

Greenberg Advisors

SPECIALIZED M&A ADVISORY

M&A Update 2023



**Accounts Receivable
Management**

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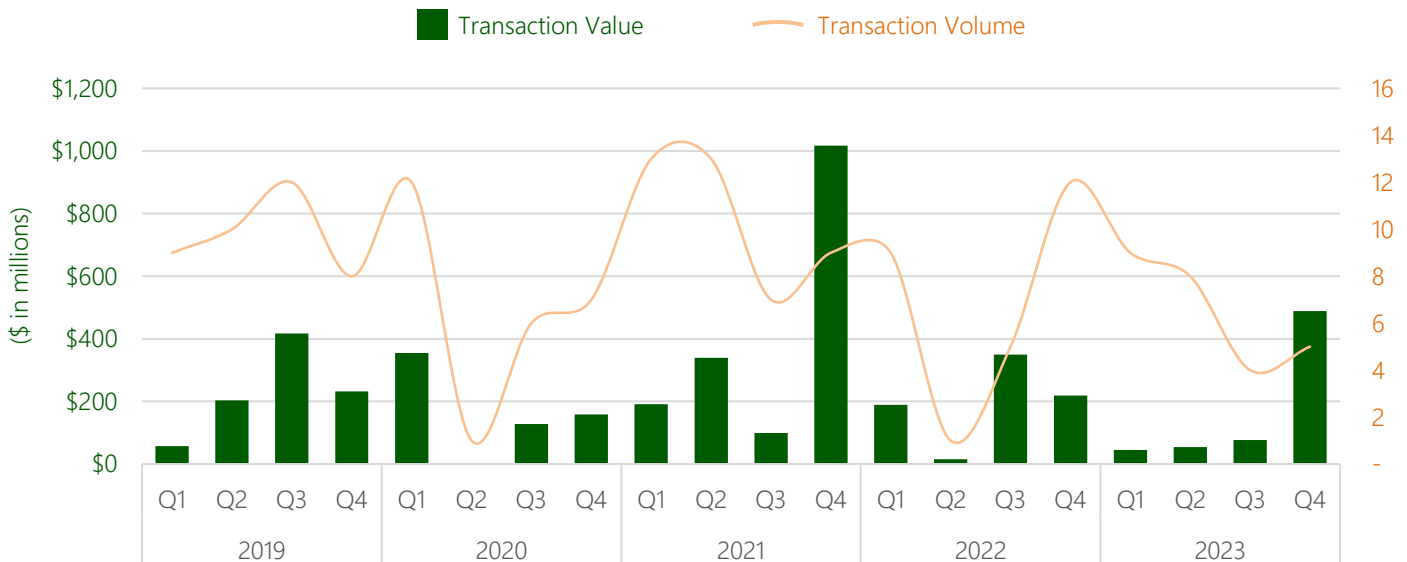
Introduction

2023, A Year-in-Review

M&A and investment activity in the Accounts Receivable Management (ARM) market totaled 26 transactions worth nearly \$665 million in deal value for the year. While the majority of transactions occurred in the first half of the year, 85% of total deal value traded in the second half, driven largely by the acquisition of ARMStrong Receivable Management, a large commercial collection specialist.

In this edition of the M&A Update, we discuss the geographic dispersion of transactions, the substantial changes in the client segments that buyers pursued, and trends in buyer and seller profiles, among other topics.

Transaction Value & Volume



Source: Greenberg Advisors

Data Source

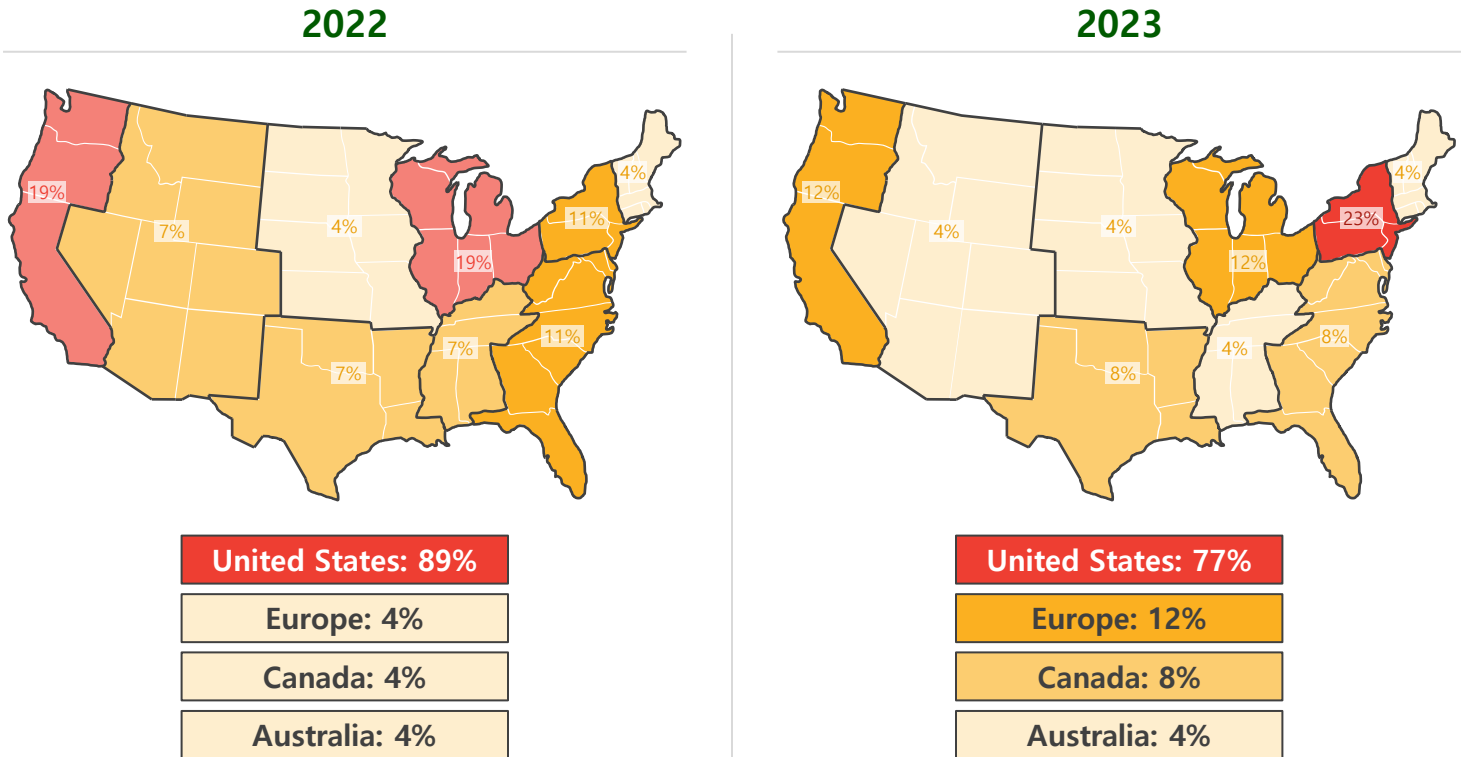
The data and analysis summarized herein are based on information from Greenberg Advisors' (GA) proprietary database in conjunction with GA's knowledge of the market. GA does not use market data from data vendors. Its data is highly reliable - most often obtained directly from transaction participants - and, in some instances, contains conservative estimates. We go to great lengths to gather this information to provide it in aggregate to the public in publications like this one but also to ensure that we, and our clients, are fully informed for transaction planning and execution.

Key Takeaway

Location Matters

Transaction Volume by Location of Seller

Percent of all transactions¹



¹ Rounded

Source: Greenberg Advisors

The US remained the dominant force behind global ARM M&A activity, but there was a meaningful increase in non-US transactions in 2023; these deals represented over 23% of all transactions, up from 11% in 2022. Canadian buyers were a driving factor, having completed half of the non-US transactions. Also noteworthy, a third of the non-US transactions involved a buyer and seller located in different countries.

Within the US, the Mid-Atlantic region saw a boom in M&A activity, with 23% of transactions involving sellers in New York, New Jersey, or Pennsylvania. As one might expect, this is closely tied to the increase in commercial collection agency transactions (discussed on page 4); two-thirds of the Mid-Atlantic transactions involved commercial-focused sellers.

Among the US-based transactions, 55% of buyers were located in the same region as the seller and 25% of buyers were located in the same state as the seller. As we mentioned in our first-half 2023 M&A Update, this trend is a reflection of more long-time industry executives leveraging their network of relationships to complete strategic deals. Higher overhead costs brought by tightened regulatory requirements are also causing owners to more readily join forces to generate synergies.

Key Takeaway

A Monumental Segment Shift

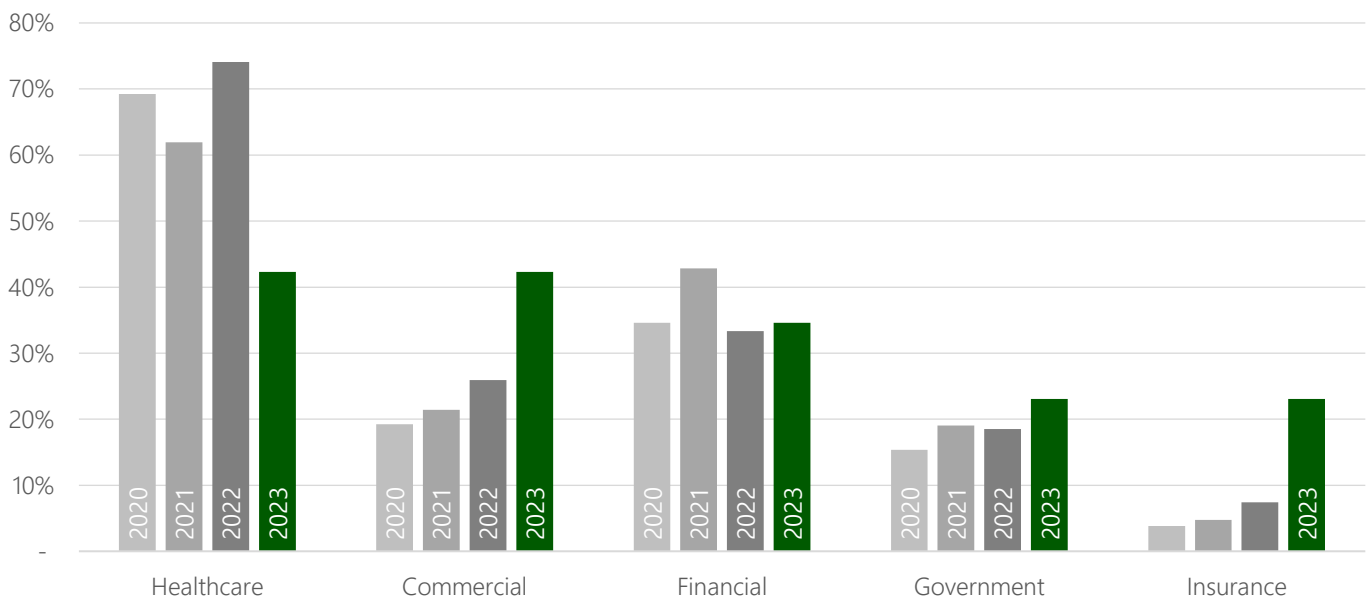
2023 was a relatively balanced year in terms of the client segments that buyers pursued, something we've rarely seen.

For the first time since 2016, the healthcare segment represented less than 50% of all ARM transactions. Changes to credit reporting practices for healthcare receivables caused a 15%-20% decrease in healthcare bad debt liquidations for many firms, and sometimes higher depending on the mix of placement size and timing. These changes come after several strong years of collection performance driven by pandemic-related stimulus payments, creating a downward revenue trend for many healthcare firms. We expect healthcare ARM M&A activity to pick up as these factors stabilize and prospective sellers find their new equilibrium, given that investor demand for healthcare ARM remains high.

On the flip side, the commercial segment continued its multi-year climb. Private equity firms were involved in over 36% of commercial acquisitions in 2023. The commercial industry dynamics lends itself to private equity interest, as it is a highly-fragmented market ripe for add-on acquisitions, has less regulatory risk, and commercial ARM firms often boast higher profit margins and more client diversification than their consumer ARM counterparts.

Most Active Client Segments

Percent of all transactions



Source: Greenberg Advisors

Greenberg Advisors

SPECIALIZED M&A ADVISORY

Our clients have recently enjoyed some exceptional years.
We look forward to continuing the momentum in 2024.

24

Completed Deals
Since 2020

\$150M

Working with Sellers Generating
up to \$150M in Revenue

55+

Years of M&A
Experience

Proven Success Across all Segments of ARM

Auto

Bankruptcy

Commercial

Consumer

Debt Purchasers

Education

Estate / Probate

Financial

Fintech

Government

Healthcare

Insurance

Legal Collections

Real Estate

Retail

Student Loans

Telecom

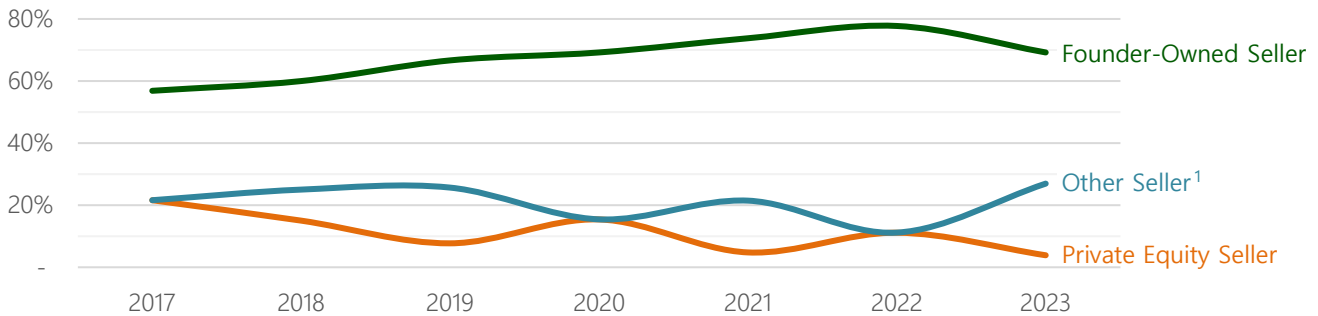
Utilities

Key Takeaway

2023 Seller Profiles

Deal Volume by Seller Ownership

Percent of all transactions

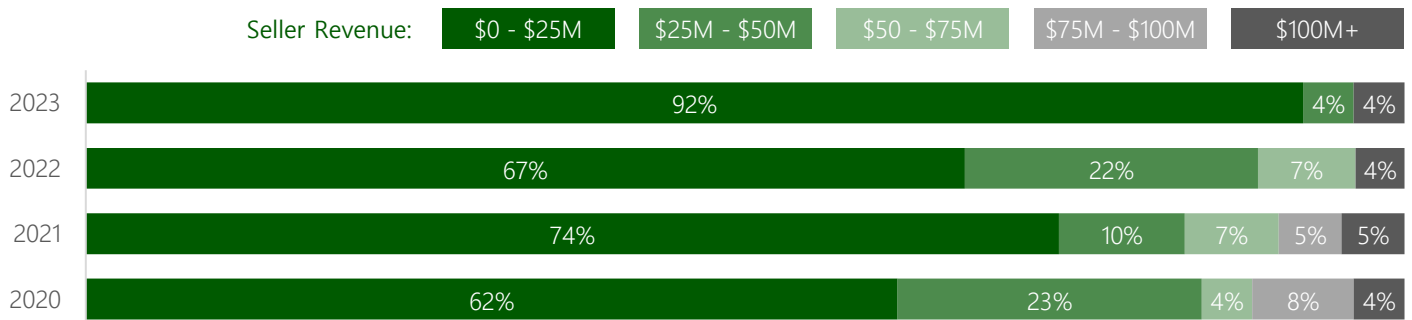


¹ "Other Seller" includes corporate divestitures, ESOPs, MBOs, and others.

Source: Greenberg Advisors

Deal Volume by Seller Revenue

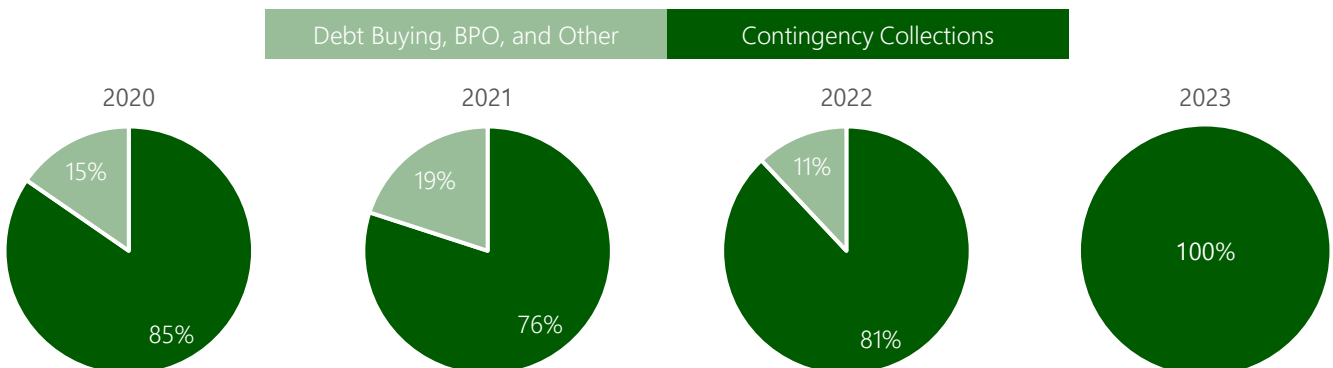
Percent of all transactions



Source: Greenberg Advisors

Deal Volume by Seller Business Mix

Percent of all transactions



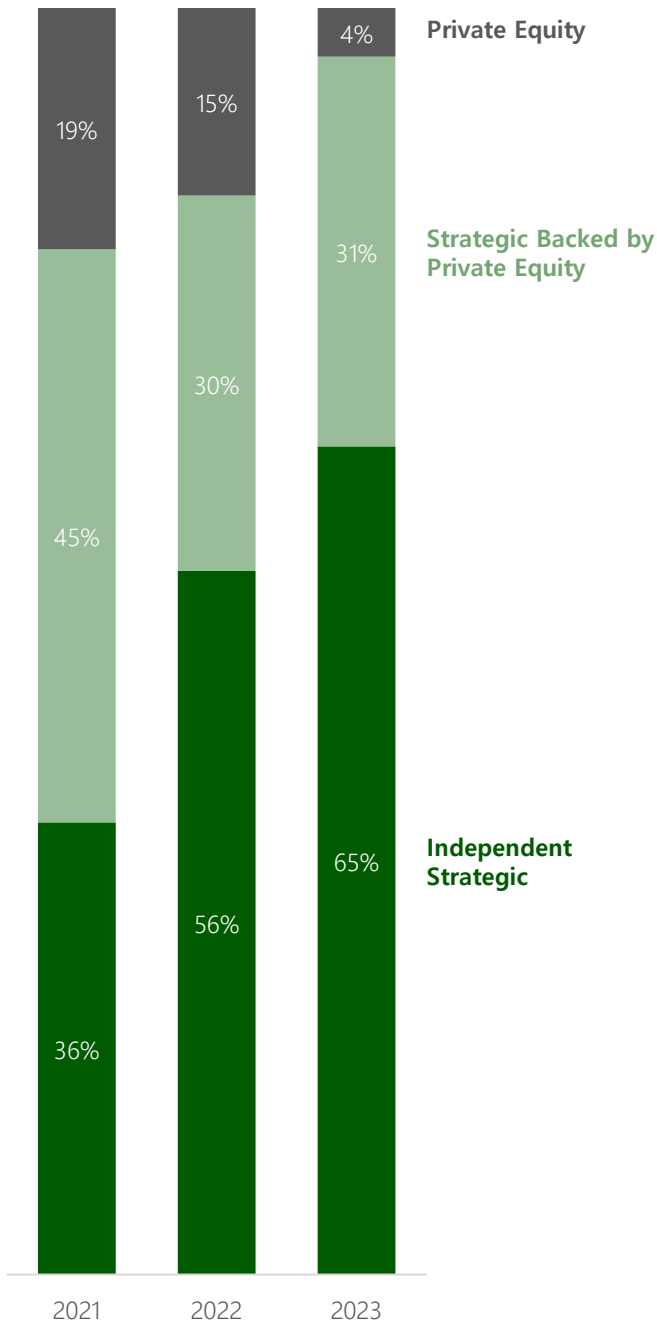
Source: Greenberg Advisors

Key Takeaway

Independent Strategics Dominate

Deal Volume by Buyer Type

Percent of all transactions



Source: Greenberg Advisors

Strategic buyers continue to be the primary acquirer in ARM deals, representing 96% of all transactions. Among strategics, independently-owned buyers have been increasingly active, constituting 65% of the year's deals.

Despite the reduction in private equity activity, financial investors still factor significantly in the market. Transactions involving private equity only made up 35% of the transactions but they contributed 86% of the year's total transaction value.

The diversity of buyer types in ARM is healthy for the market; it provides an array of perspectives and interests, which ultimately leads to competitive sell-side processes for sellers of all stripes and a higher degree of certainty to closing, two critically important factors for sellers.

Conclusion

A Building Block for Growth

Was 2023 the most active year we've seen for M&A in ARM? No. But it nearly matched the prior year's activity despite substantial headwinds. All in all, we consider it a reasonably vibrant year for activity, stable at the very least and effectively changing with the regulatory, consumer, and commercial markets upon which it relies.

We expect deal volume to accelerate as healthcare buyers get comfortable with the impact that credit reporting changes had on agencies, which should benefit the entire ARM market. In non-healthcare and non-commercial segments, regulations paired with an increasing need for technology enhancements and cost control have caused some owners to consider a sale – factors that we expect to contribute to an active 2024 market. And finally, within the commercial segment, large consolidators, several of which are backed by private equity, will continue to fuel acquisitions for years to come.


About Greenberg Advisors

Greenberg Advisors, LLC is one of the most experienced M&A advisory firms in the Accounts Receivable Management (ARM) and related industries. The firm’s professionals have provided trusted M&A and strategic advice to executives and investors for over 25 years, resulting in the completion of over 150 M&A, capital raising, valuation, and strategic advisory engagements.

Contact Us

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The Go-To M&A Advisor in ARM

Our Differentiators

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- ▶ Proprietary Industry and M&A Data Assets
- ▶ We Treat Our Clients Like Family

Our Services

- ▶ Sell-Side M&A Advisory
- ▶ Buy-Side M&A Advisory
- ▶ Business Valuations
- ▶ M&A Planning and Strategy

Our Team



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Managing Director



Casey Krasko
Vice President



Dan Miller
Senior Analyst




Rob Hogue
Analyst



Parker Lewis
Analyst

Advising ARM Industry Leaders for 25+ Years



 Ovation Healthcare
a portfolio company of
 GRANT AVENUE
acquired
 MedCo Uptain Group, Inc.

 ARMSTRONG RECEIVABLE MANAGEMENT
a portfolio company of
 INCLINE EQUITY PARTNERS
acquired
Commercial Receivables Management Firm


 REVCO SOLUTIONS
a portfolio company of
 LONGSHORE CAPITAL PARTNERS
acquired
 ARMC Financial Services, LLC

 BROWN & JOSEPH ALTUS RECEIVABLE MANAGEMENT
a portfolio company of
 INCLINE EQUITY PARTNERS
acquired select assets of
 HUNTER WARFIELD

 ARCADIA RECOVERY BUREAU
was acquired by
 ANNUITY HEALTH
a portfolio company of
 PINE TREE EQUITY PARTNERS

 GENERAL REVENUE CORPORATION
a subsidiary of
 NAVIENT
was acquired by
 SINGLEPoint

 meduit
a portfolio company of
 NexPhase CAPITAL
acquired the early-out assets of
 SIGNATURE Performance

 JL teamworks
was acquired by
 USCB AMERICA

 RMP RECEIVABLES MANAGEMENT PARTNERS
a portfolio company of
 THOMPSON STREET CAPITAL PARTNERS
acquired
 A/R=S Account Receivable Solutions, Inc.

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