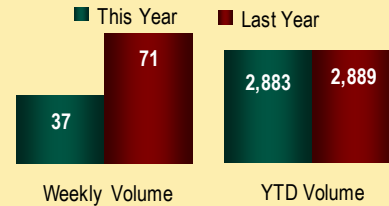


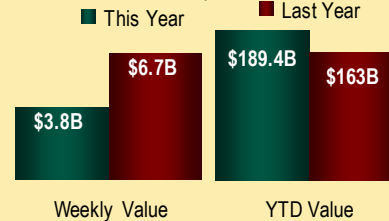
Mid-Market Volume

* Deals \$1 - \$500 million, no undisclosed



Mid-Market Values

* Deals \$1 - \$500 million, no undisclosed



Hot Sectors This Week

- #1 – **Computer Software, Supplies & Services**
(10 Deals)
- #2 – **Drugs, Medical Supplies & Equipment**
(3 Deals)
- #3 – **Insurance**
(2 Deals)

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On the Wire This Week...

Accounts Receivable M&A Hits All-Time High in 2004

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[\(see page 2 or click here for full story\)](#)

Should Institutional Sporting Goods Be on Your Radar?

With well-publicized public deals well-attended to by bulge bracket advisors, retail sporting goods has been a robust M&A market for years now. Nestled in the folds of sporting goods, but outside the world of retailers, an interesting market of M&A opportunities arising. We are talking about the fragmented sub-sector of sporting goods manufacturers and distributors serving the institutional markets of schools, municipalities, and recreation centers.

[\(see page 3 or click here for full story\)](#)

From the Data Room: Consumer Services Deals Pump Up the Value

The M&A market for leisure, entertainment, media, and gambling companies may not have as much action as it once did, but the stakes are certainly bigger. According to the latest FactSet Mergerstat statistics, overall deal activity in the customer services sector appears headed for a modest decline this year, but overall deal value has almost doubled.

[\(see page 4 or click here for full story\)](#)

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Heavyweights of the Week

\$450 Eye Centers of America attracts Golden Gate Capital
MILLION

\$402 Cendant hooks up with ebookers
MILLION

\$376 Blackstone Group invests in UGC Cinemas Holdings
MILLION

\$319 Kingston Comm strikes a deal with KKR
MILLION

\$300 UnitedHealth Group snaps up Definity Health
MILLION



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Numbers that astounded even our team of M&A deal trackers were recently brought to our attention by M&A and strategic advisory firm **Kaulkin Ginsberg**. According to their research, the accounts receivable management (ARM) industry has just surpassed its highest output of M&A spending...ever. With over US\$1.3 billion lavished on acquisitions of accounts receivable management companies, 2004 now ranks above the industry's previous high-water mark of US\$1.2 billion spent on M&A agreements in 1999.

According to Ginsberg, whose firm specializes in the ARM and business process outsourcing (BPO) sectors, driving of all this extraordinary activity in 2004 has been a concerted effort by both strategic and financial buyers.

On the strategic side, several public companies have made clear their intentions to expand into accounts receivable management, with a particular acquisition emphasis on the debt purchasing facet of this sector.

In a recent example of this, **Sallie Mae**, a provider of financial services to the educational market, acquired a majority interest in **Arrow Financial Services LLC**, a purchaser of performing and non-performing consumer debt, for an undisclosed amount. **William Blair & Co** advised Illinois-based Arrow Financial Services on the September 17 transaction and Kaulkin Ginsberg initiated the deal and advised Sallie Mae.

In a similar fashion, in a deal closed August 3, **West Corp** expanded its ARM business with the purchase of **Worldwide Asset Management LLC** for

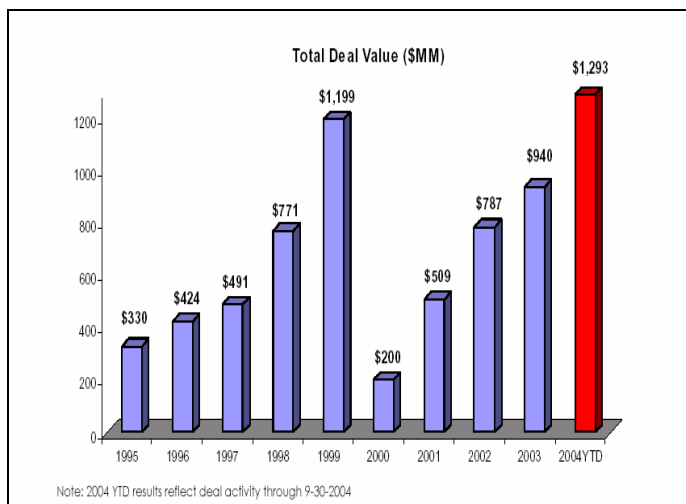
US\$178 million in cash and assumed liabilities. Worldwide Asset Management is a national buyer of large and small consumer debt portfolios and is expected to generate between US\$100-US\$110 million in revenues in 2004.

Other less likely tie-ups have also sprouted this year from public buyers of ARM targets. On May 4, data processing services giant **Convergys** acquired **Encore Receivable Management Inc** of Olathe, Kansas for US\$68 million for its first foray into the space. Convergys is reportedly banking on synergies with their current infrastructure and established presence in the customer contact businesses to leverage their venture into receivables.

An even more unprecedented M&A entrance came when Indian business process outsourcing firm **ICICI OneSource Ltd**, a subsidiary of India's **ICICI Bank Ltd**, acquired **Account Solutions Group LLC**, a credit card debt collection company based in Buffalo, New York, for an undisclosed amount on October 7. Ginsberg, whose firm initiated this deal and advised ASG, believes this is a sign of more international BPO firms seeking a beachhead in the US collections industry.

Along with the strategic buyers, private equity firm have also remained active this year in this sector. New York-based **Tailwind Capital Partners** acquired publicly held **Trover Solutions Inc**, a Louisville, Kentucky-based provider of debt collection services to healthcare companies, for US\$59 million or 3.7 times EBITDA in a deal closed July 16. Additionally, on May 11, **SKM Growth Investors**, a unit of **Saunders Karp & Megrue**, acquired a 35% interest in **Senex Financial Inc** for an undisclosed amount and, earlier in the year, **Parthenon Capital** acquired a 90% interest in **Diversified Collection Services Inc** for US\$167 million.

“ The ARM industry has just surpassed its highest output of M&A spending...ever. With over US\$1.3 billion lavished on acquisitions of accounts receivable management companies, 2004 now ranks above the industry's previous high water mark of US\$1.2 billion. ”



With a surprising year nearly in the books, we asked Michael Ginsberg what he expects in 2005 from the accounts receivable management industry. He answered:

“More M&A activity. Private equity really likes the industry and they see defined exit strategies through the larger entities, as well as through BPOs and the IPO route. A number of private equity firms were very active in the late 1990s and they will be looking at their exit strategies as well. I also think we’ll see a number of strategic international players as well as domestic BPO companies making acquisitions as well.” And if more off-shore BPOs follow in the footsteps of India’s ICICI Onesource, the accounts receivable management space just might see back-to-back record breaking years of M&A spending.

For more information contact Michael Ginsberg of Kaulkin Ginsberg at 301-907-0840 x111/ mike@kaulkin.com, or visit collectionindustry.com.

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One firm growing rapidly in this sub-sector is **Collegiate Pacific**, a maker of basketball backboards, baseball backstops, soccer goal posts, and other institutional sports equipment. Unquestionably the most active consolidator in this sector, according to Rommel Dionisio, a senior equity analyst at **Roth Capital Partners**, Collegiate Pacific has made four lower middle-market acquisitions across the nation in the last twelve months.

Based in Dallas, Texas, Collegiate Pacific expanded its retail presence and product lines with the acquisition of Corona, California-based **Tomark Inc** for US\$5.2 million in January. Then in April it purchased Richmond, Indiana-based **Kesslers Team Sports** for

US\$13.75 million in cash and stock plus US\$4.7 million is assumed debt. A few months later in July it acquired Richmond, Virginia-based **Dixie Sporting Goods** for US\$6 million in cash and US\$1 million in earnouts and last week, on November 29, Collegiate Pacific executed a letter of intent to acquire Florida-based **Orlando Team Sports Inc** for an undisclosed amount.

The acquisition strategy has been successful for Collegiate Pacific, allowing it to expand its footprint and cross-sell hard and soft goods, but does it signal something more for other M&A watchers? Dionisio says this sector indeed has many of the hallmarks financial buyers look for; although according to FactSet Mergerstat data, buyout activity has traditionally focused on the retail side of sporting goods, not the institutional market. “There is a significant amount of free cash flow, the industry is fragmented, you still have a lot of family-owned businesses with not a lot of viable exit strategies, so you can acquire a lot of these companies at relatively low multiples, anywhere from 4.0-7.0 times EBITDA - those characteristics make it attractive to financial buyers.”

In addition to financial buyers, the institutional market may attract more attention from strategic buyers crossing-over from the retail end. “There’s nothing stopping traditional retailers from entering the institutional sports market so that’s certainly a viable

M&A attack. On November 26, the firm completed a private offering of US\$40 million which they plan to use as a “war chest” for more mid-market acquisitions of sporting goods suppliers to the institutional market. “Now that they have essentially reloaded their balance

Consumer Services Sector

Date Period Ending	Base Equity	No. of Deals	Avg Deal Size	Price	
	Price (\$mm)			Disclosed	Not Disclosed
26-Nov-2004	\$42,769.13	195	\$219.33	122	73
31-Dec-2003	\$28,435.05	227	\$125.26	138	89
31-Dec-2002	\$22,455.60	226	\$99.36	123	103
31-Dec-2001	\$28,836.80	242	\$119.16	147	95
31-Dec-2000	\$176,047.70	317	\$555.36	184	133
31-Dec-1999	\$122,429.90	216	\$566.81	146	70
31-Dec-1998	\$104,368.60	177	\$589.65	126	51
31-Dec-1997	\$38,717.65	210	\$184.37	164	46
31-Dec-1996	\$30,241.59	133	\$227.38	99	34
31-Dec-1995	\$41,539.31	92	\$451.51	71	21
Total	\$645,310.60	2,124	\$303.82	1,375	749

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option – there are plenty of synergies to be had,” he notes.

Regardless of the participation of outsiders, Collegiate Pacific is poised to continue their aggressive

sheet and have the capital to deploy,” says Dionisio, “I certainly expect to see additional transactions over the next several months and quarters. Geographical targets for the company could

include New England and the Pacific Northwest.”

For more information contact Rommel Dionisio of Roth Capital Partners at 949-720-7190/rdionisio@rothcp.com.

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In terms of dealflow, the consumer services sector has recorded just 195 announcements through November 26 compared to 227 for full year 2003. With just one month to go, chances seem slim that this year’s total will surpass that of last year. For the first eleven months of 2004, the sector has averaged only about 18 announcements a month. What’s more, given the fact that December is a big holiday month, there’s a good

chance that the sector will see its lowest dealflow since 1998 (see graph for more details).

Yet while the deal flow may be slowing, the money that buyers are spending is growing. Overall, buyers have plunked down a combined US\$42.8 billion for companies in the consumer services sector (a figure that is based upon 195 deals that publicly disclosed a price). In 2003, the total dollar value disclosed on consumer service sector deals was just US\$28.4 billion; in 2002, it was US\$22.5 billion; in 2001, it was US\$28.8 billion. In fact, 2004 has been the best year for dollar value since the golden days of 1998 to 2000, when dealmakers disclosed annual spending of about US\$104.4 billion, US\$122.4 billion, and US\$176 billion, respectively, on consumer service companies.