



+44 (0)20 7667 6600

# Touchbutton

No: 15, February 2013

## Beanz means Buffett

The surprise news that Warren Buffett, alongside private equity group 3G, is acquiring H J Heinz is the biggest takeover ever in the food industry, and another example of how Buffett's Berkshire Hathaway seeks to create value from seemingly dull, but consistent businesses. The deal includes an equity participation, but also \$8.8bn of preferred stock carrying an annual coupon of 9%. Not bad in today's era of flatlining interest rates, and much needed for a conglomerate which has more than \$43bn of cash and cash equivalents looking for a home. Although the so-called Sage of Omaha walks on water with most investors, he knows that cash in these quantities is unacceptable to investors. It won't cause them to lose any sleep, but cash rich businesses such as Berkshire will no doubt be watching how Apple get on in upcoming litigation surrounding how the cash on their balance sheet - \$137bn and rising - may or may not be distributed to investors.

Warren Buffet has long made it clear that he wanted to bag 'an elephant.' This deal is not it: it isn't anywhere near large enough and it is very likely that Berkshire Hathaway will snare another giant before the end of the year, possibly much sooner. The M&A bandwagon, it can be safely said, has started to gird its loins, with activity so far in 2013 up by 27% over the same period last year. This is further positive news for stockmarkets, and rising share prices will put pressure on CEOs to get on with deals sooner rather than later.

All of this should help to underpin equity markets, which have started the year enthusiastically, possibly overly so. Whilst some form of reality check might set in and prompt profit taking, this would be a healthy sign for the longer term vitality of the ongoing stockmarket recovery.



Berry Asset Management PLC  
79 Pall Mall  
London  
SW1Y 5ES

t : +44 (0)20 7667 6600  
f : +44 (0)20 3427 5400  
w : [www.berry.co.uk](http://www.berry.co.uk)

If you no longer wish to receive marketing emails from us please [click here](#). Alternatively, you can write to us at: Berry Asset Management PLC, 79 Pall Mall, London, SW1Y 5ES, United Kingdom or email [unsubscribe@berry.co.uk](mailto:unsubscribe@berry.co.uk).

Berry Asset Management PLC is a specialist investment management company, dedicated to providing portfolio management services to the private investor and trustee. As such under the FSA Retail Distribution Review definitions the Firm is considered "Restricted". The value of investments, and the income arising from them, can go down as well as up, and is not guaranteed, which means that you may not get back what you invested. Past performance is not a reliable indicator of future results. Changes in exchange rates may also cause an investment to fluctuate in value. Levels of taxation depend on your individual circumstances and the value of any tax reliefs which apply. Whilst every effort has been made to ensure that the information contained in this document

is correct, the directors of Berry Asset Management PLC can take no responsibility for any action taken (or not taken) as a result of the matters discussed within it.

Issued and approved by Berry Asset Management PLC. Authorised and regulated by the Financial Services Authority 25 The North Colonnade, Canary Wharf, London E14 5HS. Incorporated in England No: 1583393. It is not intended as an offer to acquire or dispose of any security or interest in any security.

© 2013 Berry Asset Management. All rights reserved.