

International Chart of the Week

From the sick bed, a word on Buffet, Germany and an interesting chart



CologneRe shareholders has received a going private bid – and further down
you'll get to read the name of the next German going private candidate

Dear Friend,

Confined to bed by a nasty virus, I'll keep it short and sweet today.

Don't however, make the mistake of ignoring the less detailed notes of this author.

A short text this might be, but its monetary value could be all the higher.

Buffet strikes near the river Rhine

It wasn't on this website, but rather in a column published by the good people at MoneyWeek (www.moneyweek.com), that I pointed out Warren Buffet's interest in a German reinsurer.

Back in February, I reported how Buffet's reinsurance company, GeneralRe, had built a 91% stake in the listed German reinsurer, CologneRe. You can retrieve the entire article on the web by visiting www.moneyweek.com/file/8917/index.php. The gist of the story was, that Buffet was likely to seek ownership of the remaining 9% that he didn't yet own.

Come September 19th, and the sage of Omaha confirmed his interest in buying out the remaining shareholders. CologneRe yesterday announced that its main shareholder, GeneralRe, intends to take it private (implying that a going private bid is imminent).

The share price had been spiralling upwards pretty much ever since I reported about it, with the price rising from €99 back in February to €140 just before the announcement. It finished the day at €156.

Once more, here is a classical example of the value found in Germany. With earnings per share of around €10, this clearly was a bargain-basement investment when buying it for around €100. What's more, Buffet's gradually rising stake made it pretty clear that a going private was in the offing. Just after crossing the 95% threshold for launching a going private bid, came the confirmation that CologneRe's days as a listed firm are numbered.

No going private price has been announced yet. In Germany, the eventual price paid out to the remaining shareholders will have to be determined based on the enterprise value, and shareholders can even ask a court to verify that the price has, indeed, been 'fair'. In other words, the price could rise yet further.

Since February, this share has already gained 56% in value. A little research into the unusual niche of German going private candidates often stretches a long way.

A 2nd opportunity for everyone who missed the boat

CologneRe is now a thing of the past.

Those who didn't buy in February (or at least during the ensuing month), have simply missed out.

However, another German going private candidate seems to be about to deliver a technical buy signal. Here is an opportunity to get in on another such case, and to do so early into the game.

The insurance and building society Wüstenrot & Württembergische, about which I published an in-depth analysis back on July 11th (and which had also been mentioned in the MoneyWeek article), seems to be on the way up.

A look at the chart says more than a thousand words. Despite weak-ish equity markets, this share has recently been rising. Avid watchers of ticker tape could have easily observed how eager buyers were gradually emptying the markets. The share price steadily moved up even on days when the overall market was weak.

My gut feeling is, that this share won't be trading at the current level for much longer. This might even be for the simple fact that a lot of the people who made huge profits with CologneRe are now looking for a similar situation where to reinvest the money.



W&W shares are unlikely to trade at less than their book value for much longer

Look no further than Wüstenrot & Württembergische, a clear going private candidate with a share price equivalent to just 80% of book value.

Enough said. It's back to bed for me.

Sven Lorenz

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