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Consumer Credit Opportunities Uncovered Daily

COLLECTION CONSOLIDATION CONTINUES UPWARD TREND

Consolidation in the collection industry was on the rise throughout 2002 and is expected to continue at an even faster pace in 2003 as companies vie for a piece of the \$13 billion collection market.

While there may be far too many players in the collection arena for all to survive, well-run collection agencies, which can generate profit margins above 25%, make excellent targets for acquisition, said Brian Greenberg, a senior associate at Bethesda, Md.-based **Kaulkin Ginsberg Co.**, a business advisory firm.

There are now approximately 6,500 collection agencies in the U.S. and Canada, according to Kaulkin Ginsberg.

Companies outside the sector are increasingly interested in entering this market, which unlike many others, thrives in a bad economy.

COLLECTORS GAIN MORE ACCOUNTS

As the number of consumers unable to make loan payments rises, collectors gain more accounts. And business doesn't look likely to dry up anytime soon.

The unemployment rate was 6% as of November 2002, and many analysts expect it to continue to climb this year. The economy is

expected to grow at an annual rate of about 2.7% in the first three months of the year, half the 5% growth rate in the first quarter of 2002.

And while the consumer debt service burden ratio actually declined to 14% in the third quarter of 2002 from an all-time high of 14.39% in the fourth quarter of 2001, many economists expect that trend to reverse.

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INDUSTRY DEAL VALUES GROW

With that kind of growth potential, the total value for deals completed in the collection and related industries in 2002 was approximately \$745 million, generated from 56 transactions. That is the second highest

volume since Kaulkin Ginsberg began tracking completed transactions in 1991. The 2002 volume is up from approximately 35 transactions worth \$565 million in 2001, and \$200 million in 2000.

"We expect the deal volume to continue rising in 2003, given the increased interest we have seen from a variety of buyers both within and outside of the collection arena," Greenberg said. He estimates that interest is rising because companies believe they can make money in this growing market.

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