



## Holding Providian's Playbook

By [Bill Mann](#) (TMF Otter)

February 9, 2004

Here's a quickie lesson on finding an edge in investing. It comes courtesy of the news this morning that credit card provider **Providian** (NYSE: PVN) is in talks to be acquired by **Barclays** (NYSE: BCS), and has also spoken with British financial firm **Lloyd's** (NYSE: LYG).

Two weeks ago, I noted that Providian was closing down a collections operation in Louisville, Ky., putting some 300 people out of work. My take on the news was simple -- the company had closed out enough of its subprime accounts that it was able to consolidate some of its collections offices. Go read it, it isn't [very long](#).

Very soon after, I received a note from Bill Lindala, who writes the *Agency News* column for [CollectionIndustry.com](#). (As a complete aside, if you haven't signed up for CollectionIndustry.com's free email alert, I highly recommend it. It's one of the most worthwhile that I receive, with information on everything from bank and consumer debt to economic trends to individual corporations. They do a fantastic job. When you think about it, the attention to trends makes sense, as collections is a highly economically sensitive industry.)

But I digress. Lindala, an expert in the collections biz, took my analysis to task. His personal take was that the company had moved into a business with more competition and was "bulking up its balance sheet" for one reason -- to make it more attractive as a takeover target. He was dead certain that a sale or merger was on the horizon.

As we now know, a merger wasn't just on the horizon; it was on the next block and was closing awfully fast. We'll see what happens, but for me the lesson is already clear: When someone who knows a business backwards and forwards gives his insight on an event, it is always a good idea to pay close attention. Lindala could have been wrong about the merger, but he's seen enough of the same story that he's pretty good at predicting the ending.

*Bill Mann owns no companies mentioned in this article.*