M&A UPDATE

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Marquee European Deals Making Major Waves

During the first half of 2013, ARM industry transactions involved 13 sellers located in Europe, Scandinavia or Canada, while 11 sellers were located in the US. Still, 50% of the buyers in 2013 were US-based, reflecting the recent ARM industry trend of US groups expanding internationally. Clearly, industry consolidation has reached the shores of Europe.

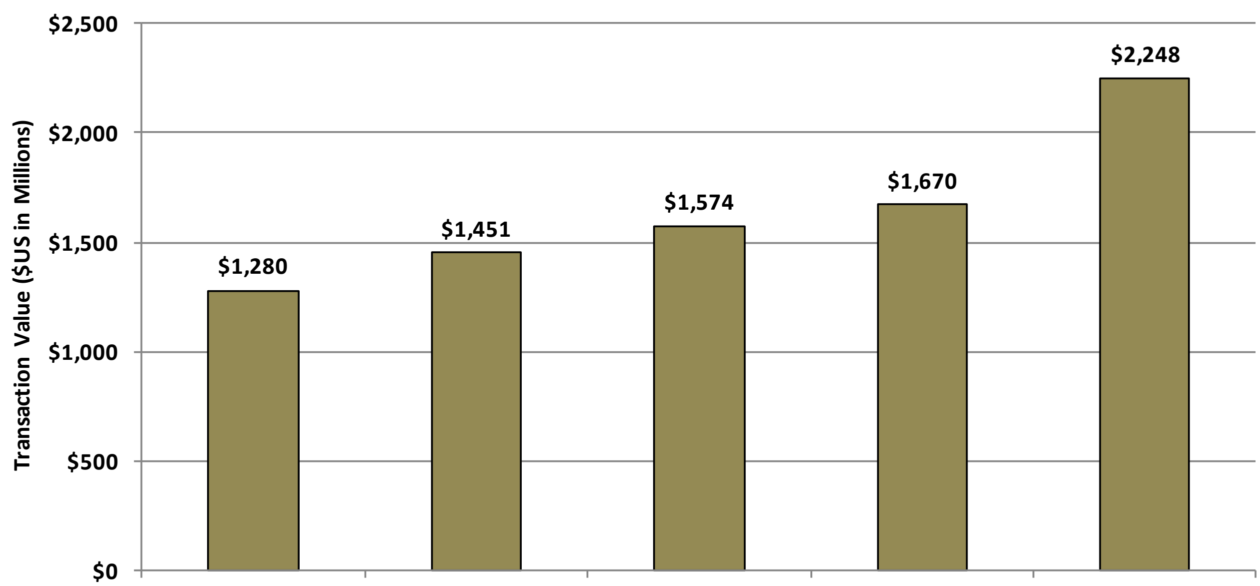
One of the more interesting deals of 2Q 2013 involves the acquisition by **JC Flowers, LLC** of UK-based **Cabot Credit Management, Ltd.**, and the subsequent announcement – just two weeks later – of its plan to sell 50.1% of Cabot to **Encore Capital**. Based on the publicly announced valuation of the Cabot-Encore deal, we assume the enterprise value of the JCF-Cabot deal was in the range of $350 million, a significant deal by industry standards. Seeking greater US market share, Encore also closed on the acquisition of **Asset Acceptance** in a $200 million deal.

After a hiatus, the former head of **NCO Group**, Michael Barrist, has re-entered the ARM/BPO industry with the recapitalization of Central Credit Services, Inc. and Radius Solutions, Inc. Based on his prior firm's history of making acquisitions, we would be surprised if further transactions are not planned.

Aggregate Deal Value Leaps by 35%

With many sizeable transactions completed recently, 2Q 2013 produced a 35% increase in LTM (Last Twelve Months) ARM Transaction Value compared to the LTM ended 1Q 2013 (**Figure 1**). This is also the highest 12 month period of LTM ARM Transaction Value since 2008.

Figure 1: LTM Total ARM Transaction Value



Source: Greenberg Advisors

We also note that the aggregate LTM ARM Transaction Value this quarter is nearly $1 billion greater than that of a year ago (LTM ended 2Q 2012), mainly due to numerous large transactions involving debt purchasers globally.

(Continued on Page 2)

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), Revenue Cycle Management (RCM), Business Process Outsourcing (BPO), and Specialty Finance. Focused on these inter-related sectors for over 17 years, the firm's professionals offer a comprehensive, yet highly specialized perspective from which to advise clients, which has resulted in the completion of nearly 100 merger & acquisition (M&A), capital raising, valuation, and strategic advisory engagements. These client successes reflect its distinct client-first approach, objective point of view, deep sector expertise, and roll-up-the-sleeves work ethic.

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Regulation Driving Consolidation among Mid-Sized and Smaller Firms

Despite all the large deal publicity, deals under $25 million are still happening, and in fact, represent 63% of total deal volume over the past twelve months. A key driver behind many of these deals is the current regulatory pressure for better compliance controls. After all, greater scale also allows for compliance costs to be spread over a larger revenue base.

Given the costs to create a proper compliance environment, which many firms have already borne, we believe deals under $25 million will continue to happen as firms try to become more attractive to credit issuers. Some of these deals will involve healthy firms partnering up or acquiring. Other deals will likely involve companies that are struggling or choose not to invest in a compliance-heavy infrastructure. But as we've seen over the years, most companies, even struggling companies, have redeeming qualities that others may want to own.

To discuss your interests or to learn about opportunities that we're seeing, please contact us.

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