

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.djreprints.com>.

<https://www.wsj.com/articles/warren-buffett-cant-find-anything-big-to-buy-11550745001>

MARKETS

Warren Buffett Can't Find Anything Big to Buy

Investors are hoping his annual letter to Berkshire's shareholders will offer hints on plans to spend its cash

By Nicole Friedman

Feb. 21, 2019 5:30 a.m. ET

Warren Buffett is always on the hunt for “elephants,” as he calls large acquisitions. But three years have passed since he bagged a new one.

One reason: The Omaha, Neb., billionaire faces unprecedented competition from private equity and other funds looking to make fast acquisitions, often at higher prices than Mr. Buffett is willing to pay. His last major deal, the \$32 billion purchase of aerospace manufacturer Precision Castparts Corp., closed in January 2016.

His competitors—global fund managers—had a record \$2.1 trillion in private capital ready to deploy as of June 30, according to data from Preqin. That is roughly double the amount they had a decade earlier. Mr. Buffett's Berkshire Hathaway Inc., [BRK.B -0.40% ▼](#) meanwhile, had \$103.6 billion in cash as of Sept. 30, the fifth straight quarter those holdings exceeded \$100 billion.

“With rates low and private equity folks drunk with cash and money all over the place, it's just naturally going to be harder” for Berkshire to find acquisitions, said Bill Smead, chief executive of Smead Capital Management Inc., which holds Berkshire shares.

On Saturday investors are hoping for new hints on Berkshire's plans to spend its cash, including whether the company will increase buybacks, in Mr. Buffett's annual letter to Berkshire shareholders. Berkshire is also expected to release its annual results.

Mr. Buffett's letters are widely read on Wall Street and beyond for his insights on investing, economics and other topics. In last year's letter, Mr. Buffett complained about the difficulty of finding attractive deals. “Prices for decent, but far from spectacular, businesses hit an

all-time high” in 2017, Mr. Buffett wrote. “Indeed, price seemed almost irrelevant to an army of optimistic purchasers.”

Berkshire faces more pressure to spend ever-larger amounts on acquisitions to move the needle on its earnings. Berkshire’s stock hasn’t notably outperformed the S&P 500’s average return, including dividends, in the past decade.

This isn’t the first time Mr. Buffett has backed away from making deals because values were too high. In 1969, Mr. Buffett decided to close his private investing partnership because he couldn’t find appealing investment opportunities, he has said. In the late 1990s he avoided investments in technology companies, as values of dot-com companies soared. He then sat out another boom in the mid-2000s.

“There’s no doubt about it that there is far more money looking at deals now than five years ago, and they’re willing to pay out more for the good, but mundane, businesses that we’ve been successful at buying in the past,” he said at Berkshire’s annual meeting in 2005.

Those decisions largely paid off for Berkshire during subsequent market declines and recessions. During the 2008 financial crisis Berkshire was able to offer lifelines to blue-chip companies, including Goldman Sachs Group Inc. and General Electric Co. Berkshire ultimately earned more than \$10 billion on its financial-crisis era investments.

RELATED

- [Deutsche Bank Lost \\$1.6 Billion on a Bond Bet](#)
- [New Details Emerge on Health Venture Launched by Berkshire, Amazon, JPMorgan](#)
- [Berkshire Keeps Buying More of Apple \(Aug. 14\)](#)
- [Buffett Explains the 2008 Financial Crisis \(Sept. 6\)](#)

But the size of purchases decreased following Berkshire’s Precision Castparts deal in 2016. Its biggest deal since was the purchase of nearly 40% of truck-stop company Pilot Flying J for \$2.8 billion in

2017. Berkshire will acquire another 41% of the company in 2023. Berkshire also bought a medical malpractice insurer for \$2.5 billion last year.

While he waits for deals, Mr. Buffett has plowed some of Berkshire’s cash into equity investments, including building a \$39 billion stake in Apple Inc. as of Dec. 31.

Mr. Buffett also has lieutenants helping him find investment opportunities. Berkshire promoted two executives, Greg Abel and Ajit Jain, to vice chairmen in 2018, and they are now responsible for overseeing many of Berkshire’s day-to-day business operations. Berkshire also has two portfolio managers, Ted Weschler and Todd Combs, who manage part of Berkshire’s investment portfolio.

Mr. Combs was instrumental in arranging the Precision Castparts deal and initiated two investments in financial-technology firms last year.

Some investors are hoping that Mr. Buffett's patience pays off again.

“Next time the market drops 30% to 40% and stays there, they'll have plenty of deals to do,” said Henry Asher, president of The Northstar Group Inc. Berkshire is Northstar's top holding.

Write to Nicole Friedman at
nicole.friedman@wsj.com