CAS INSIGHTS

EXPERTS IN OUTSOURCED BUSINESS SERVICES

MAKE THE TECH DISRUPTION WORK FOR YOU

THIRD QUARTER 2019

CAS
Corporate Advisory Solutions
INTEGRITY • CONFIDENTIALITY • EXPERIENCE

A WELCOME MESSAGE FROM MARK RUSSELL

Before introducing our Q3 2019 OBS M&A Market Alert, I want to congratulate the World Series champion Washington Nationals. They showed that old guys like myself can still get the job done! And it doesn't matter how you start but how you end.

The OBS sector has continued to generate increasing levels of M&A transactions in 2019 (specific details are provided in the following sections), driven by a strong economy, growing stock/bond market returns and aggressive market multiples for good performing, well managed businesses. The YTD activity for M&A in the OBS sector has shown an impressive 35% growth in deal value since 2018, and a 26% increase in the number of deals since 2018 – and we've still got one more quarter before closing out the year.

We at CAS have enjoyed our best year ever, helping our clients to consummate seven transactions to date with hopefully more between now and the end of the year. Financial and strategic buyers remain highly motivated to locate good acquisition opportunities, and lenders are continuing to support debt-financing needs. From a market valuation perspective, the timing is good for certain companies with the right financial and performance metrics. We anticipate this trend to continue into next year, although we may see some downward pressure on multiples and buyer/lender interest toward the second half of next year based on emerging economic and political trends noted below.

As we focus on finishing out this year and looking into next year, we are starting to see and hear of concerns that the U.S. economy is gearing up for a correction/slowdown. This could impact portions of the OBS sector depending on how significant the correction is and how employers and consumers react to it.

In the ARM industry, we typically see an increase in placements and sales of delinquent and charged off accounts, while liquidations remain stable for a period of time and then eventually experience some level of decline for a period of time before returning to historical levels.

In the CRM industry, the volume of outsourcing may increase in certain markets and decrease in others depending on decisions made by clients based on their need to implement cost cutting measures.

The RCM industry within healthcare has generally been resilient to market corrections and recessions. Patients still need healthcare services, and healthcare providers still need to focus on reaching and maintaining profitability. So, while a correction/recession is never ideal for business activity, we don't anticipate anything happening that would cause a severe impact like the great recession of 2009.

Another factor commanding attention is the upcoming presidential election. Given the presidential impeachment inquiry and other recent geopolitical challenges, it is difficult to determine at this stage how likely it will be for President Trump to win a second election. Since there are certain Democratic candidates who are gaining support and motivated to implement significant regulatory changes (e.g., Senator Warren), certain folks within the OBS sector are worried about the future.

While there is cause for concern that future changes may be implemented, I am personally not too worried

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about anything significant occurring if a Democratic candidate wins the election. Congress is currently under split party control, so significant changes of any type would require a President to win the support of both parties. Also, with the Consumer Financial Protection Bureau (CFPB) in the midst of a Supreme Court case that will determine the constitutionality of its existence, it seems unlikely we are going to see an increase in regulatory changes coming from this group anytime soon.

On a lighter note, CAS staff participated in the Spartan Tough Mudder in Philadelphia on September 21st. The entire team posted an impressive finish time of about 1 hour for all events, which included about 15 obstacles along a 5K course distance.

From left to right: Michael Lamm, Simone Lamm, Lauren Cha, Mickey Kaiser, Rileigh Gerhart and Drew Sacher.

In summary, this has been an amazing year for the OBS sector, and while there may be some adjustments occurring next year or the following year, we do not foresee anything that will have a significant impact on this sector or its constituents in the near term.

As always, we are available to confidentially discuss your business interests or be kept appraised of any acquisition interests in the OBS sector, and would be pleased to introduce some of our active sell-side mandates.

We appreciate your interest in our OBS M&A Market Alerts and look forward to hearing from you with any feedback on this newsletter.

Sincerely,

Mark Russell

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Managing Partner
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P.S. Tech is disrupting all components of the OBS Sector. See page 28 for CAS Managing Partner Michael Lamm's advisory on how tech is affecting M&A in the Accounts Receivable Management space.

SELECT CAS CONFERENCE AND EVENT ACTIVITY

Please connect with us at these conferences/events that will be attended by CAS Team Members:

- **November 6 – 8, 2019: ACA International Fall Forum & Expo**
  - The Drake Hotel, Chicago, IL
  - Attended by Michael Lamm

[To schedule an appointment with Michael, contact Elaine Rowley]

- **November 8 – 9, 2019: Process Server Annual Conference**
  - Hyatt Regency Inner Harbor, Baltimore, MD
  - Attended by Mark Russell and Lauren Cha

[To schedule an appointment with Mark or Lauren, contact Elaine Rowley]

- **November 13 -14, 2019: RMA Canada – 2019 Conference**
  - Hilton Toronto
  - Attended by Michael Lamm, who is also a speaker: *Mergers and Acquisitions*, November 13, 1:30 – 2:00 pm

[To schedule an appointment with Michael, contact Elaine Rowley]

- November 18 – 20, 2019: CollectTech19
  - Worthington Renaissance, Fort Worth, TX
  - Attended by Michael Lamm

[To schedule an appointment with Michael, contact Elaine Rowley]

- January 15 – 17, 2020: IACC 2020 Annual Convention
  - JW Marriott Marquis Miami, FL
  - Attended by Michael Lamm

[To schedule an appointment with Michael, contact Elaine Rowley]

- February 4 – 6, 2020: RMA Annual Conference
  - Aria Resort & Casino, Las Vegas, NV
  - Attended by Michael Lamm and Mark Russell

[To schedule an appointment with Michael and Mark, contact Elaine Rowley]

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SELECT PODCAST ACTIVITY

- **ARM M&A Deal Talk with Michael Lamm**
  - An ongoing, bi-weekly podcast by Mike Gibb with Michael Lamm on a different ARM subject during each session
  - Listen to all the FREE sessions here!

AccountsRecovery.net | RepoPulse.com ℗ & © 2018 ARM M&A Deal Talk with Michael Lamm

- **Leadership Fuel with Michael Lamm**
  - *Leadership Fuel* is a monthly podcast series produced by ACA International featuring Michael Lamm. This series shows how building and maintaining strong leadership skills is a lifelong process that requires ongoing training and a commitment to greatness.
  - Listen to the most recent podcast here!

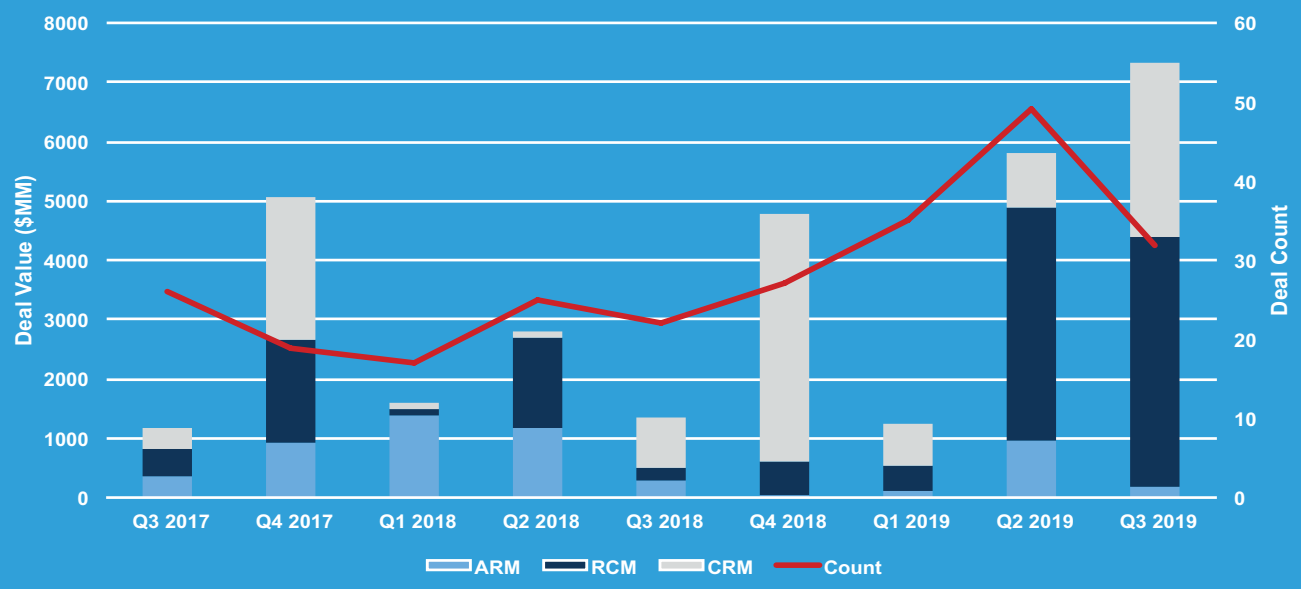
CAS KNOWLEDGE CENTER

- **Check out our new industry resource on the CAS website, a series of informative blogs in the KNOWLEDGE CENTER under Resources!**

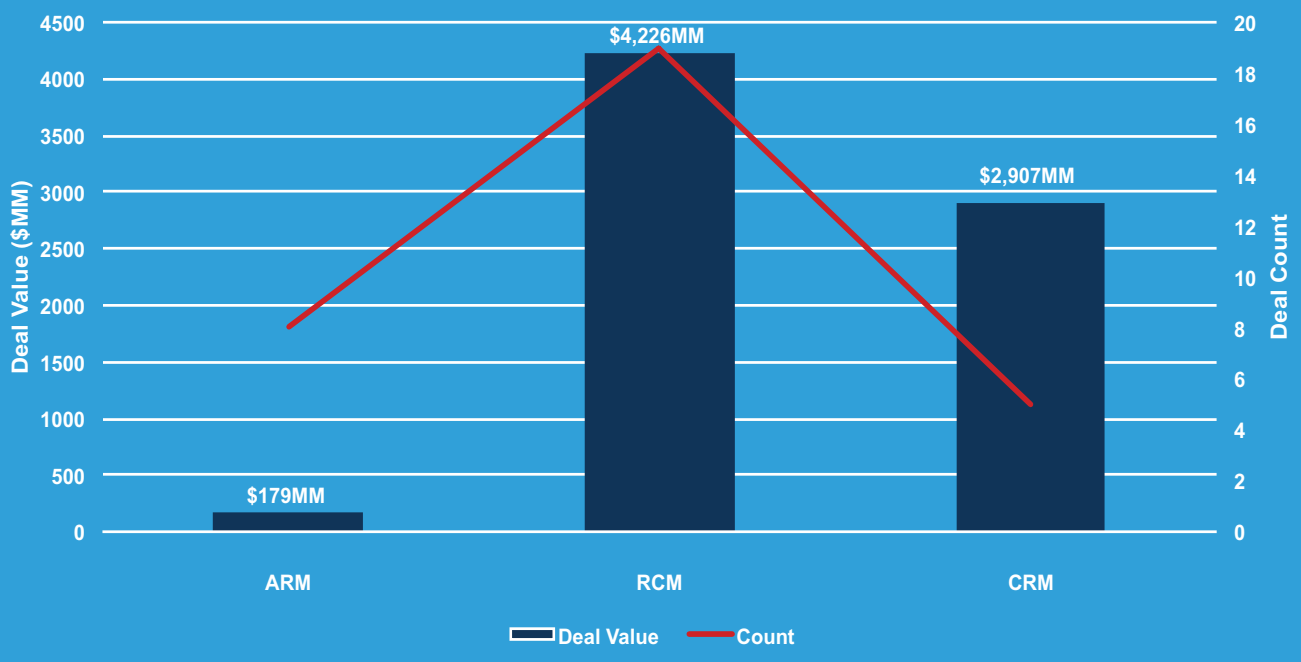
Here are some key highlights of what you will find in this newsletter

- Overview of the M&A market for OBS sub-sectors (ARM, RCM and CRM). Included in the overview: a breakdown of completed OBS transactions, OBS sub-sector overviews, public comparable research and details surrounding noteworthy transactions within each sub-sector. Specialty Financing Industry Highlights. Overview of some of the largest publicly traded specialty finance companies, key industry trends and noteworthy transactions.
- A current listing of CAS conference, event and website activity.
- ARM Regulatory Resource from CAS team member Elaine Rowley detailing the latest government news, regulation and compliance activities in the ARM sector.
- A very informative article about CFIUS by respected ARM industry attorney, Michael Plunkett.
- CAS Managing Partner Michael Lamm's advisory on how tech is increasing M&A interest in the Accounts Receivable Management space.
- Select CAS 2019 Transactions

Outsourced Business Services (OBS) Market Overview



We continue to reflect technology companies that service our coverage markets in the Outsourced Business Services (OBS) Market Overview chart above. We began to include technology service companies in Q1 2019. CAS believes these companies represent similar companies we have represented in the past and as technology transforms our markets, they should be included in our deal count.



Accounts Receivable Management (ARM)

The ARM market continues to see growth from strong consumer spending and increased debt levels, reaching $13.86 trillion by the end of Q2 2019, continuing into Q3 2019.

According to the Consumer Financial Protection Bureau (CFPB)'s biennial report on the 2017-2018 credit card market released in August, credit cards continue to compose the largest consumer lending market in the U.S. measured by number of users. Credit card debt has sustained constant growth, reaching approximately $900 billion (nominal value) in 2018, which is well above the peak of $792 billion before the recession. This trend continued in recent months, where credit card borrowing increased $10 billion in July after falling by $186 million the month prior. In addition, innovation in risk management and underwriting has allowed credit card issuers to offer credit cheaply to more consumers, even to those who lack a sufficient credit data/score, which benefits the credit card market.

The findings also state that credit card market conditions remain steady thanks to low unemployment, the continuation of modest wage growth, and high consumer confidence – while late payments and delinquency rates have begun to rise slightly, although remaining below pre-recession levels. The report shows that the delinquency level of general-purpose credit cards (cards accepted by all merchants) hovers at a similar level as the pre-recession average of 1.5%. However, for private label cards (cards accepted at only one or related merchants), delinquency rates peaked in 2018 surpassing that of during the recession. It is suspected that private label cards have been increasingly issued to those with lower credit scores, which may have contributed to higher delinquency rate. This trend appears similarly in the charge-off balances for both general-purpose and private label cards, as shown by the modest increase in the last several years.

Approximately 28 percent of consumers with a credit file are stated to have an account on their credit report assigned to third-party collections, and the largest share of third-party ARM revenue still comes from Financial Services debt – large portions of which are comprised of contingency fees and debt sales. For pre-charge-off, it is reported that issuers apply in-house collection strategies that increasingly utilize alternative forms of communication (calls, emails, text/SMS messages, online chat, etc.), as well as continuing to outsource to first-party ARM servicers. For post-charge-off accounts, issuers will place these in various channels, such as internal collection, third-party ARM servicer placement, debt sale, and litigation. In particular, the utilization of litigation strategies is growing significantly for delinquent accounts with higher balances, as the recovery rate is higher over an extended liquidation cycle. This increase in the legal strategies employed by creditors is also reflected by the recent closing of Clarion Capital Partners' investment in the expansion of Harris & Harris, a leading ARM servicer who offers traditional debt servicing techniques along with identifying and pursuing litigation where deemed appropriate.

The Federal Reserve lowered the benchmark interest rate twice this year in order to stimulate the economy while combating the signs of its weakening. During the last quarter, the U.S. GDP grew 2.0% (the slowest in the last two years) due to business investment and net exports weakening from the uncertainty created by the U.S.-China trade war, while consumer spending has expanded at the fastest rate since the end of 2014. Lower interest

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rates enable lower borrowing costs for consumers, which in return promotes the use of credit and increasing the consumer debt level. The historic low unemployment rate also contributes to the consumer spending boost. Despite the slow but steady economic growth trend, there are growing concerns for the economy to hit a recession and for the unemployment rate to rise. This will cause delinquencies to trend upwards proposing that higher number of accounts will flow to ARM servicers, enabling the industry to grow. Encore Capital Group (NASDAQ: ECPG) shed its Australia and New Zealand unit in August to focus its resources in the U.S. and U.K. markets, especially in the U.S. where returns are high given the credit cycle and the rise in consumer indebtedness and supply. CAS believe that this decision reflects an anticipated recession in the market driving Encore to focus its resources on increasing portfolio purchases in the U.S.

Economic trends tend to be one of the more conventional ways to predict the election outcome. With growing speculations of a recession hitting the U.S. market, this brings along greater uncertainty of which direction the economy might move with different policy campaigns brought on by the presidential candidates. CAS expects that this may impact businesses to reduce their spending and further exacerbate market concerns of the economy weakening. Although consumers keep benefiting from the low interest rates and the U.S. is buoyed by a strong consumer spending and stable labor market, eventually the deterioration in business activities will cost the job market and affect consumers' ability to pay the cost of their credit. This presents opportunity for the ARM industry, meanwhile the socialistic ideals behind other campaigns (such as forgiving student debt) and strengthening regulatory enforcements through the Consumer Financial Protection Bureau are poised to challenge service providers in the industry.

The California Consumer Privacy Act (CCPA) recently passed a calendar milestone that makes the January 2020 enforcement a reality and reiterates an ongoing focus on protecting consumer data. From next year, this will apply to all companies doing business in California and satisfying one of the following conditions; annual revenue of $25 million and above, collecting data on more than 50,000 consumers, and more than half of the gross revenues are derived from selling consumer personal information. Under the CCPA, any California consumers can request a data disclosure or data deletion as well as prohibiting third-party sharing of the information. In the event of a data breach and violation of the law, individuals can seek statutory damages from $100 up to $750 per incident while enforcement by the Attorney General will enact Civil penalties of up to $7,500 per violation. This further validates that the handling of the data privacy and data security is becoming enormously important in the ARM industry as highlighted in our Q2 CAS Insights.

There are two more healthcare providers reported to be involved in the data breach at American Medical Collection Agency (AMCA), totaling almost 24 companies and more than 24 million records involved in the breach of personal and financial data. AMCA has already filed for bankruptcy due to the costs of dealing with the breach. ARM service providers will be required to show evidence of preventing any further data breaches by adding data security, while also assessing measures to avoid any potential violation of CCPA – such as infringements regarding the collecting and storing personal data, information from wrong-party contacts and third parties, credit reporting, information transfers between vendors and during the debt portfolio sales. The application of existing laws, such as the Fair Debt Collection Practices Act, Fair Credit Reporting Act, and Gramm-Leach-Bliley Act, along with CCPA pose great challenges for ARM servicers in complying with privacy protection rights.

Call blocking technology remains a challenge this Q3 for the ARM industry as instances of legitimate calls being blocked continues to rise and agencies are unable to reach their consumers, dropping the right-party contact rates. With the recent rollout of Apple's iOS 13, phone users can opt to silence all calls from unknown numbers, however, the level of filtering can be considered too harsh and often blocks calls even from legitimate numbers.

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As new legal measures are being announced and implemented to strictly enforce and stop the scam robocalls, consumers are also at risk from missing out on legitimate call attempts, such as calls from charity organizations or valid call notification systems. In much of the same way, CAS is concerned about the potential impacts on legitimate debt collecting calls being blocked erroneously.

The ARM industry is not exempt from seeking ways to incorporate new technologies into operations in order to improve operating efficiency and cut costs. MRS BPO LLC recently introduced a fully functional and conversational IVR, Adam, which utilizes AI to learn and expand the customer engagement capability of the system. It is expected that Adam will bring down average waiting times of 1.5 minutes per call to zero, increase 90% of call capacity, and generate 20% greater revenue per call. Earlier this year, another ARM provider ERC also introduced EVA which is a new virtual agent that has the power of machine learning and advanced AI, cementing AI's increasing presence in the ARM industry.

Company	Description	Recent News/Trend
IBM	IBM (NYSE: IBM) is a multinational IT company headquartered in NY. It is one of largest technology and consulting company which provides cloud platform and cognitive solutions.	IBM's Watson, perhaps one of the more famous and recognizable AI solutions, is being utilized by MRS BPO for automating collections using AI and voice for natural-language conversations. The company is able to take more calls, with faster responses, and can collect more money per call.
VoApps DirectDrop Voicemail	VoApps' innovative voicemail solutions allow business to optimize collections and call center efficiency by reaching consumers voicemail box without calling their phone.	VoApps's unique "DirectDrop" product made headlines over a court case on whether "ringless voicemail" drops constitute a call, and therefore are subject to the TCPA (Telephone Consumer Protection Act). While the Court ruled that it did constitute a call, this has been countered by VoApps who maintain that the direct-to-voicemail technology constitutes a landline instead of a cell number, and therefore not actionable under TCPA.
BALTO SOFTWARE	Balto Software integrates with agents phone systems to provide real-time call- guidance (overcoming blockers, recognizing cues) based on AI.	Only 13 months after previously raising $1.2 million in capital, Balto Software has just raised an additional $3 million in Seed funding to continue scaling sales, marketing, headcount, and further AI investment.

Notable Transactions

- Transworld Systems, backed by Clearlake Capital acquired the financial services division of Altisource Portfolio Solutions. CAS advised Altisource on this transaction.
- SinglePoint acquired General Revenue Corporation from Navient. CAS advised SinglePoint on the transaction.
- Met Credit and Credit Bureau of Jamestown

ARM Public Comparables:

Analysis of Selected Publicly Traded Accounts Receivable Management (ARM) Companies
($ In Millions)
All Data as of 9/30/2019

Company Name	Ticker	Price Per Share	Market Cap (1)	TEV (2) (4)	LTM Revenue	LTM EBITDA (4)	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Arrow Global Group, PLC (3)	LON:ARW	$2.67	471.7	1,960.0	482.2	145.0	56.4	4.06x	13.52x	34.74x
Collection House Limited (3)	ASX:CLH	$0.87	121.0	267.3	104.4	39.7	21.9	2.56x	6.74x	12.18x
Credit Corp Group Limited (3)	ASX:CCP	$20.37	1,118.4	1,202.5	224.4	82.1	50.3	5.36x	14.65x	23.93x
Encore Capital Group	ECPG	$33.33	1,035.0	4,398.6	1,379.4	433.0	153.7	3.19x	10.16x	28.62x
Intrum (3)	STO:INTRUM	$25.27	3,308.5	8,458.3	1,544.2	604.6	264.1	5.48x	13.99x	32.03x
Performant Financial Group	PFMT	$1.10	59.0	117.8	138.0	--	--	0.85x	--	--
PRA Group	PRAA	$33.79	1,534.4	4,267.3	923.6	223.3	58.7	4.62x	19.11x	72.68x
Mean (ARM)			1,092.6	2,953.1	685.2	254.6	100.8	3.73x	13.03x	34.03x
Median (ARM)			1,035.0	1,960.0	482.2	184.2	57.6	4.06x	13.75x	30.33x

Notes
(1) - Market Cap equates to total shares outstanding multiplied by the price per share
(2) - Total enterprise value consists of market cap plus debt less cash
(3) - Converted to USD from Pitchbook using exchange rate as of 9/30/2019
(4) - Information not available for certain businesses

Source: PitchBook

Customer Relationship Management (CRM)

In the CRM market sector, the volume of outsourcing may increase in certain markets and decrease in others depending on decisions made by clients based on their need to implement cost cutting measures

One of Salesforce's biggest competitors in the CRM space is Microsoft Dynamics 365, which similarly offers an AI-backed and cloud-first CRM platform with tight integration to third-party analytics and app providers. The two companies are often taking strides to expand their functionality and offerings, with Microsoft announcing enhanced AI and mixed-reality experiences at the end of last year in 2018, followed closely by Salesforce's announcement of Einstein at the beginning of this year in 2019, as covered in Q1's CAS Insights. Now, Microsoft is once again chipping away at the competition by using their technological edge to announce new features and applications for Dynamics 365 driven by AI. These include "Customer Insights" by collating and presenting a 360-degree view of customers in CRM across integrated systems; "Product Insights" for end-to-end tracking and analytics on product lifecycle optimizations; "Virtual Assistant" for AI-driven chat-bots that include pre-built 'hours saved' dashboards for customer service managers to gauge their ROI from having resolutions driven by bots; and "IoT intelligence" for Dynamics 365 Supply Chain Management by connecting IoT signals with business transaction data real-time, leveraging predictive analysis for maintenance needs, waste reduction, and performance improvements.

Another major opponent in the CRM industry, Pegasystems, was also recently recognized by a Gartner report identifying Pegasystems as a Leader in the Gartner Magic Quadrant for the CRM Customer Engagement Center for the 10th consecutive year. This has been driven by Pega's end-to-end suite of CRM tools for marketing, sales, and customer service that is backed by automation and cloud AI in a unified platform. The wider Pega Infinity suite also provides RPA (robotic process automation) as part of the platform offering, allowing tight integration between CRM benefits and AI automated optimization, cementing Pega's place as a recognized leading the industry by both Gartner and Forrester.

AI continues to be a hot topic in the industry, both in and out of the CRM market, with AI growth in the M&A space currently on track for a market value of $190 billion by 2025. A market report on AI from Hampleton Partners show that over 150 AI-related M&A deals were reported in 2018, which is an increase from the 105 reported deals in 2017. Even the first half of this year has shown impressive strength with 65 deals already reported out of the projected 100 deals for Q1 2019. *"With the growth and competitiveness of many industries now dependent on the development of these AI technologies, strategic investors across all sectors and continents are stepping up their acquisitions and investments"* suggests the report, which speaks favorably about the industry growth experienced from developments in machine data analysis, Edge AI (where 'edge' devices such as smartphones and cars can run their own AI independent of the cloud), language analysis developments in services such as Apple's Siri and Amazon's Alexa, and computer-vision technology such as those used in the growing facial recognition market like Face ID authentication and smart city infrastructure.

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When it comes to AI in the M&A industry, AI is not only showing growth from M&A trends (as evidenced above, and in reports showing that a current driver of M&A deals is for companies to acquire AI and IoT technology advantages that they do not have in-house), but AI is also directly influencing and enhancing the M&A industry itself: Some of the areas in which AI has been highlighted as having the potential to cause disruption in the M&A industry include Market and Sector Data analysis, intelligent and analytical Company Selection modelling and data aggregation, Due Diligence evaluation with AI-assisted search queries, and Business Valuation modelling that takes into account different big-data verticals such as market multiples and projected financial performance under different conditions.

A local Rockville, MD company is making global headlines this past Quarter: Top Down Systems Corporation ("Top Down") recently announced a partnership with the Indian IT multinational corporation Infosys to help scale their customer communication management (CCM) solution (INTOUCH) with Infosys's global implementation and support services. CCM software is a way for companies to manage and automate their customer outreach across various media including email, web, print, SMS, and more, and Top Down's INTOUCH platform of cloud-based microservices (sometimes referred to as Communications-as-a-Service, or 'CaaS') is one of the industry-leading 100% cloud-based CCM providers. By teaming up with Infosys, a global leader in IT services and consulting, Top Down can expand their sales and support of their CCM solution outside of North America with Infosys's existing CCM consultants able to leverage Top Down's platform. CCM solutions are important for linking consumer communication with the overall customer journey, with cloud-based offerings being the future of CCM thanks to scalability and AI/analytics offered by the cloud. CAS expects to see more activity in this space as companies extend their traditional CRM capabilities with dedicated communication management solutions to improve their overall customer experience and outreach effectiveness.

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Company	Description	Recent News/Trend
	CSG is a multinational corporation headquartered in Colorado, providing software and services to help companies monetize and digitally enable the customer experience.	CSG International have recently launched the first Cloud-based BSS (Business Support System). Built on Amazon Web Services, Ascendon Communications is a software-as-a-service (SaaS) solution for communications service providers to modernize front- and back-office systems including product and offer catalogs, order management, service activation, real-time rating and charging, and more.
	Hiya is a Seattle-based software company providing caller ID solutions to help consumers with identifying incoming calls, and blocking unwanted calls.	Hiya protects over 90 million users from unwanted calls, and to help increase contact rates and user trust, Hiya has announced Hiya Connect, a new business product that allows companies to provide meaningful context in their calls to customers, such as logo, location, and the reason for the call. Not just for leveraging brand power and restoring consumer trust in calling, it also provides important call analytics to the business.
	Looker is an analytics platform for business intelligence and big data that helps customers explore, analyze, and share real-time business analytics.	One of Looker's strengths markets is in using its powerful data engine for sales analytics based on massive CRM data sets in addition to their presence in marketing, data science, and eCommerce. In June, Google made an announcement to acquire Looker for $2.6 billion in cash, however this deal has come under scrutiny from the Justice Department, as part of a general antitrust investigation against the company.

Notable Transactions

- Eishtec acquired by Infosys BPM
- Groupe Bruxelles Lambert acquired Webhelp, a BPO outsourcing company based out of Paris, France

CRM Public Comparables:

Analysis of Selected Publicly Traded Customer Relationship Management (CRM) Companies
($ In Millions)
All Data as of 9/30/2019

Company Name	Ticker	Price Per Share	Market Cap (1)	TEV (2) (4)	LTM Revenue	LTM EBITDA (4)	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Atento SA	ATTO	$2.78	209.6	781.1	1,732.2	152.2	--	0.45x	5.13x	--
Genpact Ltd.	G	$38.75	7,381.9	8,648.5	3,274.3	535.2	287.3	2.64x	16.16x	30.10x
StarTek, Inc.	SRT	$6.47	248.8	545.8	#N/A	--	--	#N/A	--	--
Sykes Enterprises. Incorporated	SYKE	$30.64	1,274.3	1,452.8	1,606.5	144.0	53.8	0.90x	10.09x	27.03x
Teleperformace SE (3)	PAR:TEP	$217.62	12,748.1	15,810.0	5,633.9	1,033.5	381.0	2.81x	15.30x	41.50x
TTEC, Inc. *(Formally TeleTech Holdings)*	TTEC	$47.88	2,225.6	2,547.2	1,570.9	179.6	56.5	1.62x	14.18x	45.08x
WNS Global Services	WNS	$58.75	2,917.9	3,034.3	823.9	160.1	110.7	3.68x	18.95x	27.41x
Mean (CRM)			4,014.7	4,964.2	#N/A	408.9	194.6	#N/A	12.17x	35.93x
Median (CRM)			1,750.0	2,000.0	#N/A	179.6	171.9	#N/A	14.18x	35.80x

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(4) - Information not available for certain businesses

Source: PitchBook

Healthcare Revenue Cycle Management (RCM)

The Healthcare RCM market continues to outpace U.S. and Global GDP Growth. The Global back-end revenue cycle management market is expected to reach $13.04B by 2026, growing at a CAGR of 7.4% during the forecasted period. Growth is being driven by increased healthcare cost and an increasingly complex reimbursement process (both in the US and internationally).

We are beginning to witness a slowdown in the hospital consolidation trend, which has been a key market driver in the RCM servicers space over the past 5 years. M&A activity in the acute care hospital markets has been at a 10-year low since the beginning of 2019. A reduced rate of corporate divestitures and active selloffs from the high volumes in 2017 and 2018 is the leading cause. Most for-profit healthcare organizations have sold their disparate assets during the aforementioned active periods. A slowdown in consolidation is creating stability within the client bases of various RCM service providers, as hospital M&A can lead to significant increases or decreases in patient referral volume (with organic growth or terminated clients). Despite the moderate slow-down in healthcare consolidation, CAS continues to witness healthcare providers (both large and small) expressing an affinity toward vendors that have invested capex in data security and those that can adapt to technology.

Population Health is another market driver becoming increasing popular, which is a customized approach that healthcare providers are beginning to practice by segmenting groups of the population and studying the distributions of health outcomes based on factors effecting those cohorts. Examples of segmentation include employees of a specific company, ethnic group, geographic area or other defined factions. Healthcare providers can more accurately predict the health-related issues impacting the segmented groups. For RCM providers, this allows them to target their service offerings to areas of specific focus.

To continue on a trend from last quarter's newsletter, the traction with Telehealth is continuing. A potential deal between Saudi Arabia's sovereign wealth fund and Babylon Health is facing controversy from medical professionals given the potential expenditures. Babylon Health is a mobile health service provider with doctors, specialist and therapists on staff who provide health information to patients via telecommunications. Several general practitioners complained about the apps service. They claim the app puts financial strain on local doctors and in some cases fails to accurately assess medical symptoms. As similar apps and services are developed and being offered, there will be a demand for back-end payment and insurance processing in exchange for the services rendered.

As we inch closer to the 2020 election, a hot button topic during debates and the news has been around the future of healthcare in the United States. One Democratic presidential candidate plans to cancel $81B in past-due medical debt and make changes to existing healthcare bankruptcy bills. To quote, "the federal government will negotiate and pay off past-due medical bills in collection that have been reported to credit agencies". The one-page overview proposed by Senator Bernie Sanders, discusses that one out of every six Americans have past-due medical bills. To quote, "In America today, hospitals throughout the country are selling uncollected medical debt

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for pennies on the dollar to collection agencies who aggressively attempt to force patients to pay the full amount due". As the candidates continue on the political trail, the rhetoric around medical bill collection is something CAS will be following closely.

Surprise medical billing has become a critical flashpoint on the election trail. The practice of some doctors administering care to patients who are "out of network" is a possibility. Patients may find that an in-network hospital can have someone treat them that is not covered by their insurance. This is because hospitals have outsourced various specialized services outside of their core competencies. An example provided talks about a woman who, after receiving a heart-transplant, was buried in debt due to the out-of-network treatment conducted. 25 states have enacted laws to address this practice, but without support at the federal level, this may not be enough. This legislative discussion will have direct impact on the amount of medical debt outstanding, portion that is the patient responsibility and thus a direct impact on the RCM market.

Patients and employees are bearing more responsibility for the costs associated with healthcare and thus are engaging more like consumers in other industries. Higher deductibles are becoming the norm. Therefore, patients are now the "new payer". Offering a front-end platform with journey mapping for a healthcare financial expense, online payment processing, flexible repayment options, and live chat and voice customer support are just some examples of the expectations for future success in the revenue cycle management space. Companies that provide end-to-end experiences for patients and employees will trade at a higher valuation in today's market and be seen as attractive vendors to health systems.

As the electronic health records (EHR) behemoths like Epic Systems and Cerner continue their path domination of the hospital EHR market, an unsuspected challenger is coming to market. Apple is launching a personal health record feature on their iOS platform that will aggregate and integrate existing patient-generated data in an app on the user's phone. The technology is referred to as Fast Healthcare Interoperability Resource (FHIR) transactions that will allow patients to integrate and track their health information across providers.

The share of employees covered in high-deductible health plans (HDHPs) reached 47% in 2019. These plans are often seen as cost-saving strategies by companies and employees. This is expected to lead to an increase portion of self-pay medical bad debt as employees are expected to cover a larger amount of out-of-pocket expenses.

In all, despite the political and macroeconomic candor around healthcare in the U.S., CAS continues to believe the Healthcare RCM segment is an attractive segment of the market, which is witnessing material growth as claims and reimbursement processes continue to increase in complexity. There is a greater need for servicers with specialized products and services to address the needs of a consolidating market with growing patient needs. Any potential political changes in the healthcare model will be mitigated by the implementation time and expenses associated with any change-overs. CAS remains bullish on this sector.

(continued on next page)

Company	Description	Recent News/Trend
HEALTH NAVIGATOR	Health Navigator works with eHealth, telemedicine, and other healthcare companies to provide evidence-based digital health information content that improves patient care and that advances both the patient and provider experience.	Amazon (NASDAQ: AMZN) made its second acquisition in the health-care space, buying Health Navigator. The Company will join Amazon Care group, which was launched in September 2019. The program is designed to serve as a virtual medical benefit with integration for home visits as well.
Surgical Notes	Surgical Notes is a healthcare IT solutions company dedicated to developing innovative revenue cycle products and services for the ASC industry. Surgical Notes is a provider of transcription, coding, medical records, billing & collections, and RCM software solutions.	The CapStreet Group recapitalized Surgical Notes, in partnership with founders & existing shareholders. The CapStreet Group made their ninth investment out of their fourth fund, which has $340M in committed capital.
OPTUM™	Optum360 sits at the center of the healthcare financial exchange. They combine technology, methodology and expertise to help payers and providers collaborate and resolve claims.	Optum360 was named the top spot for outsourced medical coding, CAS, and CDI services by Black Book Research

Notable Transactions

- WestView Capital Partners recapitalizes Receivable Solutions, LLC.
- LaSalle Capital acquired Professional Recovery Consultants (PRC). CAS advised PRC on the transaction.
- JPMorgan (NYSE: JPM) acquired InstaMed.
- Kemberton announced the acquisition of Advanced Patient Advocacy.

Healthcare RCM Public Comparables:

Analysis of Selected Publicly Traded Revenue Cycle Management (RCM) Companies
($ In Millions)
All Data as of 9/30/2019

Company Name	Ticker	Price Per Share	Market Cap (1)	TEV (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
HMS Holdings Corp.	HMSY	$34.47	3,010.6	3,005.7	626.2	161.1	100.7	4.80x	18.66x	29.85x
Allscripts Healthcare Solutions, Inc.	MDRX	$10.98	1,829.9	2,653.4	1,587.0	42.6	181.3	1.67x	62.25x	14.63x
Cerner Corporation	CERN	$68.17	21,704.9	21,789.9	5,526.7	1,412.8	593.9	3.94x	15.42x	36.69x
Huron Consulting Group Inc.	HURN	$61.34	1,406.2	1,777.3	915.8	96.8	25.3	1.94x	18.37x	70.21x
Change Healthcare	CHNG	$12.08	1,508.2	1,504.8	0.0	--	--	--	--	--
Nextgen Healthcare Inc.	NXGN	$15.67	1,024.5	1,056.0	527.8	73.7	23.1	2.00x	14.32x	45.73x
Mean (RCM)			5,080.7	5,297.8	1,530.6	357.4	184.9	2.87x	25.80x	39.42x
Median (RCM)			1,669.0	2,215.3	771.0	96.8	100.7	2.00x	18.37x	36.69x

Notes
(1) - Market Cap equates to total shares outstanding multiplied by the price per share
(2) - Total enterprise value is consists of market cap plus debt less cash

Source: PitchBook

Specialty Finance

The traditional finance and banking industry continues to witness disruption by companies within the specialty finance sector. CAS continues to track this growing area of the market as it remains a key driver in various OBS and BPO markets.

A trend highlighted in a WSJ piece describes the growing trend of installment payment plans offered by merchants on everyday items. Companies like Walmart, H&M and Amazon are allowing customers to finance clothing, makeup, etc. This rise to prominence has been brought to life by financial technology companies like Affirm, Afterpay Touch Group (ASX: APT), and PayPal (NASDAQ: PYPL) that popped up right after the Great Recession. When banks shrunk their credit box, consumers looked to non-traditional lending sources to fund everyday life. Younger consumers with who are skeptical of credit flock to this "buy-now, pay-later" trend. These loans are unsecured and often times charge very low to no interest rates and only assess fees for missed payments. The total addressable market size is hard to say with very limited public data available on point-of-sale loans, but nearly half of the merchants surveyed by advisory firm 451 Research said they "already offered installment options or planned to adopt them in the next year". Borrowers can be referred to debt collectors, so in the event of an economic slowdown, the trend of these point-of-sale loans will be interesting to monitor.

In the alternative lending market, we continue to see roadblocks for originators in the high interest rate, pay-day loan type products. The Google Play app store has recently prohibited apps from offering personal loans with an annual percentage rate of 36% or higher (payday loans) on its app store. This was viewed as a large corporation taking a stance on legal but controversial products, an overarching theme currently. Consumer advocates praised this move by Alphabet Inc. (NASDAQ: GOOG, GOOGL) as more lower income consumers tend to use Android devices, and thus are more susceptible to predatory lending. To be clear, this ban was just from having an application in the Google Play store, not banning usage on any Android devices. The providers of payday loans will be forced to cap their interest rates at 36% or risk losing the traffic driven through the Google Play app store. Consumer advocate groups are pushing for a similar announcement from Apple, who has remained tight-lipped on the subject.

The popular payment app Venmo is partnering with Synchrony Financial to announce a credit card offering in 2020. This comes at a time when we are seeing non-traditional extenders of consumer credit like Apple partnering with a bank like Goldman Sachs to announce the Apple credit card. Small banks are partnering with fintech companies and "quietly running the plumbing underneath billion-dollar fintech firms such as Square, Stripe and Robinhood…". These banks like Sutton Bank, Celtic Bank and Evolve (to name a few) are allowed to conduct banking business by federal regulators. Receiving a bank charter is a lengthy and expensive project that these asset-light, flexible fintech startups cannot stomach (not to mention it's nearly impossible for nonbanks to get an account with the Federal Reserve). Because of the competition and accessibility in this space, fin-tech and non-traditional extenders of consumer credit have expanded the total supply of loanable funds. This allows willing borrowers who may have

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not been able to access credit prior to the fin-tech expansion are now part of the credit economy. As consumer balances continue to shatter all-time highs, CAS is closely monitoring the unwinding of the originate-to-sell model and the assets held by these non-traditional lenders.

CAS continues to witness high levels of traction for the Specialty Finance sector within the broader credit origination and money management industry. In order to remain competitive in the financial services industry, OBS industry participants should continue to entrench with key participants and educate themselves in this market. CAS anticipates further growth for 2019 and 2020.

Company	Description	Recent News/Trend
PORTFOLIO FINANCIAL SERVICING CO.	Portfolio Financial Servicing Company ("PFSC") provides portfolio servicing, backup servicing and successor servicing to markets they serve. They offer their clients exceptional services, robust technology, an experienced tenured workforce and a variable cost model.	Portfolio Financial Servicing Company (PSFC) acquired a major stake in First Associate Loan Servicing, LLC. First Associates is a consumer loan servicing company which provides delinquency management, backup servicing, origination support and other services.
GLOBAL Holdings	Global Holdings is the leading dedicated account and payment processing provider to the consumer debt settlement industry, serving each of the leading consumer debt settlement businesses in the United States.	Comvest Credit Partners arranged a senior credit for New State Capital Partners in their recapitalization of Global Holdings Acquisitions, LLC.
LucentPay	LucentPay is a full-service payment processor merchant services by providing payment solutions. The leaders in integrated fee-enabled processing and creators of the No-Cost-to-Biller™ solution which focuses on eliminating processing costs in a compliant manner.	LucentPay acquired Global Collection Systems ("GCS"), a provider of virtual collection technology. This was a natural fit for the two companies as LucentPay continues their journey into the ARM market.

Specialty Finance Public Comparables:

Analysis of Selected Publicly Traded Specialty Finance Companies
($ In Millions)
All Data as of 9/30/2019

Company Name	Ticker	Price Per Share	Market Cap (1)	TEV (2) (3)	LTM Revenue	LTM EBITDA (3)	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
LendingClub Corporation [4]	LC	$13.08	1,140.2	--	627.0	--	--	0.55x	--	--
Navient Solutions Inc. [4]	NAVI	$12.80	2,950.3	--	1,988.0	--	467.0	0.67x	--	0.16x
OneMain Holdings, Inc. [4]	OMF	$36.68	4,991.9	--	3,552.0	--	662.0	0.71x	--	0.13x
Credit Acceptance Corp.	CACC	$461.31	8,671.2	12,812.6	1,399.2	1,020.5	631.7	0.16x	12.56x	20.28x
Mean (Specialty Finance)			4,438.4	12,812.6	1,891.6	1,020.5	586.9	0.52x	12.56x	6.86x
Median (Specialty Finance)			3,971.1	12,812.6	1,693.6	1,020.5	631.7	0.61x	12.56x	0.16x

Notes
(1) - Market Cap equates to total shares outstanding multiplied by the price per share
(2) - Total enterprise value is consists of market cap plus debt less cash
(3) - Information not available for certain companies
(4) - Revenue, EBITDA and Net Income ratios calculated using Market Cap where applicable

Source: PitchBook

CAS is pleased to provide these links from Site Selection Group's News Blog

Site Selection Group is a leading, conflict-free location advisory, economic incentive and corporate real estate services firm providing solutions to corporations and communities across the world. We offer four core services to our customers: Location Advisory Services, Economic Incentive Services, Corporate Real Estate Services and Economic Development Consulting. Our mission is to align the needs of corporations with the optimal locations in order to provide the absolute maximum economic benefit.

Click **HERE** to subscribe to the Site Selection Group newsletter.

Edge Data Centers are a Critical Strategy in Data Center Real Estate

Consumers are demanding faster internet speeds on their mobile devices, no matter where they are. Learn how "edge" data centers are an important part of data center real estate.

Top Metro Areas for Distribution Centers in 2019

Learn which large metro areas in the U.S. maximize distribution center efficiencies.

2019 Industrial Real Estate Outlook for Manufacturers

Industrial construction activity is at an all-time high, but manufacturers are having a hard time finding adequate real estate options.

22 Companies Announce Major Call Center Expansions in Q3 2019

The call center site selection process can be full of obstacles that you never would anticipate. To help you, Site Selection Group has identified 10 mistakes to avoid during the call center site selection process.

Largest Economic Incentive Deals of Third Quarter 2019

391 deals were announced with economic incentives of approximately $1.56 billion. Learn more about these projects.

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Strategic Location Solutions

ARM REGULATORY RESOURCE

Elaine Rowley | Corporate Advisory Solutions, LLC
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The *ARM Regulatory Resource* is the CAS quarterly newsletter feature focused on government news, regulation and compliance so you are informed of the latest activities of government agencies with the most oversight over the ARM sector. Your comments and suggestions are welcome!

Consumer Financial Protection Bureau (CFPB)

Proposed Legislation:

On September 17th, 2019, CAS submitted its comments to the CFPB related to the pending Debt Collection Practices (Regulation F) legislation. Major points covered in our letter covered call caps, passive forms of electronic communication and the validation notice. You can read the CAS comment letter in its entirety here.

Other significant comment submissions:

ACA submitted comprehensive comments on behalf of its members, outlining views on the rule and suggested improvements.

RMAI submitted its comments in response to CFPB's proposed debt collection rulemaking and will continue to closely monitor this process. The RMAI Comments can be found here.

Comment Submission of Commissioner Rohit Chopra on CFPB Proposed Debt Collection Rule, comments can be found here.

Other Pending CFPB Legislation:

Home Mortgage Disclosure (Regulation C)

The Latest CFPB Reports:

Suspicious Activity Reports on Elder Financial Exploration

Trends in Consumer Bankruptcy

Financial Well-Being and the contents of and engagement with credit reports

(continued on next page)

Other CFPB Activities:

On November 6th, the CFPB is Hosting a Symposium on Section 1071 of the Dodd-Frank Act. Section 1071 amended the Equal Credit Opportunity Act (ECOA) to require financial institutions to collect, report, and make public certain information concerning credit applications made by women-owned, minority-owned, and small businesses. The symposium will provide a public forum for the Bureau and the public to hear various perspectives on the small business lending marketplace and the Bureau's upcoming implementation of Section 1071.

You can watch this symposium on the CFPB website.

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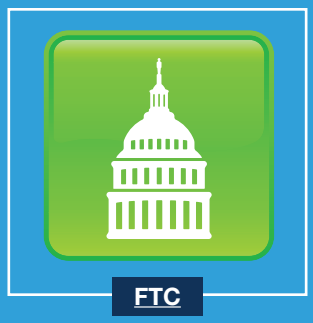

What is CFIUS and Why Should You Care?

Michael E. Plunkett, Founder, Law Offices of Michael E. Plunkett, LLC

A *Washington Post* headline caught my attention some time ago – "Why is the U.S. forcing a Chinese company to sell the gay dating app Grindr?" The article discusses how the Committee on Foreign Investment in the United States (CFIUS) apparently decided that the acquisition of Grindr by a Chinese technology company, Beijing Kunlun Tech, is a threat to United States national security. As a result of CFIUS action, as reported by Reuters, Beijing Kunlun Tech agreed to sell Grindr about three years after it first acquired a majority ownership interest.

In my career as a transactional attorney representing companies in mergers and acquisitions, I have had to assist clients with CFIUS review from time to time. The transactions in which CFIUS was a concern involved high-tech companies controlling sensitive technologies or technologies touching on matters relating to national defense. If Grindr, which claims to be the largest social networking app for gay, bi, trans, and queer people, can be a target of CFIUS's attention, it seems to be a good time to revisit the scope of CFIUS review.

What is CFIUS? CFIUS is chaired by the Secretary of the Treasury and includes the Secretaries of Defense and Homeland Security, among other members. CFIUS is an interagency committee authorized to review certain transactions involving foreign investment in the United States (referred to as covered transactions), to determine the effect of such transactions on the national security of the United States. CFIUS has the power to block covered transactions and to force covered transactions to be unwound. While CFIUS remains focused exclusively on national security, recent amendments to applicable federal law emphasize that access to personally identifiable information by foreign governments or foreign persons can raise national security concerns.

Recent Changes to the Law.

The scope of CFIUS review was expanded by the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA). FIRRMA became law in August 2018. The sponsors of FIRRMA introduced FIRRMA to, among other things, address concerns that certain transactions may "expose, either directly or indirectly, personally identifiable information, genetic information, or other sensitive data of United States citizens to access by a foreign government or foreign person that may exploit that information in a manner that threatens national security." FIRRMA §1702(c)(5). Accordingly, Section 1703(a) FIRRMA expands the scope of "covered transactions" eligible for review by CFIUS to include any "other investment" by a foreign person in any unaffiliated United States business that does any of the following:

- Owns, operates, manufactures, supplies, or services critical infrastructure;
- Produces, designs, tests, manufactures, fabricates, or develops one or more critical technologies; or
- *Maintains or collects sensitive personal data of United States citizens that may be exploited in a manner that threatens to harm national security.*

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Rules proposed recently by the Office of Investment Security, Department of the Treasury defined "sensitive personal data" to include ten separate categories of data maintained or collected by United States businesses, including (i) data that could be used to analyze or determine an individual's financial distress or hardship, and (ii) the set of data in a consumer report, unless such data is obtained from a consumer reporting agency for one or more purposes specified in the Fair Credit Reporting Act and is not substantially similar to the full contents of a consumer file. United States business covered include businesses that collect or maintain such data on more than one million individuals or have a demonstrated business objective to maintain or collect such data on more than one million individuals and such data is an integrated part of the United States business's primary products or services.

"Data that could be used to analyze or determine an individual's financial distress" is not further defined by the proposed rules and the commentary in the rules release is not particularly helpful. However, it seems that information indicating that an individual has had one or more accounts placed for collection, or has one or more past due accounts, could easily be considered data that can be utilized to determine financial distress or hardship. Furthermore, as many, if not most, collections agencies and other similar participants in the ARM industry, maintain data on well over a million consumers on an annual basis, many ARM industry participants likely maintain or collect sensitive personal data as defined by the proposed rule.

What does Grindr have to do with CFIUS?

The proposed definition of "sensitive personal data" also includes non-public electronic communications, including without limitation email, messaging, or chat communications, between or among users of a United States business's products or services if a primary purpose of such product or service is to facilitate third-party user communications and certain geolocation data in the categories of sensitive personal data covered that may raise national security issues – exactly the type of information Grindr likely maintains.

It is not likely that participants in the ARM industry collect or maintain the type of information Grindr collects and maintains. Nonetheless, the Grindr matter does serve as a cautionary tale. While the ARM industry is not traditionally seen as posing a national security threat, that traditional view does not mean ARM industry transactions are immune from CFIUS scrutiny.

What to do now.

With respect to transactions involving companies controlling or having access to large amounts of personal data, FIRRMA's expansion of the definition of "covered transaction" to include business that maintain or collect sensitive personal data of United States citizens that may be exploited in a manner that threatens national security may be more of a clarification than a change. Nonetheless, FIRRMA and recent CFIUS action highlight the increased focus on transactions involving companies controlling sensitive personal data.

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ARM industry participants often control vast amounts of personal information, much of which may qualify as "sensitive personal data." If you are looking to sell your ARM business, you, along with your legal counsel, may want to consider the potential impact of CFIUS. CFIUS may create transaction risk for you and your company and you may want to take steps to limit that risk. Such steps could include limiting the pool of potential buyers to buyers based in the United States or other jurisdictions considered to be friendly toward the United States, such as Canada and adding additional buyer representations and warranties to the acquisition agreement.

Michael E. Plunkett is a corporate and transactional attorney representing buyers and sellers in mergers, acquisitions and other strategic transactions across a variety of industries, including the ARM industry. He takes a common sense approach to legal matters by identifying practical and cost-effective legal solutions, while seeking to minimizing legal risks. He understands that the best legal advice must take into account each client's business and goals and that lawyers are paid to deliver solutions, not to offer "but on the other hand . . . " equivocations.

Notice: The purpose of this article is to identify certain issues that may be of interest to readers. The information contained herein is abridged and summarized from various sources, the accuracy and completeness of which cannot be assured. This update should not be construed as legal advice or opinion and is not a substitute for the advice of counsel. The information in this publication is not intended to create, and the transmission and receipt of it does not constitute, a lawyer-client relationship.

Tech-Disruption Generates Private Equity Interest In Collections Agencies

Michael Lamm, Managing Partner, Corporate Advisory Solutions

In ancient Greece, some people believed they would be protected from stomach trouble, epilepsy and poison by drinking from the horn of a unicorn. Today, stock market investors who placed their belief in so-called unicorns including UBER, Lyft, Slack, Chewy and Smile Direct Club haven't fared so well.

It is ironic that as valuations of these formerly high-flying tech-enabled start-ups shrink in the public markets, technology promises to lift the valuation of previously overlooked Accounts Receivable Management (ARM) companies.

Here is why: Technology and automation coming into the collections industry – including text, e-mail and live chat – is exciting private equity investors who are looking to deploy capital in the accounts receivable space.

Private equity investors like what they see in the ARM business model.
Even with all the money presently being spent on people, a well-run agency should throw off a 15% - 20% EBITDA margin. Investors are asking if you can reduce head count and automate certain functions, couldn't margins go up to 20%, 30%, even 40%?

Many investors are answering that question with a yes. They realize the only way to get to these lofty valuations is with tech-enabled automation that will enable them to cut traditional payroll cost.

Important decisions need to be made by legacy business owners.
Of course, there must be sellers to match buyers. Technology that will enable automation is expensive. If you are a legacy collections business owner, you may realize the only way to increase EBITDA, or even to remain competitive, is to invest in expensive technology. However, you may be unwilling to take the plunge.

Owners who are beginning to consider retirement will be particularly reluctant to do so. Faced with the high cost of tech-enabling their collections companies, these owners may decide the more favorable option is to sell to someone or some entity willing to make the investment.

This creates an opportunity for investors with the financial wherewithal to inject tech into collections businesses.

What of the future? Going forward, must the trend towards increased automation continue and expand for interest from outside investors in the collections industry to remain strong?

The trend will start to pivot because with some of the technology being channeled into the collections industry, as it is for any technology chain, there will be winners and losers.

Some new technologies will fit right into the collections industry's sweet spot, while others won't. Machine

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learning, for example, is a jump ball. Some investors will take significant positions in technologies that won't necessarily move the valuation needle. Investors are making a bet to determine what will and won't fit the industry. That is the challenge as investors choose among technologies and try to strike the right balance.

Will an uncertain economy going forward affect investors in the collections space?
While no one knows for certain what the economy will do going forward, we all know there will be a recession. We just don't know when. As always, a look at past history can be helpful. 2008 – 2009 saw the volume of collectibles increase while the percentage that could actually be collected decreased. Investors who believe in the power of tech-enabled automation, will also believe a recessionary effect on the collections industry will be lessened by tech. While a new owner will be making less money on an account on a unit yield basis, he will also have fewer employees eroding margins.

Over the past 4-5 years, compliance has been a competitive differentiator among collection agencies in terms of winning business and making a particular agency more attractive to investors. While compliance is still an important factor, tech-enabled automation will become a more important differentiator for companies in the collections space.

As in most things, the disruption brought about by tech-enabled automation in the collections space doesn't come without risks.
With new technology there will be new types of lawsuits. For example, e-mails or text messages could be sent to the wrong address. Maybe the font size of an advisory or cautionary e-mail will be considered to be too small and therefore unreadable. A class action lawsuit could ensue. As chat boxes, e-mail and text collect increased amounts of information, risks attributable to cyber intrusion will also increase. An intrusion will cause a collections company to suffer both financial and reputational damages.

Even with these increased risks, though, the opportunity to increase valuation for tech-enabled collections agencies should continue to attract private equity investors to the collections space.

Michael Lamm is a Managing Partner at Corporate Advisory Solutions (CAS), a boutique merchant bank headquartered in Philadelphia, serving the Outsourced Business Services Sector.

If you would like to explore a sale of your collections business and to confidentially discuss your business interests, please contact Michael Lamm at 202-904-7192 or mlamm@corpadvisorysolutions.com

CAS IS PROUD TO HAVE SERVED AS AN ADVISOR ON THESE 2019 TRANSACTIONS

ACQUIRED THE ASSETS OF

The undersigned initiated the transaction and served as M&A advisor to **Windham Professionals, Inc.**

Fusion BPO subsidiary Vital Solutions acquired a Financial Services and Healthcare ARM Service Provider

The undersigned represented the Financial Services and Healthcare ARM Service Provider.

ACQUIRED THE ASSETS OF

The undersigned initiated the transaction and served as M&A advisor to **NCC Business Services, Inc.**

ACQUIRED

Altisource Portfolio Solutions S.A.'s Financial Services Business

The undersigned initiated the transaction and served as M&A advisor to **Altisource Portfolio Solutions S.A.**

(Securities conducted through StillPoint Capital Member FINRA/SIPC, Tampa, FL)

ACQUIRED

The undersigned initiated the transaction and served as M&A advisor to **SinglePoint Group International.**

(Securities conducted through StillPoint Capital Member FINRA/SIPC, Tampa, FL)

WAS ACQUIRED BY

The undersigned initiated the transaction and served as M&A advisor to **Professional Recovery Consultants, Inc.**

(Securities conducted through StillPoint Capital Member FINRA/SIPC, Tampa, FL)

CAS advised a private equity firm in acquiring an ARM legal services company

The undersigned initiated the transaction and served as M&A advisor.

(Securities conducted through StillPoint Capital Member FINRA/SIPC, Tampa, FL)

WE GET DEALS DONE.

Contact CAS to confidentially discuss your growth and exit interests. Contact Elaine Rowley at erowley@corpadvisorysolutions.com to submit an article or advertisement.

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