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Outsourcing Solutions bought by NCO Group for \$325 million

St. Louis Business Journal - by [Rick Desloge](#)

In 2003, **Outsourcing Solutions Inc.** faced a restructuring in bankruptcy. Last week, the Chesterfield company sold to a competitor, **NCO Group** of Horsham, Pa., for \$325 million cash.

The sale, announced Feb. 29, had been in the works for several months. It unites the two largest competitors in the debt collection field, said Patrick Lunsford, senior editor with **InsideARM.com**, a trade industry publication based in Rockville, Md.

OSI ranked 37th last year among the area's top 150 privately held companies with \$441.5 million in 2006 revenue. It has 5,000 employees, with an executive and administrative staff locally of 25, said Eric Fencl, OSI's general counsel. The business had more than 200 shareholders with the largest stakes held by private equity funds **Delaware Street Capital**, with 20 percent, and Madison Dearborn Partners, with 18.5 percent.

The combined NCO-OSI operation will have 29,000 employees and operate in 10 countries with 140 call centers. It's unclear what will happen with the OSI office in Chesterfield. NCO does not have an office in St. Louis, said Brian Callahan, NCO's vice president for financial reporting.

"We'll need their (OSI's) infrastructure to run their division," he said, adding that management at NCO is examining how the two companies will fit together.

Callahan said NCO does not discuss layoffs or other long-term strategy plans without first discussing them with employees. He did say that Kevin Keleghan, who was president and chief executive of OSI, is the only senior manager to leave so far. Keleghan led OSI through the bankruptcy and streamlined the business.

OSI retained **Merrill Lynch & Co.** as an investment advisor for the sale. The OSI purchase is the largest for NCO, Callahan said, and it came about because both companies were familiar with each other and worked for mutual clients.

Both Outsourcing Solutions Inc. and NCO Group manage delinquent accounts for businesses, governments and institutions. OSI has helped state governments to collect delinquent income taxes, banks to work with customers in arrears on payments, and hospitals and university loan

programs to collect overdue bills. Callahan said NCO serves similar industries.

OSI has a larger outsourcing business, where it works on behalf of its clients to collect on debts, while NCO has a larger business that buys delinquent accounts, then works to collect the debts, Callahan said.

"OSI was an icon in the industry," said Mark Russell, director of the strategic advisor group of **Kaulkin Ginsberg Co.**, an investment adviser in the collection industry and a sister company to InsideARM. "It became a major player in a short period of time and did it through acquisitions."

Russell said he expects other large debt collection firms to boost their acquisitions in the coming years, largely because the market is so fragmented. Companies such as NCO that want to handle work for bank card divisions, health-care institutions and educational loans need to make heavy investments in technology and security to comply with federal and state laws, he said. Companies unable to make that investment become potential acquisition targets, or they stick with commercial and telecommunications clients, which have fewer barriers to entry, he said.

rdesloge@bizjournals.com

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