




## Buffett's Scout Says Chances Rising for European Deal (Update1)

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By Tommaso Ebhardt and Andrew Frye



May 20 (Bloomberg) -- **Warren Buffett's** chances of making an **acquisition** in Europe have improved since his tour of Germany Italy, Spain and Switzerland in 2008, the billionaire's scout on the Continent said.

"I believe that Warren Buffett is now on the radar screen for European entrepreneurs," **Angelo Moratti**, the Italian energy executive who helped arrange Buffett's tour two years ago, said in an interview today at his office in Milan. "Ten years ago they didn't know who he was, three years ago they knew but didn't understand. Now they know."

Buffett is turning his attention to Europe and Asia after his **Berkshire Hathaway Inc.** bought a U.S. railroad this year for \$27 billion. Over the last two years, Moratti said, Buffett has rejected proposals from European companies because prospective sellers weren't big enough or had too much debt. Buffett probably won't be deterred by the fiscal crisis in Greece and the slide in the euro, said Moratti, vice chairman of **Saras SpA**, which owns the largest oil refinery in the Mediterranean.

"He's not interested in the macroeconomic scenario, we hardly would talk about what the euro will be doing," said Moratti. "He's looking for a business that is of considerable size, that has long-term prospects, good management and comes out for a fair price."

The euro fell to its lowest level in four years against the dollar this week amid concern that Europe's weakest economies will struggle to finance their budget deficits. Greece's credit rating was cut to junk by Standard & Poor's on April 27, and **Nouriel Roubini**, a professor at New York University, has said that aid from the strongest European countries may not be enough to support all 16 nations in the common currency.

### Profit Rebound

Buffett is seeking new investments as Berkshire's earnings improve during the U.S. economic recovery. Berkshire swung to a **\$3.63 billion** profit in the first quarter from a \$1.53 billion loss in the same period a year earlier on a rebound in sales of diamonds, luxury flights and recreational vehicles.

Buffett has transformed Omaha, Nebraska-based Berkshire over four decades from a failing textile maker to a \$190 billion seller of insurance, electrical power and consumer goods. Berkshire doesn't pay a dividend or buy back stock, leaving Buffett with the task of investing the firm's earnings in **stocks**, bonds and takeovers.

Berkshire is prepared to spend as much as \$10 billion on its next deal, Buffett said at the company's shareholders meeting this month. "We're as interested as ever," Buffett said. "We are ready to act." Buffett didn't respond today to a request for comment left with an assistant.

'Bigger and Bigger'

"The possibility that something's coming up gets bigger and bigger in Europe," said Moratti, commenting on prospects for an acquisition.

Buffett, who is Berkshire's chairman and chief executive officer, amassed the biggest stake in Germany's **Munich Re** in the first quarter. Next year the 79-year-old billionaire will travel to Japan in search of opportunities, Buffett said at a press conference on May 2.

Buffett's tour of Europe two years ago was orchestrated by Moratti to drum up acquisition candidates. Buffett met privately with the owners of family-run businesses and touted Berkshire as an appealing buyer at press conferences in Frankfurt and Milan.

Moratti, who fields proposals from interested sellers and filters them for Buffett, said he was "very confident" that a purchase would be made, without specifying a time period.

'Difficult to Predict'

"It's very difficult to predict," Moratti said. It "may happen tomorrow, may happen in five years." Milan-based Saras isn't for sale, Moratti said.

Moratti's holdings in the U.S. include investments in reduced-fat ice cream maker **Lovin' Scoopful** and Wat-ahh!, a seller of bottled water for children.

Berkshire's largest acquisition of a non-U.S. firm was Iscar Metalworking Cos., an Israeli company with operations in China and Japan. Buffett paid \$4 billion for an 80 percent stake in Iscar in 2006. Buffett bought a 9.9 percent stake in Chinese carmaker **BYD Co.** in 2008, and last year he injected 3 billion Swiss francs (\$2.6 billion) into **Swiss Reinsurance Co.**, which is second only to Munich Re in the sale of backstop coverage for insurers.

The acquisition of Burlington Northern Santa Fe, Buffett's biggest, was an "all-in wager" on the U.S. economy, he said when the deal was announced. The railroad's 35,000 employees and about 6,700 locomotives help haul coal, grain and consumer goods across the Western U.S.

"Warren Buffett's overall philosophy is America is the strongest," said **Michael Yoshikami**, chief investment strategist at Berkshire shareholder YCMNet Advisors. "But that doesn't mean that you don't tactically adjust your investment strategy."

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May 20 (Bloomberg) -- Angelo Moratti, the Italian energy executive who scouts for Warren Buffett in Europe, talks with Bloomberg's Tommaso Ehardt about the prospects for investments in the region. They talked in Milan.

