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USA - M&A Activity in the ARM Industry on Course to Shatter Previous Record Levels

Jul 20 2006

July 19, 2006: Bethesda, MD – The total value of M&A transactions in the Accounts Receivable Management (ARM) industry will surpass any other year on record, if recent deal announcements close as expected this year. For the first half of 2006, there were 28 completed transactions and two significant pending transactions, representing an aggregate estimated deal value of \$3.5 billion. By comparison, deal value for all of 2005 – a record year for deal activity – was just over \$1.7 billion.

“2006 has the potential to be more than just another record year, but a bellwether year in ARM,” said Mark Russell, Director of Bethesda-based advisory firm Kaulkin Ginsberg. The recent announcement by Michael Barrist to purchase NCO Group (NASDAQ: NCOG) with One Equity Partners represents the largest deal in industry history – valued at over \$1 billion. Add to that the announcement from West Corporation (NASDAQ: WSTC), owner of West Asset Management, of a \$4.1 billion recapitalization by private equity firms Thomas H. Lee Partners and Quadrangle Group, and you have the makings of a record-shattering year for ARM M&A. Both of these deals are expected to close by year end.

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"Private equity is fueling the skyrocketing M&A activity in ARM, and it's not just in these two major transactions," continued Russell. Other recent transactions include UK-based Cabot Financial's sale to Nikko Principal Investments for roughly \$478 million, and the sale of Baycorp Advantage's Australia-based collection division, Baycorp Advantage Collection Services, to Australia-based private equity firm Allco Equity Partners and Deutsche Bank Capital Partners, for \$74 million.

"ARM firms represent real value to investors," said Russell, adding that earnings for well-run companies in this market are relatively high compared with other industries. It is also a growth industry, as businesses continue to outsource or sell their debt, and consumer, commercial and government debt levels continue to rise. All of these trends are converging on a marketplace with lots of available financial capital that needs to be put to work in the form of investments.

About Kaulkin Ginsberg Company

Since 1989, Kaulkin Ginsberg has provided solutions to accounts receivable management and related business services companies. The Strategic Advisory Group provides merger, acquisition and valuation advice; custom research; operational consulting; and executive search services. The Kaulkin Ginsberg family of companies also includes Kaulkin Media, publisher of the most popular sources of industry information such as CollectionIndustry.com™ and Credit & Collection Daily™, and Kaulkin Information Systems, provider of secure and affordable document and process management technology.

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