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First-Half M&A Activity in ARM Market Rises 15%

Merger and acquisition deals in the Accounts Receivable Management (ARM) industry during the first half of 2007 increased nearly 15.2% compared with the same period last year, according to estimates from consultants Kaulkin Ginsberg.

There were 25 transactions with a total estimated deal value of roughly \$910 million through June, the firm says, compared with 28 deals valued at \$790 million last year. 2006 set an industry record of \$3.1 billion in transactions.

"It wasn't until the fourth quarter of last year that the new deal value record was set, largely due to two major private equity transactions with an estimated ARM deal value of \$1.625 billion," says Michael Lamm, an associate at Kaulkin Ginsberg, citing the management-led buyout of NCO Group and the recapitalization of West Corp.

This year, he says, "we expected to see more strategic and financial buyers enter the ARM industry or add on to their current investments, and that is exactly what is taking place."

The largest second-quarter transaction occurred in May, when West Corp. acquired privately held Omnium Worldwide for \$150 million.

Other significant deals included the purchase of a 25% stake in Encore Capital Group by investors from J.C. Flowers & Co. and FPK Capital; the \$64 million purchase of Creditors Interchange Receivables Management LLC by Debt Resolve Inc. and the \$55 million purchase of Nationwide Credit Inc. by Ocwen Financial.

Several deals are pending, Lamm says, and Kaulkin Ginsberg expects the current pace of transactions to continue throughout the rest of the year.

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