27 June 2025

Volume 1276

The end of an era: Warren Buffett steps down as CEO

Author: Kokkie Kooyman, Head of Global Financials at Denker Capital

At the annual shareholders' meeting on 3 May 2025, Warren Buffett shared that he would step down as CEO of Berkshire Hathaway at the end of the year, shortly after his 95th birthday. While the news was not entirely unexpected, it still marks the end of an era—not just for Berkshire, but for the investment world too. Buffett expressed complete confidence in Greg Abel, whom he recommends as his successor, and noted that Berkshire's future may be even brighter under Abel's leadership.

With this transition, it's worth pausing to reflect—not only on Buffett's extraordinary track record, but also on the thinking that guided it, and the future of Berkshire Hathaway.

Warren Buffett's 60 years transformed Berkshire Hathaway into a globally revered powerhouse.

When Warren Buffett steps down in December 2025, he will be the oldest and longest-serving CEO of a listed S&P company ever. He bought control of Berkshire Hathaway in 1965 and, with Charlie Munger as Deputy Chairman, turned it around from a failing textile mill into a behemoth with a $1.1 trillion market cap, making it the 7th largest company globally (by market cap) at the time of the May 2025 shareholders' meeting.

As shared in the latest annual investor letter, over the 60 years to 31 December 2024, Berkshire Hathaway grew shareholder value at a compound rate of 19.9% annually – nearly double the S&P 500's 10.4%. At these rates, a US$1,000 investment in 1965 would be worth US$55 million, compared to US$391,540 if invested in the index. This feat is unlikely ever to be repeated.

A lot has been written about Buffett over the years, including our own articles (most recently, this time last year, 10 lessons from Buffett and Munger, on life and investing), so in this article I have reminisced about some of his contrarian thoughts, but mostly focussed on Berkshire Hathaway's future after he steps down.

After he retires, Buffett will be remembered both as an investor and as a person.

As a person, he advocated that enjoying life is more important than making money, and his lifestyle testified to that.

He still lives in the same modest Omaha home he bought in 1958, drives himself to work, enjoys Coke and burgers, and spends time playing bridge with friends.

As an investor he made many inevitable (as he calls them) mistakes, but it was the big decisions that helped Berkshire Hathaway to generate its unbelievable return over 60 years.

Buffett's big influence was Munger (after Benjamin Graham, who taught him the importance of margin of safety in valuations). After Buffett gained control of Berkshire Hathaway in 1965, Munger told him to forget about ever buying another company like Berkshire. He encouraged him to focus instead on adding wonderful businesses purchased at fair prices, rather than buying more fair businesses at wonderful prices – the latter being the approach taught by Graham, which works, but only on a small scale.

In the 60 years that followed, they transformed Berkshire from a failing textile mill into a US$1.1 trillion giant conglomerate with 400,000 employees and a head office staffed by only 27 people. In the process they bought great businesses like NFM, Geico, Berkshire Hathaway Reinsurance, Sees Candy, Lubrizol and later BNSF Railway, and stakes in listed companies like American Express, Coca-Cola, Bank of America and Apple (which, as at 31 March 2025, makes up 62% of BH's listed portfolio).

Four defining investment principles by which Buffett has lived, stand out for me:

1. Don’t base your portfolio decisions on macroeconomic and political forecasts.

He will be remembered for focusing on the ability of companies to grow shareholder value (with a long runway) rather than trying to guess what the economy or market will do.

2. Invest in companies, not stocks.

In other words, invest as if you’re buying a farm for the long term – knowing that there will be droughts as well as bumper crops, but over time the farmland will generate an above-average crop yield.

3. Be happy when markets fall.

It provides great opportunities to buy more of the companies you like.

4. Be careful of a ‘cheery consensus’.

When everybody can only see the upside, be cautious.

What does the future hold for Berkshire Hathaway?

Greg Abel is set to become Berkshire Hathaway’s next CEO.

Abel (62) joined Berkshire in 1999 through its acquisition of MidAmerican Energy, where he was already an executive. Born in Canada and a graduate of the University of Alberta, he now lives in Iowa, where Berkshire Hathaway Energy is headquartered.

Although Munger unintentionally revealed the succession plan back in 2021, director Ron Olson later confirmed the decision had been made years earlier. According to the *Des Moines Register*, Abel is a well-known figure in his local community—a ‘regular dad’ who coaches youth hockey and baseball and attends the Iowa State Fair with friends.

Buffett’s preference for substance over convention remains clear: selecting a capable successor at an age when most CEOs retire reflects the long-term thinking that has defined Berkshire’s success.

Berkshire’s culture and management style were built to last – but some change is inevitable.

Buffett built Berkshire into a conglomerate known for its integrity and rational capital allocation, consisting of 189 independently managed companies at the end of 2024, led by highly capable CEOs. The example set and culture created by Buffett should endure for many years and one can safely forecast that this group of CEOs will continue to grow and compound shareholder value just as before, almost regardless of who is at the helm.

- The new CEO Greg Abel is highly competent and was handpicked by Buffett and Munger. Buffett recently said, *“Really great talent is rare, it’s rare in business, it’s rare in capital allocation, it’s rare in almost every human activity you can name.”* Buffett also said, *“It was unfair, really, not to put Greg in the job… The more years that Berkshire gets out of Greg, the better.”*

- Abel has said of himself, *"I'm a more hands-on guy"*, and hence it is likely that he gradually changes Buffett's hands-off management style.

- The appointment of Todd Combs to Geico in 2020 may hint at this new approach. In the last four years, Combs has improved underwriting, introducing telematics, and reduced staff from over 50,000 to below 30,000 at Geico, saving US$2 billion per annum.

- Buffett emphasised 'tapdancing to work' - doing what you love so much that you almost want to dance to work every day – over maximising profits at all costs. In my view, Abel may shift the focus to improving efficiencies. The example of Geico shows how even the best businesses get set in their ways, needing an outsider to come in and critically re-evaluate. I'm also pretty sure he will sell or merge underperforming businesses - something Buffett has rarely done.

- The culture embedded in a business - and what proves most enduring - is a topic on its own, one we always try to assess before we invest in a company. In our experience, businesses are dynamic, living entities that evolve as people come and go, but the tone is always set at the top. With both Munger and Buffett no longer there, a gradual change in the Berkshire culture is inevitable.

<u>The insurance division (in terms of underwriting earnings, about 20% of group total earnings) is expected to remain stable.</u>

I expect Vice Chairman Ajit Jain (72) to step down over the next few years but there are four very capable successors ready to step in.

We cannot ignore that when a leader like Buffett steps down, those who stayed because they enjoyed working with him will gradually leave.

In the investments division, Buffett has gradually handed over to Ted Weschler (64) who joined Berkshire 12 years ago with Todd Combs (54).

After a good start, Weschler and Combs have battled to emulate Buffett's track record of outperforming the S&P by 10% per annum. According to a *Financial Times* article from early May, Berkshire's investment returns have underperformed the index by around 5% per year over the past decade.

A standout high-quality decision they initiated was to build the company's massive stake in Apple - generating a 600% gain before they partially reduced their position again. On the other hand, some recent transactions don't carry the Buffett/Munger hallmark:

- Selling Wells Fargo (+23%) and JP Morgan (+30%) only to buy Chevron (-16%), Occidental (-40%), and Paramount (-60%) - betting on oil and gas and selling well-run organisations that were not expensive at the time - just not in line with Buffett's style?

- Interestingly, the three traditional Buffett favourites have done very well: Coca-Cola (+38%), American Express (+17%) and Apple (+18%) have continued to perform well, with Coca-Cola's 5-year gain (+382%) outperforming Apple's (+158%).

- I’m also critical of them buying Nubank (a Brazilian fintech, with a Capitec-like 20-year future ahead of it) and then selling it shortly thereafter.

From the limited disclosure, it seems that Weschler still has to learn Munger’s lesson: invest in quality companies and hold them for the long term.

Did Weschler do well raising cash during 2024? The investment in US Treasuries means Berkshire now owns 5% of all issued Treasury stock. The test will be to see where and when he reinvests… running one of the world's largest portfolios is no small task.

Buffett’s unique leadership style and decision-making will be missed, and it remains to be seen how Abel will fill that role.

I think what will be missed most about Buffett is his jovial, motivating personality, and his ability to make quick decisions when needed. At age 94, Buffett still works through about 50 sets of financial statements per month! In the *Financial Times* article referred to above, it is also noted that Weschler, for example, spends more than 12 hours a day reading.

Abel mentioned at the 2025 meeting, “Never underestimate the amount of reading and work that’s being done to be prepared to act quickly.”

Will Abel, as Buffett has always done, be able to keep his diary free to focus on reading and thinking? Only time will tell. And will he be as good at allocating capital? Both Munger and Buffett rated him highly and worked with him for the past 20 years.

The decision to retire came gradually after Buffett turned 90. As said in an interview with the Wall Street Journal, “*My health is fine, in the sense that I feel good every day. I’m here at the office and I get to work with people I love, and they like me pretty well, and we have a good time.” But, he also said, “The difference in energy level and just how much he (Abel) could accomplish in a 10-hour day became more and more dramatic. He just was so much more effective at getting things done.”*

Buffett's (and Munger’s) legacy is a masterclass in long-term thinking — and doing the simple things well.

Buffett’s unique blend of discipline, optimism, and clear thinking will be hard to replace. But his principles remain a compass for investors: focus on quality, stay patient, ignore the noise, and never stop learning.

As he once noted, *“No one wants to get rich slowly,”* reminding us that building true wealth takes time — a virtue both he and Munger practiced for decades.

Their legacy is a testament to the power of long-term thinking and doing the simple things well — within your circle of competence — over and over again.

As a final note to end off, a few timeless takeaways from the May 2025 shareholders' meeting which stood out to me:

1. <u>Never bet against America</u>

Buffett reaffirmed his lifelong belief in America's capitalist culture – a system he credits for the country's prosperity. He has always believed in the power of the private sector to grow the economy and create jobs more effectively than government-directed programmes. This ideology embraces rewarding success - think of Steve Jobs, Elon Musk, and Buffett himself (and in South Africa the Pepkor, Shoprite, RMB and Capitec founders, for example). It also accepts that failing enterprises must be allowed to fail.

Buffett reiterated that this capitalist ethos, combined with a free market that allocates resources efficiently, has driven the country's success over the past 250 years. His message was clear: America has faced many problems over many years, but its system and people have always overcome the problems. Don't underestimate the American spirit of innovation and resilience.

2. <u>A warning on tariffs</u>

Reflecting on recent history, Buffett warned about the dire global consequences of tariffs imposed during President Donald Trump's administration, telling the thousands of investors gathered at the meeting that there's no question that trade can be an act of war, and shouldn't be used as a weapon. He said, *"It's a big mistake in my view when you have 7.5 billion people who don't like you very well, and you have 300 million who are crowing about how they have done."*

3. <u>Long-term commitment to Japanese banks</u>

When asked if Berkshire will sell its stakes in the five Japanese financial firms if the Bank of Japan raises interest rates, Abel and Buffett both emphasised their long-term approach – saying that they focus on what the management teams are doing and not on interest rates.

Abel added that the management teams of these firms appear very keen to work with Berkshire, hinting at the potential for future collaboration. It's interesting that this comment came from Abel, indicating that Berkshire possibly sees its Japanese investments as a springboard into Asia.

4. <u>Volatility is normal</u>

In the past 50 years, Berkshire stock lost over 50% in market value three times, while nothing had changed inside of the business. This is what makes investments so interesting. The emotionality of other investors brings forth great investment opportunities. As Munger said at the 2016 annual shareholders' meeting, *"If you aren't willing to react with equanimity to a 50% market decline, you're not fit to be a common shareholder—and you deserve the mediocre returns you'll get."*

5. The importance of patience

The market provides great investment opportunities every so many years. You never know when that will occur, but they will. That is where patience comes in. The patience to wait for the right opportunity and the ability to act quickly when it arrives.

Will Buffett lead the annual shareholder meeting in 2026?

He has stated that Abel should be allowed to write his own shareholder letter and lead the meeting, indicating that Buffett will most probably sit amongst the directors and not on stage.

Will people still flock to listen to Abel and Jain, and possibly Weschler and Combs?

The day has become a networking and shopping event with many other events scheduled around it. However, a recent CNBC Buffett Watch Reader Survey indicated that whilst almost 50% of this year's attendees plan to attend again next year, a further 25% are undecided. Berkshire Hathaway will continue and, as Buffett opined, continue to grow shareholder value for many years to come, but the shareholder meeting is likely to morph into a smaller event unlikely to attract the more than 40,000 investors, as over the last few years.

Glacier Research would like to thank Kokkie Kooyman for contributing to this week's *Funds on Friday.*

Kokkie Kooyman,
Head of Global Financials,
Denker Capital
B.Comm. (Honours), Higher Diploma in Education, CA(SA)

Kokkie is responsible for managing the award-winning Denker Global Financial Fund and its rand-denominated feeder fund, the Denker SCI Global Financial Feeder Fund. He is also one of Denker Capital's Executive Directors. In 1989, he joined Old Mutual where he filled various investment management roles over the course of a decade, the last being Head of the Financial Services Sector. From 1999, Kokkie spent five years managing the local and global financial funds at Coronation Fund Managers. He established SIM (Sanlam Investment Management) Global in 2004, which merged with SIM Unconstrained Capital Partners to form Denker Capital in 2015.

Kokkie has received the prestigious UK-based Investment Week's Fund Manager of the Year award four times (2010-2013) in the financials category. The funds managed by Kokkie over the years have received a range of industry awards. These include a Morningstar award for the Denker Global Financial Fund as well as Raging Bull awards for the Nedgroup Investments Financials Fund and the Denker SCI Global Equity Feeder Fund (the South African-registered feeder fund for the Denker Global Equity Fund).