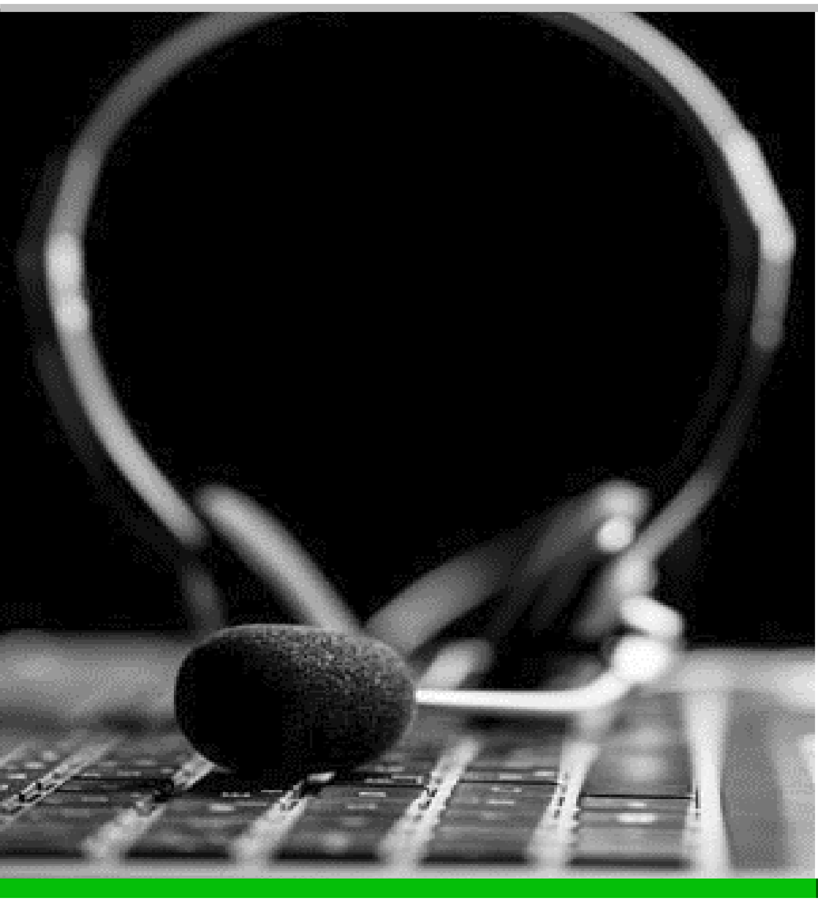
Greenberg Advisors

M&A • STRATEGIC ADVISORY • CAPITAL

M&A Update

2017



Accounts Receivable Management

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Introduction.

The ARM M&A market soared in 2017 as there was nearly $5 billion in global deal value, a 19% increase over the prior year.

With what appears to be a softening regulatory environment brought about by a Republican-controlled congress and administration, and what many believe to be a more collection-friendly CFPB, we expect a similarly high level of activity to extend into 2018.

Key Takeaways.

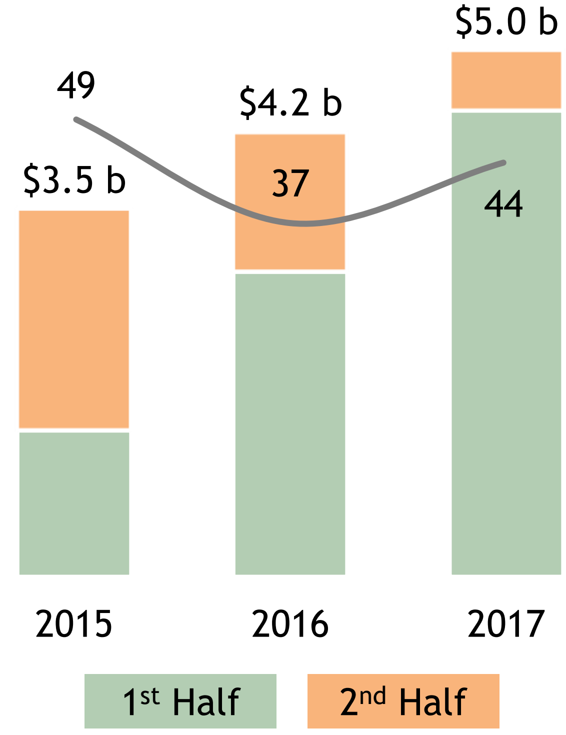
1 Deal Value: Ain't No Mountain High Enough

With 44 transactions representing $5 billion in enterprise value, the M&A market in ARM continues to surpass previous peaks. 2017 deal value was 19% greater than 2016 and 43% greater than 2015!

17% CAGR

in Deal Value from 2013-2017

Deal Value and Volume 2015-2017



Key Takeaways (cont).

2 Capital Flowing to the Growing

There were twice as many high-growth sellers in 2017 relative to 2016. In fact, 30% of sellers fell into this category, while the number of distressed sellers dropped significantly. This environment has generated significant interest from financial buyers, as they seek to deploy capital by backing good platforms.

Percentage of High-Growth Sellers	2015	2016	2017
	14%	16%	30%

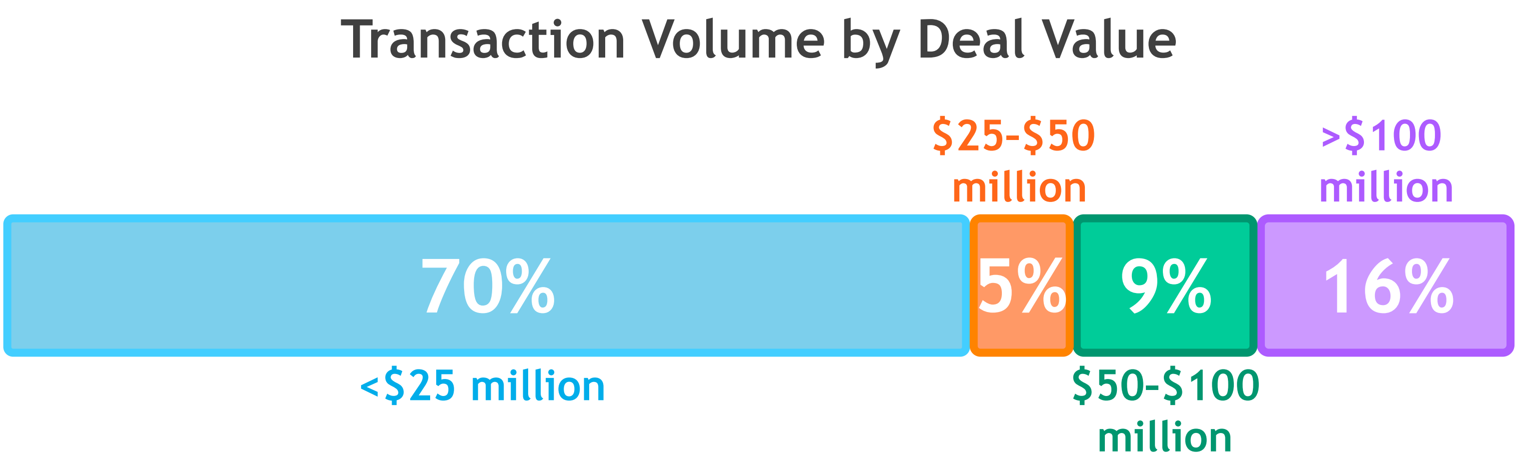
3 Financial Buyers Step Up to the Plate

Financial buyers completed nearly one-third of the transactions in 2017, an increase of 56% over 2016! While strategic buyers still constitute the overwhelming majority of buyers, the resurgence of financial players will have a significant impact on the ARM M&A market, and may lift valuation multiples higher in 2018 as they compete for high-quality deals. These firms will also drive M&A activity in 2018 as they seek add-on acquisitions to augment their investment.

Key Takeaways (cont).

4 **Most Deals are not "Mega-Deals"**

Just 16% of transactions were "mega-deals," a notable decline from 2016 when 24% of deals were over $100 million. So… where was all of the activity? Deals below $25 million in enterprise value represented 70% of all transactions. While consistent with prior years, it is a critical data point to understanding the M&A dynamics within the industry, which has many drivers, including the profile and availability of targets.



5 **Debt Buyers – European Deals Carry the Day**

More than half of the debt buyer transactions and over 95% of the total deal value involved European-based buyers and sellers. Globally, over 20% of ARM sellers were debt buyers, down from 27% in 2016 and 24% in 2015. Interestingly enough, we saw a dichotomy where debt buyer transactions were either very large, exceeding $100 million in enterprise value, or smaller, with an enterprise value less than $25 million, with very little activity in between.

Key Takeaways (cont).

6 Healthcare and Financial Sectors Lead, but Change is Coming

ARM firms that focused on Healthcare and Financial receivables were the most popular sellers in 2017, comprising 52% and 39% of the transactions, respectively. These were followed by agencies serving clients in the Telecom, Utility, and Commercial sectors. While Financial receivables was still the second-most popular sector in 2017, there were 25% fewer deals than 2016 and 21% fewer than 2015. This decline is not surprising, as issuers have continued to reduce the number of vendors that they utilize for receivables management. However, the Financial sector will present an array of opportunities in 2018, as firms impacted by the vendor consolidation, both negatively and positively, re-evaluate their M&A plans.

Select Transactions.

Participants		Type	Completed
WL square	dcm services	Acquisition[1]	Q1 2017
intrum justitia	LINDORFF	Merger	Q2 2017
CABOT CREDIT MANAGEMENT	Wescot	Acquisition	Q4 2017

[1] GA advised DCM Services. Learn more about the deal here.

Expectations for 2018.

We expect the volume of M&A activity to continue, mainly driven by the many PE-backed strategics that are new entrants to the industry. Almost all of them will seek add-ons.

While it remains unclear as to how the new tax bill will impact M&A, we believe it will stir up activity as companies seek to invest the “found capital” from tax cuts into growth initiatives.

Non-PE-backed strategics will continue to acquire small and/or distressed firms that need access to greater resources such as sales/marketing capabilities or capital for compliance.

We’ll see more acquisitions of niche/specialist ARM firms (i.e. Education, FinTech, etc.), as growth plans become much more market specific.

Considering M&A?

Thinking about selling or raising capital? Contact us to discuss our buy-side clients, or to discuss how we can optimize and/or execute your long-term strategy.

Click Here to Discuss Your Exit Goals

Planning to make acquisitions? Contact us to discuss our sell-side clients, or to discuss how we can help you generate greater levels of unbanked deal flow.

Click Here to Discuss Your Acquisition Interests

About GA.

Greenberg Advisors, LLC provides trusted M&A and strategic advice within the financial services and business services sectors worldwide. The firm is best known for its expertise in Accounts Receivable Management (ARM), Business Process Outsourcing (BPO), Healthcare IT (HCIT), Revenue Cycle Management (RCM), and Specialty Finance. Focused on these sectors for nearly 20 years, the firm's professionals offer a comprehensive, yet highly specialized perspective from which to advise clients, which has resulted in the completion of approximately 125 merger & acquisition (M&A), capital raising, valuation, and strategic advisory engagements. These client successes reflect a distinct client-first approach, deep sector expertise, and roll-up-the-sleeves work ethic.

Contact us to discuss your plans or interests, or to learn more about the data contained in this M&A Update.

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