

Cannae Holdings: what should the next dollar do?

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The choice

Cannae Holdings had spent the first half of 2026 changing the shape of its portfolio. The company completed the sale of two non-core assets, acquired a professional rugby club, and repeated its focus on sports and entertainment. At the same time, management continued to endorse both share repurchases and a quarterly dividend. In its Q2 filing, Cannae listed four other possible uses of cash: future investments, debt reduction, dividends and stock repurchases, with cash conservation also under review. The next allocation rule was still open in the public record. (P01-P03)

The question for students is simple to state and hard to answer: **How should Cannae allocate future liquidity from portfolio distributions and asset sales?** Should it favor additional sports and entertainment investments, return capital through repurchases and the dividend, reduce parent debt, preserve cash, or use a disciplined mix? These are constructed teaching alternatives based on uses disclosed by management, not a reported board choice or an announcement that another acquisition or repurchase is planned.

The company's financial structure makes a one-line answer difficult. Cannae owns public securities, private companies and interests accounted for under the equity method. Some portfolio cash flows are classified as investing activities under GAAP. A holding's book value, market price and eventual sale proceeds can differ. The balance sheet reports cash at both the consolidated company and corporate holding-company levels, and the last reported cash figure predates two asset-sale transactions.

Portfolio change: completed transactions, open policy

In July, Cannae closed the sale of its 49.3% interest in The Watkins Company for \$90 million in cash. In a separate transaction, the company sold its 87% interest in Brasada Ranch for \$20.7 million of consideration, satisfied by terminating Vice Chairman William Foley's put right. The buyer also assumed about \$17 million of property debt. The Q2 filing reports the transaction implied an estimated \$40 million enterprise value. Brasada therefore did not deliver \$20.7 million in cash to Cannae. (P01, P02, P06, P07)

On June 29, Cannae acquired all of Exeter Rugby Group, which operates the Exeter Chiefs professional men's rugby team, a women's team and Sandy Park stadium. The Q2 shareholder letter described a £32.6 million enterprise value and £19.6 million (about \$26 million) invested at closing. The 10-Q describes the acquisition accounting separately: \$1 of equity consideration, \$9.6 million to settle an Exeter loan, a \$26 million intercompany loan funded at close, and \$17

million of debt in the preliminary purchase-price allocation. Those figures describe different parts of the transaction and should not be added together as if each were a separate cash purchase price. Exeter's results were not material to Cannae's first-half financial statements. (P01, P02, P08)

In its Q2 letter, the CEO described Watkins and Brasada as non-core assets sold during the portfolio transition and said the transactions created capital for new investments or shareholder returns. He described Exeter as part of the move toward sports and entertainment. The letter reported that AFC Bournemouth, a BKFC club, finished sixth in the Premier League and qualified for European competition. Cannae's share of BKFC was 42.4% as of August 7. Its twelve-month EBITDA to March 31 was \$207.4 million, including \$158.9 million of player-trading profit; adjusted EBITDA excluding player-trading profit was \$45.6 million. Those are selected management-reported metrics for a private holding, with reporting lag. They illustrate both potential operating upside and variability. (P02)

The parent-company constraint

At June 30, Cannae reported \$70.4 million of cash and cash equivalents, of which \$46.0 million was held by the corporate holding company. Cannae received the \$90 million Watkins proceeds after quarter-end, but the reviewed public record does not state what portion remained uncommitted by October 2. The sale proceeds should not be added to June 30 cash and presented as a current cash balance. Six-month operating cash use was \$26.4 million. Management explained that a material portion of holding-company inflows is classified as investing cash flow because it receives distributions from, or sells, unconsolidated affiliates. (P01)

At June 30, Cannae's consolidated balance sheet showed \$69.9 million of notes payable: the \$47.5 million FNF revolver at the parent, \$13.8 million of Exeter subsidiary debt due in 2027 and \$8.6 million of other notes. Consolidated lease liabilities were \$129.8 million, separate from notes payable; operating lease payments are primarily at the Restaurant Group. Cannae said its expected cash uses included debt principal and interest, operating costs, taxes, dividends, capital expenditures and possible acquisitions or investments. It also said it expected to meet anticipated requirements through internal funds, distributions, asset sales and existing credit facilities. This is management's liquidity view, not a quantified cash forecast. (P01)

Shareholder returns are an option, not a mandate

Cannae repurchased 3.43 million shares for \$44.3 million during the first half of 2026, at a reported average \$12.94 per share. Through August 7, repurchases under the 2025 program totaled 8.13 million shares and \$124.9 million, leaving 1.87 million shares available. A separate 2026 authorization permits purchases of up to 10 million shares; no purchases had been made under that authorization as of the 10-Q. The programs do not obligate Cannae to buy a set amount and can be suspended or terminated. (P01)

The board declared a \$0.15-per-share dividend in August, scheduled for September 30. The filing says future dividends remain at the board's discretion. In the Q2 letter, management reaffirmed both buybacks and the dividend, while saying it had not bought shares since the May earnings report because of recent transactions. The 10-Q reports buyback totals across broader quarterly and year-to-date periods; those amounts do not identify purchases after the May report date. (P01-P03)

The 10-Q also shows why a single portfolio valuation should not decide the buyback question. At June 30, Alight's equity-method book value was \$71.1 million, compared with \$22.7 million

using its quoted share price; the quoted-market value was \$34.4 million on July 31. Cannae separately reported \$637.6 million of unconsolidated affiliates, \$139.9 million of equity securities without readily determinable fair value and \$110.9 million of publicly traded SpaceX shares at fair value. These are different accounting bases, not a consolidated estimate of realizable value. A current Cannae sum-of-the-parts value with verified availability by the cutoff is not in the evidence packet. (P01, P04)

Exhibits

Exhibit 1. Completed portfolio transactions

Asset	Transaction and consideration	Decision relevance
Watkins	Cannae sold its 49.3% interest for \$90m cash on July 30, after the June 30 balance-sheet date.	Sale proceeds can be redeployed or returned; residual cash at the cutoff is not disclosed.
Brasada Ranch	Sale of Cannae's 87% interest closed July 15. The \$20.7m consideration was satisfied by termination of Foley's put right; the buyer assumed about \$17m of property debt. Estimated enterprise value was about \$40m.	Not \$20.7m cash proceeds. The transaction also eliminated a potential put liability.
Exeter Rugby Group	Cannae completed the acquisition of 100%. Q2 letter reported £32.6m enterprise value and £19.6m invested at close. The 10-Q separately describes consideration, a \$26m intercompany loan and \$17m of assumed debt in its preliminary PPA.	Strategic sports/entertainment investment already completed; values describe different transaction/accounting components.

Sources: P01 lines 529-538 and 1217-1250; P02 lines 23-27 and 306-313; P06-P08.

Exhibit 2. Parent liquidity and obligations

Measure	Amount and date	Scope
Cash and equivalents	\$70.4m at June 30, 2026	\$46.0m was held by corporate holding company.
Watkins cash proceeds	\$90m received July 30	Post-period inflow; amount remaining at cutoff unknown.
Operating cash flow	\$(26.4)m, six months ended June 30	Cannae says significant affiliate distributions/sales may appear in investing cash flow.
Consolidated notes payable	\$69.9m at June 30	Includes \$47.5m parent FNF revolver, \$13.8m Exeter subsidiary 2027 bond and \$8.6m other.
Consolidated lease liabilities	\$129.8m at June 30	Separate from notes payable; operating leases are primarily for the Restaurant Group.

Source: P01 lines 116-166, 1010-1071, 1625-1645.

Exhibit 3. Capital-return choices already in place

Item	Public record by cutoff
First-half 2026 repurchases	3.43m shares for \$44.3m at a reported \$12.94 average price.
2025 repurchase program	Through Aug. 7, 8.13m shares/\$124.9m repurchased; 1.87m shares remained authorized.
2026 repurchase program	Up to 10m shares authorized; no purchases made under it as of the Q2 10-Q. Neither authorization obligates purchases.
Quarterly dividend	\$0.15/share declared in August, scheduled for Sept. 30; future declarations are at board discretion.

Sources: P01 lines 542-563 and 1625-1629; P02 lines 30-42.

Exhibit 4. Portfolio values have different bases

Measure	June/July 2026 public data
Unconsolidated affiliates	\$637.6m carrying value at June 30.
Equity securities without readily determinable fair value	\$139.9m carrying value at June 30.
Public equity securities at fair value	\$110.9m at June 30, after SpaceX became publicly traded.
Align example	\$71.1m equity-method book value at June 30; quoted-market value of \$22.7m on June 30 and \$34.4m on July 31.

Source: P01 lines 138-145, 736-742, 1289-1297. These figures are not a portfolio NAV.

Decision alternatives

Choose a capital-allocation policy and explain how it would work when future liquidity arrives. You may recommend a blend, but specify which condition determines the next dollar's use.

1. **Reinvestment-led:** Favor additional sports and entertainment opportunities. Require investment-specific diligence, a risk-adjusted return case, funding clarity and concentration limits; defer discretionary buybacks when an opportunity clears those gates.

2. **Shareholder-return-led:** Favor repurchases or debt reduction after the board's liquidity needs are met. Continue the existing dividend policy subject to board discretion; require a defensible buyback valuation process that does not rely on unverified management marks.
3. **Hybrid and staged:** Set a parent-liquidity/debt buffer first, then compare investment, repurchase and debt-paydown cases using a common hurdle and board-approved concentration and governance limits. Preserve capital when no use clears the gates.

No target-specific returns, acquisition pipeline, minimum cash threshold, current residual Watkins balance, buyback price trigger, quantified portfolio concentration limit or current NAV is disclosed. State any additional assumption you use. Do not imply that Cannae has committed to a new acquisition, that the \$90 million remains available, or that an authorization requires repurchases.

Student assignment

Prepare a short recommendation to Cannae's directors that:

- selects a policy or rule and explains the trade-off;
- distinguishes realized transactions from future options and management statements from your assumptions;
- addresses parent cash, debt, the dividend, buyback capacity and the different accounting/liquidity profiles of portfolio holdings;
- identifies the information or governance gates needed before capital is committed; and
- explains how the policy changes if no attractive sports opportunity clears its hurdle or if portfolio liquidity falls below your chosen buffer.

Use only information available by October 2, 2026. Primary-source IDs map to the links below.

Sources

P01: [Q2 2026 Form 10-Q](#); P02: [Q2 shareholder update](#); P03: [Q2 results release](#); P06: [Watkins sale release](#); P07: [Brasada sale release](#); P08: [Exeter acquisition release](#).