



The Kaulkin Ginsberg *Bulletin* is published monthly. Our mission is to provide valuable content that owners, executives, and investors of accounts receivable management (ARM) businesses find informative and helpful in their efforts to analyze, grow, and/or exit their companies. The ARM industry includes credit grantors, collection agencies, debt buyers, collection law firms, and vendors.

We hope you enjoy this issue. Comments are always welcome at [hq@kaulkin.com](mailto:hq@kaulkin.com).

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Over \$1.7 billion dollars! That's how much money changed hands in the ARM industry in M&A deals last year. This breaks 2004's record of \$1.6 billion, and indications are that the market will remain strong for 2006.

In this issue, Mark Russell, Director of the Strategic Advisory Group, recaps the M&A activity in 2005 and looks ahead to what we expect for the rest of the year.

The debt purchasing market represented over 50% of the deal value for the year. Read on as Paul Legrady, Director of the Research Group, shares some added market insights gleaned from our upcoming publication on the global debt buying market.

Over the past 15 years, we've seen the industry grow to become an essential part of the credit economy. As more creditors realize the benefits of outsourcing and debt sales to third-party professionals, we see continued opportunities for growth. As always, if you'd like to discuss your interests in confidence, we'd be happy to speak with you.

Sincerely,

Mike Ginsberg  
President & CEO



**Second Consecutive Record-Breaking Year In The ARM Industry**

**By Mark Russell**  
*Director, Strategic Advisory Group*

The Strategic Advisory Group publishes a quarterly detailed summary of M&A activity in the ARM industry to keep you informed of the current market. Here are some of the highlights from the *2005 Year-End ARM M&A Wrap Up Report*:

**2005 M&A activity surpasses 2004 results**  
M&A activity in the Accounts Receivable Management industry reached a new all-time high in 2005, with over \$1.7 billion changing hands. This surpasses last year's record-breaking \$1.6 billion in deal value.

Key drivers of M&A activity included a strong economy, growing consumer debt levels, the receptivity among creditors to place or sell receivables, and the eagerness of investors and lenders to fund transactions. In 2005, lending markets continued to support deals in the ARM industry and buyers were particularly aggressive, causing a notable rise in deal values for well-run

niche ARM companies, especially those in the debt buying sector.

We predicted in Q1 2005 that debt buyers would generate a significant portion of the total deal volume and value for the year, and that is exactly what happened. Debt purchasing deal activity accounted for more than 50% of the year's total deal value, and involved several leading debt purchasing and ARM companies including Collect  
*(Continued on next page)*

**The complete 2005 ARM M&A Wrap Up Report includes:**

- Details on noteworthy transactions for the year
- Listing of announced transactions
- Analysis of M&A trends & outlook for the future.

To receive a complimentary copy of the complete ARM Wrap-up in PDF format, please email your request to [nfleming@kaulkin.com](mailto:nfleming@kaulkin.com)!

## Second Consecutive Record-Breaking Year In The ARM Industry *(Continued)*

*(Continued from page 1)*

America, Marlin Integrated Capital, Portfolio Management Group, Resurgence Financial, and Aktiv Kapital.

Most of the leading debt purchasers were also active acquirers of businesses in 2005, including NCO Group (NASDAQ: NCOG), Encore Capital (NASDAQ: ECPG), Portfolio Recovery Associates (NASDAQ:PRAA), and Asta Funding (NASDAQ:ASFI).

Strategic and financial buyers like Citigroup Venture Capital International, Sallie Mae (NYSE: SLM), KRG Capital, American Capital Strategies (NASDAQ:ACAS), GTCR Golder Rauner LLC, and Alchemy Partners also established or enhanced their ARM positions in 2005.

The public markets have responded conservatively to ARM companies, most notably debt purchasers. Wall Street recognizes the value generated by successful debt purchasing companies, but it is quick to react negatively to escalating portfolio prices, executive and employee turnover, and revenue recognition issues. Public debt buyers like Asset Acceptance (NASDAQ:AACC) and Portfolio Recovery Associates (NASDAQ:PRAA) are responding by expanding into profitable niche markets such as healthcare, commercial, and bankruptcy accounts.

Looking ahead in 2006, Kaulkin Ginsberg expects M&A activity in the ARM sector to remain strong, with particular emphasis on markets outside of the United States and on agencies within the U.S. that specialize in niche markets with substantial growth potential. European debt purchasing and receivables management market leaders

will generate strong interest in 2006 due to the expected growth potential of those markets over the next several years. In the U.S., small and mid-sized agencies that are specialized in fast-growing niche markets, such as the government, healthcare, and commercial industries, will also be considered attractive acquisition targets by larger players that are in need of diversifying their service offerings and market focus.

In addition, strategic and financial buyers are still aggressively pursuing contingency agencies and debt buyers that specialize in profitable, growing niches. This bodes well for many of the ARM companies in today's market, particularly those that are well-managed with strong growth rates servicing and/or purchasing debt from blue chip clients.

There will be more sizeable M&A transactions in the coming years involving the ARM consolidators that were formed in the mid to late 1990s. We feel that the blockbuster sale of RMA to NCO Group is an indication of transactions to come as private equity looks toward a sale as a way to exit from investments made a number of years ago.

To receive a complimentary copy of the 2005 ARM Wrap-Up in PDF format, please email your request to [nfleming@kaulkin.com](mailto:nfleming@kaulkin.com).

*Mark Russell manages many different types of transactions for Kaulkin Ginsberg as Director of the Strategic Advisory Group. Mark can be reached at 301-907-0840 ext. 120 or at [hq@kaulkin.com](mailto:hq@kaulkin.com)*



## Debt Buying: A Global Phenomenon

*By Paul Legrady  
Director, Research Group*

Kaulkin Ginsberg is completing a substantial research publication on the global debt buying market. Developed with sponsorship from LexisNexis®, the publication provides a comprehensive overview of the debt buying market in the United States, as well as a number of other countries, including Australia, Benelux, Canada, France, Germany, Italy, New Zealand, Poland, Spain, and the United Kingdom.

Our research reveals some unique conclusions about the worldwide debt buying market:

- The Australian debt buying market sees an estimated \$1.5 billion (\$1.1 billion US) in face value of delinquent debt exchanged annually.
- In Benelux, an estimated € 2 billion (\$2.4 billion US) in face value is sold each year.

- In Canada, debt buyers pay an estimated \$600 million (\$700 million US) for debt portfolios each year.
- Debt buyers in Germany estimate that approximately € 20 billion (\$24 billion US) in face value is exchanged annually in the debt buying market.
- 500 companies bid on consumer and commercial debt portfolios each year in Italy.
- In New Zealand, debt buyers purchase an estimated \$250 million (\$171 million US) in debt portfolios each year.
- The debt buying market in Poland is relatively new but had 5.2 billion PLN (\$1.7 billion US) exchanged in 2005.
- In Spain, the debt buying market opened in 2005 and had approximately € 1.9 billion (\$2.3 billion) exchanged.
- The debt buying market in the U.K. is large and well established, with an estimated £4.5 billion (\$7.9 billion US) sold each year.

*(Continued on page 3)*

**Debt Buying: A Global Phenomenon (Continued)***(Continued from Page 2)*

The upcoming publication includes analyses of debt purchases, pricing, competition, market size, laws, and globalization trends in each of these countries. The information should interest everyone who is active in the debt buying industry, as well as anyone looking to become involved.

This research would not have been possible without the generous contributions of Country and Regional Experts who participated in the research process. These include:

- Adriaan Hebly, Creditmas (Country Expert for Benelux and Germany)
- Andy Szemenyei, Portfolio Management Group (Country Expert for Canada)
- Christina Lagana, Advancing Trade (Country Expert for Italy)
- Colin Day, Collection House (Country Expert for Australia)
- Jean-Richard Debret, SOMECO (Country Expert for France)
- Kevin Fuller, TDX Group (Country Expert for the United Kingdom)
- Najib Nathoo, 1st Credit (Country Expert for the United Kingdom)
- Nathalie Lameyre, Credirec (Country Expert for France)
- Paul Cooney, Australian Receivables (Country Expert for the Australia)
- Rafael Gonzalo Peces, Link Finanzas (Country Expert for Spain)
- Robert Garters, Receivables Management New Zealand (Country Expert for New Zealand)
- Roel van Rossem, EDR Credit Services (Country Expert for Benelux and Germany)
- Sean McVity, Garnet Capital Advisors (Country Expert for Poland)
- Stephen Benton, Baycorp Advantage (Country Expert for New Zealand)
- Kent Hansson, Intrum Justitia (Regional Expert for Europe)
- Neil Wood, Global Credit Solutions (Regional Expert for Australia)

*As Director of the Research Group, Paul oversees custom research projects and publications focusing on the accounts receivable management industry. Contact Paul at 301-907-0840 ext. 104.*

**News Highlights From Credit & Collection Daily™**

Kaulkin Media publishes free online resources to help you stay on top of the latest developments. Credit & Collection Daily™ is delivered via email, and provides a quick recap of the day's headlines of particular interest to professionals in the industry. Some of the top stories last month included:

**Bankruptcy Counseling Law Doesn't Deter Filings**

January 17, 2006

The new bankruptcy law requires debtors to see a credit counselor first before filing bankruptcy protection. Creditors hoped that this provision would reduce the number of bankruptcies in favor of payment plans. However, three months after the law took effect; most debtors are still opting to file for bankruptcy. Read the full story at

<http://www.collectionindustry.com/item/18249/>

**Cross Country Bank Ordered to Repay \$9 million to Consumers in Credit Card Case**

January 26, 2006

The 2003 civil suit argued that the Delaware-based bank deceived customers with bad credit into applying for a card with a high credit limit, then awarding a lower-limit card and attaching fees to the balance. The

compounding fees and finance charges caused many consumers to fall deeply into debt. To add insult to injury, the bank's debt collector, Applied Card Systems, was alleged to have used abusive collection practices to collect on the debt. Read the full story at

<http://www.collectionindustry.com/item/18340>

**Portfolio Recovery Owes a Big Debt to Skilled Management**

January 19, 2006

Portfolio Recovery has consistently paid 2 to 3 cents on the dollar for debt portfolios, and then collected up to three times the purchase price. What is the secret to their success? It turns out to be a combination of a disciplined approach to purchasing portfolios, along with smart use of new software technologies to assess debt portfolios and track accounts. Read the full story at

<http://www.collectionindustry.com/item/18274>

Don't forget to share *your* company news with the industry! Just send your releases to [editor@collectionindustry.com](mailto:editor@collectionindustry.com).

With free registration, you gain access to important and timely information. If you're not already registered, sign up today on [www.CollectionIndustry.com](http://www.CollectionIndustry.com). You can also subscribe to any or all of our 5 email newsletters, and unsubscribe at any time.

## Coming Soon! "Debt Purchasing Month" on CollectionIndustry.com



By Patrick Lunsford  
Editor, CollectionIndustry.com

In spite of the dire predictions of a market bust, the debt purchasing sector is thriving. However, to succeed in this maturing market, debt purchasers are working smarter to maintain their return on investment.

To help you work smarter, we'll be launching a whole new section on the website, exclusively focused on debt purchasing, starting March 1<sup>st</sup>. To celebrate, we've designated March as Debt Purchasing Month on CollectionIndustry.com, presented by Credit America!

Featured content will include:

- **News headlines** from across the globe on the debt purchasing industry
- **Columns and articles**, providing insights from industry experts
- **Panel discussions**, where leaders share their experiences in debt collection
- **White Papers** from vendors who provide debt collection technologies
- **New research** available on debt purchasing

Check it out at

<http://www.collectionindustry.com/debt purchasing/>

## Industry Events and Staff News

Meet us at these upcoming shows! To schedule a confidential meeting, please email [hq@kaulkin.com](mailto:hq@kaulkin.com). For a listing of upcoming conferences, visit the Industry Events section on CollectionIndustry.com™

**[Debt Buyers' Association 9th Annual DBA Conference](#)**  
**February 7-9, 2006 - Las Vegas, NV**

This is the conference of the year for those who buy, sell, collect, or service charge-off debt. Mike Ginsberg and Mark Russell from the Strategic Advisory Group, and Paul Legrady from the Research Group, will be at the show. Patrick Lunsford, Editor of CollectionIndustry.com will also be on hand to provide complete coverage of the event for Kaulkin Media publications.

**[National Collections & Credit Risk Conference](#)**  
**March 15-17 -Las Vegas, NV**

This is one of the industry's longest-running conferences for the credit granting and collections community. Michael Lamm from the Strategic Advisory Group and Patrick Jeanty from Kaulkin Media will be available to meet with you.

**[NEW Debt Connection Symposium and Expo 2006!](#)**  
**September 6-8, Los Angeles, CA**

Dennis and Judy Hammond are pulling out all the stops to create a brand new industry event - with a special focus on networking. Mike Ginsberg will be on hand to kick off the educational program by presenting the keynote on the State of the Industry. Later in the program, he will also be presenting a special session on selling your agency in today's market. For more information on the conference as it becomes available, please visit [www.dcs2006.com](http://www.dcs2006.com).

**Staff News**

Kaulkin Ginsberg is pleased to announce three well-deserved promotions in our Strategic Advisory Group. Brian Greenberg has been named Vice President and is now an officer of the company. Mark Russell has been named Director and Michael Lamm has been promoted to Associate at the firm. With these new leadership positions, the firm is well poised for continued growth in the years to come.

## About Kaulkin Ginsberg

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; operational consulting; and executive search services. The Research Group produces industry-specific publications and custom research products. 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. Read more about Kaulkin Ginsberg at [www.kaulkin.com](http://www.kaulkin.com).

**What can we do for you?**

To discuss your business needs in confidence, send an email to [hq@kaulkin.com](mailto:hq@kaulkin.com) or call us at 301.907.0840.

