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# Berkshire Hathaway and GEICO: an M&A case study

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## Abstract

### Purpose

This paper aims to illustrates the use of the modern Graham and Dodd valuation methodology as a corporate M&A tool by way of case study.

### Design/methodology/approach

The paper presents a case study of the 1995 Berkshire Hathaway acquisition of GEICO and draws on previously published Graham and Dodd methodological materials as well as GEICO's publicly available financial information. The valuation presented in the case is the sole work of the authors.

### Findings

The paper finds that, while Graham and Dodd-based valuation is a popular investment methodology it has thus far received scant attention as a corporate M&A tool. The results of the GEICO case suggest that Graham and Dodd valuation could be applied successfully to corporate M&A.

### Research limitations/implications

The paper explains modern Graham and Dodd valuation in the context of Berkshire Hathaway's 1995 GEICO acquisition. It demonstrates how that acquisition contained a reasonable margin-of safety, or price discount to estimated intrinsic value, even though it was taken private at a 25.6 percent premium over the \$55.75/share market price at the time. The case demonstrates the practical utility of Graham and Dodd-based valuation in corporate M&A, and



M&A.

## Keywords

- Acquisitions and mergers
- Business strategy Case studies
- Motor car insurance

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