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M&A Activity Remains Healthy in Accounts Receivable Management

Mergers and acquisitions activity in the credit and collections business trails the pace set a year ago but remains brisk with 26 transactions completed in the first half of the year totaling more than \$350 million in estimated deal value, according to Kaulkin Ginsberg Company, a Bethesda, Md. firm that brokers deals and tracks activity.

The number of deals actually rose compared with the 24 transactions logged in the first half of 2004, but the total deal value for the first six months of last year generated more than \$753 million. The second quarter of 2005 confirmed that financial buyers, those looking to jump into the accounts receivable management space, are motivated to find opportunities.

Two top private equity firms, GTCR and Alchemy Partners, announced platform investments in the second quarter. GTCR acquired a majority stake in Zenta Technologies, an accounts receivable and business process outsourcing firm; and Alchemy, based in London, acquired a majority stake in Wescot Credit Services, a UK-based debt buying and collections company.

"It's competitive and there are a lot of folks talking to each other. Those companies that are looking to put some capital to work are finding nice opportunities," says Michael Ginsberg, president and chief executive of Kaulkin Ginsberg.

Early third quarter of 2005 deals show that strategic buyers, those already doing business in the credit and collections space and looking to add complementary companies, also are highly active. NCO Group, the nation's largest accounts receivable management company, announced its \$118.8 million acquisition of RMA, the nation's fifth-largest ARM company. Days later, GECIS announced its acquisition of Creditek Corp.

Kaulkin Ginsberg expects to see continued interest in debt-purchasing companies and contingency collection agencies that boast experienced management teams, industry-leading clients and substantial growth opportunities.

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