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P. 249. Error in Calculation of Coca-Cola Going-In Return (Table 5.15)
The calculation of Berkshire's going-in return is too low because of an error in the share count.

Original

Table 5.15: Coca Cola Company, key data and analysis

| | <u>1988</u> | <u>1987</u> | <u>1986</u> | <u>1985</u> | <u>1984</u> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenues (\$ millions) | \$8,338 | \$7,658 | \$6,977 | \$5,879 | \$5,442 |
| Revenues/average capital | \$1.43 | \$1.33 | \$1.46 | \$1.42 | \$1.45 |
| EBIT margin | 19% | 17% | 13% | 14% | 16% |
| Return on capital - pre-tax | 27% | 23% | 19% | 19% | 23% |
| Return on equity | 33% | 28% | 29% | 25% | 22% |
| Berkshire's purchase multiple | 5.43x | | | | |
| Berkshire's going-in return | 6.1% | | | | |

Sources: The Coca-Cola Company Annual Report 1988 and author's calculations.

| | Table 5.15 | Corrected | | | |
|----------------------------|-------------------|------------------|--|--|--|
| Shares issued in 1988 | 417,394,567 | 354,788,511 | | | |
| BRK shares 1989 | 23,530,000 | 23,530,000 | | | |
| BRK ownership % | 5.6% | 6.6% | | | |
| | | | | | |
| BRK 1989 cost | 1,023,920 | 1,023,920 | | | |
| Implied valuation | 18,163,138 | 15,438,804 | | | |
| | | | | | |
| Coke 1988 equity | 3,354,000 | 3,354,000 | | | |
| Purchase multiple | 5.42 | 4.60 | | | |
| | | | | | |
| Coke 1988 After Tax ROE | 33% | 33% | | | |
| BRK Going-In Return | 6.1% | 7.2% | | | |
| | | | | | |

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