

# J.C. FLOWERS & Co.

**June 16, 2026**

Financial services is one of the most active sectors in private equity dealmaking, but getting the highest returns requires deep sector expertise, especially in today's challenging exit environment.

In this episode, PE Hub editor-in-chief Mary Kathleen Flynn speaks with Peter Yordán, a managing director of J.C. Flowers & Co, and Kyle Griswold, a partner at FTV Capital, to find out what makes financial services different from other sectors. We also hear their strategies for successful dealmaking, including how AI is changing the landscape.

**Listen to the full podcast episode [here](#).**

---

## **Full Episode Transcript**

### **[00:01] Mary Kathleen Flynn**

Financial services is one of the most active sectors when it comes to private equity deals. But getting the highest returns requires deep sector expertise, especially in today's challenging exit environment. I'm Mary Kathleen Flynn, Editor in Chief of PE Hub. Welcome to this special episode of Private Equity Spotlight, brought to you by JC Flowers and FTV Capital. To explore the challenges in the sector and how to overcome them, we're joined by Peter Yordan, Managing Director of JC Flowers, and Kyle Griswold, partner at FTV Capital. They'll share their perspectives on what makes financial services different from other sectors and their strategies for successful deal making, including their thoughts on how AI is changing the landscape. Kyle started us off by discussing the dynamics driving growth in financial services.

### **[00:52] Kyle Griswold**

There's always some macro factors that impact those dynamics that seem to be cyclical. So economic health, the strength or weakness of equity and debt markets, interest rates, inflation, geopolitical risk. But then there's some industry specific constants that have driven growth regardless of the market cycle in financial services. So it's one of the largest sectors, it's one of the most profitable, it's one of the most liquid, and it's been pretty active in terms of an area of deal making for many years.

There's a lot of private equity dry powder that targets this sector. And there's pretty well worn M&A playbooks where you can create value. There's economies of scale. So typically these firms are more successful because of the operating leverage that you can take advantage of as you scale these businesses. Many segments have sticky embedded client bases that make for very interesting acquisition targets. Those targets could be financed due to the predictability of those revenue streams. And finally, there's areas of fragmentation and consolidation. An area like wealth management would be an example where it just leads to higher levels of M&A. So we see that there's just a lot of industrial logic that catalyzes financial services M&A in particular.

And finally, just a point of emphasis for us as a firm is that we are very focused on the technology and innovation within the sector. And we think that that innovation and application of technology leads to growth. And we believe that those innovative and fast growing companies are catalysts for M&A. Folks probably don't realize that the financial services sector is one of the largest vertical consumers of technology in the world. And they've consistently and constantly invested heavily in IT services, software, hardware to drive digital transformation. And that's only going to be accelerated in an age of AI.

**[02:49] Mary Kathleen Flynn**

We'll get more into AI as we go along. But Peter, weigh in on some of the dynamics driving growth.

**[02:56] Peter Yordan**

So the great thing about the financial services industry is it has these major institutions that are these bellwether banks, insurance companies, that tend to be at the center of the whole ecosystem. Those businesses are powerful, but are also constrained by their size. And they create significant deal flow for those of us who live in this world.

For a couple of reasons that are important to understand. One is they themselves are constantly reorganizing what they're focused on, what their pressure points are. And the opportunity cost of them maintaining strategies that are kind of slightly non-core is, I think, higher than it is for a lot of other industries. For the simple fact that they have to aggressively capitalize everything they do. They don't just have to capitalize it at the start. They have to maintain a lot of capital behind all of their strategies. They have to add capital to them. And so what we tend to see is, like in many parts of private equity, corporate carve-outs are a source of motivated deal flow. But the truth is, banks and insurance companies reliably feel the opportunity cost of maintaining non-core strategies is unacceptably high. And because of either macroeconomic conditions, board strategy decisions, regulatory pressures, they are constantly having to rejig what it is that they're doing.

And that creates a lot of deal flow for businesses that know how to buy into that kind of regulated world, move things out of those kinds of companies sensibly. It's a great dynamic because those sellers are often motivated by things other than simply price. And I think what we will typically see is those big companies, as they focus on the core elements of their strategy, create a lot of room — both for businesses like the ones Kyle talked about to invest in, that really provide a range of services at a level of product efficiency, price efficiency that they themselves can't generate. But they also create space in their shadows where specialist firms can continue to attack areas that they themselves just can't stop or aren't motivated to protect. Whether it's in payments and FX, whether it's in specialty lending, whether it's in specialty forms of insurance, reliably the big businesses that dominate financial services that we all know about — the JP Morgans, the Allianz of the world — they're also a very beneficial source of value creation and deal flow for financial services investors like us.

**[05:24] Mary Kathleen Flynn**

I'd love to hear a little bit more, Peter, about how what's going on in corporations is affecting private equity firms in terms of acquisitions, the carve-out opportunities, but also in terms of exits

**[05:38] Peter Yordan**

The reality is much of what you do when you are investing into financial services from a value point of view is taking somebody else's problem, ameliorating the problem and then selling it back to them. And that's good business. It may not be the easiest way to make money. It is very hard work. There is a lot of burden that comes in terms of having to know which problems you're being paid to take on and feeling confident that you can improve them. But it comes with the promise that if you do a good job, there's always a pretty steady set of buyers at the end of the chain. That's definitely true in the insurance world or in the banking world.

Most of the deals that specialist private equity firms in those worlds do are carefully curating opportunistic entry into businesses through carve-outs, knowing that there's always room for a good business to be sold back into the industry. But it's also really true for things like insurance brokers, where at the end of the chain you have acquisitive public companies of scale. And that's been, I think, a gift to the insurance roll-up industry for many years. Those businesses don't trade at the same multiples they did before. But the fact that there's always an Aon or a Gallagher willing to buy a big insurance brokerage business has provided a ripple effect down the industry for many years. Allowing you to start at very small scale, combine to mid-cap size businesses, then to large-cap size businesses. And it's a very healthy ecosystem for what all of us do.

**[07:08] Mary Kathleen Flynn**

And Kyle, anything you want to add on sort of the relationship between what's going on in corporations and what's going on in private equity firms?

**[07:17] Kyle Griswold**

I guess the thing that I would add from my perspective is you definitely see a strong appetite for that group of larger financial institutions as a natural strategic buyer to a lot of the companies that I'm investing in and Peter's been referencing. So for us, we're probably less focused on carve-outs or divestment opportunities. But we do believe that the end of larger financial institutions can be an exit path for some of our companies.

And I guess the maybe one fundamental difference in terms of our investment style as well is that we're investing in companies that are oftentimes providing technology to those end verticals. So they are oftentimes like a key consumer, a key client base for our group of companies. And those large financial institutions do not innovate well internally. It kind of gets back to what Peter was saying in terms of what's core and what's not core, and despite best efforts, usually technology innovation is not a core area of expertise for them. So that is an investment thesis of ours that the sector is going to have to continue to digitalize and adopt technology and adopt actually more innovative forms of — first generational AI, now agentic AI. And it's going to be difficult for them to do that on their own. So whether or not they're going to work with some of the larger LLM providers, or whether there's just going to be an ecosystem of smaller, innovative middle market technology firms focused on financial technology that will be a bridge for them — that technology and innovation is what we've been focused on for the last 30 or so years and we continue to think there's a great opportunity there.

**[09:06] Mary Kathleen Flynn**

And Kyle, you've said that FTV focuses a lot on technology. Obviously one of the big themes this year for everybody is AI and AI disruption. What are your insights on that when it comes to financial services?

**[09:21] Kyle Griswold**

Yeah, taking a step back, the sector probably has more natural barriers than most that could in some ways dampen the initial effects of AI. You have regulatory and compliance moats and barriers. You have a complex value chain. So you know you're going to need integrations, relationships and partnerships with other institutions in the value chain to even do business. Many of those businesses are regulated, so they may put up barriers due to that or they may put up barriers due to just competition. You need deep domain expertise. So I think that makes it difficult to penetrate if you're just a horizontal LLM or an AI generalist. And then you actually have antiquated core systems at many of the large

financial institution firms themselves — so the large banks and insurance companies. It's really hard to adopt AI if you don't have modern systems that can be integrated with. It's really hard if your data isn't sitting in the cloud. It's hard if your data is fragmented across disparate systems. And then there's a high sensitivity around client data and a high sensitivity around cybersecurity. So I actually think that all does buffer maybe what would be even faster adoption of AI.

That all being said, I think it is a massive opportunity and a massive risk that needs to be understood and analyzed closely and carefully. And for us, I think we were one of the first growth equity firms that brought on a senior AI advisor to focus exclusively on this, both in terms of investment diligence, but on the portfolio value creation side as well. And that was in addition to a technical advisor who was pretty facile on the AI side, but we wanted an absolute specialist and now we've run that full AI report on every new deal that's come in. But we've back-tested the entire portfolio for risk and opportunity.

On the back of that we've seen pretty interesting, successful and exciting adoption. On a general basis, we're seeing much faster development cycles across our development teams. We're seeing the automation of very mundane tasks leading to increased productivity. There's a lot of mundane tasks in financial services and there's a lot of complex workflows in financial services that can be automated using agentic agents.

Using a couple of examples — we have a company, Paddle, that provides payment infrastructure to digital businesses. They're seeing a surge in demand from AI-native merchants and a lot of growth in agentic commerce. They have agents that can connect directly with Paddle now and execute billing operations, manage subscriptions and debug payment issues in an automated fashion. We have a flood insurance company called Neptune which uses an AI-native underwriting platform to quickly and accurately assess risk and provide insurance quotes. Earlier this year they directly integrated their platform with ChatGPT and it allows users to receive real-time flood risk assessments and insurance quotes. And we have a company called Kore.ai which is one of the leading AI-native technology providers to the banking industry across a number of solutions that they have.

**[12:41] Peter Yordan**

It's funny, the reality is that AI is clearly going to affect financials as it will every sector of the economy. It will clearly affect different parts of the financial ecosystem differently. A bank or an insurance company, which is a capital intensive business — much like any other capital intensive industrial business or resource business that manufactures its product out of capital intensive activities — is going to have a different relationship to AI than an intermediary will. Certainly a people-centric intermediary or a wealth manager for that matter.

What we would expect is if AI is something, it's certainly a commoditizing force for a lot of industries. It's probably true in software, but it is true that the financial industry, which is a commodity industry, has a long historical trend of technology attacking the cost structure of these businesses and obliging everyone in the industry to work hard to stay at the correct end of the cost curve. We would expect that the AI challenge that many banks and insurance companies will face is not that this will render them moot, it's that they will have to be as fast as their neighbors, if not faster, in order to not let those efficiencies catch them out when it comes to pricing power, when it comes to their ability to generate return on equity.

And so I think the obligation for all sponsors is to take what we all say to the market — which is that we move faster than the public companies — and do that, and make sure that the tools which let midsize companies compete with large companies effectively, whether it's by using software to develop code as fast as what a big software house used to do, or whether it's having a clear command of your own cost structure and where costs can be improved or where bottlenecks can be removed. If you're a sponsor who's not promising and then delivering on the promise to move faster than the big companies, you're clearly doing something wrong. And that's what we feel is our obligation in the time ahead.

**[14:49] Mary Kathleen Flynn**

When we think about AI disruption, and obviously among software companies, I think a lot of things are being rethought. But when it comes to financial services companies, are there reviews of staffing, is there a big effect on deal pricing, anything going along those lines? Peter, I'll start with you.

**[15:11] Peter Yordan**

There's definitely a lot of skittishness about what is going to happen in different parts of financials and I think a lot of uncertainty about what the end state is for a number of business lines. So businesses which have been primarily data-centric in the way that they manufacture and sell data into the financial services industry have been challenged by the market in somewhat shooting-from-the-hip fashions. There's a large question about what is the right role for people in wealth management. It's clear that non-people-centric wealth models have existed for some time already. There was a big trend around robo advisory a number of years ago, but the means for providing wealth advice without people have existed for a long time and yet people are still central to a lot of wealth decisions. And so the decisions around what the terminal value is for some of those businesses are evolving in real time.

And you can see as well in the brokerage space — insurance broker multiples have come down through, I think, a combination of softening markets in insurance generally, which is a

particular trend of insurance that is not necessarily tied to AI, and just a question about which insurance models need to be people-centric and which ones don't. And so I think what you'll see is especially on the cash flow driven business models where terminal values were really pricing in permanent perfection — think US wealth with multiples well in excess of 20 times — some of that exuberance may be a factor of the kind of pre-mythos moment.

But generally I think it's clear. Most financial services companies, I think, can credibly say — and will credibly say — if we're not casual about the implications and the power of this technology, the products that we have will endure and our ability to deliver them will become less expensive. So what we'd expect to see is that for the people who actually have theories of change for how to integrate this into their business models, the valuations you can pay for these businesses shouldn't just become decoupled just because the technology continues to change.

**[17:24] Kyle Griswold**

I think Peter's getting at this question of how central is the people part of the model versus are there just a bunch of things in the back and middle office that can be increasingly automated away and made more efficient and kind of driven down in terms of ultimate pricing and revenue generating ability on behalf of the financial services firm itself? So I think there are areas that he denoted, like wealth management, where there have been pretty good automated solutions historically. Do I think those solutions can probably be made way better today with the application of agentic agents? Probably. And there's probably more difficult and complex tasks that those robo advisors really couldn't do around estate planning or more complex advice and tax planning that may be easier through the application of AI. At the same time, I think people want to probably talk to an advisor when they're going through those types of complex life planning events.

There are other moats that we look at from an FTV perspective when we're investing in businesses that are probably worth just being mindful of. Like more generally, where can the regulatory and compliance barrier actually stop an AI-native entrant from coming in? Where is there proprietary data that the existing companies — whether they be banks or insurance companies or financial technology providers — where do they have a proprietary data edge and maybe a time series data edge where they've been gathering that data over long periods of time and whether they're creating their own risk algorithms. Financial risk is a big thing that is native to the financial services sector, but it's not something that you have to think about in other sectors. So that's another thing that these AI-native companies have to get their head around. And part of it is do they have the right data? So there's still some advantages that the existing providers have.

And I would also say just having to raise all the capital if you're a capital intensive business — that's not something we necessarily focus on. But obviously the core insurance carriers and banks are very much capital intensive businesses. It's going to be interesting to see how quickly AI-native entrants want to pile into those areas because there's a capital requirement that is just fundamentally different than if you're trying to scale a technology business.

**[20:04] Peter Yordan**

The core reason why the technology industry almost never seeks to disintermediate the financial industry is that the provision of capital, the obligation to capitalize risk-taking decisions, and the obligation to act within regulatory obligations around conduct and prudential actions with a bunch of government stakeholders is understandably not necessarily attractive for fast scaling technology providers. And those obligations, if you assume them — congratulations, at the end of that road you become a bank, which is not what Silicon Valley has typically wanted to do for very logical reasons.

**[20:45] Mary Kathleen Flynn**

Let's switch gears a little bit and talk about what are some of the hot subsectors and what are some of the deals that your firms have closed recently that you think are emblematic of the opportunities today

**[20:59] Kyle Griswold**

Yeah, happy to. You know, we are as a firm continuing to spend a lot of time just in the broader financial technology space. We're so focused in that area that we are looking across wealth tech, technology and capital markets, banking tech and insurance. Historically we've been very successful and have done a lot of deals in wealth management in particular — a lot of those deals we've exited.

But a current portfolio company that I think is pretty interesting is a company called Masttro, which actually started out as a company providing technology to large family offices, which is a pretty underserved part of the market because of the complexity of what those really large pools of capital need. They typically have really diverse international holdings across a lot of — sometimes difficult to either value, or it's even just difficult to gather the data on — a lot of alternative investments that are underlying them. There's a lot of tax complexity, so it's difficult even just from a data perspective to ingest all this data, aggregate it, make sense out of it, and then put together the reporting that a very large sophisticated investor would be looking for, almost like an institutional investor. So what's been interesting though about what they've developed is that because of the democratization of the alternative space, we're now seeing more and more opportunity

from the family office into high net worth and wealth advisors looking for similar technology solutions that can help them sort this out. So it's a pretty interesting business.

There's another one that we invested in — it's actually our latest deal — that I just think is interesting because I think it kind of shows the type of secular growth investing that we can still do even when there's periods of chop, not just in the overall market, but in even some of our end markets. So we invested in a company called Valitana. Valitana is a company that produces technology, data and analytics for the structured credit market. So the first question you'd ask is why in the world would you invest in anything that's even touching structured credit right now? And the reason why we're so excited about it is when you think about all the issues that structured credit has had around rapid growth, complexity of product, lack of transparency — and in the context of all that, I think a perspective from investors that there's going to be a rising risk of default rates — Valitana's product, which is around data analytics and really risk, is the perfect solution to address all those issues. And if you look at the end business, it has 98% gross dollar retention, it has 130% net dollar retention, it grew 100% last year. And towards the end of the year it was not a great private credit market, and they had close to a record bookings quarter in Q1. So they're showing no signs of slowing down because the nature of what they're doing is the way that the market is going to evolve over the next 10 to 20 years, even if there's a cyclical dip in private credit. So those are the types of interesting smaller businesses — that's the type of investing that we do at FTV.

**[24:34] Peter Jordan**

It's really not what's hot, it's really what is your sustainable value creation strategy in financials. Because what's hot is often correlated with what's about to crash. And what you tend to see is that this classic cycle in private equity of some good secular trends make people money and then people feel FOMO and they start trying to double down on the theory and they pay up a bit more and they pay up more and then eventually they wreck the cycle. And that happens in financials if you're not being diligent about where you're sourcing deals and when you're sourcing deals. And so what we've seen is if your sourcing is based on strategies that you have a lot of discipline about — when they're there and when they're not — and then you're being disciplined about turning off when things get too hot, you can find value pockets in lots of places. That's true as well for growth as it is for folks like us. But the classic motivated seller asset you understand and believe in works in things that are hot if you're able to find the right situation.

But I think a couple of examples for us: we bought from Admiral, the UK's leading specialty auto business, their US franchise. Admiral decided to get into the US — like a lot of European companies that get into the US, they get there and they realize growing there is

pretty hard. They built a nice business but it couldn't scale, management changed direction, it became non-core and they decided to get rid of it. They tried the first time, it didn't quite work. Value expectations were wrong and then we were able to come in and offer them a bespoke deal to take it at a price which we were very excited about — a good discount to book value, low multiple of earnings for a growing business. And they were willing to do that because it was a corporate priority to move on. But it's a great regional US auto insurer that we're very excited about, that has already started their AI strategy to successfully either replace or push down the price of their entire tech stack, which they're thrilled about.

Conversely, in a different part of the world, we are longtime believers that insurance is a place where you can make money if you really respect cycle dynamics that are pretty uncorrelated to the rest of our portfolio. And we started a business in India called Neom, which is the first independent Lloyd's-backed onshore reinsurance business. That's definitely not everybody's backyard, but it's ours. We've been in India for a long time as an investor and we've been in Lloyd's for a long time as an investor and, you know, finding a great team to back to take advantage of some changes in the way that people can reinsure Indian risk was a secular theme that we were very excited about. And it's one of the world's largest unopened reinsurance markets and we're getting in at the ground floor. So again, this is all quite specialist stuff. It's somewhat divorced or uncorrelated from some of the larger trends in the global economy. But we think that means that when we're done with our investment thesis, the opportunity to sell well will be there regardless of what's going on in the world.

**[27:41] Mary Kathleen Flynn**

So let's talk a little bit about the exit market and also about pricing. We've heard a lot in the last few years about the spread between buyers and sellers being quite wide. How is that today and what does the exit market feel like today in financial services

**[27:57] Peter Yordan**

It's still pretty kludgy for a lot of secondary deals. There was a period when there was kind of no capitulation in our industry where we would work a file for 12, 18 months trying to get to prices where we felt we could buy. And then in about 2024, 2025, the pipe started clearing. There was some capitulation on sales. And so what we tend to see is the pressure of DPI means more people are willing to sell assets at prices which clear — which in financials they have to clear.

There are some sectors like US wealth where FTV sold into growing markets. And I think selling is a great strategy because there's still tons of demand. And yet what we have seen is that strategic bids for assets are pretty good actually now — especially when we were in a

zero or negative interest rate environment, strategic businesses felt cautious about deploying capital, especially in Europe, where I'm based. And that's changed dramatically. And a lot of businesses are seeing both the opportunity and the need to be acquisitive, which is a great end market for a lot of sponsors, including us.

**[29:11] Kyle Griswold**

What I would say is despite some positive overall financial markets, there's just been periodic chop. You think back to last year, the initial tariff system that was announced that drove prices down and that froze a ton of deal activity. And just earlier this year the market traded off close to 10% based on some combination of geopolitical risk, inflation worries, unease around AI. When the market's oscillating back and forth like that, it creates valuation gaps between buyers and sellers. And when that happens, it's very tough to get deals done in private markets.

The other thing that I would say is that there continues to be some of those fears around geopolitical risk, inflation and AI. So I don't think I haven't seen those valuation gaps close yet. The other thing that I see — which I think was alluded to — is we see a bifurcation between the haves and the have nots. For the best businesses, maybe you could loosely define it as almost like a top decile company, both in terms of the financial metrics and maybe qualitatively in terms of what the business is — there always seems to be a market for those assets and that market's actually remained pretty robust even in the current environment, which I'd say is not amazing. And then for the lower quality assets, transacting is tough. And so we're seeing good valuations for the top businesses and for many of the lower quality assets, they're not transacting at all. Could some of them transact? Sure, but maybe at a price that the seller's not willing to entertain yet.

So that's what we're seeing in the market. I think for us, the answer to that is something we've kind of both been talking about. You have to invest in these durable secular themes that are not cyclically driven. And that's going to dampen a lot of the volatility on the portfolio, but it's also going to allow you to probably invest at the right levels on the front end and exit at the right levels on the back end, because you're just not going to have a ton of volatility in the cyclical of the end theme that you're investing behind.

And then I think you just have to back — for us, we're really, really focused on high durability businesses. So I mentioned the retention on Valitana at like 98%. The average gross revenue retention rate across the deals that we've done over the last 18 months was 95%. The net retention was 125%. So every year you're only losing about 5% of your clients and your existing clients are growing 25% a year without adding anything new. And then the average growth rate of the companies is 50%. Our perspective is if you're backing companies like that in the right sectors, there's going to be the right exit on the back end,

assuming you've continued to do the right work to make sure that that growth is sustainable. And we do a tremendous amount of work on that. There's a lot of financial work, there's a lot of qualitative work in the current market environment. There's a ton of technical work around making sure that this company is not going to be dislocated by AI and hopefully will be a net beneficiary of that trend.

**[32:29] Peter Yordan**

Even though financials is a large part of the global economy — something like 25% of European indices and lower than that in the US, but only because of the Magnificent Seven — it's not nearly 25% of the private equity world over where I am, or the equivalent in the US. So the supply-demand between private equity firms that have a real theory of value creation for how to play financials and the size of the prize is still very propitious. You don't have this kind of incredible over-competition of private equity firms trying to attack everything that comes over the transom, which means you can still do fundamental underwriting of either the growth or of the value without having to get into these really cynical asset-grabbing races that happen when there are too many private equity firms chasing too many deals. Financials — because it's so bespoke, because it's so complex, because it has all these stakeholders and regulation and obligations that come with playing in this world, because it's a little bit scary for generalists — still has fewer people that know how to make money than there are deals to do. If you're good at it, it's not easy and you spend a lot of time trying to find the businesses that you love enough to marry. Nor is it completely competed away by a lot of firms just trying to find their way to get oxygen.

**[33:53] Kyle Griswold**

The last thing I would maybe say on the exit side is focusing on the right company theme and industry at the outset is probably the most important thing. But as we've evolved as a firm we have put a lot of process around how you think about exits, how you manage towards exits. We have an exit committee that meets twice a year and we're re-underwriting every single deal in the portfolio and we actually produce that for our investors and our LPs, and they love that transparency and they love that mode of communication. But it also keeps us honest and makes sure that we're managing towards outcomes for our investors. And then it produces the right feedback cycle both to our operating teams — our Team Propel that helps with all our value creation plans — and our deal teams to make sure that we're actually doing what we said we were going to do in terms of driving these companies forward.

And for us it's not been an amazing exit environment I think for the broader market. But we've driven over a dozen exits over the last two years at a 3.5x. So a good level of exits but also a pretty strong return on those exits at a very low loss ratio.

**[35:16] Mary Kathleen Flynn**

So wrapping up, I'd love to hear your outlooks for the rest of 2026 and what you think the future of financial services M&A is.

**[35:27] Kyle Griswold**

I think something that we talked about already is going to continue to mount in terms of pressure and that's the mounting pressure for private equity firms to create these exits for their existing portfolio companies on behalf of their investors. I think if you were to talk to large institutional LPs, they would say their biggest gripe with private equity is the lack of liquidity and their biggest fear is that it's not going to change over the short term.

So there's a lot of pressure to get those exits out. And at the same time, we mentioned dry powder in the earlier conversation, there's massive pressure for those same private equity firms to invest what has become a record amount of dry powder that's been raised but not yet invested. So I think there's natural pent-up demand on both the buy side and the sell side to get more deals done. The regulatory environment remains pretty benign, at least in the US. Interest rates should continue to go down. The economic environment is reasonably healthy as are financial markets. So if we can just work through some of these geopolitical risks, and get our head around AI risk versus opportunity, I think you could see a lot of deal making. However, if those risks metastasize and the economy starts to weaken, the deal making is going to be slower, at least in the short term. But at the end of the day, those private equity firms need to get those exits and they need to deploy that dry powder.

I would say regardless of that, you're going to continue to see strong secular growth in pockets of the market where there's innovation and you're going to continue to see increasing adoption of technology and AI within the financial services sector, and there's going to be great businesses to invest in and great exits to be had in those areas.

**[37:21] Peter Yordan**

The reality is it is a pretty uncertain world out there — for the news flow we see every week, for the macro economy and certainly for what's going on in technology. And that means that intelligent investors are going to be asking themselves tough questions about where they want to place their bets, us included. But ironically, as Kyle said, although there's been a lot of private equity firms that are going to feel increasing pressure to sell, for a lot of the financial services specialists like FTV and us included, the last few years have had really powerful DPI. And I think that has to do with having specific value creation strategies that really do work — agnostic of market cycles, agnostic of debt cycles — being able to sell to strategics. I note how a lot of financial institutions benefit from rising interest rates which have been a trend over the last few years. But in addition, and we've just been, I think, very

clear that if you know what you're looking for and you're patient about when you find it, the opportunities come and you'll be able to deploy your capital aggressively when they're there.

And I do think the broader private equity industry has turbulence that the financial services part of the world should probably be able to take advantage of over the next few years. So I think we'd be generally pretty focused on managing our risk, managing our portfolio allocation, but being ready to take advantage when we see motivated sellers coming to market — which is always, I think, the necessary condition for doing a good deal: understanding why someone's selling you an asset at a price that you're willing to buy it at. So that was true before, and I think that'll be true in 2026.

**[39:01] Mary Kathleen Flynn**

Thanks again to Peter Yordan from JC Flowers and Kyle Griswold from FTV Capital for joining us. If you want to hear more episodes of Private Equity Spotlight, you can find us wherever you listen to podcasts or at [pehub.com](https://pehub.com). This episode was produced by Natalie Novikova and edited by Eric Fisch. I'm Mary Kathleen Flynn with PE Hub. Thanks for listening.