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## Kaulkin Ginsberg foresees Accounts Receivable Management (ARM) industry M&A activity in the USA picking up in second half of 2005

Apr 4 2005

April 4, 2005: Bethesda, MD -M&A activity in the Accounts Receivable Management (ARM) industry got off to a slow start in 2005, with only 8 transactions totaling less than \$100 million in deal value occurring in the first quarter. These numbers pale in comparison to the first quarter of 2004, which generated 15 transactions and \$535 million in deal value.

According to Mark Russell, Senior Associate at Kaulkin Ginsberg Company, "deal volumes tend to fluctuate on a quarter-by-quarter basis even in a hot M&A market. Based on our knowledge of current deal activity, we believe that 2005 will be another blockbuster M&A year."

One major area of deal activity is the debt-purchasing sector. According to Russell, "We are seeing the early signs of a perfect storm brewing, particularly within the U.S. market. The combination of too many players chasing too few portfolios and a hot M&A market is motivating firms of all sizes to consider M&A as part of their business strategy." Russell foresees deal activity being driven by large, privately owned debt purchasing firms seeking alternative exit strategies to going public, and by larger firms acquiring smaller players with performing portfolios,

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strong client relationships, and/or access to less competitive geographic markets and industry sectors. "Several debt-purchasing firms located within the U.S. and internationally are considering strategic alternatives including a partial or total sale of the business. This interest is being driven by the results of recent transactions and current market trends. Based on this level of interest and what we know is occurring in the marketplace, we strongly believe that this sector will generate a significant portion of the total deal volume and value in 2005."

Russell also foresees the government sector as another key area for ARM M&A activity in 2005. "The government sector is one of the fastest growing markets in the debt collection industry." According to the annual report by U.S. Department of Treasury's Financial Management Service, private collection agencies under contract with the government collected \$610 million in debts in 2004, 12% more than in 2003. With the highly anticipated IRS contract coming out later this year, and the increasing number of opportunities for collection agencies within the local, state and federal government markets, agencies that are well positioned to receive these contracts will be highly sought after by strategic and financial buyers. According to Russell, "We are seeing a lot of interest in this market and expect this trend to continue throughout the year and into 2006."

Russell also confirmed that there is still a large appetite for companies in virtually every sector with strong management teams, consistent top and bottom line growth, blue chip clients, and substantial growth opportunities. "Companies with these characteristics will always be sought after by financial and strategic buyers seeking to establish a platform in the ARM industry."

About Kaulkin Ginsberg Company  
 Since 1989, Kaulkin Ginsberg has provided solutions to accounts receivable management and other business services industries. Through the SAGE program (Strategic Analysis, Growth and Exit), they work with owners and executives in their efforts to grow or exit their business. Services include merger, acquisition and valuation advice, research, growth and operational consulting as well as

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