



# The Holdco Guide

How Entrepreneurs  
Structure & Build a  
Holding Company  
That Lasts



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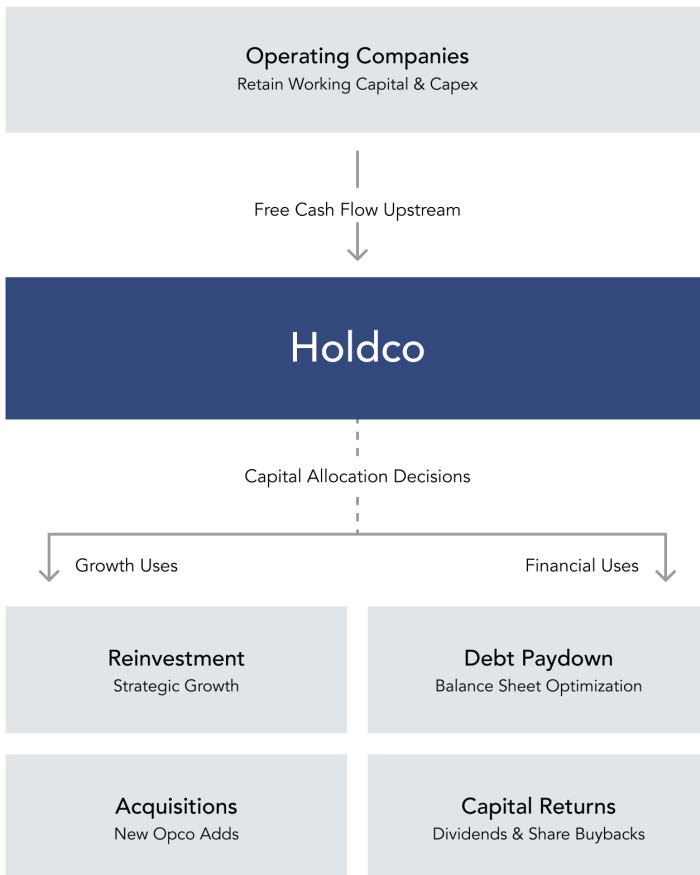
## 4. Distribute to Owners or Hold Cash

Bucket can reward owners:

- \$320k distributed to shareholders
- \$200k held on the balance sheet for future opportunities

This preserves optionality and provides downside protection.

### The Holdco Capital Allocation Model



# MORE HOLDCO RESOURCES

The following are additional reading and listening resources for those who'd like to dive deeper into the world of holdcos and specific companies.

## Books

- *The Outsiders* – William Thorndike  
Eight case studies of CEOs who achieved outsized returns through unorthodox capital allocation and decentralized models.
- *Lessons from the Titans* – Scott Davis, Carter Copeland, Rob Wertheimer  
Case studies of large industrial companies (e.g., Danaher, Honeywell) that highlight how capital allocation, culture, and strategic discipline drive long-term performance. Essential reading for understanding operational holdcos.
- *Strategy Beyond the Hockey Stick* – Chris Bradley, Martin Hirt, Sven Smit  
A McKinsey-based framework for understanding corporate strategy through probabilities and power moves.

- *Capital Allocation: The Financials of a New England Textile Mill 1955–1985* – Jacob McDonough  
A detailed analysis of Buffett’s early years at Berkshire Hathaway through the lens of financial statements.
- *Cable Cowboy* – Mark Robichaux  
An account of how John Malone transformed TCI from a regional operator into America’s dominant cable empire through aggressive acquisitions and shrewd capital allocation.
- *The Compounders: From Small Acquisitions to Giant Shareholder Returns* – Oddbjørn Dybvad, Kjetil Nyland, Adnan Hadžiefendić  
An introduction to high-performing yet unheralded holding companies that have mastered capital allocation coupled with a decentralized operational approach.
- *Never Enough: From Barista to Billionaire* – Andrew Wilkinson  
A memoir by Tiny co-founder Andrew Wilkinson on how he came to build his holding company through trial and error.

## Podcasts

- 50X. “TransDigm Series.” Four episodes released July–August 2022.  
This series explores TransDigm’s business model, capital allocation, compensation philosophy, and long-term compounding through candid conversations with its leaders and investors.
- *Business Breakdowns*. Episode 97: “Constellation Software: Principled, Profitable, Permanent,” February 16, 2023.  
A deep dive into Constellation Software’s disciplined culture, acquisition engine, and compensation philosophy, through the lens of Chris Cerrone of Akre Capital.

- *Business Breakdowns*. Episode 150: “HEICO: Parts for Planes,” February 21, 2024.

A high-detail breakdown of HEICO’s aerospace maintenance, repair, and overhaul (MRO) business, highlighting the Mendelson family’s expansion of the firm into aircraft aftermarket niches by comparing its operating model with TransDigm.

- *Acquired*. Season 12, Episode 2: “LVMH: The Complete History & Strategy,” February 21, 2023.

A deep dive into how Bernard Arnault transformed a bankrupt textile company into LVMH, exploring the strategic brilliance, cultural nuance, and luxury-sector dominance that underpin the group’s ascent.

- *Jays of Compounding*. Episode 18: “The Art of Compounding,” featuring Mitch Rales (co-founder of Danaher), April 29, 2024.

A deep discussion on decades-long compounding, continuous improvement, and the philosophy of long-term organizational success.

- *Invest Like the Best with Patrick O’Shaughnessy*. Episode: “Trish and James Higgins of Chenmark Capital: Permanent Equity,” March 14, 2017.

A conversation with Trish and James Higgins of Chenmark on building a permanent capital holding company.

- *Think Like an Owner*. Episode 76: “Brent Beshore – Building and Growing a Competitive Advantage at Permanent Equity,” August 10, 2021.

Brent Beshore (founder and CEO of Permanent Equity) discusses how the firm builds competitive advantage through marketing, operations, and long-term, margin-of-safety strategies.

## Annual Letters

Annual letters are more than updates; they're long-form operating manuals. Read them not just to learn what happened, but how decisions were made and how capital was prioritized.

- **Constellation Software Letters**  
Investor letters by founder Mark Leonard, offering rare insights into disciplined capital allocation, decentralized structures, and long-term thinking.  
Available at: <https://www.csisoftware.com/category/pres-letters>
- **Berkshire Hathaway Annual Letters**  
Warren Buffett's legendary shareholder letters, spanning six decades, cover everything from compounding and capital allocation to governance philosophy.  
Available at: <https://www.berkshirehathaway.com/letters/letters.html>
- **Enduring Ventures Annual Letters**  
Annual reflections from Enduring Ventures, a modern holding company experimenting with permanent capital and multi-sector stewardship.  
Available at: <https://www.enduring.ventures>
- **Permanent Equity Annual Letters**  
Thoughtful letters by Brent Beshore and team, explaining their approach to buying and holding small businesses indefinitely.  
Available at: <https://www.permanentequity.com/letters>

## APPENDIX

# More Examples of Sector-Specific Holdcos

### Marketing and Advertising Services Holdcos

The marketing and advertising sector has historically been highly fragmented, making it ripe for consolidation. Sector-specific holdcos in this space benefit from shared media buying power, centralized creative services, and data-driven synergies.

Company	Holdco Type	Notes
<u>Stagwell Group</u>	Operational Holdco	Public, digital-first platform. About seventy specialist agencies share a mar-tech and data spine, yet keep brand P&Ls, aiming for scale without network bureaucracy.
<u>WPP</u>	Operational Holdco	Legacy global giant. Over 300 creative, media, and PR shops under regional clusters, with shared finance and procurement but wide operating autonomy.
<u>Next 15 Group</u>	Capital Allocator Holdco	UK-listed, this group reinvests cash flow into PR, data, and consulting boutiques at single-digit EBITDA multiples, integrating lightly and tracking ROIC by vintage.

<u>Project Worldwide</u>	Capital Allocator Holdco	Employee-owned, this experiential and creative network features permanent equity, decentralized culture, and no exit clock. Their growth is funded from retained earnings.
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## Consumer Brands Holdcos

Consumer brands holdcos leverage trusted brands, economies of distribution, and marketing scale. They often operate decentralized brand portfolios while seeking supply chain and operational efficiencies.

Company	Holdco Type	Notes
<u>LVMH Moët Hennessy Louis Vuitton</u>	Capital Allocator Holdco	Includes over seventy-five semi-autonomous luxury “maisons” across fashion, wines and spirits, jewelry, retail, and hospitality. The Arnault family allocates cash from mature houses into new labels and marquee deals (e.g., Tiffany) while sharing real-estate, manufacturing, and e-commerce infrastructure.
<u>Procter &amp; Gamble</u>	Operational Holdco	This household- and personal-care giant features central R&D, supply chain, and media buying support-category P&Ls that each run their own brand playbooks.
<u>Church &amp; Dwight</u>	Capital Allocator Holdco	A mid-cap CPG compounder, Church & Dwight funnels free cash into small-brand bolt-ons (OxiClean, Waterpik) at single-digit EBITDA multiples, integrating through a lean shared-services platform.
<u>Estée Lauder Companies</u>	Operational Holdco	This global beauty house acquires prestige and indie cosmetics lines, then folds them into a central marketing, distribution, and innovation engine while preserving brand identities.

<u>Sazerac Company</u>	Capital Allocator Holdco	A family-owned spirits group, it has permanent capital funds and the long-horizon stewardship of Buffalo Trace, Fireball, and regional bourbon labels with decentralized storytelling and shared bottling logistics.
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## Home Services Holdcos

Home services such as HVAC, plumbing, and electrical are highly localized and recession-resilient. Sector holdcos focus on geographic expansion, brand roll-ups, and operational excellence to build regional powerhouses.

Company	Holdco Type	Notes
<u>TurnPoint Services</u>	Operational Holdco	National HVAC, plumbing, and electrical platform backed by PE; has bought over forty founder-run contractors since 2016, keeps local names, and adds centralized dispatch, purchasing, and marketing to build a regional network.
<u>Rollins Inc.</u>	Operational Holdco	Orkin and sister pest-control brands are tightly integrated under a single operating playbook; growth comes from bolt-ons that are folded into common systems rather than managed as stand-alone units.
<u>FirstService Corp.</u>	Capital Allocator Holdco	Founder-led and publicly traded, FirstService Corp reinvests permanent capital into a family of adjacent service brands while letting each brand keep its own P&L discipline. Combines light central services with an allocator mindset.
<u>Chemed Corp.</u>	Capital Allocator Holdco	Owns two unrelated, independently run verticals—Roto-Rooter (plumbing) and VITAS (hospice). Capital is allocated across distinct industries, fitting the classic multi-segment conglomerate model.

## B2B Services Holdcos

B2B services such as finance, IT, and professional services offer recurring revenue and sticky client relationships. Sector holdcos here often integrate back-office operations to scale profitably while retaining boutique service models.

Company	Holdco Type	Notes
<u>Markel Ventures</u>	Capital Allocator Holdco	This is the permanent-capital arm of Markel Group. It acquires family-owned outsourcing, consulting, and industrial-service firms, leaves brands independent, and measures success by look-through FCF and ROIC by vintage rather than EBITDA synergies.
<u>Consero Global</u>	Operational Holdco	A finance-as-a-service platform that centralizes controller, FP&A, and ERP tooling for mid-market clients; bolt-ons are fully integrated into one delivery stack to gain utilization and data visibility.
<u>Converge One</u>	Operational Holdco	An IT and unified-communications integrator that has completed over twenty acquisitions under successive PE sponsors; products, sales ops, and vendor contracts are progressively consolidated to chase scale economics.
<u>Evergreen Services Group</u>	Capital Allocator Holdco	Alpine-backed, this is a buy-and-hold aggregator of managed-service providers (MSPs). Local CEOs retain equity and autonomy while Evergreen supplies shared recruiting, vendor pricing, and KPI benchmarking.
<u>RELX</u>	Capital Allocator Holdco	This global information-services giant (LexisNexis, Elsevier, Risk Solutions) allocates capital across four semi-independent segments, funding data-set and analytics bolt-ons from a highly cash-generative core.

## Software and SaaS Holdcos

Software and SaaS holdcos acquire sticky, mission-critical software companies with high gross margins and low churn. These businesses benefit from long product lifecycles and compound cash flows efficiently over time.

Company	Holdco Type	Notes
<u>Constellation Software</u>	Capital Allocator Holdco	A public, buy-and-hold acquirer of vertical-market software. Over 800 business units run autonomously with minimal HQ. Cash is redeployed into new deals that must clear a 20 percent hurdle rate.
<u>Trilogy/ESW Capital</u>	Operational Holdco	A private group that centralizes acquired B2B software into one cost-focused delivery stack—shared engineering, support, and aggressive margin expansion under a single P&L.
<u>ASG (Alpine Software Group)</u>	Capital Allocator Holdco	Alpine Investors have an evergreen platform. They buy founder-led SaaS, retain CEOs with equity rollovers, and layer on shared GTM playbooks while benchmarking ROIIC by acquisition vintage.
<u>SureSwift Capital</u>	Capital Allocator Holdco	A bootstrapped micro-SaaS collector with permanent capital, a remote team, and lightweight oversight aimed at reliable cash flow from dozens of \$200k–\$2M ARR products.
<u>Roper Technologies</u>	Capital Allocator Holdco	NYSE-listed industrial-tech group that has tilted 60 percent or more of revenue to mission-critical SaaS (Aderant, Deltek, iPipeline), allocating capital across unrelated verticals under one balance sheet.

## Healthcare Services Holdcos

Healthcare services holdcos focus on consolidating clinics, physician groups, and specialty care providers. They benefit from aging demographics, growing demand, and the ability to professionalize smaller healthcare operations.

Company	Holdco Type	Notes
<u>UnitedHealth Group (Optum)</u>	Operational Holdco	This combines payer, PBM, and multi-specialty provider assets under one operating playbook. M&A is folded into Optum's tech, claims, and population-health stack to capture end-to-end margins.
<u>The Ensign Group</u>	Capital Allocator Holdco	A public nursing-facility buyer that decentralizes operations into over 300 locally run "service centers." HQ measures success by facility-level ROIC and lets strong operators reinvest cash in new sites.
<u>Privia Health</u>	Capital Allocator Holdco	In this physician-enablement platform, doctors keep ownership in their practices while Privia supplies population-health contracts, analytics, and revenue-cycle tools. There is a light central staff, and permanent capital.
<u>EyeSouth Partners</u>	Operational Holdco	This ophthalmology and retina practice aggregator is backed by private equity. Rapid add-ons are integrated into a shared back office, but brands remain local—aimed at a three- to five-year recap window.
CVS Health	Operational Holdco	This pharmacy giant turned healthcare conglomerate allocates capital across retail pharmacies, Aetna insurance, Caremark PBM, home health (Signify), and primary care (Oak Street), while reporting segment P&Ls.

## Infrastructure and Utilities Holdcos

Infrastructure and utilities are attractive for their long-term contracts, inflation-linked revenues, and defensible assets. Holdcos here own and operate critical infrastructure like energy pipelines, ports, and data centers.

Company	Holdco Type	Notes
<a href="#"><u>Brookfield Infrastructure Partners</u></a>	Capital Allocator Holdco	A global owner of toll roads, ports, data centers, and mid-stream pipes that raises permanent/evergreen capital and redeploys free cash into new assets that must clear a 12 to 15 percent equity IRR hurdle.
<a href="#"><u>Berkshire Hathaway Energy</u></a>	Capital Allocator Holdco	This holdco houses eight regulated electric and gas utilities, a long-haul transmission business, and wind/solar pipelines. Capital flows among segments, but each utility keeps its own regulated rate base and board.
<a href="#"><u>NextEra Energy Partners</u></a>	Capital Allocator Holdco	This NYSE-listed “yieldco” is spun from NextEra. It drops down wind, solar, and natural-gas pipelines into separate opcos while keeping a lean parent that targets 12 to 15 percent dividend-per-share growth via acquisitions.
<a href="#"><u>Algonquin Power and Utilities</u></a>	Operational Holdco	A public utility consolidator, it funds serial acquisitions of municipal water, gas, and electric systems plus wind/solar assets, aiming for double-digit rate-base growth—high leverage and rate-case execution are key risks.
<a href="#"><u>Clearway Energy Inc.</u></a>	Operational Holdco	This holdco owns eight GW of contracted wind, solar, and gas plants. Centralized asset-management and merchant hedging desks run the fleet, while growth comes from tuck-in project acquisitions funded with dropdown cash.

## Real Estate Holdcos

Real estate holdcos aggregate residential, commercial, or industrial properties to generate recurring rental income and asset appreciation. Operational excellence in property management is critical to driving returns.

Company	Holdco Type	Notes
<a href="#"><u>Brookfield Property Partners</u></a>	Capital Allocator Holdco	A flagship property arm of Brookfield Corp., it recycles proceeds from mature assets into new office, retail, logistics, and data-center projects, targeting 12 to 15 percent equity IRR while leaving day-to-day ops to local teams.
<a href="#"><u>Invitation Homes</u></a>	Operational Holdco	This NYSE-listed owner and operator of over 80k single-family rental homes across the Sunbelt functions as an operational holdco with centralized systems for maintenance, leasing, and procurement. Their growth strategy focuses on infill acquisitions that enhance portfolio density, enabling operating leverage and long-term yield optimization.
<a href="#"><u>Tricon Residential</u></a>	Operational Holdco	Tricon is a Toronto-listed owner-operator of SFR and multifamily units. It partners with pension funds in JVs, keeps neighborhood-level property managers, and recycles its promote (carried interest) into new development.
<a href="#"><u>Greystar</u></a>	Operational Holdco	A founder-owned global multifamily giant, Greystar boasts permanent GP capital. Co-investment LPs fuel a vertically integrated platform spanning development, construction, and management of over 800k units.
<a href="#"><u>Blackstone Real Estate Income Trust (BREIT)</u></a>	Capital Allocator Holdco	Non-traded, this perpetual-life vehicle raises retail capital to acquire stabilized apartments, logistics, and self-storage. This holdco has 60 to 65 percent asset-level leverage that supports a roll-up model with optional exits.

## Education Holdcos

Education-focused holdcos invest in for-profit schools, online learning platforms, and vocational training companies. These holdcos often modernize legacy education assets and benefit from increasing demand for reskilling.

Company	Holdco Type	Notes
<a href="#"><u>Stride Inc.</u></a> (formerly <a href="#"><u>K12</u></a> )	Operational Holdco	A public online-learning platform with central curriculum, tech, and marketing that powers a network of virtual K–12 schools plus adult-career programs, with tuck-ins fully integrated under one P&L.
<a href="#"><u>Cambium Learning Group</u></a>	Operational Holdco	This Veritas-backed ed-tech platform owns Lexia, Voyager Sopris, Time4Learning, and Rosetta Stone. It acquires niche curriculum and assessment tools, then shares sales ops and product R&D to lift margins before the next recap.
<a href="#"><u>Strada Education Network</u></a>	Capital Allocator Holdco	This holdco converts endowment returns into equity stakes in skills-training, career-navigation, and student-success tech. Their portfolio companies operate autonomously while Strada supplies research grants and long-horizon capital—no exit clock.
<a href="#"><u>Laureate Education</u></a>	Capital Allocator Holdco	A NASDAQ-listed owner of private universities in Mexico and Peru; their local leadership keeps academic autonomy while HQ allocates capital, negotiates financing, and shares student-recruitment tech across campuses.

## Industrial Holdcos

Industrial holdcos acquire specialized manufacturers that produce mission-critical components. They thrive on decentralized operations, deep technical expertise, and durable customer relationships across economic cycles.

Company	Holdco Type	Notes
<u>Danaher Corporation</u>	Operational Holdco	Danaher runs over twenty life-science and industrial platforms under the Danaher Business System. Bolt-ons are folded into common lean-production playbooks to drive margin lift and cash conversion.
<u>TransDigm Group</u>	Capital Allocator Holdco	A highly leveraged buyer of proprietary aerospace components, their 100-plus units stay autonomous. Free cash plus recap debt is recycled into new deals that must clear a mid-teens IRR hurdle.
<u>HEICO Corporation</u>	Capital Allocator Holdco	A family-controlled aerospace and electronics group, HEICO acquires niche suppliers, leaves founders in place, and shares purchasing power while tracking ROIC by vintage.
<u>Addtech AB</u>	Operational Holdco	This Stockholm-listed distributor of high-spec industrial components has more than 140 micro-subsidaries. It keeps local brands but pools back-office systems. It targets between ten and fifteen add-ons a year.
<u>Illinois Tool Works (ITW)</u>	Capital Allocator Holdco	ITW has over eighty decentralized specialty-manufacturing businesses running on the 80/20 focus rule. Capital is allocated across unrelated end-markets with a century-long dividend record.

## Restaurant Group Holdcos

Restaurant holdcos collect franchised or company-owned dining concepts under one roof. They monetize brand equity, scale purchasing, and shared tech platforms, while diversification across dayparts, price points, and formats smooths cash flow through cycles.

Company	Holdco Type	Notes
<u>Restaurant Brands International</u>	Capital Allocator Holdco	Royalty-rich, this asset-light owner of Burger King, Tim Hortons, Popeyes, and Firehouse Subs redeploys franchise cash into buy-backs, bolt-ons, and store remodel capex cleared by a 12 percent or more IRR hurdle.
<u>Darden Restaurants</u>	Operational Holdco	Darden runs over 1,900 company-owned casual chains (Olive Garden, LongHorn, Cheddar's). Its margins are lifted via centralized purchasing, labor analytics, and real-estate science while each banner controls menu and marketing.
<u>Inspire Brands (Roark Capital)</u>	Operational Holdco	This holdco mixes 32k franchised and company units (Arby's, Dunkin', Sonic, Buffalo Wild Wings). The light HQ supplies drive-thru tech, loyalty apps, and bulk ingredients while local operators keep P&L accountability. It is PE-backed, but with a long hold philosophy.
<u>FAT Brands</u>	Operational Holdco	A debt-heavy franchisor that has scooped up over fifteen concepts (Johnny Rockets, Twin Peaks, Fazoli's) since 2017. Brands remain distinct but share development, supply chain, and finance teams ahead of a future recap.
<u>Jollibee Group</u>	Capital Allocator Holdco	This family-controlled Filipino QSR group features permanent capital funds. The global expansion of Jollibee plus The Coffee Bean & Tea Leaf and Smashburger lets regional CEOs drive menu localization and unit growth.