increased dividend 7%
Raytheon Technologies-RTX	Aerospace/Defense	09-10-01 03-06-19	18.45 78.40	99.62	**44%**	**BUY**	Ended 2022 with backlog of $175 billion; announced new $6 billion share buyback
Roche Holding ADR-RHHBY	Pharmaceuticals and diagnostics	06-09-21	47.39	36.81	**-20%**	**BUY**	Increased dividend 2%, marking 36th consecutive year of dividend increases
Ross Stores-ROST	Off-price retailer	06-08-17	61.70	111.46	**89%**	**HOLD**	Expects $950 million buyback in 2022
SEI Investments-SEIC	Investment mgmt.	06-10-20	59.85	59.75	**4%**	**HOLD**	Generated 24% ROE in 2022
Starbucks-SBUX	Coffee retailer	06-10-14 12-11-17	37.26 58.61	101.60	**112%**	**BUY**	Dividend has compounded at a 20% annual rate over 51 consecutive quarters
Stryker-SYK	Medical technology	03-11-09	32.08	262.31	**784%**	**BUY**	Increased dividend 8%
T. Rowe Price-TROW	Investment mgmt.	08-31-11 09-05-14	53.98 80.59	110.16	**157%**	**HOLD**	In 2022, repurchased $855 million of stock; dividend yields 4.1%
Texas Instruments-TXN	Semiconductors	03-08-22	165.02	169.14	**5%**	**HOLD**	Dividend has increased for 19 consecutive years and compounded at a 25% annual rate
The TJX Companies-TJX	Off-price retailer	06-12-00 09-09-15	2.54 36.18	77.19	**356%**	**BUY**	Plans to increase dividend 13% in 2023 and new share buyback of $2.0-$2.5 billion
Tractor Supply-TSCO	Rural retailer	12-11-17	67.51	230.54	**260%**	**BUY**	Increased dividend 12%, marking the 14th consecutive year of dividend increases
Ulta Beauty-ULTA	Beauty retailer	09-10-18	285.84	519.99	**82%**	**BUY**	Expects double-digit annual EPS growth between 2022-2024
UnitedHealth Group-UNH	Health care management	08-29-19	231.64	484.33	**117%**	**BUY**	Reported double-digit growth in sales earnings and free cash flow in 2022
United Parcel Service-UPS	Package delivery	03-11-20	88.03	180.15	**160%**	**BUY**	Increased dividend 6.6% and announced a new $5 billion share buyback program
Visa-V	Global payments	11-30-21	193.39	219.55	**14%**	**BUY**	Increased dividend 20%
Western Alliance-WAL	Regional Bank	08-31-22	77.81	73.82	**-5%**	**BUY**	In 2023, expects 20%-25% growth in net interest income

PERSONAL TRADING RESTRICTIONS FOR PRINCIPALS AND EMPLOYEES

I take a long-term position in each stock recommended in this newsletter. Having earned the Chartered Financial Analyst (CFA) designation, I fully subscribe to the Code of Ethics and Standards of Professional Conduct of the CFA Institute. Accordingly, transactions for client accounts have priority over personal and employee transactions. To avoid any conflict of interest and to be fair to both my individual clients and subscribers, personal and employee trading is restricted to just four weeks a year. Personal and employee trading will occur only during the week following distribution of the newsletter to subscribers unless otherwise approved by the Chief Compliance Officer. The week following distribution of the newsletter will be measured as five business days after the mailing date of the newsletter. Positions may be purchased or sold for individually managed client accounts at any time and without regard to recommendations made in this newsletter.

PORTFOLIO REVIEW

UNSTICKING 3M FROM THE PORTFOLIO

3M posted a 6.2% decline in fourth quarter sales to $8.08 billion with net income skidding 59.6% to $541 million. Sales declined in all four 3M business segments during the fourth quarter compared to last year. Fourth quarter earnings included an $800 million pre-tax charge related to the company's decision to exit the PFAS forever chemical business by the end of 2025 that will ultimately result in total exit costs of between $1.3 billion to $2.3 billion.

For the full year, 3M reported sales declined 3.2% to $34.2 billion with net income slipping 2.4% to $5.78 billion. During 2022, free cash flow declined 34% to $3.8 billion. 3M returned $4.8 billion to shareholders during 2022 through dividends of $3.37 billion and share repurchases of $1.46 billion.

In 2023, 3M expects market and macroeconomic challenges to persist. Based on this outlook, organic sales growth is expected in the range of -3% to flat with adjusted EPS of between $8.50 to $9.00, down 14% from 2022 at the midpoint. 3M is continuing to work through PFAS related litigation and toward a mediated resolution for Combat Arms litigation.

Given 3M's deteriorating business fundamentals with sales, earnings and free cash flow all declining and potentially large litigation charges looming, we have decided to unstick 3M from our portfolio by **selling our position** as market and macroeconomic challenges are expected to persist in 2023.

This was not an easy decision given that **we initially purchased the stock 16 years ago** with the stock providing steadily growing and hefty dividends over that time. While we still have gains on our original position, our subsequent position put us underwater with **an overall 10% loss on a total return basis.**

MAXIMUS MAXIMIZED VALUATION

Maximus reported fiscal 2023 first quarter sales increased a healthy 8.5% to $1.25 billion with net income falling 25% to $40.0 million and EPS down 24% to $0.65. Organic revenue grew 10.3%, driven by new or expanded programs in all three business segments on strong demand for services Maximus provides. Net income declined on tough comps from last year's profitable short-term COVID response work and lower interest expense due to last year's historically low interest rates.

Maximus returned $17.0 million to shareholders during the quarter via dividend payments with the company ending the quarter with $63.1 million in cash and equivalents, $1.49 billion in long-term debt and $1.58 billion in shareholders' equity. Management's capital allocation strategy is focused on paying down debt and making strategic acquisitions for long-term growth.

Given strong momentum from the first quarter, Maximus raised its fiscal 2023 guidance. Management now expects revenue to range between $4.85 billion and $5.0 billion, compared to prior revenue guidance of between $4.75 billion and $4.90 billion. Adjusted operating income is expected to range between $415 million and $440 million, compared to a previous range between $390 million and $415 million. Adjusted EPS is now expected to range between $4.00 and $4.30 per share, compared to prior guidance of between $3.70 and $4.00 per share. Free cash flow is expected in the $225 million and $275 million range and reflects expected working capital increases as a result of higher revenue later in the fiscal year. **Maximus' stock jumped 18% during the past three months.** With the stock valuation maximized, we plan to cash in our profits by **selling Maximus** to invest the profits in more attractive investment opportunities.

BERKSHIRE HATHAWAY ANNUAL REPORT

Berkshire Hathaway's annual report was released as we went to press. Berkshire reported record operating earnings of $30.8 billion in 2022. During the year, the company repurchased $7.9 billion of its stock. We will provide a more detailed analysis of the report on our website and in our next Weekly Update. We also plan to virtually attend the Berkshire Hathaway annual meeting in May and will provide the highlights of the meeting in our June 2023 newsletter. Stay tuned!

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With the proceeds from 3M and profits from Maximus, we plan to **buy LVMH Moët Hennessy Louis Vuitton and Texas Roadhouse** (see pp. 10-11). Personal and employee purchases will be made during the week following distribution of this newsletter. (See Personal Trading restrictions in the box on p. 3.)

DIVIDENDS

Since the last issue, the following dividends per share were received: **Accenture** ($1.12), **Apple** ($.23), **ADP** ($1.25), **Bank of Hawaii** ($.70), **Brown-Forman** ($.21), **Canadian National** ($.54), **Cisco** ($.38), **Cognizant** ($.27), **FactSet Research** ($.89), **Fastenal** ($.31), **General Dynamics** ($1.26), **Gentex** ($.12), **Genuine Parts** ($.90), **Hormel Foods** ($.28), **Johnson & Johnson** ($1.13), **Mastercard** ($.57), **Maximus** ($.28), **Microsoft** ($.68), **3M** ($1.49), **Nike** ($.34), **Oracle** ($.32), **Paychex** ($.79), **Pepsi** ($1.15), **Pulte** ($.16), **Raytheon** ($.55), **Ross Stores** ($.31), **SEI** ($.43), **Starbucks** ($.53), **Stryker** ($.75), **Texas Instruments** ($1.24), **TJX** ($.30), **T. Rowe Price** ($1.20), **Tractor Supply** ($.92), **United Parcel Services** ($1.52), **UnitedHealth** ($1.65), **Visa** (.45) and **Western Alliance** ($.36).

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REALIZED GAINS AND LOSSES OVER THE LAST 12 MONTHS

	DATE PURCHASED	DATE SOLD	GAIN/ LOSS	COMMENT*
BAXTER INTERNATIONAL	09/07/21	12/7/22	-37%	Deteriorating business fundamentals with declining cash flow and impairment charge, sold position
CHECK POINT SOFTWARE	12/02/20	06/02/22	+10%	Earnings declined, better investment opportunities, sold position
F5, INC.	09/09/15	03/08/22	+60%	Fully valued, sold position
GENERAL DYNAMICS	12/03/19	12/07/22	+40%	Fairly valued, trimmed position
GENUINE PARTS	09/09/15	08/31/22	+86%	Fairly valued, trimmed position
INTEL	09/09/20	08/31/22	-36%	Sales, earnings and free cash flow declined, sold position
REGENERON	12/02/20	03/08/22	+20%	Fully valued, sold position
UNITEDHEALTH	08/29/19	08/31/22	+126%	Fairly valued, trimmed position

***A stock meets our price target by reaching its near-term full value based on its expected price range over the next 12-18 months (see pages 6 and 7). When a stock reaches our price target, we generally sell half the position and reinvest the proceeds into other promising opportunities. The remaining shares are held for further potential long-term gains as intrinsic value grows over time. Stocks are also sold if business fundamentals deteriorate or better investment opportunities are available.**

Hendershot Investments, Inc. Investment Advisory Services

Founded in 1994, Hendershot Investments' personalized portfolio management service exists to help you improve your long-term financial success and to conserve and grow your wealth. To that end, we invest in high-quality, well-managed companies at reasonable valuations and hold them for the long term. We extend a big "thank you" for the many client and subscriber referrals, as a referral is the biggest compliment you can pay us!

Our Investment Discipline

We *find* great businesses at reasonable prices through extensive research.

As long-time students of the stock market, we have developed valuation models to assess the relative merits of ***HI***-quality companies. We scour annual reports, SEC filings and news to independently determine company valuations, thereby avoiding the pitfalls of herd-mentality investing. Quarterly earnings conference calls with management keep us abreast of corporate developments and give us insight into the heartbeat of corporate leadership.

We *adhere* steadfastly to rigorous buy and sell disciplines.

Our number one rule on the buy side is "Don't overpay for a stock." We want to buy with a margin of safety. We would rather pay a "fair price for a great business than a great price for a fair business."

As Philip Fisher stated, "If the job has been done correctly when a stock is purchased, the time to sell is almost never."

We *believe* in patient investing for the long term.

Quintessential investor, Ben Graham, described the stock market in the short term as an imperfect voting machine where stock prices are based partly on emotion and partly on reason. In the long term, the stock market is a weighing machine where prices are driven by fundamentals.

For this reason, we are willing to wait patiently until Mr. Market recognizes the value of our ***HI***-quality firms.

PORTFOLIO FUNDAMENTALS

COMPANY SYMBOL	EXP. ** PRICE RANGE	PRICE 2-24-23	This year Actual EPS	Next year Est. EPS	Current P/E	PRICE/ BOOK VALUE	PRICE/ SALES	DIV. YIELD	SALES 4-YR CAGR*	EPS 4-YR CAGR*	Return on Equity	Cash/ Equity	Debt/ Equity	Current Ratio	SALES (000)
AAPL	140-201	146.71	$6.11	$5.97	24.9	41.0	5.9	0.6%	11%	19%	150%	309%	163%	0.9X	$394,328,000
ACN	273-422	266.53	10.71	11.49	24.2	7.3	2.7	1.7	11%	14%	31%	26	0	1.3	61,594,305
ADP	195-282	221.58	7.00	8.12	29.5	30.7	5.6	2.2	5%	13%	91%	45	100	1.4	16,498,300
BF.B	66-89	64.99	1.74	1.85	39.6	10.2	7.9	1.3	5%	4%	31%	36	65	3.4	3,933,000
BKNG	2629-3327	2,452.48	76.35	105.88	32.1	33.4	8.7	-	-4%	-12%	100%	446	330	1.9	17,090,000
BOH	68-93	75.12	5.48	5.03	13.7	2.6	4.3	3.7	2%	1%	17%	n/a	n/a	n/a	698,099
BRK.B !	264-344	304.02	20,962	22,250	21.8	1.5	2.4	-	4%	21%	7%	n/a	n/a	n/a	302,089,000
CNI	117-158	115.24	7.44	7.83	15.5	3.6	4.5	2.0	5%	6%	24%	2	67	0.8	17,102,000
CSCO	44-68	48.48	2.82	3.00	17.8	4.8	3.9	3.2	1%	245%	30%	53	18	1.4	51,557,000
CTSH	65-98	63.83	4.41	4.49	14.5	2.6	1.7	1.8	5%	5%	19%	48	5	2.2	19,428,000
FAST	46-69	51.24	1.89	1.97	27.1	9.2	4.2	2.7	9%	10%	34%	7	11	4.0	6,980,600
FDS	400-561	421.39	10.25	13.10	38.4	10.9	8.7	0.8	8%	11%	30%	32	126	2.2	1,843,892
GD	205-276	231.95	12.19	12.77	19.0	3.4	1.6	2.2	2%	2%	18%	7	50	1.4	39,407,000
GNTX	30-42	28.49	1.36	1.62	20.9	3.2	3.5	1.7	1%	-4%	15%	19	0	6.2	1,918,958
GOOGL!!	109-175	89.13	4.56	5.10	25.4	4.5	4.0	-	20%	20%	23%	56	6	2.4	282,836,000
GPC	130-191	178.82	8.31	8.88	21.5	6.7	1.1	2.1	7%	13%	31%	17	88	1.2	22,095,973
HRL	46-57	45.10	1.66	1.89	24.8	3.2	2.2	2.4	6%	1%	13%	13	42	2.5	11,386,189
JNJ	164-202	155.97	6.73	7.12	23.2	5.5	4.3	2.9	4%	5%	23%	31	35	1.0	94,943,000
LVMUY	160-246	165.38	6.09	7.42	24.8	7.0	4.9	1.5	12%	20%	26%	13	40	1.3	84,759,000
MA	447-539	353.12	10.22	12.18	34.6	53.2	15.1	0.7	10%	16%	100%	111	218	1.2	22,237,000
META	151-265	170.39	8.59	9.53	19.8	3.6	3.9	-	20%	3%	19%	32	0	2.2	116,609,000

** Exp. price range—the expected price range for the stock in the next 12-18 months based on our valuation models and the historical trading range of the stock over the last five years. If the current price is below the low end of the expected range, the stock appears undervalued. If the current stock price is above the high end of the expected range, the stock appears overvalued. The expected price range will change based upon company developments. Highlighted stocks appear undervalued or are new additions. **!**Berkshire price is for the class B shares, the class A shares approximate 1500 times the B shares. **!!**GOOGL (the original class A share price is used for the table. GOOGL will typically trade slightly higher than the Class C non-voting shares (GOOG).

(continued)

COMPANY SYMBOL	EXP. ** PRICE RANGE	PRICE 2-24-23	This Year Actual EPS	Next Year Est. EPS	Current P/E	PRICE/ BOOK VALUE	PRICE/ SALES	DIV. YIELD	SALES 4-YR CAGR*	EPS 4-YR CAGR*	Return on Equity	Cash/ Equity	Debt/ Equity	Current Ratio	SALES (000)
MSFT	253-371	249.22	$9.65	$9.35	27.7	10.1	9.4	1.1%	16%	46%	44%	54	24	1.9	$198,270,000
NKE	102-160	118.04	3.75	3.14	33.3	3.5	3.9	1.2	6%	34%	40%	70	58	2.7	46,710,000
NVR	4261-6161	5,132.47	491.82	371.93	7.7	4.7	1.6	-	10%	26%	49%	71	26	n/a	10,575,325
ORCL	73-111	88.66	2.41	2.81	27.9	n/a	5.6	1.5	2%	30%	n/a	n/a	n/a	0.7	42,440,000
PAYX	97-143	110.98	3.84	4.24	27.4	12.5	8.7	2.8	8%	9%	37%	39	25	2.2	4,611,700
PEP	170-219	175.96	6.42	7.24	27.4	14.1	2.8	2.6	8%	3%	52%	31	108	0.8	86,392,000
PHM	40-66	53.58	11.01	7.44	4.9	1.4	0.7	1.2	12%	33%	29%	12	23	n/a	16,288,995
RHHBY	41-47	36.81	2.08	2.63	19.0	7.8	3.3	3.5	6%	8%	44%	31	67	1.2	71,846,362
ROST	94-153	111.46	4.90	4.31	26.8	9.3	2.0	1.1	8%	8%	42%	94	59	2.0	18,916,244
RTX	92-122	99.62	3.51	3.75	28.4	2.0	2.2	2.2	18%	24%	7%	9	42	1.1	67,074,000
SBUX	94-137	101.60	2.83	3.40	35.3	n/a	3.6	2.1	7%	-3%	n/a	n/a	n/a	0.8	32,250,300
SEIC	59-76	59.75	3.46	3.52	17.3	3.8	4.0	1.4	5%	2%	24%	43	0	3.7	1,991,037
SYK	254-352	262.31	6.17	9.03	42.5	6.0	5.4	1.1	8%	-10%	14%	11	71	1.6	18,449,000
TJX	83-101	77.19	2.97	3.54	26.0	14.2	1.8	1.5	6%	5%	55%	86	45	1.2	49,936,000
TROW	103-155	110.16	6.70	6.15	16.4	2.8	4.1	4.3	3%	-2%	18%	49	0	n/a	5,961,100
TSCO	205-319	230.54	9.71	10.54	23.7	12.5	1.8	1.8	16%	23%	53%	10	57	1.3	14,204,717
TXN	159-204	169.14	9.41	7.61	18.0	10.5	7.7	2.9	6%	14%	60%	63	51	4.9	20,028,000
TXRH	95-139	103.82	3.97	4.70	23.4	6.9	1.7	2.1	13%	16%	27%	17	0	0.6	4,014,999
ULTA	384-662	519.99	17.98	22.89	22.9	14.1	3.1	-	10%	19%	64%	13	0	1.6	8,630,900
UNH	452-645	484.33	21.18	23.69	12.3	2.0	1.4	1.4	9%	15%	25%	88	67	0.8	324,162,000
UPS	166-238	180.15	13.20	11.50	13.6	7.9	1.6	3.6	9%	24%	58%	67	105	1.4	100,338,000
V	214-310	219.55	7.01	8.44	30.6	9.7	12.2	0.8	9%	12%	42%	51	57	1.4	29,310,000
WAL	69-130	73.82	9.70	10.32	7.6	1.6	3.2	2.0	28%	24%	20%	n/a	n/a	n/a	2,540,900

* CAGR-Compound Annual Growth Rate. n/a-not applicable due to financial stock or equity less than zero. Estimated EPS reflects consensus earnings estimate for current fiscal year. The valuation measures (P/E, price-to-book value, price-to-sales and dividend yield) are calculated using the closing price on the date listed in column 3. Balance sheet ratios (cash/equity, debt/equity and current ratio) reflect the latest quarterly financial statements. Return on equity and sales figures are as of the company's most recent fiscal year end.

PORTFOLIO HI-LITES

QUARTERLY MOVERS AND SHAKERS

During the past three months, the S&P 500 index declined 1% due to sticky inflation and rising rates. The following ***HI***-quality stocks all generated strong double-digit gains during the same time period.

META PLATFORMS NEW $40 BILLION BUYBACK

Meta reported 2022 revenues decreased 1% to $116.6 billion with net income declining 41% to $23.2 billion. These results include a $13.7 billion loss from Reality Labs, which includes augmented and virtual related consumer hardware, software and content, as the company invests in the metaverse. Facebook's daily active users increased 4% during the year to a record 2 billion while monthly active users increased 2% to 2.96 billion. Return on shareholders' equity was a still friendly 18.5% for the year. Meta repurchased $27.9 billion of its stock during the year. In addition, Meta announced a new $40 billion increase to the share repurchase authorization. **After losing friends last year, Meta's stock bounced back 53% over the last three months. Hold.**

BOOKING HOLDINGS NEW $20 BILLION BUYBACK

Booking Holdings reported record 2022 revenues of $17.1 billion, up 56% from last year, with net income and EPS both traveling over 100% higher to $3.1 billion and $76.35, respectively. During the year, Booking Holdings' free cash flow increased 146% to $6.2 billion. The company returned $6.6 billion to shareholders via share repurchases. Management announced a new $20 billion share repurchase program and expects to complete the program within the next four years as they plan to return all free cash flow to shareholders. **Booking's stock traveled 26% higher during the past three months. Buy.**

PULTEGROUP $1.1 BILLION BUYBACK

PulteGroup reported 2022 revenues increased 17% to $16.2 billion with net income increasing 34% to $2.6 billion and EPS up 48% to $11.01. Return on shareholders' equity for 2022 was a lofty 29%. In 2022, the company repurchased 24.2 million shares for $1.1 billion, at an average price of $44.48 per share. The shares repurchased represented about 9.7% of shares outstanding at the beginning of 2022. In addition, the dividend payout rate per share increased 7% with the company paying dividends of $144 million during the year. Despite the adverse impact of rising rates on the affordability of new homes, **PulteGroup's stock constructed a 23% rebound during the past three months. Hold.**

NIKE $18 BILLION BUYBACK

NIKE reported fiscal 2023 second quarter revenues jumped 17% to $13.3 billion with net income coming in flatfooted at $1.3 billion. NIKE continued its strong track record of investing to fuel growth and consistently increasing returns to shareholders, including 21 consecutive years of rising dividend payouts. During the second quarter, NIKE paid dividends of $480 million, up 10% from the prior year. In addition, the company repurchased $1.6 billion of its common stock as part of the four-year, $18 billion buyback program approved by the Board of Directors in June 2022. As of November 30, 2022, a total of 19 million shares have been repurchased under the program for a total of approximately $1.9 billion. **Over the last six years, NIKE's stock has raced higher providing a 119% total return. Hold.**

ULTA BEAUTY DOUBLE-DIGIT EPS GROWTH

Ulta Beauty outlined its financial targets for 2022-2024. The company expects sales to compound at a 5% to 7% annual rate with operating margins of 13%-14%. This should lead to low double-digit EPS compound annual growth during the period. **Over the past five years, Ulta Beauty's stock has provided a pretty 82% gain. Buy.**

STRYKER INCREASED DIVIDEND 8%

Stryker reported 2022 sales increased 7.8% to $18.45 billion with earnings and EPS up more than 18% to $2.36 billion and $6.17, respectively. During 2022, Stryker generated $2.0 billion in free cash flow and returned $1.05 billion to shareholders through dividend payments. Stryker recently increased its dividend 8%. **Over the last 14 years, Stryker has provided a striking 784% total return. Buy.**

NVR 49% RETURN ON EQUITY

NVR's revenues in 2022 rose 18% to $10.5 billion with net income increasing 40% to $1.7 billion and EPS jumping 53% to $491.82. Return on shareholders' equity was a strong 49% in fiscal 2022. During the year, the company repurchased 323 million shares for an average price of $4,635.71 per share and ended the year with $2.5 billion in cash, $915 million in long-term debt and $3.5 billion in shareholders' equity on its sturdy balance sheet. Strong results in 2022 are expected to be followed by lower sales and earnings in 2023 and potentially 2024 due to rising mortgage rates which have led to cancellations and a lower backlog. With much of the "bad" news already priced into the homebuilders, **NVR's stock rebounded 15% during the past three months. Hold.**

(continued)

QUARTERLY RATING CHANGE FROM HOLD TO BUY

ADP
FREE CASH FLOW +34%

Automatic Data Processing reported fiscal second quarter revenues increased 9% to $4.4 billion with the company processing a 17% jump in net income to $813.1 million and an 18% gain in EPS to $1.95.

These results reflected the strong growth in new business bookings, client revenue retention near record levels and continued healthy employment trends within ADP's client base.

Interest earned on funds held for clients (float income) increased 77% to $187 million, reflecting a 4% increase in the average client funds balance to $33.4 billion and a 90 basis points increase in the average interest yield to 2.2%.

During the first half of the year, free cash flow increased 34% to $1.5 billion with the company paying $865.5 million in dividends and repurchasing $553.5 million of its common stock. Thanks to strong cash flows, ADP has increased its dividend for 48 consecutive years.

ADP maintained its full year guidance for fiscal 2023 for 8% to 9% revenue growth and 15% to 17% adjusted EPS growth with margin expansion of 125 to 150 basis points. While ADP notes that job growth is slowing, the company does not see any broad-based softness in the labor market.

In 2023, for the 17th consecutive year, ADP has been named by *Fortune®* magazine as one of the "World's Most Admired Companies," which highlights companies with consistently strong performance and reputations.

We also admire ADP's stock performance which has provided us with a 159% gain over the last seven years. Buy.

GENERAL DYNAMICS
18% RETURN ON EQUITY

Boosted by Russia's invasion of Ukraine and the increased threat environment, General Dynamics ended the year with a record backlog of $91.1 billion. In 2022, General Dynamics reported a 2.4% increase in revenue to $39.4 billion with net income up 4.1% to $3.4 billion and EPS up 5.5% to $12.19.

During 2022, General Dynamics generated a powerful 18.3% return on shareholders' equity and free cash flow of $3.47 billion. The company returned nearly $2.6 billion to shareholders during 2022 through dividends of $1.37 billion and share repurchases of $1.23 billion. In 2023, management expects revenues in the range of $41.2 billion to $41.3 billion, up 4.7% from 2022, and EPS between $12.60 and $12.65, up 3.6% from 2022 at the mid-range. **Over the last four years, General Dynamics' stock has marched higher providing us with a salute-worthy 40% total return. Buy.**

TRACTOR SUPPLY
INCREASED DIVIDEND 12%

In 2022, Tractor Supply reported a 12% increase in sales to $14.2 billion with net income increasing 9% to $1.09 billion and EPS up 13% to $9.71. The company generated an impressive 53% return on shareholders' equity during 2022 and $583.6 million in free cash flow. During 2022, Tractor Supply paid dividends of $409.6 million and repurchased $700.1 million of its stock. The dividend was recently increased 12%, marking the 14th straight year of dividend increases. In fiscal 2023, management forecasts net sales of $15 billion to $15.3 billion with EPS in the $10.30 to $10.60 range. **During the past six years, Tractor Supply has plowed up a hefty 260% total return. Buy.**

PEPSICO
POPPED DIVIDEND 10% HIGHER

PepsiCo reported fourth quarter revenues rose 11% to $27.9 billion with net income and EPS each dropping 61% to $518 million and $.37, respectively. The decline in reported EPS reflects a $1.6 billion impairment charge, primarily related to its SodaStream business. Core constant currency EPS increased 10%.

For the full 2022-year, revenue rose 9% to $86.3 billion with net income and EPS each increasing 17% to $8.9 billion and $6.42, respectively. Organic revenue growth accelerated to 14.4% for the full year, reflecting the geographical and category diversity of PepsiCo's portfolio with both the global beverage and convenient foods businesses performing well.

Return on shareholders' equity during 2022 was a tasty 52%. Free cash flow decreased 20% during the year to $5.6 billion, primarily due to higher capital expenditures. The company returned $7.6 billion to shareholders through dividend payments of $6.1 billion and share repurchases of $1.5 billion.

For fiscal 2023, the company expects a 6% increase in organic revenue, an 8% increase in constant currency EPS growth and total cash paid to shareholders of about $7.7 billion through dividend payments of $6.7 billion and share repurchases of $1.0 billion. PepsiCo announced a 10% increase in its annualized dividend to $5.06, representing the 51st consecutive year of dividend increases. During the year, PepsiCo expects an approximate two-percentage-point foreign exchange translation headwind to impact reported net revenue and core EPS growth. **Over the last nine years, PepsiCo's stock has more than doubled while the company also provides tasty dividends. Buy.**

NEW STOCK

LVMH Moët Hennessy – Louis Vuitton, Société Européenne ADR (LVMUY—$165.38)
22, Avenue Montaigne, Paris 75008 France www.lvmh.com

LVMH Moët Hennessy – Louis Vuitton, the world's leading luxury goods group, owns 75 brands, or Maisons. Its sprawling luxury goods portfolio includes some of the world's most respected brands including Louis Vuitton, Dior, Dom Pérignon, Hennessy, Tiffany, Sephora, Bvlgari and hotel groups Cheval Blanc and Belmond. During 2022, LVMH generated a record €79.2 billion in revenues from 81 countries and ended the year with 196,000 employees and 5,654 stores. At year-end, the founder, Bernard Arnault, and his family owed 48% of LVMH outstanding shares and 64% of the voting rights.

Fiscal Year Dec	4-YR CAGR	2022	2021	2020	2019	2018
Revenues (000,000)	14.0%	€79,184	€64,215	€44,651	€53,670	€46,826
Net Income (000,000)	22.0%	€14,084	€12,036	€4,702	€7,171	€6,354
EPS*	22.1%	€28.03	€23.89	€9.32	€14.23	€12.61
Dividends*	18.9%	€12.00	€10.00	€6.00	€4.80	€6.00
Profit Margin		17.8%	18.7%	10.5%	13.4%	13.6%

**Based on shares outstanding. Five ADRs equal one share.*

GLOBAL LEADER

The concept for creating a global conglomerate of luxury brands came to French founder Bernard Arnault during a trip to New York City in the mid-1980s when he noted that his cab driver had never heard of Charles de Gaulle but knew Christian Dior. Shortly thereafter, Arnault acquired a failing textile and retail conglomerate that owned the Dior brand and embarked on a turnaround, cutting costs and selling nearly all the assets so he could focus on reinvigorating the Dior brand. Soon after, Arnault bought fashion house Celine and then set his sights on LVMH Moët Hennessy – Louis Vuitton, accumulating a controlling block of LVMH shares and becoming chairman and CEO in 1989.

Through his pursuit of acquiring artisanal companies deeply rooted in European culture, professionalizing operations and then building the brands from a preserved heritage, Arnault built the world's largest luxury products conglomerate. Today, LVMH holds 75 brands, or Maisons, spanning wines & spirits, fashion & leather, perfumes & cosmetics, watches & jewelry, selective retailing and hospitality. Brands include Moët & Chandon, Hennessy, Dom Pérignon, Louis Vuitton, Christian Dior Couture, Celine, Givenchy, Fendi, Pucci, Marc Jacobs, Guerlain, Make Up For Ever, Fenty Beauty by Rihanna, Bvlgari, Tag Heuer, Tiffany, the Paris department store Le Bon Marché, Sephora, travel retailers DFS and hotel groups Cheval Blanc and Belmond.

Despite global economic and geopolitical challenges, LVMH Moët Hennessy – Louis Vuitton rang up record results in 2022 with revenues increasing 23%, or 17% organically, to €79 billion and earnings and EPS both up 17% to €14 billion and €28.03, respectively. Results included double-digit organic revenue growth for all business groups and market share gains worldwide. During 2022, LVMH rang up 37% of group sales from Asia, 27% from the U.S., 24% from Europe and 12% from other markets.

By business group, Wines & Spirits sales (9% of total group sales) bubbled up 11% organically and Fashion & Leather Goods sales (49% of group sales) jumped a fashionable 20% organically with Louis Vuitton hitting the €20 billion revenue milestone during the year. Perfumes & Cosmetics sales (10% of group sales) rose a fragrant 10% while Watches & Jewelry sales (13% of total sales) gained an elegant 12% organically with Tiffany profits exceeding €1 billion for the first time and up two-fold since LVMH acquired it in 2020. Selective Retailing (19% of group sales) rang up a 17% organic sales increase with Sephora achieving record profits.

PROFITABLE GROWTH

During the past five years, LVMH has generated stunning, profitable growth with sales compounding 14% annually and EPS growing at a 22% annual clip. During the past five years, LVMH generated an alluring 20% average return on shareholders' equity with after-tax profit margins averaging nearly 15%.

STRONG BALANCE SHEET

LVMH Moët Hennessy – Louis Vuitton maintains a classy balance sheet with €7.3 billion in cash, €10.4 billion in long-term debt and €55.1 billion in shareholders' equity. During 2022, LVMH generated €17.8 billion in operating cash flow and €12.9 billion in free cash flow, representing a stylish 91% of reported earnings. The company paid €6.8 billion in dividends, or €12.00 per share, up 20% from last year.

LVMH's strong cash flow has enabled the company to invest in its brands, make accretive acquisitions while also returning cash to shareholders. Indeed, during 2022, the company invested nearly €5 billion mainly dedicated to the expansion of its store network, the development of production facilities and employment. In addition, the company acquired Joseph Phelps, a California vintner, for €587 million which will help alleviate supply chain issues encountered during the past several years. Investors shopping for attractive long-term returns should consider LVMH Moët Hennessy– Louis Vuitton, a ***HI***-quality global leader, with profitable growth, a strong balance sheet and opulent cash flows. **Buy**.

NEW STOCK

TEXAS ROADHOUSE (TXRH- $103.82)
6040 Dutchmans Lane, Louisville, KY 40205 www.texasroadhouse.com

Texas Roadhouse, Inc., together with its subsidiaries, operates casual dining restaurants in the United States and internationally. The company operates and franchises restaurants under the Texas Roadhouse, Bubba's 33, and Jaggers names. Texas Roadhouse got its start in 1993 and today has grown to over 700 restaurants system-wide in 49 states and ten foreign countries.

Fiscal Year Dec.	4-YR CAGR	2022	2021	2020	2019	2018
Revenues (000,000)	13.1%	$4,015	$3,464	$2,398	$2,756	$2,457
Net Income (000,000)	14.3%	$269.8	$245.3	$31.3	$174.5	$158.2
EPS	15.9%	$3.97	$3.50	$.45	$2.46	$2.20
Dividends	16.5%	$1.84	$1.20	$.36	$1.20	$1.00
Profit Margin		6.7%	7.1%	1.3%	6.3%	6.4%

MARKET LEADER

Texas Roadhouse got its start in 1993, when founder Kent Taylor opened the first restaurant in Clarksville, Indiana, from a dream sketched on a cocktail napkin. Kent's goal was to own a place where everyone, of all ages, could come and have a great meal and great fun for a great price.

As Texas Roadhouse celebrates its 30th anniversary, the focus remains the same as it did in 1993. Texas Roadhouse is known for their specially seasoned aged steaks hand-cut daily, along with the free unlimited supply of roasted peanuts and fresh baked rolls. In addition to the delicious food, Texas Roadhouse offers entertainment in the form of line dancing and music on their jukeboxes.

In 2013, the first Bubba's 33 restaurant opened. Bubba's 33 is a sports restaurant concept, featuring burgers, pizza and wings as well as a wide variety of appetizers. The first Jaggers opened in 2014, offering burgers, hand-breaded chicken tenders and chicken sandwiches. As of December 27, 2022, the company and its franchisees operated 697 restaurants system-wide in 49 states and 10 foreign countries, including 652 Texas Roadhouse restaurants, 40 Bubba's 33 restaurants and five Jaggers restaurants.

During the past five years, Texas Roadhouse has generated impressive and profitable growth with revenues, net income, EPS and dividends all compounding at double-digit rates.

The company has a five year average return on equity (ROE) of 17.6%, including the lower results due to the pandemic. During 2022, Texas Roadhouse's ROE expanded to a meaty 26%. Texas Roadhouse has a strong track record of returning capital to shareholders. Over the past five years, the company has generated $966 million in free cash flow and has returned $820 million to shareholders through dividends and share buybacks.

HEALTHY BALANCE SHEET

As of 12/28/2022, the company had a healthy balance sheet with $174 million in cash and equivalents, $50 million in long-term debt and $1 billion in shareholders' equity. During the year, Texas Roadhouse repaid $50 million of its long-term debt. The company's strong balance sheet and strong operating cash flow positions the firm well to consistently grow dividends, acquire franchise restaurants, repurchase shares and pay down the remainder of its debt.

STRONG FINANCIAL RESULTS

Texas Roadhouse had strong fourth quarter results, providing double-digit growth in revenues and earnings. For the full year, revenues increased 16% to a record $4 billion, representing outstanding growth as it was only five years ago that sales exceeded $2 billion for the first time. Net income increased 10% to $270 million in 2022 with EPS up 14% for the year.

During 2022, 23 company restaurants and seven international franchise restaurants were opened. In addition, the company acquired eight domestic franchise restaurants for approximately $39 million. Texas Roadhouse generated $265.6 million in free cash flow during the year and returned $336.9 million to shareholders through dividend payments of $124 million and share repurchases of $212.9 million. On February 14, 2023, the board of directors authorized a quarterly cash dividend of $.55 per share, representing a 20% increase from the prior year. The dividend currently yields a tasty 2.1%.

Weekly sales averaged over $146,000 for the first seven weeks of 2023, with comparable sales growth of 16%. The company's restaurants have averaged more guests over the past seven weeks than in any period in their history. Management is expecting commodity inflation of 5% to 6% for 2023. However, the company has approximately 60% of their commodity basket locked in for the first half of the year and plans to implement a menu price increase of 2.2% in late March to help combat inflation.

In fiscal 2023, Texas Roadhouse expects positive comparable store sales growth and plans to open 25 to 30 new Texas Roadhouse and Bubba's 33 locations as well as three Jaggers.

Long-term investors should consider ordering Texas Roadhouse for their portfolios, as the company is a ***HI***-quality market leader with profitable operations, a healthy balance sheet and strong financial results. **Buy.**

UNDER THE SPOTLIGHT

UNITED HEALTHGROUP (UNH—$484.33)

9900 Bren Road East, Minnetonka, MN 55343 www.unitedhealthgroup.com

UnitedHealth Group is a health care company with two distinct and complementary businesses. Optum delivers care aided by technology and data, empowering people, partners and providers with the guidance and tools they need to achieve better health. UnitedHealthcare offers a full range of health benefits, enabling affordable coverage, simplifying the health care experience and delivering access to high-quality care.

Fiscal Year December	4-YR CAGR	2022	2021	2020	2019	2018
Revenues (000,000)	9.4%	$324,162	$287,597	$257,141	$242,155	$226,247
Net Income (000,000)	9.6%	$20,120	$17,285	$15,403	$13,839	$11,986
EPS	14.8%	$21.18	$18.08	$16.03	$14.33	$12.19
Dividends	16.7%	$6.40	$5.60	$4.83	$4.14	$3.45
Profit Margin		6.2%	6.0%	6.0%	5.7%	5.3%

MARKET LEADER

UnitedHealth Group traces its roots to Dr. Paul Ellwood, the health-policy guru who coined the term “health maintenance organization” during the 1960s. In 1977, Paul Ellwood helped entrepreneur Richard Burke establish United Healthcare to manage the newly created Physicians Health Plan of Minnesota, an early HMO. By combining best practices in medical care with the best thinking in business management, the company’s founders sought to improve the health of patients by expanding health coverage options and strengthening the health care system. Since its founding, the firm has consistently differentiated itself from its peers through the effective use of technology to improve care. Today, UnitedHealthcare, the firm’s health care insurance arm, collaborates with Optum, its information and technology-enabled health services arm, to deliver better clinical outcomes while bending the cost curve.

UnitedHealthcare, which generated 77% of UNH’s total 2022 revenues and 51% of its operating income, serves 149 million people. As the nation’s largest health insurer, the firm provides insurance through individual and employer plans, Medicare Supplemental and Advantage plans, Medicare plans plus benefits and health care delivery in more than 130 countries worldwide. Optum, which generated 23% of UNH’s total 2022 sales and 49% of its operating income, provides technology enabled health services for patients, providers, pharmacies, hospitals, payers and life sciences organizations. The largest business within Optum is OptumRx, a pharmacy benefit manager.

2022 FINANCIAL RESULTS

UnitedHealth Group reported healthy fourth quarter results with revenues rising 12% to $82.8 billion, net income increasing 17% to $4.8 billion and EPS up 18% to $5.03. For the full year 2022, revenues rose 13% to $324.2 billion as net income jumped 16% to $20.1 billion with EPS up 17% to $21.18. The company delivered broad-based growth thanks to double-digit growth at both Optum and UnitedHealthcare driven primarily by serving more people and serving them more comprehensively. Domestically, people served by UnitedHealthcare grew by over 1.2 million in 2022.

Return on shareholders’ equity for the year was a healthy 25%, reflecting the company’s strong overall growth and efficient capital structure. Free cash flow increased 18% during the year to $23.4 billion with the company paying $6 billion in dividends and repurchasing $7 billion of its common shares. Cash paid for acquisitions during the year, including Change Healthcare, topped $21 billion with the acquisitions expanding the company’s capabilities.

2023 FINANCIAL OUTLOOK

The company continues to see tremendous growth opportunities through its investments in technology and innovation with long-term EPS growth expected in the annual 13%-16% range. Business performance and capital deployment is expected to yield a return on equity of 20% or higher and a return on invested capital in the mid-teens percent or greater.

UnitedHealth Group affirmed its 2023 growth outlook with revenues expected to increase 10%-11% to a range of $357 billion to $360 billion with net earnings increasing 9%-12% to $23.15 to $23.65 per share. Cash flow from operations for the year is expected to increase to a range of $27 billion to $28 billion in 2023. Thanks to strong cash flows, UNH has authorized a double-digit increase of the dividend each year since 2010, to the current annualized level of $6.60 per share. Investors seeking healthy long-term returns should consider UnitedHealth Group, a ***HI***-quality market leader with profitable growth, growing dividends and a favorable outlook. **Buy.**

SUBSCRIPTION INFORMATION

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Hendershot INVESTMENTS