

An Octogenarian and Nonagenarian Walk into a Room Pt. 3

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LIFE, OR SOMETHING LIKE IT

Warren and Charlie are business maestros. Everyone knows that. But listening to the two of them talk, I couldn't help but think about how their business advice also translates to the world in general. What follows is a few of these bon mots of wisdom, partnered with some of my general observations.

- Warren and Charlie aren't ones for heated debate. Because most people get into heated debate without fully considering the other side of the equation. Charlie: "If you disagree with someone, you should be able to state their case better than they can. Otherwise, you should keep your mouth shut." I loved this one as it struck home for me in this 2016 election year in particular. I have deliberately not engaged in political debate in real-life or online "conversation." I have my opinions and feelings on candidates, but I am far from an expert, and it's not like my points are going to change your mind. And sadly, long gone are the days of intelligent discourse on topics and it being okay to "agree to disagree"... I'm going to try and hew to Charlie's philosophy from here on out.
- You don't need to have an answer for everything. When discussing the impact of today's incredibly low interest rate environment and how that affects purchase prices for Berkshire Hathaway (they pay a bit more, but try not to pay too much more), the conversation turned to the persistence of these low rates, coupled with global economic situations like Japan's ongoing struggles. Rather than force an answer, Charlie quipped, "No one understands it. Our advantage is we know we don't understand it."
- Cows are not plastics. One of the audience questions was from a cattle farmer who asked, "Would you invest in cattle today?" I believe Charlie responded with, "It's one of the worst businesses I can think of."
- Words of wisdom about management, courtesy of Warren: "If you're looking for a manager you want someone who is intelligent, energetic, and moral.

But if they don't have the last one, you don't want them to have the first two."

- Which way is up? The next time someone tries to opine on the future state of oil prices, I'm going to remember Warren's response to that same question, "We haven't the faintest idea what the long-term price of oil will be. We don't think we can predict commodity prices." I've heard others say the same thing, but people still try and predict. It's a fool's errand.

OTHER OBSERVATIONS

- No swag: This really surprised me. I've been to my share of exhibition halls and one thing has been consistent across all of them: some sort of swag. There was nothing for free here. You want some Dairy Queen ice cream? \$2. A Geico gecko? That will cost you. Matching Warren & Charlie plastic duckies from Oriental Trading Company? \$5.

Nothing. I mean NOTHING was being given away. I made this comment to someone who knows the process well and he responded with, "Remember, Woodstock of Capitalism..." and a long-time and significant investor in Berkshire Hathaway noted that Borsheim's does some ungodly amount of their sales in this weekend alone.

- Long-term view: My sample size is small, but of the Berkshire Hathaway executives I talked to and about, the tenure of them was amazing. These are not folks looking to exit and get their next CEO gig. These are not COOs and CFOs looking to get their first CEO gig. These are not senior executives looking to move onto a bigger and better company. Again, the sample size is small, but from what I saw, these people are happy with where they are and who they work for. When a top flight CEO who could work anywhere talks about the personal note from Mr. Buffett that he keeps up on his refrigerator alongside the pics of the kids, you know the culture

of Berkshire Hathaway.

- Consistency: The consistency of the Berkshire Hathaway CxOs that I spoke with was impressive. Again, unprompted, they all shared the envelope story from Part 2. They all shared how Warren lets them run the company as they see fit. He does not call on them; they send whatever info they want to send, when they want to send it. Some send a detailed monthly report, some do a quarterly two page letter, and I'm guessing others do it less frequently than that. I was a bit skeptical about this myself, so I asked one CxO whose company has a bit of exposure to the vagaries of the tech/internet markets and whom Warren bought prior to the 2000 & 2008 market busts, "How many times did he call during those downturns?" The answer: "Mr. Buffett has owned us for (x) years. The next time he picks up the phone and calls my CEO will be the first time." And he was dead serious. No matter how you slice it, that sort of belief structure and value system is impressive.
- Product Placement: If you've seen any pictures or video from the meeting, you can't miss the big See's candies box and Warren's Cherry Coke can, front and center. Product placement at its finest. Which brings to my next observation—here I disagreed with how Warren and Charlie handled a line of inquiry. When asked about their investment in Coca-Cola, despite the high levels of sugar and general harmful effects of the product, and them previously saying that they would never invest in a tobacco company for many of the same reasons, Warren essentially said, "I love Coke. I love the taste of it. Pffft."

The longer answer was, more or less, I drink it because I like the taste of it. And no one forces anyone to drink products. It felt like what a spokesperson for big tobacco might say. And lest we imply that Coke is bad by his statement that no one is being forced to drink it, he followed up by saying he drinks several cans a day because it makes him feel good. And if you do what makes you feel good, you'll live longer. ("Coke! Live long and prosper!")

I'm not sure what the right answer was here, but the evasive one was not the best one. I thought they could have taken a more direct approach, one in which they laid down that they are not the country's police and that they chose to draw the line where they drew it. Something along the lines of, "We have said that we are not going to invest in guns or tobacco or companies that price immorally. But

given the extent of our investments, we can't be your watchdog. With 50% of the rail transport market, I'm sure that BNSF moves alcohol, tobacco and firearms. I'm sure Precision provides parts that go into military weapons. Our energy company might provide power to a company that you don't like. And Geico might insure drivers at a plant for a company you don't like. Where would you draw the line? We drew it where we drew it. We're convinced Coca-Cola is a good company. And their most interesting growth avenues are in water, non-caffeinated beverages, and snacks." And then, Charlie throws out the Mungerism he used during the Coke discussion, "If you always focus on the negative, people ignore the positive." Maybe my answer isn't politically correct, but from what I heard during that day, I think it would have fit in with the tenor of the dialogue a lot better, and been much more direct.

- Valeant: The conversation also turned to Valeant at one point. Warren said that he was approached by multiple people asking if he wanted to invest in Valeant and urged him to meet former Valeant CEO Michael Pearson. Buffett said he declined to do either of those things, and was wary of the company from the start, calling the company "deeply flawed". Charlie didn't pull his punches like Warren did, adding, "Valeant, of course, was a sewer. The directors deserve all the opprobrium they are getting." (Note: I can guarantee you that I will not be using words like opprobrium when I'm 92. If I make it to 92).
- Bill effin' Gates: Bill was front and center. Here's my grainy Zapruder shot of him and Warren talking before the start.



And what made me so impressed was not that Bill was there—he and Warren are very close as you all well know. What impressed me was that he was front & center—1st row, 1st seat—and for the entire day, he was laser focused on Warren and Charlie. He did not get out of his chair. He didn't check his phone. He didn't play his Zune. And when questions were asked throughout the arena, he turned around, looked at the audience member, focused on the question and then turned back for the response. Understand that this was essentially for seven straight hours. And about an hour into it, folks in my group of 25 started checking phones and iPads, stretching their legs, getting snacks and what not. Bill Gates did not move. After a while, I felt guilty; after all, if Bill effin' Gates can unplug and focus like that, shouldn't I be able to? Isn't he much busier than I am? Then again, he's Bill effin' Gates. And that's Mr. Warren Buffett. The ability of those two men to focus like they did is probably part of why they are who they are.

- He's everywhere: I really didn't appreciate the breadth of Berkshire Hathaway's holdings until this weekend. When Warren talks about investing in the American industry, he means it. Case in point. I bought a pair of shoes from Nordstrom Rack a month ago. A brand I had never heard of, Børn. Then, I'm walking through the hall and see a display for H.H. Brown. A company I had never heard of. They sell shoes. And one of the shoes looked familiar. And then I looked up. There ya go. I'm buying his products without even knowing it.

- 85 and in charge: This was the single most amazing part of the weekend and one that I will never forget. He is eighty-five years old. Just think about that for a minute. Think about the most aware, intelligent, healthy person you know over the age of 80. Now picture that individual sitting on a dais for seven hours straight, answering questions about 100+ companies, with no prep, and having instant recall of detailed data on every one. The minutiae of every one—one question asked about the delivery issues associated with a new furniture store they opened up in Texas—and he knew the exact issue. He just blew me away. The energy, the recall, the intelligence. If I'm half as good as that at 85, then I will have won the lottery. And I'm pretty sure Warren won the DNA Powerball. When I was invited to attend this meeting, one of the pitches (like I needed to be pitched) was that, "you never know when it might be his last meeting..." After this experience, I'm pretty darn sure that unless he gets hit by one of those buses, he'll be doing it for a long while.

FINAL THOUGHTS

In summary, I loved the experience. I now understand a little sliver of why people flock to Warren and why so many investors swear by him. And yes I plan on going back next year if I can. And yes, I went out and bought some BRK shares* as soon as I got home.

– Sumeet

* BRK.B, not BRK.A :)