

# The Baratelli Brief

*Practitioner analysis for principals, family offices, CPAs, attorneys, and investors*

SPECIAL BRIEF

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## Most Large Companies Eventually Become ‘PE Firms’

*An analytical thesis — Why successful operating companies, given enough time, evolve into permanent-capital acquisition vehicles with a founding business attached*

*Most large companies, given enough years and enough success, eventually become some version of a public or private ‘PE firm’ by way of their acquisitions. Meta absorbed Instagram and WhatsApp. Alphabet absorbed Android and YouTube. Berkshire is the explicit version and has been for sixty years. This Brief walks six canonical cases — Berkshire Hathaway, Meta, Alphabet, Microsoft, Disney, and Koch Industries (the private-side example) — through one analytical lens: at what point does an “operating company” stop being one and start being an acquisition vehicle with a founding business attached?*

This is the Institute's analytical framework, not how these companies describe themselves. Berkshire is the partial exception — Buffett's annual letters have always acknowledged the conglomerate structure. The other four public companies would describe themselves as operating companies; Koch is private and publishes no equivalent letter. The Institute offers the lens because we think it explains how the balance sheet, the capital-allocation framework, and the segment reporting all evolve as the acquisition count climbs. Each company page also opens with a **Source of Funds** read — debt, retained free cash flow, public-equity-portfolio gains, insurance float, deferred tax liabilities, and stock issued as deal currency — because the source of capital is what makes the ‘PE firm’ analogy work in the first place. It is not a critique. It is an observation about what success at scale becomes.

### In this Brief

1. The pattern — what indicators tell you a company has crossed the line into a PE-firm-with-extra-steps, plus the six capital sources that fund the acquisition program

2. Six canonical cases — Berkshire Hathaway, Meta, Alphabet, Microsoft, Disney, and Koch Industries (the private-side example). Each case opens with a **Source of Funds** read
3. What this means for the reader — for investors, operators, acquirers, and students of the system
4. Tax and accounting implications — NOLs, §197 intangibles, goodwill impairments, basis-step-up decisions
5. The same pattern in private markets — family offices, sovereigns, and a Lyft early-stage example
6. Cross-references inside the Institute library + disclosure

## From the Author

The author is a CPA who has spent decades in operating and finance roles, including as a public-company CFO. The Institute is the working notebook of that practice — patterns, frameworks, and references built from doing the work and shared with the next practitioner.

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*The long and short of it: most companies that get big enough start behaving like PE firms whether they call themselves that or not. The label says 'operating company.' The reality, after enough deals, is 'acquisition vehicle plus founding business.'*

The thesis is straightforward. Successful companies that survive long enough start consuming other companies. Once a company is doing this routinely — building an M&A function, integrating diverse businesses, allocating capital across multiple wholly-owned subsidiaries — it has functionally become a PE firm with permanent capital. The financial reports still say 'operating company.' The economic reality is closer to a holding company plus a corporate-development team plus the founding business that started the whole thing.

This Brief is intended for the practitioner audience the Institute serves: family-office investment staff, fund analysts, CFOs and controllers, M&A counsel, and principals evaluating their own businesses. The structure is simple. Section 1 lays out the indicators. Section 2 walks six canonical cases. Section 3 translates the lens into what each kind of reader should do with it. Section 4 covers the tax and accounting tail that M&A leaves behind on the balance sheet. Section 5 notes the same evolution playing out in private markets. Section 6 is cross-references and disclosure.

### THE ORIGINATING THESIS

"Most companies eventually become some version of a public or private PE firm due to acquisitions — such as Meta (Instagram, WhatsApp), Google (YouTube, Android), and the classic Berkshire Hathaway."

A note on attribution. The thesis above is ours. The companies in this Brief have not described themselves this way (with the partial exception of Berkshire, where the conglomerate framing is in the annual letter). We surface the lens because we think it earns its keep when reading a 10-K, sitting through a capital-markets day, or underwriting an acquirer's equity. Wherever a fact in this Brief comes directly from a filing or a company press release, we cite it. Wherever we are doing analytical work on top of those facts, we say so plainly.

## Section 1 — The Pattern

*At what point does an operating company become a PE firm with extra steps? There is no bright legal line. What there is, in our analytical framework, is a checklist of indicators — and when enough of them are present, the company is doing PE in everything but the name.*

### 1.1 Five indicators we look for

These are the items we surface when reading any large company's filings and capital-markets-day material. None is dispositive on its own. The combination tells the story.

#### (a) M&A team headcount

Look at corporate-development or strategy-and-transactions headcount and whether the function reports to the CFO or the CEO. A team of forty or more with a dedicated head, an integration-management office, and a permanent capital-markets liaison is PE-firm-scale infrastructure inside an operating company. Most disclosed in proxy materials and on company career pages rather than in the 10-K.

#### (b) Percent of revenue from acquired businesses

Trace the segment-revenue disclosure back to the acquisition history. If half or more of total revenue traces to businesses that were acquired rather than built organically, the holding-company description fits better than the operating-company description. The threshold is judgment; the trajectory is usually clearer than the level.

#### (c) The capital-allocation framework on slide one

Watch for the slide that compares organic invest, M&A, buybacks, dividends, and debt paydown as competing uses of the dollar. That slide is borrowed directly from PE underwriting. When the CFO uses it on the earnings call, the company is underwriting itself as a portfolio — not a single business.

#### (d) Board composition skewed to deal experience

Count the directors with sustained deal experience — former CFOs of serial acquirers, former M&A partners, former PE principals. When the audit, finance, and M&A committees are populated more by deal veterans than by industry operators, the board is being staffed for a holding company.

#### (e) Financial reporting that reads like a portfolio review

The segment footnote is the tell. When the segment count climbs, when each segment has its own dedicated capital-allocation discussion in the MD&A, and when the company starts disclosing segment-level free cash flow rather than just revenue and operating income — that is the segment footnote of a portfolio, not an operating business.

### 1.2 Source of Funds — where the acquisition capital comes from

An operating company behaving like a PE firm raises the natural question: where is the capital coming from? PE firms raise from LPs. These companies do not. The Institute reads each acquirer through a six-source capital stack — each company on the list that follows opens with a paragraph identifying which of the six funded its acquisitions.

### **(1) Debt**

Corporate borrowings, bond issuance, or revolving-credit draws. Investment-grade issuers can borrow at attractive rates to fund large transactions. Disney's Fox acquisition (2019) and Microsoft's Activision acquisition (closed 2023) are the clearest examples on this list of debt-funded transactions.

### **(2) Retained earnings from free cash flow**

Operating cash thrown off by the founding business and reinvested in acquisitions. Most large-cap technology companies in this Brief (Meta, Alphabet, Microsoft, Disney) are fundamentally retained-FCF acquirers; the cash is generated internally, not raised externally.

### **(3) Equity gains on a public-securities portfolio**

Berkshire-specific in this Brief. Appreciation in the marketable-securities portfolio (Apple, Coca-Cola, American Express, Bank of America, others) provides a continuous redeployment pool that funds subsequent acquisitions. Most operating companies do not run a securities portfolio of this shape.

### **(4) Insurance float**

Premiums collected before claims are paid. The insurer holds the money in the interim and earns a return on it. Berkshire is the textbook case (GEICO, General Re, Berkshire Hathaway Reinsurance Group). The well-known private-market example is Apollo's acquisition of Athene Holding (a fixed-annuity writer, closed January 2022) — the canonical example of buying an insurer specifically to access permanent low-cost float capital, and now emulated by KKR's full ownership of Global Atlantic and Brookfield's acquisition of American Equity.

### **(5) Deferred tax liabilities**

Taxes recognized for book purposes but not yet paid to the taxing authorities. Effectively an interest-free advance from the U.S. Treasury (and state equivalents) that can fund investment in the interim. Section 4 walks §197 intangibles, §382 NOL interactions, and the deferred-tax schedule of a serial acquirer in more detail.

### **(6) Stock issuance for acquisitions**

Using the company's own shares as deal currency. Avoids a cash outflow but dilutes existing holders; common when (a) the acquirer's stock is richly valued at the time of the deal and (b) the target's founders want a meaningful equity stake in the combined entity rather than a cash exit. Disney's \$7.4B all-stock acquisition of Pixar (2006) is the canonical example on the list that follows — that transaction made Steve Jobs Disney's single largest individual shareholder, and on his death the stake passed to the Steve Jobs Trust and Laurene Powell Jobs, who remains a major Disney holder. Stock-as-deal-currency is 'free' to the income statement but transfers ownership permanently — it is the source of funds that most reshapes the acquirer's cap table. The hidden cost of stock issuance is the forward appreciation of the shares given up — what

Buffett calls the worst feature of the Dexter Shoe deal (1993), where the Berkshire equity surrendered grew to many multiples of the original purchase price after the acquired business itself failed. The sophisticated reading of source (6) is therefore that stock is the *most* expensive form of capital when the issuer's shares are appreciating, because every share given up carries a perpetual opportunity cost equal to its forward appreciation.

### THE SIX-SOURCE CAPITAL STACK

**Why this matters.** The capital stack is what makes the 'PE firm' analogy work in the first place. PE firms raise from LPs and deploy with a fund life. Operating companies behaving like PE firms have to find capital somewhere else — from one or more of the six sources above. Berkshire is the only case on the list that runs the full Berkshire-style stack (float plus public-equity gains plus retained earnings). The technology cases are dominantly retained-FCF stories with occasional debt and the occasional landmark stock-funded deal (WhatsApp, YouTube, GitHub). Disney is the heavy user of stock-as-currency — Pixar, Marvel, Lucasfilm, and Fox all involved meaningful share issuance. Koch is the cleanest pure-operating-cash + investment-grade-debt model and, being private, has no public stock to issue. The acquisition list is the 'what.' The capital stack is the 'how.'

**Source-of-funds matrix — the six companies, the six sources, plus a seventh VC-stakes column.** Y = material source; (Y) = supporting or occasional; — = not used. The VC-stakes column distinguishes **primary-issue minority venture-style equity in private companies** (OpenAI by Microsoft, Anthropic and SpaceX by Alphabet, Scale AI by Meta) from full acquisitions consolidated on the parent balance sheet. Open-market public-equity purchases — Berkshire's Apple, Coca-Cola, American Express and similar positions — are a different mechanism and are treated under column (3) Equity-portfolio gains rather than as a VC analog.

Company	(1) Debt	(2) FCF	(3) Eq. port.	(4) Float	(5) DTL	(6) Stock	(7) VC	Notes / examples
Berkshire	(Y)	Y	Y	Y	(Y)	Y	—	Stock used selectively — Dexter Shoe 1993, Gen Re 1998, BNSF 2010 (40%); post-Dexter discipline treats stock as most expensive capital. The \$300B+ marketable-securities portfolio (Apple, KO, AmEx, BAC) sits in column (3) Equity-portfolio gains — secondary-market public equity, not a primary-issue VC analog.
Meta	(Y)	Y	—	—	(Y)	Y	Y	Instagram (\$300M cash + ~\$700M stock), WhatsApp (largely stock), Oculus (cash + stock). VC: Scale AI multibillion-dollar minority stake.
Alphabet	(Y)	Y	—	—	(Y)	(Y)	Y	YouTube (2006) all stock; most others cash. VC: Anthropic (~13–14%), SpaceX (~6–7%); GV + CapitalG portfolios.

Company	(1) Debt	(2) FCF	(3) Eq. port.	(4) Float	(5) DTL	(6) Stock	(7) VC	Notes / examples
Microsoft	Y	Y	—	—	(Y)	(Y)	Y	GitHub (2018) all stock; LinkedIn / Activision / Nuance / ZeniMax all cash. VC: OpenAI (~27% post-restructuring); smaller Anthropic stake; M12 portfolio.
Disney	Y	Y	—	—	(Y)	Y	(Y)	Pixar (all stock), Marvel, Lucasfilm, Fox all used stock as part of the mix. VC: BAMTech began as a minority stake (33% in 2016) before stepping up to control — the rare full-control path that started VC-shaped.
Koch	Y	Y	—	—	(Y)	—	—	Private; no public stock to issue. No disclosed Berkshire-style minority-equity program.

### 1.3 VC-style minority equity stakes — the lighter-touch version of the same pattern

The PE-firm lens is not only about wholly-owned acquisitions. Minority equity stakes — held for strategic exposure and financial return alongside an operating business — are part of the same capital-allocation behavior. The modern technology platforms run a particular version of this pattern: in-house venture arms plus large primary-issue stakes in category-defining private companies (Microsoft and OpenAI; Alphabet and Anthropic and SpaceX; Meta and Scale AI). Apollo's Athene float and the rest of the PE-plus-insurance complex is yet another version of the same behavior at the insurance-balance-sheet end of the spectrum.

#### WHAT WE MEAN BY VC-STYLE STAKES

**Category distinction.** VC-style stakes in this Brief means **primary-issue equity in private companies** — capital deployed at a private valuation, illiquid for years, often paired with a strategic partnership and a category-defining commercial logic. Open-market public-equity purchases — Berkshire's Apple, Coca-Cola, and American Express positions, for instance — are a different mechanism: secondary-market trading of liquid listed equity rather than primary-stage minority venture equity. Berkshire's marketable-securities portfolio appears in this Brief under source-of-funds (3) Equity-portfolio gains and is not treated as a VC analog to what Microsoft, Alphabet, and Meta are doing in the AI, space-tech, and robotics categories. The matrix below covers only the primary-issue-private form.

The two analytical points worth holding onto. First, when a company generates excess free cash flow and operates in a category with strategic adjacencies, the optimal capital allocation often *includes* minority equity in category-defining startups, not only full acquisitions. Second, these stakes are usually paired with internal product builds — Microsoft & OpenAI alongside Copilot; Alphabet & Anthropic alongside Gemini — so the stake is simultaneously a hedge, a partnership-economics anchor (cloud revenue, model access), and a financial position.

Company	In-house venture arm	Top strategic stake(s)	Scale of commitment	PE-pattern read
Alphabet	GV (Google Ventures, early-to-growth, 300+ portfolio companies — Harvey, Hebbia, Synthesia, AMP Robotics); CapitalG (growth-stage, \$50–200M checks — Stripe, Airbnb, Databricks, CrowdStrike, Zscaler)	Anthropic (~13–14% reported); SpaceX (~6–7% from a 2015 \$900M investment); additional stakes in AST SpaceMobile, Planet Labs, Aptronik	Anthropic ~\$40B committed in phases (~\$10B cash deployed to date; remainder committed); SpaceX stake implied mark ~\$25–35B against reported 2026 valuations of \$400–500B	Minority equity in category-defining adjacencies, paired with Gemini internally and GCP partnership economics
Microsoft	M12 (Microsoft Ventures) — G42, Figure (robotics), Wayve (autonomous driving), Foundry, Inworld (AI gaming); enterprise AI / Azure-ecosystem focus	OpenAI (~27% post-restructuring); smaller Anthropic stake (~1–2% reported)	~\$13B invested in OpenAI (2019–2023 phased) marked at ~\$270B post-2026 restructuring; largest single Big Tech AI stake	Deepest partnership-economics tie-in — the stake, Azure exclusivity, and Copilot product build operate as one position
Meta	Limited dedicated VC arm; more acquisition-heavy than VC-portfolio-heavy	Scale AI (significant minority; reports of multibillion-dollar investment for a substantial stake)	Several billion in Scale AI; otherwise selective	Internally focused (Llama) with selective data- and infrastructure-layer stakes; the lighter version of the same pattern

### VC-STYLE STAKES AS PE BEHAVIOR

**The thesis, restated.** When a company generates excess FCF and operates next to a category that is being redefined by venture-stage companies, the optimal allocation often includes primary-issue minority equity in those companies — not only full acquisitions. Apollo's Athene float is the insurance-version analog of the broader pattern. The technology platforms' venture arms plus their largest strategic stakes (Microsoft–OpenAI, Alphabet–Anthropic, Alphabet–SpaceX, Meta–Scale AI) are the modern wrappers. The label says 'strategic investment.' The behavior is PE-firm capital allocation without the LP structure.

*Note on figures.* Stake percentages, dollar commitments, and pre-IPO marks above are summarized from public reporting as of mid-2026 and are subject to revision as additional rounds, secondaries, or restructurings are disclosed. The Institute uses these figures to illustrate the pattern; the specific marks are not the point of the lens. Berkshire's marketable-securities portfolio (Apple, Coca-Cola, American Express, Bank of America, and others — a \$300B+ position depending on the mark) is intentionally not in the matrix above: those positions are secondary-market public equity,

treated in this Brief under source-of-funds (3) Equity-portfolio gains rather than as a primary-issue venture analog. **Forward pointer:** each per-company case in Section 2 opens with its own VC-stakes read where applicable, so the matrix above is the summary and the per-company sections are the detail.

## 1.4 What this lens does not say

Three clarifications, because the thesis is easy to over-extend.

- **It is not a critique.** We do not think a company turning into a PE-firm-shaped organism is doing anything wrong. Most of the cases below are, by long-run total-return measures, among the most successful capital-allocation stories in U.S. equity history. The lens is descriptive, not prescriptive.
- **It is not a forecast.** We are not predicting which companies will keep acquiring, which will be broken up by activists, or which will trade at a holding-company discount. We are offering a frame for reading what is already disclosed.
- **It is not a recommendation.** Nothing in this Brief should be read as a recommendation to buy, sell, or hold any security. See the disclosure on the final page.

## 1.5 Attribution discipline — whose framework is this

We feel strongly about saying what is ours and what is the company's. Three categories of statement run through this Brief, and we mark them differently:

Category	Example	How we treat it
Deal facts disclosed by the company or in SEC filings	"Instagram acquired April 2012 for approximately \$1B."	Stated as fact with citation to filing or press release. Headline prices are the announced figures; subsequent purchase-accounting allocation may differ.
Company-acknowledged framing	Berkshire's "permanent capital + decentralized operating model" framing in the annual letters.	Attributed to the company source. Berkshire is the only one of the six where the conglomerate framing comes from the company itself; Koch is private and publishes no equivalent shareholder letter.
Our analytical framework (the thesis)	"Read the M&A history as if you're underwriting a PE fund's track record."	Explicitly marked as ours — "our analytical framework," "the lens we offer," "we surface this for the reader's consideration."

We are unusually careful with this because the thesis — "your operating company is, functionally, a PE firm" — is the kind of claim a reader is entitled to push back on. We want it clear which sentences are the company's and which are ours.

### THE OPERATING DEFINITION

**The summary frame.** When a company has built a permanent M&A function, derives a material share of revenue from acquired businesses, uses the PE-style capital-allocation slide to talk to its investors, has a board weighted toward deal experience, and reports its results as a portfolio of segments, it is — in the Institute's analytical framework — running a PE firm with a founding business attached. The six cases that follow each check most of those boxes.

## Section 2 — Six Canonical Cases

Six companies, six different points along the spectrum. Berkshire (the explicit public version, sixty years in), Meta (the consumer-tech case), Alphabet (the broader portfolio model), Microsoft (the enterprise-tech case), Disney (the traditional-media conglomerate that has run the playbook for decades), and Koch Industries (the private-side canonical example). Each case opens with a Source-of-Funds read — the capital stack that funded the acquisition program. Headline deal prices below are the announced figures from company press releases and SEC filings — the subsequent purchase-accounting allocation may have differed.

Company	Ticker	Founding business	Era	What kind of acquirer
Berkshire Hathaway	BRK.A / BRK.B	Textile mill (1965 control)	1965 – present	Permanent capital, decentralized operating model — explicit
Meta Platforms	META	Facebook (2004)	~2012 – present	Consumer-tech roll-up; family-of-apps + Reality Labs
Alphabet	GOOGL / GOOG	Google Search (1998)	~2005 – present	Holding-company structure (Other Bets), continual platform M&A
Microsoft	MSFT	OS + Office productivity	~2011 – present	Enterprise platform M&A; vertical acquisitions (LinkedIn, GitHub, Activision)
The Walt Disney Co.	DIS	Animation studio (1923)	~1995 – present	IP roll-up; large strategic acquisitions harvested across parks and streaming
Koch Industries	Private	Refining (1940)	~1960s – present	Private-side conglomerate; refining + chemicals + paper + electronics, operating-cash + debt model

*Berkshire is the only one of the six where the company itself openly uses the “conglomerate” or “permanent capital” framing. Koch is private and does not file public financials. The other four (Meta, Alphabet, Microsoft, Disney) would describe themselves as operating companies first. The lens the Institute applies — that all six are now, in different ways, ‘PE firms’ with founding businesses attached — is ours. Each entry below opens with a Source-of-Funds read, then leads with disclosed deal facts, and ends with our analytical reading.*

**Berkshire Hathaway Inc. (BRK.A / BRK.B)***Insurance + diversified industrial holding company*

<b>Founding business</b>	Berkshire Hathaway was a New England textile mill when Warren Buffett took control in 1965. The textile business was wound down in the 1980s; the corporate shell remained.
<b>Vintage of acquisition program</b>	1965 to present — 60+ years of the explicit “permanent capital + acquisition vehicle” model
<b>Approx. count of disclosed acquisitions</b>	20+ wholly-owned material operating subsidiaries; additional minority equity portfolio (Apple, Coca-Cola, Bank of America, American Express, Occidental, Kraft Heinz, others)
<b>Signature structural feature</b>	Insurance float-funded acquisitions; decentralized operating model with capital allocation to HQ; permanent (i.e., no fund-life) holding period

**SOURCE OF FUNDS — WHERE THE ACQUISITION CAPITAL CAME FROM**

**Primary:** (3) appreciation in the public-equity portfolio (Apple, Coca-Cola, American Express, Bank of America, others) generating both dividends and marketable-security gains that fund subsequent redeployment; and (4) **insurance float** — premiums collected by GEICO, General Re, and Berkshire Hathaway Reinsurance Group before claims are paid — which Berkshire holds as long-duration, low-cost ‘negative-cost-leverage’ capital available for acquisitions. **Supporting:** (2) retained earnings from the wholly-owned operating subsidiaries (BNSF, BHE, the manufacturing/service/retail group). **Largely absent:** Berkshire is famously light on (1) corporate borrowings relative to its scale, by Buffett's preference. **(6) Stock issuance:** used in three notable cases — Dexter Shoe (1993), General Re (1998), and BNSF (2010) — with Dexter the canonical regret. In the 2007 shareholder letter, Buffett called Dexter the worst deal he ever made — not because the shoe business failed (it did), but because the 25,203 Berkshire A-shares he handed over (worth roughly \$433M at the time) were worth approximately \$3.5B by the 2007 letter and approximately \$18.35B at the May 2026 Berkshire A-share price of ~\$728,000/share. The lesson Berkshire reads forward: stock is the most expensive form of capital when the issuer's shares are appreciating, because every share given up carries a perpetual opportunity cost equal to its forward appreciation. After Dexter, Berkshire's defaults are cash from float, cash from free cash flow, and cash from portfolio gains; stock only when the math is overwhelming. General Re (1998) was largely Berkshire stock; BNSF (2010) was roughly 60% cash, 40% Berkshire stock, with Buffett describing the stock portion in that year's letter as a reluctant concession. The discipline matters — it is the reason Berkshire's share count has compounded so slowly relative to peers running stock-funded M&A. This is the canonical capital stack the ‘PE firm’ analogy was originally built to describe.

Year	Target	Headline price (\$B)	Role in the portfolio
1996	GEICO (remaining 49%)	\$2.3	Insurance float core. Buffett had owned 51% since 1976; 1996 brought it inside.
1998	General Re Corporation	\$22.0	Reinsurance / float expansion. Largest BRK deal at the time.

Year	Target	Headline price (\$B)	Role in the portfolio
2010	BNSF Railway (remaining ~78%)	\$26.5	Plus assumed debt. Long-cycle infrastructure asset; cash-generative operating company.
2011	Lubrizol Corporation	\$9.7	Specialty chemicals additive maker. Bolt-on to Berkshire's industrials portfolio.
2016	Precision Castparts	\$32.1	Aerospace and industrial components. Largest BRK acquisition.
2022	Alleghany Corporation	\$11.6	Insurance and operating subsidiaries roll-up.
2017-2023	Pilot Travel Centers (staged to 100%)	~\$13	Truck-stop and travel-center network; staged acquisition culminating in full ownership.

Berkshire is what every other company in this Brief is gradually becoming — and Berkshire is the one case where the company itself uses the framing. Buffett's annual letters have for decades described Berkshire as a “collection of businesses,” with capital allocated to HQ, then redeployed by HQ across the next best opportunity. That is, structurally, a private-equity fund — with three differences. First, the capital is permanent (no fund life, no forced sale at year ten). Second, insurance float — the policyholder reserves Berkshire's insurance subsidiaries hold against future claims — provides a cost-of-capital benefit the PE industry would describe as ‘negative-cost leverage.’ Third, the operating subsidiaries are run autonomously by their pre-acquisition managers in most cases, which is closer to the PE-portfolio-company model than to the fully-integrated operating-company model.

**The framing from Buffett's own letters.** The 1985 letter described the move to wind down the textile business and reallocate. The 1996 letter, after closing the remaining GEICO stake, described insurance as “the engine that propels our expansion.” The 2010 letter, after closing BNSF, framed the railroad as a “substantial portion of the ‘assets you can see’ that we describe each year.” The pattern in the letters is the same pattern in the financial filings: insurance float in, acquisition out, operating subsidiary autonomous, capital allocation centralized.

**The PE-lens reading.** If a reader showed up to Berkshire's segment footnote without knowing what the company was, the reader would describe what they saw as a diversified holding company with an in-house insurance leverage source. The fact that Berkshire is publicly traded does not change the structural shape. In our analytical framework, Berkshire is the textbook public PE firm with permanent capital and a small founding business (long since wound down). The other public companies in this Brief are at earlier points on the same arc, and Koch is the private-side mirror image.

**Sidebar — why Buffett calls Dexter the worst deal.** In 1993, Berkshire acquired Dexter Shoe for approximately \$433M, paid in 25,203 Berkshire A-shares. The shoe business itself deteriorated under foreign competition and was eventually folded into a larger Berkshire footwear operation; by Buffett's accounting the operating business effectively went to zero. That, by itself, would have been a finite \$433M write-down.

The 2007 shareholder letter is where Buffett worked the real number. The 25,203 A-shares surrendered

to the Dexter sellers were not worth \$433M in 2007 — they were worth approximately \$3.5B. At the May 2026 Berkshire A-share price of approximately \$728,000 per share, those same 25,203 shares would be worth approximately **\$18.35 billion** — over five times the 2007 figure and over forty times the 1993 closing-date value. The lesson the author draws from Buffett's framing: when an acquirer's stock is itself a compounding asset, every share issued in a deal carries an opportunity cost equal to the forward appreciation of that share, not the cash-equivalent value on the closing date. The income statement records the deal at closing-date value. The owner's ledger records it forward.

The connection back to the source-of-funds taxonomy is direct. Stock issuance — source (6) in Section 1.2 — looks cheap in the year of the deal because no cash leaves the building and no interest expense appears on the income statement. The Dexter framing is the counter-argument: for an issuer whose shares are appreciating, stock is the *most* expensive form of capital available. That is why, after Dexter, Berkshire's defaults run cash from float, cash from FCF, cash from portfolio gains, and stock only when the math is overwhelming.

*Source: Berkshire Hathaway Inc. Annual Reports and Chairman's Letters (1965-present, available at [berkshirehathaway.com](http://berkshirehathaway.com)); Form 10-K filings for individual deal-year disclosures; company press releases for headline deal prices. [Headline prices are announced figures; subsequent purchase-accounting allocation in the 10-K may differ.]*

<b>Meta Platforms, Inc. (META)</b>		<i>Consumer technology / digital advertising</i>
<b>Founding business</b>	Facebook, launched 2004 by Mark Zuckerberg and others. Renamed Meta Platforms in 2021 to reflect the broader portfolio shape.	
<b>Vintage of acquisition program</b>	2012 (Instagram) to present — roughly fifteen years of serial consumer-tech M&A	
<b>Approx. count of disclosed acquisitions</b>	3 material disclosed acquisitions — Instagram and WhatsApp (inside Family of Apps), and Oculus (Reality Labs) — plus a longer list of smaller bolt-ons not individually disclosed	
<b>Signature structural feature</b>	Founder-CEO + dual-class voting structure preserves the 'permanent capital' analog; segment reporting splits Family of Apps vs Reality Labs	

**SOURCE OF FUNDS — WHERE THE ACQUISITION CAPITAL CAME FROM**

**Primary:** (2) **retained earnings from free cash flow.** Meta's advertising business throws off enough operating cash flow to fund both organic capex (Reality Labs, AI infrastructure) and acquisitions out of internally-generated funds. **Material:** (6) **stock issuance for acquisitions** — Meta has historically used its own shares as deal currency for the landmark transactions. Instagram (2012) was \$300M cash plus roughly 23M shares (about \$700M at the time). WhatsApp (2014) was largely stock: \$4B cash plus approximately 177M shares (about \$15B at announcement, rising toward \$22B by close as the share price moved). Oculus (2014) was cash plus roughly 24M shares. So the headline acquisitions were funded with a meaningful stock component, even though the operating-cash engine was always capable of funding them outright. **Supporting:** (1) corporate debt has been used periodically for buyback capacity and general corporate purposes, not as the primary acquisition channel. **Largely absent:** (4) insurance float and (3) a public-equity-portfolio build — Meta is not in the float business and does not run a Berkshire-style securities portfolio.

Year	Target	Headline price (\$B)	Role in the portfolio
2012	Instagram	\$1.0	Mobile-photo social network. Founding M&A move. Widely estimated to be worth a multiple of the entire 2012 enterprise value today — the deal that anchored the consumer-tech case for serial M&A.
2014	WhatsApp	\$19.0	Cross-border mobile messaging. Largest tech M&A deal at the time of announcement.
2014	Oculus VR	\$2.0	VR headset platform. The seed of what is now Reality Labs.

Year	Target	Headline price (\$B)	Role in the portfolio
2024 (proposed)	Within Inc. (Supernatural)	n/a	Reported acquisition that did not close after regulatory challenge. Cited here as the boundary case — not every deal in a serial acquirer's pipeline closes.

Meta is the consumer-tech case. It started as one product — Facebook — and over twelve years became something that is, in our reading, closer to a holding company with three operating divisions than to a single operating business. **Family of Apps** contains the organic Facebook business plus the acquired Instagram and WhatsApp businesses, each retained as a separate brand with substantially separate product organizations. **Reality Labs** grew out of the 2014 Oculus acquisition and operates as a long-cycle hardware-and-platform bet with multi-year losses. **Threads** is the most recent organic build.

**The PE-lens reading.** The capital-allocation question facing Meta today is not the 'build vs buy' question of a single-product operating company. It is the full PE-capital-allocation question: which division to fund this year, which to harvest, which (if any) might eventually be spun. The Instagram acquisition in 2012 is the deal widely characterized in the financial press as among the highest-return single M&A transactions in the modern tech era — estimates of standalone Instagram value now routinely exceed \$200B against the \$1B headline price. *We treat those standalone-value estimates as third-party analysis, not company disclosure.* What is company-disclosed is the segment-revenue split between Family of Apps and Reality Labs, and the long-run capex and operating-loss profile of Reality Labs.

**Why Meta belongs on the list.** Meta has built the infrastructure of a serial acquirer — a dedicated corporate-development function, an integration playbook evidenced by the cadence of acquired-product launches, and a board with multiple directors carrying meaningful deal experience. The proposed Within (Supernatural) deal in 2024, which did not close after regulatory challenge, showed the company actively running an M&A pipeline even where the closing rate is constrained. In our framework, this is a consumer-tech company that has crossed the line into a PE-firm-with-extra-steps. The Instagram and WhatsApp transactions are the load-bearing evidence.

### VC-style stakes — primary-issue equity in private companies

*VC-style stakes here means primary-issue equity in private companies — capital deployed at a private valuation, illiquid for years, often paired with a strategic partnership and a category-defining commercial logic. It is a different mechanism from open-market public-equity purchases.*

- **Scale AI** — significant minority equity stake; public reports describe a multibillion-dollar investment for a substantial minority position. Data-labeling and training-data infrastructure for frontier AI models. The stake is paired with a deep commercial relationship tied to Meta's Llama-model training operations — partnership economics alongside the equity exposure.
- **Internal-AI emphasis** — Meta is, on the evidence of disclosed capex and headcount, heavier on internal AI build (Llama foundation models, GenAI infrastructure, in-house silicon programs) and selective acquisitions than on a broad outside-venture portfolio. This is the relevant analytical contrast: where Microsoft and Alphabet run sizable primary-issue stakes alongside their internal builds, Meta's

source-of-funds is dominated by retained FCF deployed into in-house build rather than minority venture stakes.

*Source: Meta Platforms, Inc. Form 10-K filings (2012-present), Segment Information footnote; company press releases for Instagram (April 2012), WhatsApp (February 2014), Oculus (March 2014). Standalone Instagram valuation estimates are widely reported third-party analyst figures and are not company disclosure. **[Headline acquisition prices are announced figures; subsequent purchase-accounting allocation may differ.]** VC-stake percentages and dollar marks are summarized from public reporting as of mid-2026.*

**Alphabet Inc. (GOOGL / GOOG)***Internet platforms / advertising / cloud*

<b>Founding business</b>	Google search, launched 1998 by Larry Page and Sergey Brin. Alphabet holding-company structure created in 2015 with Google operating as the principal subsidiary.
<b>Vintage of acquisition program</b>	2005 (Android) to present — twenty years of serial platform and bolt-on M&A
<b>Approx. count of disclosed acquisitions</b>	200+ disclosed acquisitions over the company's lifetime per industry M&A databases (S&P Capital IQ, PitchBook, and similar trackers); ten or so are the load-bearing strategic transactions listed below
<b>Signature structural feature</b>	Alphabet's 2015 reorganization into a holding-company-over-portfolio-companies structure is the most explicit PE-style structural move of any case in this Brief outside Berkshire

**SOURCE OF FUNDS — WHERE THE ACQUISITION CAPITAL CAME FROM**

**Primary:** (2) **retained earnings from free cash flow** — dominant. The search-and-advertising business generates operating cash flow at a scale that funds Other Bets losses, share repurchases, organic capex, AND most of the historical acquisition list (DoubleClick, Motorola, Waze, Nest, DeepMind, Fitbit, Mandiant, and the pending Wiz transaction) out of internally-generated cash. Alphabet has historically operated with one of the strongest net-cash positions in U.S. large-cap equity. **Foundational exception:** (6) **stock issuance** — the YouTube acquisition in 2006 was an all-stock transaction at \$1.65B in then-Google shares. That deal alone is one of the highest-return uses of stock-as-currency in modern U.S. tech history. Most subsequent deals (DoubleClick, Motorola, Nest, Waze, Fitbit) were cash. **Supporting:** (1) minimal use of corporate debt relative to scale. **Absent:** (3) Berkshire-style equity-portfolio gains and (4) insurance float — Alphabet is fundamentally an operating-FCF story with one landmark stock-funded deal at the foundation.

Year	Target	Headline price (\$B)	Role in the portfolio
2005	Android Inc.	~\$0.05	~\$50M reported. Mobile OS platform. Powers a majority of global smartphones today.
2006	YouTube	\$1.65	Online video. Now a multi-tens-of-billions revenue line reported in Google Services.
2007	DoubleClick	\$3.1	Display-ad infrastructure. Anchor of the ad-tech stack.
2011	Motorola Mobility	\$12.5	Handset manufacturer. Most operating assets sold to Lenovo in 2014; patent portfolio retained — the 'deal that didn't work' in the public ledger.
2013	Waze	\$1.1	Crowd-sourced navigation. Maps adjacency.

Year	Target	Headline price (\$B)	Role in the portfolio
2014	Nest Labs	\$3.2	Connected-home hardware. Folded into Google Hardware.
2014	DeepMind	\$0.4 – \$0.65	AI research lab. Now a central part of the Alphabet AI stack.
2021	Fitbit	\$2.1	Wearables. Pixel-watch adjacency.
2022	Mandiant	\$5.4	Cybersecurity / incident response. Folded into Google Cloud Security.
2025 (a nnounce d)	Wiz	\$32.0	Cloud security platform. Reported as the largest cybersecurity deal ever at announcement; pending close subject to regulatory review — readers should verify the closing status and final price against the most recent Alphabet filing before external use.

Alphabet is the case that took the most explicit structural step toward the PE model. The 2015 reorganization split the company into Google (the operating business that contains search, advertising, YouTube, Android, Cloud, and several other large units) and Other Bets (a portfolio of smaller, longer-cycle businesses including Waymo, Verily, Calico, X, Wing, and others). That is, structurally, a holding company over a portfolio of operating companies. The financial disclosure follows the structure — Other Bets reports as a separate segment with its own revenue and operating-loss disclosure.

**The acquisition history reads like a PE fund track record.** Android in 2005 at around fifty million dollars is among the highest-return technology transactions in U.S. corporate history — reasonable people would describe today's Android-driven economic contribution to Alphabet as several orders of magnitude above the acquisition cost. YouTube in 2006 at \$1.65B was widely criticized at the time as overpriced; YouTube's reported revenue line today is reasonably understood as one of the largest standalone media properties in the world. DoubleClick in 2007 became the spine of the ad-serving stack. Motorola in 2011 is the disclosed example of the deal that did not work — the operating assets sold to Lenovo in 2014 at a fraction of the original price, with the patent portfolio retained for defensive value. The Wiz transaction announced in 2025 at \$32B is, on the disclosed figure, the largest cybersecurity acquisition ever — pending close as of publication; readers should verify the closing status and any subsequent change in headline price against the most recent Alphabet filing before external use.

**The PE-lens reading.** Alphabet is doing, openly, what a sector-focused PE firm with permanent capital would do: pay up for category-defining platform acquisitions (Android, YouTube, DoubleClick, Wiz), make long-cycle venture-style bets in adjacent categories (Other Bets), and prune what does not work (Motorola operating, Stadia, several smaller shutdowns). The segment reporting reads, plainly, as a portfolio review. In our analytical framework, Alphabet is one of the clearest examples in U.S. public equity of an operating company that has structurally become a holding company — and disclosed the structural change directly.

## VC-style stakes — primary-issue equity in private companies

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- **SpaceX** — reported ~6–7% stake. Original investment ~\$900M in 2015. At SpaceX's reported 2026 private-market valuations of roughly \$400–500B, the implied stake mark sits in the **\$25–35B range** (precise figure depends on the latest disclosed round). Pre-IPO holding. Near-pure venture position that has compounded for over a decade -- no small outcome.
- **Anthropic** — reported ~13–14% stake. **~\$40B total committed across phases** (roughly \$10B+ deployed; remainder committed). Major partner-and-competitor dynamic — Google Cloud is Anthropic's principal infrastructure provider while Gemini competes in the same frontier-model category. Strategic AI exposure analogous to the Microsoft–OpenAI position with different competitive geometry.
- **GV (Google Ventures)** — early-to-growth-stage venture arm; 300+ portfolio companies. Representative AI exposure: Harvey (legal AI), Hebbia (enterprise AI search), Synthesia (AI video). Robotics: AMP Robotics. Pattern: broad coverage of category-defining startups across AI, deep tech, and biotech.
- **CapitalG** — growth-stage venture arm; check size roughly \$50–200M. Portfolio includes Stripe, Airbnb, Databricks, CrowdStrike, Zscaler. Pattern: pre-IPO growth-stage software and fintech.
- **Other strategic stakes** — AST SpaceMobile (space), Planet Labs (Earth observation), Aptronik (humanoid robotics).
- **Waymo (internal, roughly 80%+ Alphabet-owned) — NOT VC.** Internally generated in the 2009 Google X moonshot lab; spun out as a subsidiary in 2016. We list it here only as contrast: a platform that wants exposure to a category has three paths — full acquire, primary-issue minority stake, or internally build — and Alphabet runs all three concurrently.

*Source: Alphabet Inc. Form 10-K filings (2015-present), Segment Information and Subsequent Events footnotes; company press releases for individual deals; Alphabet 8-K filed August 2015 announcing the holding-company reorganization. The Wiz transaction headline price is the announced figure; closing status and final price should be verified against the most recent Alphabet filing before external use. VC-stake percentages and dollar marks are summarized from public reporting as of mid-2026.*

## Microsoft Corporation (MSFT)

Enterprise software / cloud /  
gaming

### Founding business

Microsoft, founded 1975 by Bill Gates and Paul Allen. Founding businesses: operating systems (MS-DOS, then Windows) and Office productivity software. The foundational transaction came early: in 1980–81 Microsoft acquired QDOS ('Quick and Dirty Operating System') from Seattle Computer Products for approximately \$75,000 total — an initial \$25,000 sublicensing arrangement followed by a \$50,000 purchase of full rights in July 1981 — renamed it MS-DOS, and licensed it to IBM for the original IBM PC (August 1981 launch).

### Vintage of acquisition program

Serial M&A meaningfully accelerated after the 2014 CEO transition; 2016 LinkedIn was the inflection

### Approx. count of disclosed acquisitions

6+ large strategic acquisitions in the post-2014 era, several individually in the \$7B-\$70B range, plus continuous smaller bolt-ons inside Azure

### Signature structural feature

Each large acquisition runs semi-autonomously with shared capital-allocation discipline — the structural definition of the PE-portfolio model applied to enterprise software

## SOURCE OF FUNDS — WHERE THE ACQUISITION CAPITAL CAME FROM

**Primary:** (2) **retained earnings from free cash flow.** Microsoft generates among the largest operating cash flows in U.S. equity history, and Microsoft is dominantly a cash acquirer. LinkedIn (\$26.2B, 2016) was all cash. Activision Blizzard (\$68.7B, closed October 2023) was all cash. Nuance (\$19.7B, 2022) was cash. ZeniMax (\$7.5B, 2021) was cash. Skype (\$8.5B, 2011) was cash. Nokia Devices (2014) was cash. **Supporting:** (1) **corporate debt** — the Activision transaction was partially funded via approximately \$17B of senior unsecured notes issued February 2023, the disclosed example of a Microsoft deal large enough to warrant a meaningful bond-market draw. **(6) Stock issuance:** rare. GitHub (2018, \$7.5B) was the one major exception in the post-2014 era — an all-stock transaction. Otherwise Microsoft has been a dominantly cash-from-FCF acquirer. **Absent:** (3) public-equity-portfolio gains and (4) insurance float — Microsoft is a hybrid of operating FCF (the main engine) and investment-grade debt (the swing source for the largest transactions), with stock issuance reserved for the occasional founder-friendly deal.

Year	Target	Headline price (\$B)	Role in the portfolio
2011	Skype	\$8.5	VOIP / consumer communications. Eventually merged into Teams.
2014	Nokia Devices & Services	\$7.2	Mobile-phone hardware. Largely written down 2015-2016 — the disclosed example that not every large strategic acquisition is going to clear its cost of capital.

Year	Target	Headline price (\$B)	Role in the portfolio
2014 (September)	Mojang / Minecraft	\$2.5	All-cash acquisition of the studio behind Minecraft. Anchored the gaming-IP foundation that later supported the ZeniMax and Activision Blizzard pushes and the broader Xbox-ecosystem build.
2016	LinkedIn	\$26.2	Professional social network and recruiting. Reports as its own segment.
2018	GitHub	\$7.5	Developer code-hosting platform. Reports inside the Productivity and Business Processes segment.
2021	ZeniMax / Bethesda Softworks	\$7.5	Game studio (Elder Scrolls, Fallout, Doom). First-party gaming content.
2022 (closed 2022)	Nuance Communications	\$19.7	Healthcare AI / clinical documentation. Vertical-AI play.
2023 (closed October)	Activision Blizzard	\$68.7	Largest gaming acquisition in industry history. Anchors the gaming segment alongside Xbox and ZeniMax.

## FEATURED — THE FOUNDATIONAL DEAL

**The \$75,000 acquisition that created the world's most valuable software company**

**1980.** IBM approaches Microsoft — then roughly 30 employees — to provide an operating system for the new IBM PC project. Microsoft does not have one. Bill Gates refers IBM to Digital Research, the maker of CP/M; the now-famous meeting between IBM and Digital Research fails (legend has Gary Kildall flying his plane while IBM waited).

**1981.** Microsoft moves on the opening. It locates QDOS ('Quick and Dirty Operating System') at Seattle Computer Products — a port of CP/M written by Tim Paterson. Microsoft licenses QDOS in July 1981 for \$25,000 (with unlimited sublicensing rights), then purchases all rights outright for an additional \$50,000 — roughly \$75,000 total. It is renamed MS-DOS and licensed to IBM for the IBM PC, which launches August 1981.

**The genius move.** Microsoft retains the right to license MS-DOS to other PC manufacturers — the IBM PC clones (Compaq, Dell, HP, Gateway, and the rest). MS-DOS becomes the industry standard, and Microsoft collects royalties on effectively every PC sold worldwide for the next fifteen years.

**The PE-pattern read.** Microsoft's first material acquisition was the foundation of the company. The same pattern repeats — acquire the core capability, build around it. Every subsequent Microsoft acquisition — Hotmail (1997), Mojang (2014), LinkedIn (2016), GitHub (2018), ZeniMax (2021), Nuance (2022), Activision Blizzard (2023) — sits downstream of the DOS-acquisition mindset.

**The multiplier.** \$75,000 acquisition → IBM PC dominance → Windows dominance → Office dominance → Azure dominance. The ROI is incalculable; the principle is clean. Acquire the core capability rather than build it.

**The foundational deal in narrative form.** The Microsoft pattern of buying the core capability before building outward is visible in the company's first material transaction (see featured sidebar above). The operating-system franchise that anchored Microsoft for the next fifteen years — and on which Windows, Office, and every subsequent acquired vertical sit — was itself an acquired asset. The Institute reads the DOS deal as the proto-template for everything that followed: identify the load-bearing capability, buy it cleanly, integrate it into a distribution channel the target could not have reached, and compound from there.

Microsoft is the enterprise-tech case. The founding businesses — Windows and Office — are still in the segment footnote and still material. But the company that exists today is, in our reading, Windows and Office plus a stack of large acquired verticals (LinkedIn, GitHub, Nuance, Activision Blizzard, ZeniMax) plus Azure (built organically but on a base of continuous smaller cloud-stack acquisitions). The post-2014 acquisition cadence is the inflection point. Mojang in September 2014 at \$2.5B all-cash brought Minecraft inside and anchored the gaming-IP foundation that later supported ZeniMax and Activision Blizzard. LinkedIn in 2016 at \$26.2B was the first transaction of a new scale. GitHub in 2018 at \$7.5B added the developer-tools vertical. ZeniMax in 2021 and Activision Blizzard in 2023 (closed October 2023 after regulatory review) at \$68.7B — the largest gaming-industry transaction in history — built the gaming

portfolio. Nuance in 2022 at \$19.7B added healthcare AI.

**The structural pattern.** Each of these acquired businesses operates as a distinct unit with substantial managerial autonomy. LinkedIn retained its CEO and headquarters for years after the deal closed. GitHub retained its brand, its leadership, and most of its operating culture. Activision's game studios continue to operate under their pre-acquisition labels. That is, structurally, the PE-portfolio model — central capital allocation, autonomous operating units, shared infrastructure where it adds value, separation where it would destroy value. The Nokia Devices write-down 2015-2016 is the disclosed example that not every large Microsoft acquisition has cleared its cost of capital, which is also part of the honest PE-portfolio story.

**The PE-lens reading.** Microsoft today is, in our analytical framework, an operating-company foundation (Windows + Office + the organic parts of Azure) plus a PE-style acquisition portfolio (LinkedIn, GitHub, ZeniMax, Activision, Nuance) plus a continuous bolt-on M&A program inside Azure. The board has been consistently weighted with deal-experienced directors. The capital-allocation slide on Microsoft's investor days is the textbook PE comparison of organic invest vs M&A vs buyback vs dividend. The company would describe itself as an integrated technology platform. We would describe what we see in the segment footnote and the M&A history as something closer to a PE firm with a software-platform anchor.

### VC-style stakes — primary-issue equity in private companies

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- **OpenAI** — reported ~27% stake. Original investment ~\$13B deployed in phases between 2019 and 2023. **Current implied mark ~\$270B** following the 2026 OpenAI restructuring and successive valuation step-ups. Largest single Big Tech AI stake by reported value. The position operates structurally as PE-firm behavior: minority equity, board observer rights, and a deep commercial partnership tying Azure cloud revenue and product integration (Copilot, Microsoft 365 AI features) to the equity exposure — category-defining exposure to frontier AI without full M&A consolidation. No small outcome.
- **Anthropic** — small reported ~1–2% stake. Strategic optionality and a hedge alongside the OpenAI position; Anthropic's primary strategic partner is Alphabet rather than Microsoft.
- **M12 (Microsoft Ventures)** — in-house venture arm. Portfolio and notable strategic deals include G42 (large strategic deal, UAE), Figure (humanoid robotics), Wayve (autonomous driving), Foundry (AI infrastructure), and Inworld (AI gaming). Pattern: enterprise AI, Azure ecosystem alignment, and hedged coverage of adjacent categories (robotics, autonomy, AI infrastructure).

*Source: Microsoft Corporation Form 10-K filings (post-2014), Segment Information footnote and acquisition disclosures; company press releases and 8-Ks for individual deals; Activision Blizzard closing announcement October 2023. [Headline acquisition prices are announced figures; subsequent purchase-accounting allocation in the 10-K may differ.] VC-stake percentages and the OpenAI implied mark are summarized from public reporting as of mid-2026 following the OpenAI restructuring; figures are subject to revision as additional rounds or restructurings are disclosed.*

## The Walt Disney Company (DIS)

*Media + entertainment + parks + streaming*

<b>Founding business</b>	The Walt Disney Company, founded 1923 by Walt and Roy Disney as an animation studio. Founding business: animated theatrical films, eventually expanded to parks (Disneyland 1955) and television.
<b>Vintage of acquisition program</b>	Capital Cities/ABC acquisition (1995) is the modern M&A inflection (the founding business operated 1923-1995 as animation-and-parks); the Pixar-Marvel-Lucasfilm-Fox sequence (2006-2019) is the textbook IP roll-up
<b>Approx. count of disclosed acquisitions</b>	6 material strategic acquisitions over 25 years (Cap Cities/ABC, Pixar, Marvel, Lucasfilm, BAMTech, Fox); each one a multi-billion-dollar IP or technology-platform transaction
<b>Signature structural feature</b>	IP roll-up model — acquired IP libraries are operated semi-autonomously by their pre-acquisition studios, then harvested across parks, streaming, and merchandise channels

### SOURCE OF FUNDS — WHERE THE ACQUISITION CAPITAL CAME FROM

**Material on all three primary axes.** Disney is the heaviest stock-issuance user among the six cases. (6) **Stock issuance for acquisitions: Pixar (\$7.4B, 2006) was all stock** — the deal that made Steve Jobs Disney's single largest individual shareholder (see Disney-Pixar sidebar on this page). Marvel (\$4B, 2009) was approximately \$2.5B cash plus 59M Disney shares. Lucasfilm (\$4B, 2012) was approximately \$2.2B cash plus 40M Disney shares. Fox (\$71.3B, 2019) was approximately \$35.7B cash plus Disney shares for the remainder. Every load-bearing Disney acquisition over twenty-five years has involved a meaningful stock component. (2) **Retained earnings from free cash flow** generated by parks-and-resorts and the linear-television businesses funded the cash portions. (1) **Corporate debt** — particularly for the Fox transaction, which took Disney's leverage materially higher and was followed by a multi-year deleveraging program disclosed in the 10-K. **Absent:** (3) public-equity-portfolio gains and (4) insurance float. Disney is the case that demonstrates how stock-as-currency reshapes the cap table: a serial acquirer that pays in shares permanently transfers ownership to its acquired founders — in Disney's case to Jobs, then to the Steve Jobs Trust and Laurene Powell Jobs.

Year	Target	Headline price (\$B)	Role in the portfolio
1995	Capital Cities / ABC	\$19.0	Television and radio networks. The acquisition that turned Disney from an animation-and-parks company into a true media conglomerate.
2006	Pixar Animation Studios	\$7.4	Computer-animation studio. The deal that restarted Disney Animation.
2009	Marvel Entertainment	\$4.0	Comic-book IP library and characters. Anchor of the Marvel Cinematic Universe.

Year	Target	Headline price (\$B)	Role in the portfolio
2012	Lucasfilm	\$4.0	Star Wars and Indiana Jones IP. Anchor of subsequent film and park development.
2016–2022	BAMTech (streaming tech)	~\$2.58 (75%)	Major League Baseball Advanced Media's streaming-technology subsidiary. 33% in August 2016 for \$1B; stepped up to 75% in August 2017 for an additional \$1.58B; to ~85% by 2022. Became the technical backbone of Disney+ (launched November 2019).
2019	21st Century Fox entertainment assets	\$71.3	Film studio, television production, FX, Nat Geo, Hulu controlling stake. Largest Disney acquisition; reshaped the segment footprint.

Disney is the traditional-conglomerate case. It is what happens when a media company explicitly runs the PE playbook for decades — periodic large acquisitions to fill IP gaps, operate the acquired studios semi-autonomously, then harvest the IP across the parks, streaming, and merchandise system. The Capital Cities/ABC transaction in 1995 at \$19B was the modern inflection — before that deal Disney was a film and parks company; after it Disney was a true media conglomerate. The subsequent twenty-five years of M&A — Pixar in 2006, Marvel in 2009, Lucasfilm in 2012, Fox in 2019 — built what is now the largest IP library in entertainment.

**The harvest channels are the integration story.** Pixar films feed Disney+ subscription growth, Walt Disney Studios theatrical distribution, theme-park attractions (Toy Story Land, Cars Land), consumer-products licensing, and cruise-ship branding. Marvel IP feeds the Marvel Cinematic Universe theatrical slate, Disney+ original series, theme-park attractions (Avengers Campus), consumer products, and games licensing. The Lucasfilm IP feeds the Star Wars films and series, Galaxy's Edge in the parks, the Star Wars Hotel attempt and subsequent closure, and consumer products. Each acquired IP portfolio is operated semi-autonomously at the studio level — Pixar still operates from Emeryville, Marvel Studios still operates as a distinct production organization — while the harvest is centralized across Disney's distribution infrastructure.

## FEATURED — THE STREAMING ACQUISITION

**How Disney bought its streaming future from Major League Baseball**

**2000s.** Major League Baseball Advanced Media (parent of what later became BAMTech) builds world-class streaming technology to deliver MLB.tv — solving the hardest problems in live video at scale years before Netflix needed to. BAMTech becomes the technical backbone of HBO Now (2015 launch), the WWE Network, and other premium streaming services.

**2016.** Disney reads the writing on the wall. Netflix is steadily reshaping cable television. ESPN subscribers are declining. Disney needs direct-to-consumer streaming — and does not own the technology.

**August 2016.** Disney acquires a 33% stake in BAMTech for \$1B.

**August 2017.** Disney increases its stake to 75% for an additional \$1.58B (roughly \$2.58B total for the 75% controlling stake).

**2022.** Stake increases to approximately 85%.

**November 12, 2019.** Disney+ launches, built on BAMTech technology. Ten million subscribers within twenty-four hours. Fifty million within five months.

**Without BAMTech.** Disney would have faced two unattractive options: (a) build the streaming infrastructure from scratch — multi-year delay, material technical risk; or (b) license the technology of a competitor — subordinating Disney's most important growth surface to Netflix. Neither path could have hit the launch window Disney needed to defend its IP from Netflix's expanding original-content slate.

**The PE-pattern read.** Disney acquired the foundational capability of its streaming business. Disney+ is today on the order of \$10B in annual revenue and is the company's most important growth surface. The acquired-capability strategy made the entire streaming pivot possible.

Less visible than Pixar, Marvel, Lucasfilm, or Fox in popular discussions of Disney M&A — but arguably more strategically important. Disney's IP without distribution control would have been licensed to Netflix forever.

**The streaming-platform acquisition in narrative form.** The BAMTech sequence (see featured sidebar above) is a clean case of acquiring foundational capability rather than building it: the standard PE-pattern move scaled to a public operating company. It is also one of the rare Disney deals that started as a minority VC-shaped stake before stepping up to full control — the structural path that the AI-stake discussion earlier in this Brief flags as the modern default.

**The PE-lens reading.** The structural shape is the PE model executed at scale across decades. IP libraries are the portfolio. The parks, streaming, and merchandise channels are the shared infrastructure that extracts the harvest value. Operating autonomy at the studio level is preserved because cultural integration would destroy creative value — the same logic by which a PE portfolio company retains its operating leadership. The Fox transaction in 2019 was the largest Disney has done; subsequent goodwill impairments in the linear-network portion of the acquired assets (disclosed in the fiscal 2023 10-K in the multi-billion-dollar range) are the honest acknowledgement that not every part of every acquisition cleared its cost of capital. That is also part of the PE-portfolio story — the disclosed losses are the marks the auditor forced the company to take. In our analytical framework, Disney is the longest-running case in

this Brief of a media conglomerate that has built itself, deal by deal, into what is structurally a PE firm with parks and streaming as the harvest infrastructure.

**Sidebar — the Disney/Pixar deal and the shareholder consequences of paying in stock.** Disney paid roughly \$7.4B in Disney stock for Pixar in 2006, an approximately 25% premium over Pixar's then-trading price. Steve Jobs, who owned just over half of Pixar, received approximately 138M Disney shares — roughly 7% of Disney's outstanding shares at the time. That single transaction made Jobs Disney's single largest individual shareholder, larger than any member of the Disney family and larger than any single institution on the cap table.

On Jobs' death in October 2011, the Disney stake — by then worth approximately \$11B and growing — passed to the Steve Jobs Trust and Laurene Powell Jobs. Powell Jobs has trimmed the position over the years but remains a major Disney shareholder. The dynamic illustrates a feature of stock-funded acquisitions that pure-cash deals do not produce: stock-as-deal-currency creates lasting governance and shareholder consequences distinct from cash. Pixar's founders did not exit Disney on the closing date; they joined the Disney cap table permanently, and their heirs remain on it today.

**The lesson for the source-of-funds taxonomy.** Stock issuance is 'free' to the income statement — no interest expense, no cash outlay, no leverage covenants — but it transfers ownership permanently. It is the source of funds that most reshapes the acquirer's cap table, and the Pixar deal is the cleanest case study of that structural feature in modern U.S. corporate history.

*Source: The Walt Disney Company Form 10-K filings (1995-present), Segment Information footnote; company press releases for Capital Cities/ABC (1995), Pixar (2006), Marvel (2009), Lucasfilm (2012), and 21st Century Fox entertainment assets (2019). Subsequent goodwill impairment disclosures appear in fiscal-year 10-K filings post-2019. [Headline prices are announced figures; subsequent purchase-accounting allocation may differ.]*

## Koch Industries, Inc. (Private)

*Refining, chemicals, paper & packaging, electronics, fertilizer, ranching, trading*

<b>Founding business</b>	Wood River Oil & Refining (1940), reorganized as Rock Island Oil & Refining and ultimately Koch Industries. Founded by Fred C. Koch; built into its modern form under Charles G. Koch (CEO since 1967). Private; ownership concentrated within the Koch family.
<b>Vintage of acquisition program</b>	Continuous since the 1960s; the modern serial-acquisition cadence dates from the INVISTA (2004) and Georgia-Pacific (2005) transactions
<b>Approx. count of disclosed acquisitions</b>	Numerous; not publicly disclosed at the company level. The five transactions listed below are the load-bearing ones; many smaller bolt-ons run through the platform businesses
<b>Signature structural feature</b>	Long-time-horizon private ownership permits holding and reinvesting in cyclical heavy-industry assets that public markets would punish for quarterly volatility — the structural argument for staying private

### SOURCE OF FUNDS — WHERE THE ACQUISITION CAPITAL CAME FROM

**Primary:** (2) **retained earnings from free cash flow** generated by the operating platforms (refining, chemicals, paper, fertilizer, trading). Koch's sustained profitability across cycles is what funds the next acquisition without an exit. **Supporting:** (1) **corporate debt** — Koch carries investment-grade credit ratings and accesses the public bond market periodically for specific transactions and refinancings, despite being a private company. The Georgia-Pacific take-private in 2005 was a partially debt-financed transaction. **Notable absences:** (3) Koch does not run a Berkshire-style public-equity-portfolio program. (4) Koch does not own a meaningful insurance business and therefore does not have insurance float. (5) Deferred tax liabilities are present on the balance sheet by inference (Koch carries decades of purchased intangibles and is a large U.S. taxpayer subject to §197 amortization on its acquired-business goodwill); the schedule is not publicly disclosed. (6) **Stock issuance is not available to Koch** — the company is private and has no publicly traded shares to use as deal currency. That is a meaningful structural constraint: every Koch acquisition must be funded with cash or debt, which in turn disciplines deal size and pacing. Koch's capital-stack story is fundamentally a pure operating-cash + investment-grade-debt model. That is the distinctive feature of the private-side version of the thesis.

Year	Target	Headline price (\$B)	Role in the portfolio
2004	INVISTA (from DuPont)	~\$4.2	Synthetic fibers and intermediate chemicals (Lycra, Stainmaster). Bolt-on into the chemicals platform.

Year	Target	Headline price (\$B)	Role in the portfolio
2005	Georgia-Pacific	~\$21.0	Pulp, paper, packaging, and consumer-tissue. Taken private in the largest Koch transaction; anchor of the paper/packaging platform.
2013	Molex Incorporated	\$7.2	Electronic connectors and interconnects. Taken private from the public market; anchored a new electronics platform.
2017	Guardian Industries	n/a (undisclosed)	Glass and building products. Acquisition of remaining interest from the Davidson family. Headline price not publicly disclosed.
2020	Infor (full ownership)	n/a (undisclosed)	Enterprise software. Koch had taken a controlling stake earlier in the decade; 2020 transaction took the remaining interest. Headline price not publicly disclosed.

Koch is the canonical private-side version of the same pattern. The shape is the same as the public-company cases — a founding business (refining and chemicals) that over six decades accreted into a diversified industrial holding company with an in-house corporate-development function. The difference is the balance-sheet plumbing. Koch never traded the founding operating cash flow for an LP base; it never converted the holding company into a stock-traded vehicle; it never raised insurance float; and it does not run a marketable-securities portfolio in the Berkshire shape. The acquisition engine is, simply, operating cash flow from refining, chemicals, paper, and fertilizer, supplemented by investment-grade debt for the largest transactions.

**The strategic argument for staying private.** The Institute reads Koch as the cleanest test of one of the brief's sub-theses: *permanent capital and a long time horizon let an owner hold and reinvest in cyclical heavy-industry assets that public markets would punish for quarterly volatility*. Refining margins swing; chemicals are cyclical; paper and packaging are commodity-pricing-driven. A public operating company in those industries faces sustained shareholder pressure to spin, lever, or harvest the cash. A private company on a fifty-year horizon faces none of that pressure. That structural difference is the reason a serial industrial acquirer in cyclical categories is more naturally a private vehicle.

**The PE-lens reading.** Within the Institute's analytical framework, Koch sits at the same position Berkshire occupies among the public cases: the most structurally complete version of the pattern, decades-mature, with the operating-company-versus-holding-company question long since resolved on the holding-company side. The five transactions listed in the table above are the load-bearing examples (INVISTA, Georgia-Pacific, Molex, Guardian Industries, Infor). Many smaller bolt-ons run through the platform businesses (Flint Hills Resources expansions in refining; INVISTA bolt-ons in chemicals; Georgia-Pacific bolt-ons in packaging). The capital stack is pure operating-cash plus investment-grade debt — no float, no public-equity portfolio — which makes Koch the cleanest demonstration that the 'PE firm' analogy does not require a Berkshire-shaped balance sheet. It just requires permanent capital, an in-house acquisition function, and patience.

**Source:** Koch is a private company and does not file public financial statements with the SEC. Transaction-level facts here draw from: (a) public press at the time of each acquisition; (b) SEC filings of public counterparties (DuPont's 2004 divestiture of INVISTA; Molex's 2013 proxy and merger documents; Georgia-Pacific's pre-take-private SEC filings; Infor's pre-acquisition filings); (c) Charles G. Koch's own writings (*The Science of Success*, 2007; *Good Profit*, 2015); and (d) Daniel Schulman, *Sons of Wichita* (2014). This is third-party analysis applied to a private company; figures should be read as the publicly reported headline prices rather than as company disclosure.

## Section 3 — What This Means for the Reader

*The lens is only useful if it changes what you do with a 10-K. Four reader-types, four practical implications.*

### 3.1 For the investor

When analyzing a mature serial-acquirer, read the M&A history as if you are underwriting a PE fund's track record. Same questions: what was the IRR on capital deployed? What was the hold period? What was the multiple of money on the successful deals, and what was the recovery on the failed ones? Most of these numbers are inferable from segment-revenue disclosure, goodwill carrying values, and subsequent impairment history, even though the company does not present them in that form. We surface this as our analytical framework — the company is not asking to be read this way, but in our view a reader who applies the PE-track-record lens learns things from the filings that the operating-company lens does not surface.

### 3.2 For the operator

The moment your company starts running more than one or two acquisitions per year on a sustained basis, you have crossed the line into needing PE-firm infrastructure: a dedicated corporate-development team, a written integration playbook, a formal capital-allocation framework that competes M&A against organic invest and buybacks, and board-level deal review. Companies that try to do serial M&A without that infrastructure end up with stranded integration, repeated goodwill impairments, and a CFO function that is permanently behind on the next deal. The Institute's CFO & Controllers Guide walks the build-out checklist.

### 3.3 For the acquirer buying acquired companies

If you are acquiring a subsidiary or division from one of these serial acquirers, read the management quality at the operating-unit level, not at the parent level. Most acquired businesses inside these portfolios retain their pre-acquisition management teams and operating cultures — that is a feature of the PE-portfolio model. The parent's reputation for capital discipline tells you little about the operating health of any particular division. Spend the diligence dollars on the segment you are actually buying, on its leadership, and on the integration history of any sub-divisions inside it.

### 3.4 For the student of the system

This is, in our framework, why activist investors periodically push for spin-offs of these companies. The PE-firm-pretending-to-be-an-operating-company eventually trades at a holding-company discount — the market values the portfolio at less than the sum of its standalone parts — and the activists force the spin to capture the sum-of-parts. That dynamic is present in roughly every diversified conglomerate at some point in its life cycle. The companies in this Brief have, so far, largely avoided forced spin-offs — but that is in part a function of permanent capital structures (Berkshire, Meta's dual-class), strategic-asset rationale (Alphabet's Other Bets, Microsoft's platform

argument), and persistent operating performance.

#### THE PRACTITIONER'S READ

**The summary translation.** Whether you are an investor reading filings, an operator deciding whether to build an M&A function, a strategic buyer doing diligence on a carve-out, or a student of the system trying to understand why activists periodically agitate for break-ups — the PE-firm-lens we offer changes how you read the same disclosed facts. It is the lens we use ourselves when sitting with these filings.

## Section 4 — Tax and Accounting Implications

*Serial acquirers carry the M&A residue on the balance sheet and through the income-tax footnote for years. Four items the Institute pays attention to when reading any acquirer's 10-K.*

### 4.1 NOLs and §382 inherited from acquired companies

Acquired targets bring their net operating losses with them — but the acquirer's use of those NOLs is capped under §382 by the equity value of the target at the change date times the IRS long-term tax-exempt rate. Serial acquirers carry stacks of acquired NOLs at the subsidiary level, each subject to its own annual base limitation. Reading the deferred-tax-asset schedule in the parent's tax footnote, and the valuation-allowance roll-forward, will tell the reader what the company believes is recoverable. The Institute's separate **NOL Brief** walks the §382 framework, the TCJA 80% cap, the state non-conformity issues, and ASC 740 valuation-allowance mechanics in detail. The cross-reference is the primary tax companion to this Brief.

### 4.2 §197 intangibles and the 15-year amortization tail

Purchased intangibles (customer relationships, trade names, developed technology, and, for asset acquisitions, goodwill) are amortized straight-line over fifteen years for federal tax purposes under §197. Book treatment under ASC 350 differs: finite-lived intangibles amortize over useful life; goodwill and indefinite-lived intangibles are impairment-tested rather than amortized. For a serial acquirer with cumulative acquisition consideration in the tens or hundreds of billions, the §197 tax-amortization tail is a material multi-decade cash-tax shield — one that materially affects the gap between GAAP tax expense and cash taxes paid. This is the same book-tax-divergence dynamic the NOL Brief develops in detail. It is also the mechanical reason capital source (5) above — **deferred tax liabilities** — shows up as a meaningful capital source for any serial acquirer: the book-tax gap defers cash taxes for years, and the deferred balance is, economically, capital available for the next acquisition. Mechanically: the GAAP income statement books tax expense at the book rate, the cash taxes paid run lower because of the §197 amortization shield, and the difference accumulates as a deferred-tax-liability balance on the balance sheet — capital the company holds and can deploy until the timing reverses, typically on the §197 fifteen-year tail or on disposition of the underlying acquired intangible. **Order of magnitude:** for the canonical cases in this Brief the net deferred-tax-liability balance disclosed in the most recent 10-K footnotes runs in the tens of billions — Berkshire Hathaway carries a net DTL on the order of **\$80–90B** (driven heavily by unrealized equity-portfolio gains and purchased intangibles across the operating subsidiaries), and the four large-cap technology and media companies (Microsoft, Alphabet, Meta, Disney) each carry net DTL positions in the **~\$5–25B** range, driven primarily by §197-amortizable intangibles from prior acquisitions. Read against current cash-tax rates, those balances represent multi-year, multi-billion-dollar cash-tax shields that function economically as a sixth source of capital alongside operating cash flow, debt, equity-portfolio gains, insurance float, and stock issuance.

### 4.3 Goodwill impairments — the disclosed scoreboard

Goodwill impairments are one of the few public disclosures of “which acquisitions did not work.” The impairment test is annual (or more frequent on triggering events) and the amount, the reporting unit, and the cumulative impairment history are disclosed in the goodwill footnote. A reader building a PE-style track record of any serial acquirer should build the cumulative-impairment table directly from the goodwill footnote — the items the auditor forced the company to take are the closest public approximation of acquisition write-offs. Microsoft's Nokia Devices write-downs (2015-2016) and the Fox/Disney linear-network impairments (post-2019) are two disclosed examples of the pattern.

### 4.4 Basis step-up vs carryover basis — the structuring decision

Stock acquisitions generally carry over the target's tax basis in its assets; asset acquisitions (and certain §338 elections on stock acquisitions) deliver a basis step-up to fair value at the closing date. The step-up generates fresh tax-amortizable intangibles under §197 over fifteen years — a structurally larger long-run cash-tax shield. The trade-off is usually borne by the seller (who picks up gain on the deemed asset sale) and negotiated as a price adjustment. For an analyst reading the acquirer's subsequent cash-tax profile, the structural choice on each major deal shows up directly in the deferred-tax-liability disclosure for purchased intangibles. Serial acquirers with a heavy mix of asset-deal structures and §338 elections carry materially different cash-tax profiles than those that have done predominantly stock acquisitions.

#### THE TAX-FOOTNOTE READ

**The translation.** A PE firm reads a target's tax attributes — NOL stack, §382 status, intangible amortization runoff, basis-step-up potential — as part of the underwriting. A serial-acquirer operating company carries the same residue on its balance sheet from every deal it has ever closed. The PE-firm-lens the Institute offers extends to reading the tax footnote: the deferred-tax schedule of a serial acquirer is the cumulative tax residue of a decades-long acquisition program. See the NOL Brief for the framework that runs underneath.

## Section 5 — The Same Pattern in Private Markets

*The thesis is not only a public-company pattern. The Institute sees the same evolution playing out across family offices, sovereign wealth funds, and large private operating companies. Each is, in the Institute's framework, on a path toward becoming structurally a PE firm.*

### 5.1 Family offices building direct-acquisition capability

The classical family office allocates to externally-managed funds — PE, venture, hedge funds, real estate. A growing subset of family offices have built their own direct-acquisition capability: a corporate-development team, an integration function, a permanent capital pool, and a wholly-owned operating portfolio. These offices look, structurally, like single-LP PE firms with permanent capital. The Institute's separate Family Office Practice Library addresses the build-out considerations — staffing, governance, integration discipline, and the tax structuring that makes direct ownership more or less attractive than fund ownership.

### 5.2 Sovereign wealth funds going direct

The largest sovereign wealth funds have over the last fifteen years moved increasingly from fund-investing into direct-investing and co-investing. Several of the largest (GIC, Temasek, ADIA, CPP Investments, and PIF among the most active) now run in-house deal teams that compete head-to-head with established PE firms for control transactions. The structural shape — permanent capital, long-horizon hold, direct ownership of operating companies — is the same shape the public-company cases in Section 2 have evolved toward. Different starting point; same ending shape.

### 5.3 Other large private operating companies on the same arc

Beyond Koch (developed at length as the sixth canonical case in Section 2), several of the other largest private operating companies in the U.S. have followed the same evolutionary path. Mars, Incorporated — founded as a candy maker — has acquired Wrigley (2008), Iams pet food, and IDEXX-adjacent pet-health businesses, and now operates across confectionery, pet care, and food. Cargill, a private agricultural-commodities company, has built out a sustained M&A program across feed, food ingredients, and financial services — Provimi (animal nutrition, 2011) and Diamond V (feed additives, 2020) are disclosed examples. The structural shape is identical to the public-market cases in Section 2 — an operating founding business that, over decades, has accreted into a holding company plus an in-house corporate-development function.

### 5.4 Lyft — an early-stage example of the pattern

The Institute's separate case study on Lyft, Inc. (NASDAQ: LYFT) documents what the early stage of the same pattern looks like inside a smaller, mid-cap operating company. Lyft has moved into sustained free-cash-flow generation in the last several reporting periods — running an operating cadence in the order of approximately \$1B of annual free cash flow on a trailing-four-quarters basis as of the most recent reporting period — and is deploying that cash across two channels that the larger cases in Section 2 ran a decade or more earlier: (a) **share repurchases**, and (b) **acquisitions** for geographic expansion and for autonomous-vehicle-fleet servicing infrastructure. That is, structurally, the same capital-allocation pattern Meta and Alphabet executed in the 2010s, at a meaningfully smaller scale and at a much earlier point on the arc. Lyft has not yet built the M&A function or the segment-reporting shape of a Berkshire-style holding company; the early-stage indicators are present.

The Institute's free Lyft case study walks the free-cash-flow trajectory, the disclosed acquisition cadence, and the buyback program against the broader thesis in this Brief. **Cross-reference:** [baratelliinstitute.com/cases/lyft](http://baratelliinstitute.com/cases/lyft) — the Lyft case is offered without paywall. Lyft is the 'left edge of the arc' example — a company at the point where the acquisition program is starting but the 'PE firm' shape has not yet emerged, the same role the SpaceX case study plays in the private-side library.

#### THE PRIVATE-MARKETS MIRROR + THE EARLY-STAGE PUBLIC CASE

**The summary observation.** The pattern is not exclusive to public-company tech and media. It runs through family companies (Koch, Mars, Cargill), and mid-cap public companies in the early stages of the same arc (Lyft). In every case the structural shape converges on the same thing: permanent capital, in-house acquisition capability, and a portfolio of operating businesses held alongside the founding business. The Institute surfaces the cross-cutting observation because it suggests the thesis is structural, not just an artifact of public-company technology M&A.

## Section 6 — Cross-References and Author's Note

### 6.1 Cross-references inside the Institute library

This Brief is the entry point. For deeper application:

**NOL Brief — Five Companies with Significant Net Operating Losses** — [baratelliinstitute.com](http://baratelliinstitute.com) (briefs library) — the formal framework on §382, the TCJA 80% cap, ASC 740 valuation allowances, state non-conformity, and the deferred-tax mechanics that show up on every serial acquirer's balance sheet. Directly relevant to capital source (5) — deferred tax liabilities — in this Brief.

**Private Equity & M&A Guide** — formal PE-firm operating mechanics: fund structure, capital deployment cadence, portfolio-company governance, exit options, and the operating discipline that translates one-to-one into a corporate-development function inside an operating company.

**Business Buyer's Guide** — the buy-side workflow common to all acquirers, corporate or PE: sourcing, LOI, diligence, structuring, financing, and integration planning. The checklist is industry-agnostic.

**CFO & Controllers Guide** — post-acquisition integration discipline: opening-balance-sheet, purchase-accounting allocation, goodwill and intangible-asset recording, and the controls build-out for the integrated business. The chapter on M&A is the operator-side companion to this Brief.

**Family Office Practice Library** — for family-office principals considering the build-out of direct-acquisition capability addressed in Section 5.

**Lyft Case Study** — [baratelliinstitute.com/cases/lyft](http://baratelliinstitute.com/cases/lyft) — the Institute's free case study on Lyft, Inc. (NASDAQ: LYFT). Documents the early-stage version of this Brief's pattern: Lyft has reached sustained free-cash-flow generation (in the order of \$1B annual FCF) and is deploying that cash into both stock repurchases and acquisitions for geographic expansion and AV-fleet-servicing infrastructure. The same pattern Meta and Alphabet ran in the 2010s, at a smaller scale, at the left edge of the arc.

**SpaceX Case Study** — [baratelliinstitute.com/cases/spacex](http://baratelliinstitute.com/cases/spacex) — one current example of a private operating company in early-stage acquisition mode (SpaceX has acquired Swarm Technologies). The private-market companion to the Lyft case — a company at the point where the acquisition program is starting but the 'PE firm' shape has not yet emerged.

**Cleveland-Cliffs Case Study** — [baratelliinstitute.com/cases/clf](http://baratelliinstitute.com/cases/clf) — the integrated-steel version of the same pattern. CLF as consolidator: acquisition of AK Steel (2020), ArcelorMittal USA (2020), and Stelco (2024) is the same evolutionary path inside a heavy-industrial operating company.

**Fiserv Valuation Case Study** — [baratelliinstitute.com/cases/fiserv](http://baratelliinstitute.com/cases/fiserv) — the financial-services-infrastructure version of the same pattern. Fiserv as serial acquirer of payments and core-banking platforms (First Data 2019 the anchor deal, plus the long tail of bolt-ons) is the financial-services analog to CLF in heavy industrial and SpaceX on the

private-side — an operating company whose acquisition program is the dominant capital-allocation lever.

## 6.2 Author's note

The Institute wants to close with the same attribution discipline this Brief opened with. The thesis — that most large companies, given enough years and enough success, eventually become some version of a 'PE firm' — is the Institute's analytical framework. Berkshire Hathaway is the partial exception where the company itself uses the conglomerate framing in its annual letter. The other four public companies — Meta, Alphabet, Microsoft, Disney — would describe themselves as operating companies first. Koch Industries is private and publishes no equivalent letter. The Institute offers the 'PE firm' lens because we think it earns its keep when reading these filings.

The framework is offered as a lens, not as a forecast and not as a recommendation. Whether a particular company should continue acquiring, should be broken up by an activist, should trade at a holding-company discount, or should compound for another decade are questions on which reasonable practitioners disagree. The Institute does not take a position on any of those questions in this Brief. We surface the structural reading of the disclosed facts and leave the investment judgment to the reader.

### THE OBSERVATION

"The label says 'operating company.' The reality, after enough deals, is 'acquisition vehicle plus founding business.' This is not a critique. It is an observation about what success at scale becomes."

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## Section 7 — Disclosure

**Disclosure:** The author owns BRK.B directly. The other public companies named in this brief (Meta, Alphabet, Microsoft, Disney) are held through S&P 500 index funds. Koch Industries is privately held; no ownership. Educational case study; not investment advice. No compensation has been received from any issuer named in this Brief, and nothing in this Brief constitutes a solicitation to buy or sell any security. Sources: SEC filings and public press as cited inline.

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