DRAYCOTT PLACE

Q2 2026 TITLE INSURANCE SECTOR REVIEW

Overview

Welcome to the **Draycott Place Partners Q2 2026 Title Insurance Review**. As investment bankers who are laser-focused on this sector, our intent with this publication is to share the same market intelligence, structural analysis, and operator-level perspective we bring to every client engagement, with the broader community of founders, operators, and capital partners we work alongside.

This quarter, we lead with a short commentary on **the macro drivers for the industry and their impact on the share price performance of the four publicly traded companies**. We then tackle how **AI is being leveraged by cutting-edge vendors** who are helping agency owners streamline workflows and improve margins. We are delighted to have key insights in that article offered by our friends in the industry like **Matt Younkle at Pythonic**, **Jackson Reynolds at Qualia**, and **Aaron Davis from Florida Agency Network**. We then turn to evaluating **the various types of strategic and financial buyers of title companies** and the advantages and disadvantages of partnering with each type. Finally, we close with a guest contribution from **Bobbi Armstrong of Britehorn Securities** on the advantages for PE funds of hiring a sector-focused boutique investment banking group like our team at Draycott when they are ready to explore a sale of a portfolio company.

We hope you find it useful. As always, we welcome your reactions and the conversations they may spark.

Title Insurance, Q2 2026 Market Review

By Steven Palmer, President · Draycott Place Partners · draycottplacepartners.com

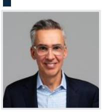
Despite the continued geopolitical tensions in the Middle East, the publicly traded title insurance stocks rallied in the second quarter, **gaining between 18% and 30%**. The sector benefited from falling treasury yields throughout much of the quarter, improving mortgage application data, better than expected existing home sales, and continued focus on cost controls and investments in technology, including AI and workflow automation.

Title Insurance, Q2 2026 Market Review · continued from previous page

These companies will not be reporting earnings until next week. We believe that investors are expecting **reasonably strong financial performance** as well as positive trends in order to justify the share price growth.

We note that **home sales have remained more or less flat over the past year** as they continue to be held back by persistently high mortgage rates making affordability challenging for a large segment of potential home buyers. The lack of a material drop in mortgage rates during the quarter also prevented the Q1 momentum in refinance activity from carrying over into Q2.

Artificial Intelligence in Title Insurance: Why Agency Owners Can No Longer Afford to Wait



By Steven Palmer, President · Draycott Place Partners · draycottplacepartners.com

The question is no longer whether AI will impact the title insurance industry, it already has. The more important question is: **how will it impact your agency?**

Much like the adoption of title production software, digital document management, and eClosings before it, **AI is poised to become another defining technology that separates industry leaders from everyone else**. Agency owners who thoughtfully embrace AI have an opportunity to improve profitability, deliver a better customer experience, and create a much more scalable business. Those who delay adoption risk falling behind competitors who are becoming faster, more efficient, and easier for Realtors, homeowners, attorneys, and lenders to do business with.

From an M&A perspective, we also believe **buyers will increasingly differentiate between agencies that have modern, technology-enabled operating models and those that continue to rely heavily on manual processes**. Operational efficiency, scalability, and data-driven decision making are becoming increasingly valuable attributes, which can underpin higher valuation multiples.

AI vs. Agentic AI. At this point, the overwhelming majority of senior executives in the title insurance industry have an account with a generative AI platform such as ChatGPT which enables them to ask questions and get immediate answers on virtually any topic. Unlike generative AI, which answers questions, **agentic AI does work**: it takes a defined objective, carries out the steps inside the system that already runs the file, and brings anything unusual to a person for review.

> **Aaron Davis, CEO, Florida Agency Network**
>
> "When most folks we speak to say that they are already using AI, they mean generative AI, but it's agentic AI that they need to be focused on because it's the form of AI that can do actual work."

Why should agency owners care about agentic AI? At its core, agentic AI allows agencies to automate repetitive tasks, reduce human error, accelerate production timelines, and free employees to focus on higher-value activities that require judgment and customer interaction. The potential benefits extend across nearly every function within a title agency.

Artificial Intelligence in Title Insurance · continued from previous page

Improved operational efficiency. Title insurance remains a people-intensive business. Agentic AI is helping reduce many of the repetitive administrative tasks that consume valuable employee time. Examples include:

- Automated order entry
- Reading and classifying incoming emails
- Extracting information from purchase contracts, lender instructions, and closing disclosures
- County record retrieval
- Document indexing and organization
- Commitment and policy quality control
- Entity document review
- Closing Disclosure processing
- Routing work to the appropriate team members

Adoption paths vary by production system. Agencies on platforms like **Qualia** are seeing AI built natively into the software that already runs the file, while agencies running on **SoftPro** and **Resware** can adopt AI through purpose-built providers that integrate with the title production system (TPS) they already have.

Companies such as **Pythonic Corporation**, for instance, have built **AI agents** exclusively for the title and escrow industry that integrate with existing production systems such as SoftPro and Resware. Rather than replacing employees, these AI agents automate many of the repetitive tasks that slow production while allowing experienced staff to focus on exception handling and customer service. Implementing AI workflow automation feels more like hiring a new employee than learning new software.

> **Matt Younkle, CEO, Pythonic**
>
> "You can only automate what you're willing to delegate. Ask yourself what you'd hand a capable new hire on day one. It wouldn't be your most complex files. It would be the repetitive work that eats up your team's time. That list is your automation roadmap. Then measure it: hours per file, before and after. If the return doesn't show up in the numbers, you didn't automate, you bought software."

The result is **higher productivity without a proportional increase in headcount**.

Delivering better customer service. Today's customers increasingly expect speed, transparency, and responsiveness. Agentic AI can help agencies:

- Respond to customer inquiries more quickly
- Route emails automatically
- Keep buyers, sellers, lenders, and Realtors informed throughout the transaction
- Reduce delays caused by manual processing
- Improve accuracy and consistency across files

Artificial Intelligence in Title Insurance · continued from previous page

When customers receive faster updates, cleaner communication, and quicker closings, they notice. In an industry where **referrals remain one of the most valuable sources of new business**, better service can become a meaningful competitive advantage.

Improving sales and marketing. Many owners associate AI primarily with operations, but it can also become a valuable revenue growth tool. Agentic AI can help agencies draft marketing content, personalize outreach to Realtors and lenders, analyze referral sources to target the most valuable ones, identify cross-selling opportunities, summarize customer feedback, develop educational content for clients, improve website search visibility, and automate follow-up campaigns. Rather than replacing relationship building, AI enables business development professionals to **spend more time with clients and top prospects and less time doing administrative work**.

Your competitors are already investing. Perhaps the most compelling reason to begin exploring agentic AI is simple: many of your competitors already are. **Aaron Davis of FAN** notes that "the biggest players in the title industry are rapidly implementing agentic AI and many medium to smaller agent players are currently asking what they can do to get started."

At this year's **Future of Real Estate Summit (FORES)**, one of the dominant themes was how AI is rapidly becoming embedded within the title production ecosystem. Qualia demonstrated how its AI capabilities are increasingly being incorporated into its core platform to perform the tasks we outlined above, automate workflows, and improve operational efficiency, making adoption significantly easier for agencies already using its software.

> **Jackson Reynolds, Chief Strategy Officer, Qualia**
>
> "AI adoption goes fastest when it lives where the work already happens. When the AI capabilities are part of the production system itself, adoption stops being a 'technology project' and simply becomes how the file gets done. That's the operating model that separates agencies that compound value from ones that keep pace. The returns show up in cost per file, customer experience, and ultimately the enterprise value of your business."

This trend matters because **competitive advantage compounds over time**. An agency that reduces production costs, closes transactions faster, and provides a better customer experience can reinvest those savings into hiring stronger salespeople, expanding geographically, acquiring competitors, or simply improving profitability. Owners should not view AI as a technology project. **It is increasingly becoming a strategic business initiative.**

Better forecasting and unit economics. One area that particularly interests us at Draycott Place Partners is AI's ability to improve forecasting and business analytics. Many agency owners understand their historical financial performance but have **limited visibility into the underlying drivers of profitability**. AI-powered analytics can help answer questions such as:

- Which offices generate the highest margins?
- Which escrow officers produce the greatest profitability?
- Which referral sources create the most valuable customers?
- How does profitability vary by transaction type?
- What staffing levels maximize operating leverage?
- How do changing mortgage rates affect future order volumes?

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Understanding these unit economics allows owners to **make better hiring decisions, allocate marketing resources more effectively, and improve long-term profitability**. For agencies considering acquisitions, or those preparing for an eventual sale, these insights can become increasingly valuable.

Getting started doesn't have to be difficult. One misconception surrounding AI is that implementation requires replacing existing systems. In reality, many of today's solutions are designed to **sit on top of existing title production software**. Purpose-built providers such as **Pythonic** integrate directly with existing workflows, while platforms such as **Qualia** continue to build native AI capabilities directly into their production environments. This allows agencies to begin realizing meaningful productivity improvements without undertaking a complete technology overhaul.

The key is to **start with high-volume, repetitive processes** where agentic AI can produce measurable returns quickly before expanding into broader applications. Research from MIT's Project NANDA found that the most successful AI pilots shared a common profile: narrowly scoped, tied to a specific workflow, and evaluated on business outcomes rather than software benchmarks. Notably, the same research found that while roughly half of AI budgets flowed to visible front-office functions like sales and marketing, **the faster payback periods came from back-office automation**. For title agencies, that is encouraging news. The unglamorous work of order entry, document processing, and quality control is exactly where returns tend to show up first.

Final thoughts

Artificial intelligence is unlikely to replace experienced title professionals. However, **title professionals who effectively leverage agentic AI will almost certainly outperform those who do not**. Like every major technological shift before it, the agencies that begin adapting today are likely to be the ones best positioned to lead tomorrow. And as owners think about the long-term future of their business, whether that means continued independent growth, strategic acquisitions, or eventually exploring a sale of the company, building a modern, technology-enabled operation is increasingly becoming an important part of creating long-term enterprise value.

Source: MIT Project NANDA, State of AI in Business 2025.

Who Buys Title Agencies? A Field Guide to the Four Buyer Types

By Jerrod Reddick, Partner · Draycott Place Partners · draycottplacepartners.com

In our Q1 issue, Steve segmented the buyer universe for title agencies into strategic and financial acquirers. This quarter, we go a level deeper. When we run a sale process for an independent agency, the buyers who show up at the table almost always fall into one of **four buckets**, and each one offers the owner a fundamentally different alternative. Understanding those differences before you go to market is one of the highest-leverage things an owner can do, because the right buyer type depends far more on **your objectives** than on who happens to be paying the highest headline number.

Who Buys Title Agencies? · continued from previous page

1. The title underwriters. The national underwriters are the most established acquirers in the sector, and for good reason: an underwriter that currently captures only a portion of your premium remittance stands to capture all of your economics by bringing your operation into its direct channel. That synergy means underwriters can be competitive on price, and they bring deep operational infrastructure. The trade-off is **integration**. Your agency typically becomes part of the direct operation, your brand is often absorbed over time, and the entrepreneurial autonomy that built the business largely transfers to the acquirer. For owners who are ready to transition out over an earnout period, this can be an excellent outcome. For owners who want to keep building, it may not be.

2. The larger agencies and consolidators. Scaled independent agencies, some family-owned, some investor-backed, acquire smaller agencies to expand geographically, add commercial capabilities, or deepen bench strength in attorney and non-attorney states alike. These buyers understand the business intimately, tend to move quickly through diligence, and will often preserve local branding and staff because the local relationships are precisely what they are buying. The trade-off is usually **valuation discipline**: agency consolidators are typically buying with their own balance sheet and price accordingly. Owners get a knowledgeable, operationally gentle buyer, but typically not a premium multiple.

3. Private equity. As we noted last quarter, PE interest in title is at its highest level since the 2020 to 2021 peak. For a Platform acquisition, PE firms will pay competitively, want senior management to stay, and expect owners to **roll a portion of proceeds into the new company**, creating the potential for a second bite at the apple when the platform trades again. The trade-offs are structural: the business takes on leverage, the hold period runs three to seven years, and management operates against a board-approved value-creation plan. You keep your seat, but you gain a boss, and the exit clock starts ticking the day you close.

4. The unicorn buyer. There is a fourth category that most owners have never met, because these buyers rarely attend industry conferences and almost never run inbound outreach. They are **large, well-capitalized acquirers whose core operations sit in adjacent lines of business**, firms that have built scaled platforms in neighboring corners of insurance and financial services and now see the title industry as a natural extension. We call them unicorn buyers, partly because they are rare, and partly because what they offer is difficult to believe until you see it in a term sheet.

> **The four buyer types, at a glance**
>
> **Underwriters:** competitive on price via synergies, but full integration
> **Larger agencies:** knowledgeable and operationally gentle, disciplined on price
> **Private equity:** second bite via rollover, but leverage and an exit clock
> **Unicorn buyers:** full price, your name stays on the wall, you keep control

The profile runs counter to nearly every trade-off described above. These buyers are willing to **pay a full price for the right platform**, because they are underwriting a long-term position in the sector rather than a five-year hold. They want to **keep the company's name on the wall**, the local brand, the relationships, and the team are the asset, while providing **back-office and capital resources** the agency could never build alone. Additionally, a firm’s **culture** is often its most valuable asset but the most difficult to quantify. The right unicorn buyer recognizes this key asset and works with the magement team to preserve it.

Finally, often a unicorn’s acquisition model is built around **existing shareholders and management rolling equity into the new venture**, giving owners a genuine second bite at the apple while, unlike the typical PE structure, **leaving management in control of its own growth decisions**.

Who Buys Title Agencies? · continued from previous page

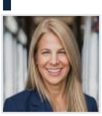
While this all sounds great at first blush, **unicorn buyers are very selective**, hence the name. They are looking for true platforms: durable management teams, diversified books of business, and operations worth scaling. An agency that does not fit that profile will find the other three buckets more realistic, with at least one buyer type meeting their objectives. On the flip side, a unicorn outcome isn't automatically the right one; an owner seeking a clean, full exit may be better served by an underwriter, and a seller of a smaller book may find the consolidators the most natural fit. But if your objectives include **full value, continued independence, capital to grow, and meaningful equity upside**, this fourth category deserves a place on your list. We will simply note that these buyers exist, that their interest in the title industry is current rather than hypothetical, and that **we are in active dialogue with buyers who fit this profile**.

The unicorn buyer profile, at a glance

Full price for the right platform
Your name stays on the wall
Back-office and capital resources
Equity rollover with a second bite at the apple
Management keeps control of growth decisions

If you are a title agency owner and would like to discuss these various buyer types in more detail, please **reach out to us at your convenience**.

Why Boutique Investment Banks Often Deliver the Best Outcomes for Lower Middle Market Private Equity Firms



By Bobbi Armstrong, Partner · Britehorn Securities · britehornsecurities.com

Private equity firms devote tremendous time and resources to sourcing investments, partnering with management teams, and creating value over the course of an investment. By the time a portfolio company is ready for sale, years of operational improvements and strategic decision-making have culminated in a single objective: **maximizing shareholder value through a successful exit**. One question we are frequently asked is whether private equity firms should run that process internally or engage an investment bank. For all but the smallest transactions, I believe the answer is clear.

Selling a business is a full-time job. Even sophisticated private equity professionals can underestimate just how demanding a sell-side process becomes once it is underway. Preparing marketing materials, developing financial models, building buyer lists, managing confidentiality, coordinating management presentations, responding to diligence requests, negotiating purchase agreements, and maintaining competitive tension among buyers requires **thousands of hours of focused effort**.

Once a Letter of Intent is signed, the workload only increases. Buyers often submit **hundreds of diligence requests** spanning financial, legal, operational, tax, human resources, information technology, cybersecurity, customer relationships, and commercial matters. Someone has to organize that process, anticipate buyer questions, coordinate advisors, and keep the transaction moving toward closing.

Why Boutique Investment Banks Often Deliver the Best Outcomes · continued from previous page

Every hour a management team spends managing diligence is an hour they are not spending growing the business. Likewise, every hour a private equity professional spends coordinating a sale process is an hour that could be devoted to sourcing new investments, supporting existing portfolio companies, or raising the firm's next fund. **An experienced investment banker exists to absorb much of that burden.**

> **The sell-side workload, at a glance**
>
> **Thousands of hours** of focused effort to run a competitive process
> **Hundreds of diligence requests** once the Letter of Intent is signed
> Every hour spent on the process is an hour not spent growing the business

Competitive tension drives higher transaction valuations. Private equity firms often speak enthusiastically about sourcing "proprietary" transactions, deals in which the seller has not engaged an investment banker to run a formal sale process. The appeal is easy to understand. Proprietary opportunities are typically far less competitive, giving buyers greater negotiating leverage and increasing the likelihood of acquiring a high-quality business at a lower valuation and on more favorable terms.

From a seller's perspective, however, the objective is exactly the opposite. The goal is to maximize value by **creating a competitive process** that encourages multiple qualified buyers to compete for the business.

Numerous studies have concluded that engaging an investment banker can **meaningfully improve transaction outcomes**.

> **What a banker-run process is worth, by the numbers**
>
> **~25% average valuation premium** for sellers who retained an investment banker (Forbes, "The ROI of Hiring an Investment Banker," 2022, citing University of Alabama and Portland State University research on 4,468 transactions over 20 years)
> **1.5 turns higher EBITDA multiples** on average for companies represented by a banker (Northern Trust Business Advisory Services, 4,316 transactions)

We see this dynamic play out regularly, particularly in lower middle market transactions. Business owners frequently receive an unsolicited offer and are tempted to negotiate exclusively with that interested buyer. While that approach may appear efficient, it often fails to establish the competitive tension necessary to maximize value. Time and again, we've seen sellers who ultimately chose to run a structured sale process receive offers that **substantially exceeded the initial indication of interest**, sometimes from the original bidder after competitive pressure was introduced, and other times from entirely new buyers who recognized the strategic value of the business.

Creating competition is one of the most important ways an investment banker can influence the outcome of a transaction. In our experience, a disciplined, well-managed process often **pays for itself many times over** through a higher valuation, improved transaction terms, and greater certainty of closing.

Why Boutique Investment Banks Often Deliver the Best Outcomes · continued from previous page

The right banker for the right company. Large investment banks unquestionably play an important role in the market, particularly on larger transactions. However, lower middle market portfolio companies often benefit from a different model. Entrepreneurial investment banking firms typically focus on a smaller number of engagements and are able to provide an **intensity of attention** that can be difficult to replicate within larger organizations. For firms like Draycott Place Partners, every engagement matters. That means senior bankers remain actively involved throughout the entire process, from preparing financial materials and developing buyer strategies to negotiating Letters of Intent and managing diligence through closing. **Clients are not handed off after the initial pitch meeting.**

Senior-level attention matters. One of the advantages of working with a boutique advisory firm is knowing exactly who will be executing your transaction. At many larger firms, senior bankers originate engagements while much of the day-to-day execution is delegated to junior professionals. Entrepreneurial advisory firms generally operate differently. The principals who win the engagement remain **directly involved throughout the process**, bringing decades of transaction experience to every negotiation, management presentation, and diligence discussion. That level of continuity often leads to faster decision-making, stronger communication, and a more efficient transaction process.

Cost shouldn't be the deciding factor, but it often helps. Investment banking fees represent a relatively small percentage of enterprise value, yet they can have an outsized impact on transaction outcomes. The objective should never be to hire the least expensive advisor. **The objective should be to hire the advisor most likely to maximize value.** That said, entrepreneurial firms often maintain lower overhead than larger institutions, allowing them to deliver highly personalized service at a competitive fee structure. For many lower middle market transactions, that creates an attractive alignment of economics without sacrificing execution quality.

Regulatory compliance matters. Private company M&A transactions frequently involve activities that may require the parties involved to be appropriately licensed through a **FINRA-member broker-dealer**, depending on the nature of the engagement and compensation arrangements. Engaging a FINRA-registered investment banking team helps ensure that the transaction is conducted within an established regulatory framework designed to protect both buyers and sellers. It also provides oversight, supervisory procedures, and compliance infrastructure that sophisticated market participants increasingly expect. For private equity firms, working with a properly licensed investment banking team helps **reduce execution risk** while providing confidence that the sale process is being managed in accordance with applicable regulatory requirements.

A better use of time. The best private equity firms create value by investing in companies, not by managing hundreds of diligence requests or coordinating every aspect of a sale process. Likewise, management teams create value by operating their businesses, serving customers, and executing growth initiatives. A dedicated investment banker allows both groups to remain focused on those responsibilities while managing the countless details required to achieve a successful transaction.

At the end of the day, the value of an investment bank should not be measured simply by the buyers it contacts. It should be measured by its ability to **create competitive tension, maintain momentum, solve problems before they become obstacles, and ultimately help maximize value for shareholders**. For lower middle market portfolio companies, an entrepreneurial investment banking firm can often provide exactly the combination of senior-level attention, sector expertise, execution capability, and alignment that leads to exceptional outcomes.

About Britehorn Securities

Britehorn Securities is a licensed broker-dealer built by investment bankers for independent investment bankers. Steve and Jerrod execute their investment banking and securities activities through Britehorn, giving clients best-in-class, compliant execution from entrepreneurial-minded firms like Draycott Place Partners.

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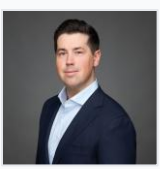

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