



OPINION

Will Warren Buffett really retire at the end of 2025, or has he already retired?



GEORGE ATHANASSAKOS >

SPECIAL TO THE GLOBE AND MAIL

PUBLISHED 3 HOURS AGO

UPDATED 2 HOURS AGO



Berkshire Hathaway Chairman Warren Buffett walks through the exhibit hall as shareholders gather to hear from the billionaire investor at Berkshire Hathaway Inc's annual shareholder meeting in Omaha, Neb., in May, 2019.

SCOTT MORGAN/REUTERS

After years of speculation, we finally have found out when Warren Buffett will be stepping down as the CEO of Berkshire Hathaway. During the company's annual shareholders meeting on May 3, he announced that day will come at the end of this year.

In my opinion, however, Mr. Buffett had already retired from day-to-day operations and had largely left investment decisions to his successor, Greg Abel, and his team a long time ago.

Why? Take Berkshire Hathaway's relatively recent investments in Apple and four U.S. airlines. They did not appear to be Buffett-type investments. I believe it's because the so-called "end of an era" of Buffett as chief investment decider had already been reached some time ago.

Let's examine this more closely, starting with Apple.

One of the key principles that Mr. Buffett has discussed over the years is that one should invest in companies that are within one's circle of competence. An investor should understand a company's business, and if not, stay away. Mr. Buffett has repeatedly said that he does not understand technology.

Even if he did, Mr. Buffett likes to invest in companies that possess a sustainable competitive advantage. Apple doesn't really fit this mould. In my opinion, the competitive advantage for Apple had been Steve Jobs. Mr. Jobs is difficult to replicate. And so there was a management impairment in Apple after his passing in 2011.

Value investors believe that excellence in management is already reflected in a stock's price. Upon a key executive leaving, the only direction for the stock price is down unless a company has had in place rigorous and well thought out succession planning.

Transition planning was not one of Apple's strong suits when Mr. Jobs was around, in part because of the outsized and difficult-to-replicate contributions he had made.

Apple could have been considered a value stock at the time Berkshire Hathaway bought it in early 2016. Its price-to-earnings was around 15 times, very close to what value investors would consider an undervalued stock.

But technology stocks with low P/Es are often riskier when they lose their spark. And to me, that spark was Mr. Jobs. Apple did not invent the smartphone – it innovated it. The driver of innovation was Mr. Jobs. Consumer tastes are fickle. Consumers will gravitate toward the sexiest and cooler products irrespective of the brand. Mr. Jobs was the master of capitalizing on this.

Can Apple continue to be in the forefront of technology and innovation without Mr. Jobs? Some would doubt this, and in recent years, there's been a growing perception that the company isn't innovating nearly fast enough. Case in point: this week Samsung beat Apple to market by rolling out an ultrathin Galaxy S25 Edge smartphone, months ahead of Apple's own superthin phone.

Now, let's look at Berkshire's purchase of a stake in four major airline companies in 2016 — American Airlines, United Continental Holdings, Delta Air Lines and Southwest Airlines. Eventually Berkshire divested them, with Mr. Buffett admitting the company had made a mistake.

Mr. Buffett shunned the airlines industry for decades following his disastrous investment in U.S. Airways back in 1989. In 2007, he explained his reasoning against investing in airlines: “The worst sort of business is one that grows rapidly, requires significant capital to engender the growth, then earns little or no money. Think airlines. Here, a durable competitive advantage has proven elusive since the days of the Wright brothers. Indeed, if a farsighted capitalist had been present at Kitty Hawk, he would have done his successors a huge favour by shooting Orville down.”

And in another interview he gave to The Telegraph in 2002, Mr. Buffett summarized his dislike of the airline business as follows: “You've got huge fixed costs, you've got strong labour unions, and you've got commodity pricing.”

In general, airline stocks are not investments that value investors would readily make. Airline companies have high business and financial risks, with both volatile operating profits and high debt levels – a deadly combination. As a result, during recessions, the question is not if an airline will go bankrupt, but which one.

So, was Mr. Buffett really making Berkshire Hathaway's stock-picking decisions in recent years? I have my doubts.

Judging by the stock price reaction, many investors may be sharing my skepticism. Shares are down only about 5 per cent since early May – not nearly the negative reaction some observers had predicted would follow a retirement announcement.

Mr. Buffett isn't entirely going away - he'll remain chairman of the board at Berkshire Hathaway beyond this year. But with US\$350 billion in cash and Mr. Abel now in full control of stock-picking, we may find a lot more surprises ahead.

George Athanassakos is a professor of finance and holds the Ben Graham Chair in Value Investing at the Ivey Business School, Western University. His latest book is Value Investing: From Theory to Practice.

Sign up for our new Business Brief newsletter. A daily look at the most important business stories that are making news and moving markets, written by Chris Wilson-Smith

+ SIGN UP | EXPLORE NEWSLETTERS

[Report an editorial error](#)

[Report a technical issue](#)

[Editorial code of conduct](#)

Related stories



Canada's unemployment rate rises, BCE cuts its dividend and Warren Buffett's chosen successor: Must-read business and investing stories



Warren Buffett to remain chairman at Berkshire Hathaway when Greg Abel takes over as CEO in 2026



The king Warren Buffett is retiring. Long live Greg Abel, his Canadian successor 🔑

CHRIS GAY