Committed Capital

A GLOBAL PRIVATE EQUITY PODCAST

COMMITTED CAPITAL PODCAST SERIES

Private Equity Investment in the Financial Services Sector

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MARCH 2022

Dechert's Global Private Equity group presented "Private Equity Investment in the Financial Services Sector," an episode of the firm's Committed Capital Podcast Series. The episode was hosted by Stephen Pratt (moderator), a partner in the firm's Corporate practice, and featured Jon Little, Founder and Managing Partner at Alderwood Capital, and Takashi Moriuchi, Co-founder and Managing Partner at Estancia Capital Partners.

The financial services sector has long been considered an attractive area for private equity investment, and the deal activity levels we are seeing in today's market are especially robust. What are some of the key drivers behind this trend? This podcast summarized some of the latest key developments and considerations relating to private equity investments in the financial services industry.

HIGHLIGHTS FROM THE EPISODE

Key Drivers for Deal Making – The financial services sector is a very large, yet very fragmented, part of the economy. Opportunities arise when strategics in this space seek to sell off non-core assets after a period of expansion, and when they've been compelled to increase scale and build up their product offerings. Other opportunities occur when independent firms seek capital and expertise to grow. In both cases, management teams are eager to partner with experienced investors, who (due to their sector expertise) understand the challenges in the market and can provide proven solutions to enhance value. These drivers, together with favorable tailwinds from a hot M&A market generally, are creating exciting deal opportunities for private equity investors.

Sourcing Deals – In addition to relying on experienced investment bankers (particularly boutiques with financial services-specific expertise), leveraging professional networks, proactively cultivating new industry relationships and knowing the sector well are all critical to identifying interesting and unique investment opportunities in this space. The ability to understand a firm's strategy and establish a personal connection creates an environment of true partnership and can differentiate private equity investors from others. Relationships and industry expertise undoubtedly matter greatly in this space.

Utility of Representation and Warranty Insurance – Some deal makers question the utility of representation and warranty insurance in the financial services sector despite its robust usage in the wider M&A market. As underwriters continue to expand the number of representation and warranty insurance policies they diligence and write in this space, buyers are finding these policies to be a useful tool despite the typical policy exclusions. When used, these policies benefit both buyers and sellers and can reduce negotiation timelines.

To hear the episode in full, click here. For all episodes in our series, click here.

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