Berkshire Hathaway Buys Lubrizol For $9 Billion In Cash

OMAHA, Nebraska (AP) — Warren Buffett's Berkshire Hathaway Inc. is buying specialty chemicals company Lubrizol Corp. for about $9 billion in cash, making it among Berkshire's biggest acquisitions.

The companies said Monday that the transaction also includes about $700 million in net debt. Berkshire will pay $135 per share, a 28 percent premium to Lubrizol's closing stock price Friday of $105.44.

Buffett said earlier this month he was looking for more big acquisitions to boost Berkshire's earnings power. Last year, Berkshire Hathaway acquired railroad Burlington Northern Santa Fe for more than $26 billion.

"Lubrizol is exactly the sort of company with which we love to partner — the global leader in several market applications run by a talented CEO, James Hambrick," Buffett said in a statement.

Lubrizol makes chemicals for pharmaceutical companies, fuel additives for gasoline and diesel and other ingredients for the transportation sector. Last month, it reported that its fourth-quarter profit climbed 17 percent because of a $19 million tax benefit and higher sales. The company's revenue grew 11 percent to $1.32 billion.

Berkshire Hathaway, which is based in Omaha, Nebraska, owns roughly 80 subsidiaries, including insurance, clothing, utility, furniture, jewelry and corporate jet firms. It also has major investments in such companies as Coca-Cola Co., Washington Post Co. and Wells Fargo & Co.

Buffett, whose investing decisions are carefully scrutinized by the world of finance, said earlier this month that while he's interested in making acquisitions, it's hard to find big businesses that fit into Berkshire Hathaway well. He also noted that businesses that do appeal to him usually aren't selling at the right price.

Buffett is an adherent of value investing — focusing on finding financially sound companies with underpriced shares. He has simple standards for what he looks for in an investment: easy-to-understand large companies with a strong competitive advantage that generate cash and above-average returns on capital.

Berkshire's biggest acquisition before BNSF was the $16 billion stock purchase of reinsurance giant General Re announced in 1998.

Buffett said he tries to close deals quickly partly to avoid the kind of insider trading

a former Goldman Sachs board member has been accused of engaging in just before Berkshire invested $5 billion in Goldman in 2008.

Berkshire Hathaway and Lubrizol expect the acquisition to close in the third quarter. After the deal is complete, Lubrizol will become a Berkshire Hathaway subsidiary. It will keep its Wickliffe, Ohio, headquarters and continue to be led by current management.

Both companies' boards have unanimously approved the buyout, but it still needs the approval of Lubrizol shareholders.

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