



Warren Buffett Will Shockingly Buy the IPO of This Tech Company

Description

Investing in an IPO, and in a tech company, isn't Warren Buffett's cup of tea. The famous value investor prefers long-term profits over short-term gains. However, the **Berkshire Hathaway** chairman made another [uncharacteristic move](#) in September 2020.

Buffett has a long-standing aversion to IPOs. On record, his first and last since 1956 was the **Ford** IPO. His [buy-and-hold mantra](#) took a backseat this month. His conglomerate bought around \$700 million worth of Snowflake shares, a cloud-based data-warehousing startup in the U.S.

Shocking buy

Many market observers think Buffett didn't personally orchestrate the investment in a new publicly listed American tech company. The GOAT (greatest of all times) of investing shies away from stock market newcomers. His stand is that IPOs are all hype, which isn't a sound basis for investment.

Perhaps Buffett agreed with his lieutenants' recommendations to take a position in the next tech sensation. The \$730 million investment in Snowflake is small relative to Berkshire's current liquidity. Its position is only 0.5% of the total \$142 billion war chest. Berkshire earned over \$800 million on Snowflake's market debut.

Another known billionaire, CEO Marc Benioff, CEO of **Salesforce.com**, purchased the stock. It's worth watching if more investors will join the fray. Like other tech upstarts, Snowflake is a high-risk proposition. Losses will dwarf revenues in 2020. However, the two investment gurus can influence followers.

Potential high flyer

Across the border in Canada, **BlackBerry** ([TSX:BB](#))([NYSE:BB](#)) can potentially outshine Buffett's latest addition to his stock portfolio. Although the tech stock is underperforming (-24.31%) year to date, it could skyrocket in the near term.

Awareness is growing regarding this \$3.51 billion company's capabilities in providing intelligent security software and services to enterprises, organizations, and governments globally.

BlackBerry is extending its partnership with the American Red Cross. The company will donate its AtHoc software to the humanitarian organization to enable safe and resilient communities. People in need will have emergency assistance, disaster relief and disaster preparedness education.

In the Middle East, the Saudi Financial Lease Contract Registry Company, or SIJIL, will use BlackBerry's Unified Endpoint Manager (UEM) and BlackBerry Workspaces. SIJIL knows the Canadian firm has exceptional security capabilities and holds the industry leadership in secure connectivity technologies.

Prem Watsa, the Warren Buffett of Canada, is a prominent BlackBerry investor. His company, **Fairfax Financial Holdings**, owns 100.5 million shares, representing 14.28% of its stock portfolio. Watsa is confident BlackBerry will transform into a growth company.

Evaluate the tech prospect

Warren Buffett is not the architect of the Snowflake investment. Todd Combs, one of Berkshire's chief investment officers and CEO of its wholly owned subsidiary GEICO, was the deal proponent. The company has been using Snowflake's cloud-based data warehouse for some years. It appears the legendary investor is making up for missed opportunities in tech giants like **Alphabet** or **Amazon.com**.

Apple is now Berkshire's largest single stock holding. Regular investors shouldn't rush investing in tech stocks because of Buffett. Many are high-risk, high-reward companies. It would help if you exercise extra caution and evaluate the prospect. An indirect endorsement by the GOAT of investing is not an assurance of future success.

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