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Private Equity Raises 2006 ARM M&A Deal Value to Historic Levels

Kaulkin Ginsberg foresees an increase in strategic acquisitions within the Accounts Receivable Management Industry in 2007

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BETHESDA, Md., Jan 15, 2007 (BUSINESS WIRE) -- Thanks to two blockbuster transactions in the fourth quarter, merger and acquisition activity in the Accounts Receivable Management (ARM) industry set a new deal value record of \$3.1 billion in 2006, according to Kaulkin Ginsberg, a strategic advisory and research firm that tracks the ARM industry.

"2006 is the third consecutive year of record-breaking deal value, almost doubling last year's results," said Mark Russell, Director of the firm's Strategic Advisory Group. "However, due to the number of large transactions that occurred in 2006, this record is not likely to be repeated any time soon."

The big story of the year was private equity investment, which was the major factor in this deal value surge. Key private equity transactions included the management-led buyout of NCO Group (NASDAQ:NCOG), funded by One Equity Partners for \$1.26 billion; and the recapitalization of West Corporation (NASDAQ:WSTC), sponsored by an investor group led by Thomas H. Lee Partners, L.P., and Quadrangle Group LLC. for \$4.1 billion. Kaulkin Ginsberg estimates the ARM-related deal value of these two transactions amounted to \$1.625 billion.

Other notable deals included Nikko Principal Investments Limited acquisition of Cabot Financial, a leading UK debt purchaser company, for \$478 million; and Texas-based Lone Star Funds purchase of B-Line, LLC., a Seattle-based debt purchaser.

Looking ahead to 2007, Kaulkin Ginsberg expects activity to remain high, but the key drivers of activity will shift from platform investments to strategic acquisitions. "We are aware of several large deals pending that may close in the first quarter of 2007," said Russell. "Although platform acquisitions will continue, we anticipate a substantial increase in the number of strategic investments by existing industry players." He added there will be more aggressive interest in growth through add-on acquisitions -- especially from private equity investors who are already in the space. That may drive interest in smaller, growing ARM companies with specializations in niche markets.

About Kaulkin Ginsberg Company

Kaulkin Ginsberg provides 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. Kaulkin Media publishes the most popular sources of ARM industry information such as insideARM.com(TM) and The ARM Insider(TM). Kaulkin Information Systems provides secure and affordable document and process management technology. Read more about Kaulkin Ginsberg at www.kaulkin.com.

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