

# **CAS INSIGHTS**

## **EXPERTS IN OUTSOURCED BUSINESS SERVICES**



**SECOND QUARTER 2018**

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# A WELCOME MESSAGE FROM THE CORNER OFFICE

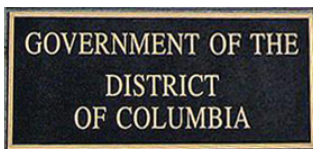
We would like to thank you for your continued interest in our newsletter and role as the leading provider of Merger and Acquisition (M&A) advisory services within the Outsourced Business Services (OBS) industry.

As we wrap up our 2018 2nd quarter newsletter, we are enjoying a summer of firsts in Washington, D.C. The Washington Capitals won the Stanley Cup, and the Washington National's hosted the All-Star Game for the first time! And, although not a first, the CAS website is currently going through a re-design. Stay tuned for an announcement once complete.

The Philadelphia office has outgrown its current and original location. Come August 1st, we will be setting up shop at 2 Commerce Square, 2001 Market Street, Suite 2500, Philadelphia, PA 19103. Our full address and contact information can be found on the last page of this newsletter.

In July, CAS closed a significant M&A deal in RCM. At the request of our client, details are not being disclosed at this time.

Earlier this year, CAS staff from both our Washington and Philadelphia offices participated in the Philadelphia Night Race 5K, benefiting Blossom Philadelphia, an organization providing services to families with brain injured children. While it was an impressive finish by all family and staff who participated, Nick Ciabattone, Mickey Kaiser and Michael Lamm all hold finish times that will be hard to beat. We can't wait to do another 5K! Really!



In June, CAS Business Manager, Elaine Rowley, along with industry representatives, testified before the District of Columbia City Council hearing on Bill 22-0572, "[Wage Garnishment Fairness Amendment Act of 2017](#)". As of publication, this Bill has not been voted on.

Have you tuned in to "[\*\*\*ARM M&A Deal Talk with Michael Lamm\*\*\*](#)"? This is an ongoing, bi-weekly podcast by [Mike Gibb](#) with Michael Lamm on a different ARM subject during each session. Check out our conferences and other events section below for a link to every podcast to date!

## **Outsourced Business Services (OBS) Market Overview**

M&A activity in the OBS sector remains strong and active; there were 18 deals with a combined enterprise value of \$2.37 Billion this quarter. The debt purchasing market within the U.S. remains attractive with the supply of delinquent debt continuing to grow, however, we are keeping a watchful eye on the impact of robocall blocks and its impact on automated calling and the industry as a whole. Regulation remains

*(continued on next page)*

in a state of flux and its overall impact on the industry is yet to be seen. The structure of the BCFP has recently been ruled unconstitutional by the Supreme Court. While this decision is largely political, it does represent current the state of American opinion on consumer protection. If this trend of favoring business growth over regulatory oversight continues, it could pave a way for ARM to spread into markets recently unavailable. This is a trend we will continue to monitor and report on.

The RCM and CRM M&A markets continue to remain active with a combined 8 deals for a total of \$1.22 Billion in deal value, driven by consolidation and tech-enabled platforms.

We are excited to be attending the ACA International Annual Convention in Nashville this week. This conference is one we never miss and this year, along with my fellow Managing Partner Michael Lamm, analyst Mickey Kaiser will be attending. At the end of July, Michael will be attending the RMA executive summit in Maine.

We look forward to being of service and continuing to work with you and are available to confidentially discuss your interests. Hope to see you at the ACA conference!

Sincerely,



**Mark Russell**

*Managing Partner*

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## SELECT CAS CONFERENCE AND EVENT ACTIVITY

Please connect with us at these conferences/conventions that will be attended by CAS team members:

- July 23 – 25, 2018 – ACA International Convention and Expo 2018

- Omni Nashville and Music City Center, Nashville, TN.
- Attended by Michael Lamm and Mickey Kaiser

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



- July 31 – August 2, 2018 – Receivables Management Association (RMA)\* Executive Summit

- Cliff House, Portland, Maine
- Attended by Michael Lamm

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



\*Corporate Advisory Solutions, LLC is an RMA Authorized Audit Provider.

- 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

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## 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 on completed OBS transactions, leverage analysis for completed M&A 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.



ARM Regulatory Update from CAS team member Elaine Rowley detailing the latest government news, regulation and compliance activities in the ARM sector.

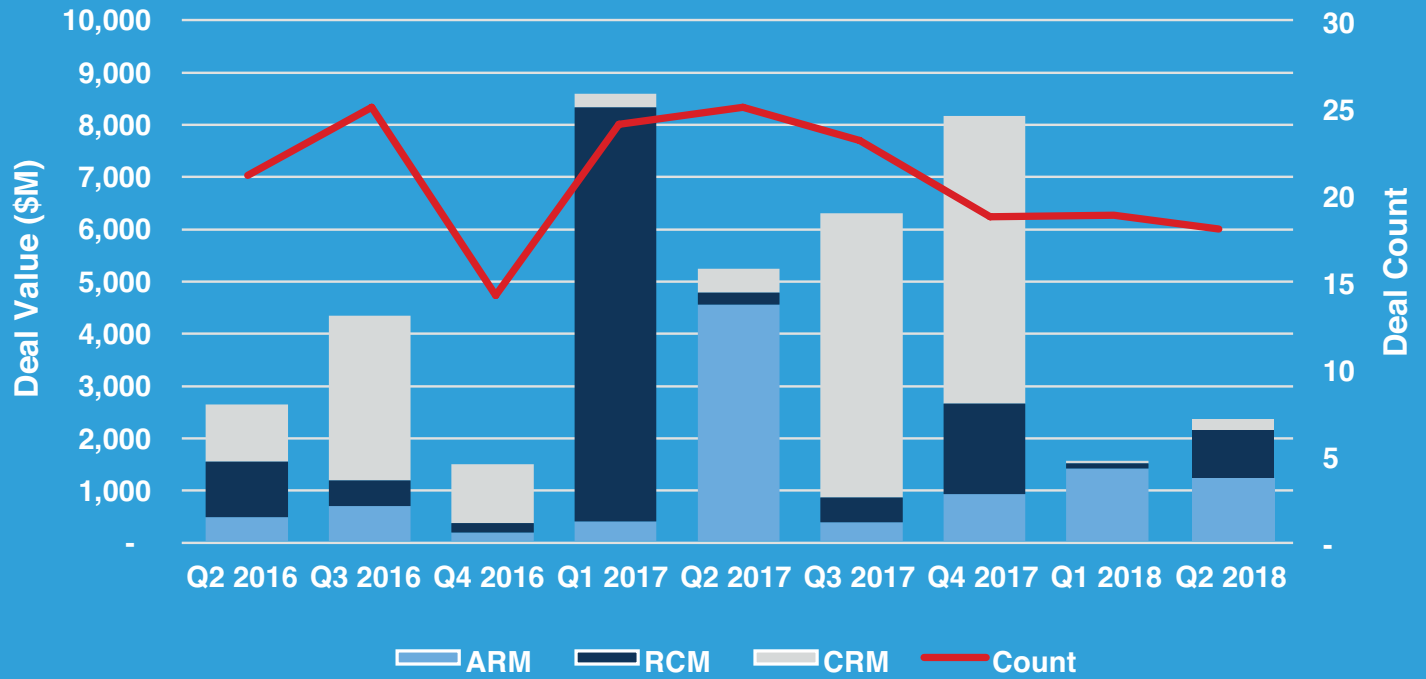


Articles by Todd Feldman, CFP®, CExP™ and Patrick Carroll, CFP®, CExP™ of Rockville, MD based Obsidian Planning Solutions and Bill Borkovitz, Managing Director of JM Search.

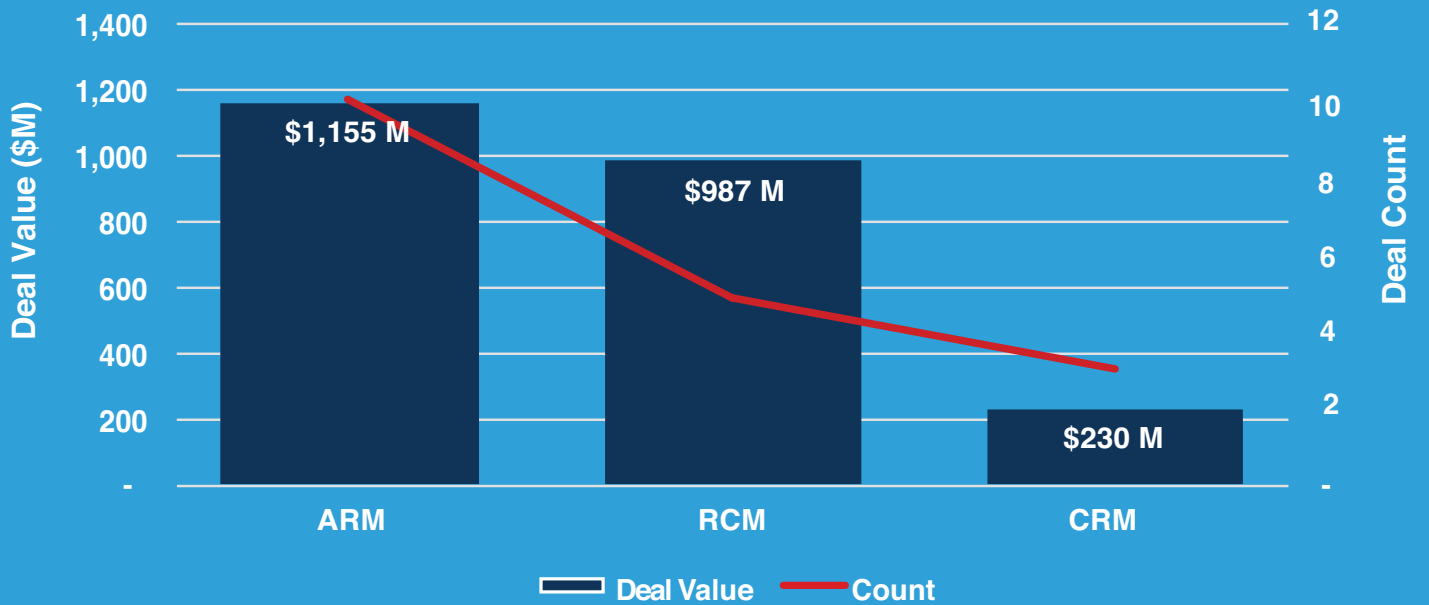


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### OBS Deals in Q2 2018



### OBS Deal Breakout by Sector in Q2 2018





# Accounts Receivable Management (ARM)



The ARM market completed 11 deals with a combined enterprise value of \$1.16 Billion. Technological innovations and decreased regulations are contributing to the continued growth of the ARM sector.

- The administrator of the Colorado Fair Debt Collection Practices Act (FDCPA) has recently mandated that any ARM servicer looking to operate in the state must have a physical presence where consumers can physically pay off their debt. This offers little benefit to consumers, who would likely prefer to pay off the debt electronically, but heavily impacts ARM businesses due to the extra cost of maintaining a physical location. It is possible that other western states (California, Washington, Nevada) will enact similar legislation. If this is the case, operating an ARM servicing company in these states will become unappealing if an existing facility is not present in the state.
- As tools to protect consumers against fraudulent calls increase, ARM businesses will feel the impact as robocalls begin to get filtered out more often. If automated calling is eliminated as a profitable service line, ARM firms will need to hire more agents for servicing debt. While this will undoubtedly raise the amount of successful collections, it will also represent an enormous increase in cost, and likely result in a lowered net income.
- The debt purchasing market within the U.S. remains attractive with the supply of delinquent debt continuing to grow. Encore Capital Group (NASDAQ: ECPG) is projecting that 80% of the volume purchased in 2018 will be from fresh portfolios. The Federal Reserve and U.S. have corroborated their projections. The current supply of debt is at an all-time high with a volume nearly one trillion dollars above the 2008 levels.
- Outside of the U.S. debt purchasing is seeing growth particularly in the E.U. with new European Central Bank regulations, published in March 2018. The new published measures are likely to drive additional debt sale volume in the future, which are aimed at reducing the current stock of non-performing loans held by European banks. This bodes well for the supply and demand pricing dynamics in the European debt purchasing/servicing market.
- The 25-member advisory board of the BCFP (formally CFBP) was dissolved by acting director Mick Mulvaney this June. Mulvaney has claimed that he plans to reform the board with an entirely different team, but as of mid-July no progress has been made. The continued reduction in oversight should lead to lower costs for lenders.
- Student loan outstanding debt is at an all-time high of \$1.41 trillion, according to the Federal Reserve, with 5% growth from last year. However, tensions continue between the Department of Education (DOE) and the BCFP as the DOE refuses to provide documents that the BCFP needs for its lawsuit against student loan provider Navient (NASDAQ: NAVI). This internal disagreement regarding lending and collection among the government means that maintaining compliance with regulations will continue to be difficult for ARM businesses and lenders.

*(continued on next page)*



## Trends we are watching in 2018

- The structure of the BCFP has recently been ruled unconstitutional by the Supreme Court. While this decision is largely political, it does represent the current state of American opinion on consumer protection. If this trend of favoring business growth over regulatory oversight continues, it could pave the way for ARM to spread into recently unavailable markets. It is important to keep in mind that some states have been legislating in favor of consumer protection, so this change will not be nationwide. It is worth noting that Supreme Court of the United States justice nominee Brett Kavanaugh has vehemently opposed the BCFP, and if confirmed could lead to its complete dissolution.
- CAS is observing increased interest in the ARM industry from investment firms. This is best exemplified by New Spring Capital and LaSalle Capital's acquisition of ARM servicer Brown and Joseph, as well as J.C. Flowers & Co.'s acquisition of debt purchaser Jefferson Capital last quarter. This trend in investment firm interest brings validity to the growth prospects ARM companies are expecting in the years to come.
- CAS has seen an increase in the amount of technology used for debt servicing. As we move towards a more electronically supported market, ARM responsibility continues to be taken over by both traditional software and Artificial Intelligence.

## Notable ARM Transactions

- Clearlake Capital has recapitalized Transworld Systems Inc. (TSI) reducing TSI's outstanding debt by \$460 Million.
- Encore Capital Group (NASDAQ: ECPG) has acquired Cabot Credit Management for \$238 million and 5 million shares of Encore common stock.
- Cognizant Technology Solutions (NASDAQ: CTSI) has acquired Bolder Healthcare Solutions.



# Public Comparables:

## Analysis of Selected Publicly Traded Accounts Receivable Management (ARM) Companies (\$ In Millions)

All Data as of 6/30/2018

| Company Name                  | Ticker     | Price | Market Cap (1) | TEV (2)<br>(4) | LTM Revenue | LTM EBITDA (4) | LTM Net Income | TEV/<br>Revenue | TEV/<br>EBITDA | TEV/<br>Net Income |
|-------------------------------|------------|-------|----------------|----------------|-------------|----------------|----------------|-----------------|----------------|--------------------|
| Arrow Global Group, PLC (3)   | LON:ARW    | 3.16  | 557.7          | 1,869.3        | 439.2       | 133.0          | 60.2           | 4.26x           | 14.05x         | 31.04x             |
| Asta Funding Inc. (5)         | ASFI       | 3.40  | 22.5           | —              | 44.1        | —              | (0.7)          | 1.96x           | —              | —                  |
| Collection House Limited (3)  | ASX:CLH    | 1.09  | 150.1          | 212.8          | 97.8        | 27.0           | 13.4           | 2.18x           | 7.88x          | 15.94x             |
| Credit Corp Group Limited (3) | ASX:CCP    | 13.27 | 633.3          | 804.8          | 209.2       | 73.6           | 45.8           | 3.85x           | 10.93x         | 17.58x             |
| Encore Capital Group          | ECPG       | 36.60 | 948.6          | 4,329.5        | 1,241.9     | 391.4          | 83.0           | 3.49x           | 11.06x         | 52.63x             |
| Intrum Justitia (3)           | STO:INTRUM | 23.01 | 3,062.8        | 6,856.6        | 1,318.3     | 406.6          | 182.2          | 5.20x           | 16.86x         | 37.63x             |
| Performant Financial Group    | PFMT       | 2.15  | 110.8          | 142.5          | 156.0       | 16.9           | (1.3)          | 0.91x           | 8.45x          | —                  |
| PRA Group                     | PRAA       | 38.55 | 1,745.4        | 3,842.3        | 830.2       | 47.4           | 135.2          | 4.63x           | 81.03x         | 28.42x             |
| Mean (ARM)                    |            |       | 899.4          | 2,579.7        | 542.1       | 156.6          | 64.7           | 3.31x           | 21.47x         | 30.47x             |
| Median (ARM)                  |            |       | 595.5          | 1869.3         | 342.2       | 73.6           | 53.0           | 3.67x           | 11.06x         | 29.73x             |

### 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 3/31/2018

(4) - Information not available for certain businesses

Source: PitchBook



# Revenue Cycle Management (RCM)



The RCM services sector has returned to a normal M&A volume after a quiet 1st quarter with 5 deals totaling a combined enterprise value of \$987 Million. The RCM industry continues to experience robust growth, which is expected to persist moving forward.

- RCM continues to benefit from increased healthcare expenditures. According to the Altarum Institute, industry spending outpaces GDP growth – YoY spend jumped from 4.5% in December 2017 to 4.9% in February 2018.
- Fewer working age Americans are under coverage, despite current legislation, and the uninsured rate for working age adults has increased from 12.7% in 2016 to 15.5% in March 18 (Commonwealth Fund).
- The increased popularity of 3-D printing as a means of manufacturing could lead to healthcare providers developing their own tools. Due to the exorbitant cost of the specialized tools required in the medical field, an institution able to design and create its own tools could cut costs tremendously.

## Trends we are watching in 2018

- Recent surge of telehealth will further support consolidation of healthcare systems and begin to shift the traditional care model to allow patients personalized care from the comfort of their homes. Their study showed 8 in 10 hospitals think the technology will be more widely implemented by 2023 (HFMA).
- Healthcare spending is projected to hit 20% of the United States total GDP over the next five years (RWJ Foundation). Within the industry, a push from local governments and advocacy groups for increased price transparency may positively re-shape how consumers make decisions about their healthcare expenditure. A less opaque structure will surely cause prices to drop across the board, strongly benefiting individuals.
- Providers continue their push toward the implementation of value-based care payment models and the adaption of technologies like Artificial Intelligence in big data to evaluate therapies.
- Hospital M&A activity continues at an accelerated rate, with 25 recorded transactions in the first half of 2018, the highest annual rate since 2015 (HFMA). According to the Center for Disease Control, 5,627 hospital systems existed in 2014, compared to 7,156 in 1975. This consolidation is positive for patients, increasing the quality of care to a larger population, but vendors will need to be larger and offer a wider breadth of service offerings to remain competitive.
- CAS has noticed an abundance of firms dealing in patient financing. This market saturation will naturally dissipate but, in the short-term, growth for these businesses will be difficult.

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## Notable RCM Transactions

- Technology based RCM provider R1 RCM (NASDAQ: RCM) has obtained 15,000 new clients with the acquisition of fellow RCM company Intermedix.
- New Capital Partners has acquired Maryland based RCM company Collect Rx.



# Public Comparables:

## Analysis of Selected Publicly Traded Revenue Cycle Management (RCM) Companies (\$ In Millions)

All Data as of 6/30/2018

| Company Name                          | Ticker | Price | Market Cap (1) | TEV (2)  | LTM Revenue | LTM EBITDA | LTM Net Income | TEV/ Revenue | TEV/ EBITDA | TEV/ Net Income |
|---------------------------------------|--------|-------|----------------|----------|-------------|------------|----------------|--------------|-------------|-----------------|
| HMS Holdings Corp.                    | HMSY   | 21.62 | 1,799.1        | 1,955.2  | 548.9       | 111.4      | 45.0           | 3.56x        | 17.55x      | 43.45x          |
| Allscripts Healthcare Solutions, Inc. | MDRX   | 12.00 | 2,135.4        | 3,768.2  | 1,906.8     | 90.0       | (171.3)        | 1.98x        | 41.85x      | —               |
| Cerner Corporation                    | CERN   | 59.79 | 19,839.2       | 19,363.4 | 5,174.6     | 1,522.7    | 853.8          | 3.74x        | 12.72x      | 22.68           |
| Huron Consulting Group Inc.           | HURN   | 40.90 | 916.7          | 1,288.5  | 813.2       | (170.7)    | (178.7)        | 1.58x        | —           | —               |
| Quality Systems Inc.                  | QSII   | 19.50 | 1,251.6        | 1,259.8  | 531.0       | 43.3       | 2.4            | 2.37x        | 29.13x      | 520.57x         |
| Mean (RCM)                            |        |       | 5,188.4        | 5,527.0  | 1,749.9     | 319.3      | 110.2          | 2.65x        | 25.31x      | 195.56x         |
| Median (RCM)                          |        |       | 1,799.1        | 1,955.2  | 813.2       | 90.0       | 2.4            | 2.37x        | 23.34x      | 43.45x          |

### Notes

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Source: PitchBook



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# Customer Relationship Management (CRM)



The CRM market completed 3 deals with a combined enterprise value of \$230 Million. Technological innovations and decreased regulations are contributing to the continued growth of the CRM sector.

- There has been an influx of consolidation within the CRM sector this year. Joining the likes of Startek and Aegis (see Q1 2018 newsletter for more information), Convergys (NYSE: CVG) has agreed to be acquired by Synnex (NYSE: SNX) for nearly \$2.4 Billion. Convergys is in command of over 100 call centers, though revenue has been declining due to reduced business from major clients. This acquisition by Synnex is representative of a CRM sector that is experiencing far more consolidation than usual with small and large firms both being targets for acquisition, partially due to increased competition from technological advancements in the sector.
- Software is now being used to assess call-center agents' performance and ability. However, in a recent report by consulting firm McKinsey & Company, they found that "two-thirds of the opportunities to use Artificial Intelligence (AI) are in improving the performance of existing analytical use cases". This could mean that call center agents will receive AI developed feedback on their performance, or it could mean a shift from human staffed call centers to robotic support agents is on the horizon
- Consumer trust of marketing firms continues to drop with another major data breach leak. Online marketing firm and data broker Exactis (NASDAQ: XACT) was found to have had detailed information on 230 million consumers when their database of over 2 terabytes was hacked into.
- With the repeal of Net Neutrality finally in effect, the potential for online-based businesses to be hit with additional costs is higher than ever. CRM companies that focus on web-based customer interaction will need to look out for changes in how their sites are treated by various ISP's to ensure that their client base goes unaffected. Additionally, it is possible that Amazon (NASDAQ: AMZN), Google (NASDAQ: GOOGL), Microsoft (NASDAQ: MSFT), or any other cloud-computing supplier will take advantage of the situation and begin to gouge users who now have no other option.

## Trends we are watching in 2018

- CAS has witnessed an increase in the outsourcing of tier one call center operations to countries such as the Philippines in favor of India due to a larger population of fluent English speakers.
- The increased capabilities of AI are allowing small businesses to mine data at similar levels to large companies, helping to level the playing field.
- Unified Communications (UC) has continued to grow in popularity within the CRM sector. UC's primary goal is to give consumers a uniform experience regardless of the outreach platform they are on (voice, text, video, etc.)

## Notable CRM Transactions

- DFW Capital Solutions has acquired ReSource Pro.
- Dimension Data (JSE: DDT), a subsidiary of Merchants, has acquired Millenium1 Solutions.





# Public Comparables:

## Analysis of Selected Publicly Traded Customer Relationship Management (CRM) Companies (\$ In Millions)

All Data as of 6/30/2018

| Company Name                                  | Ticker  | Price  | Market Cap (1) | TEV (2) (3) | LTM Revenue | LTM EBITDA (3) | LTM Net Income | TEV/ Revenue | TEV/ EBITDA | TEV/ Net Income |
|---|---------|--------|----------------|-------------|-------------|----------------|----------------|--------------|-------------|-----------------|
| Atento SA                                     | ATTO    | 6.85   | 506.3          | 910.8       | 1,943.7     | 164.0          | (27.7)         | 0.47x        | 5.55x       | -32.86x         |
| Convergys Corporation <sup>5</sup>            | CVG     | 35.64  | 540.4          | —           | 161.5       | —              | 96.4           | 0.30x        | —           | 0.18x           |
| Genpact Ltd.                                  | G       | 28.93  | 5,507.9        | 6,398.8     | 2,802.8     | 465.6          | 274.5          | 2.28x        | 13.74x      | 23.31x          |
| StarTek, Inc.                                 | SRT     | 6.29   | 102.0          | 130.6       | 281.6       | (0.9)          | (13.1)         | 0.46x        | —           | —               |
| Sykes Enterprises, Incorporated               | SYKE    | 28.94  | 1,231.8        | 1,159.2     | 1,616.4     | 153.9          | 24.5           | 0.72x        | 7.53x       | 47.41xx         |
| Teleperformance SE <sup>3</sup>               | PAR:TEP | 174.94 | 10,103.3       | 11,702.5    | 4,714.0     | 681.2          | 351.9          | 2.48x        | 17.18x      | 33.26x          |
| TTEC, Inc. (Formerly TeleTech Holdings, Inc.) | TTEC    | 34.55  | 1,589.5        | 1,817.9     | 1,514.3     | 153.7          | (7.4)          | 1.20x        | 11.83x      | —               |
| WNS Global Services                           | WNS     | 52.18  | 2,631.7        | 2,489.9     | 758.0       | 136.8          | 86.4           | 3.29x        | 18.19x      | 28.81x          |
| Mean (CRM)                                    |         |        | 2,797.3        | 3,686.6     | 1,862.0     | 269.6          | 99.9           | 1.13x        | 11.17x      | 14.26x          |
| Median (CRM)                                  |         |        | 1,231.8        | 1,488.5     | 1,616.4     | 159.0          | 24.5           | 0.72x        | 11.83x      | 23.31x          |

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- (4) - Information not available for certain businesses
- (5) - Revenue, EBITDA and Net Income ratios calculated using Market Cap

Source: PitchBook

# Specialty Finance



- Denver-based startup “Salt” lends cash using bitcoin as collateral. Previously, individuals with large amounts of cryptocurrency have been hesitant to exchange it for cash due to the risk of it shooting up in value shortly after. This method of lending will greatly increase the exchange of cryptocurrency for traditional currency encouraging more business development by successful cryptocurrency investors. If you believe you could benefit from the use of cryptocurrency and would like to learn more, click [here](#) for a detailed overview of cryptocurrency.
- There has been a surge in the acquisition of FinTech and credit companies. This quarter PayPal (NASDAQ: PYPL) has acquired four companies, including artificial intelligence startup Jetlore, for a combined value of over \$2.75 Billion. PayPal isn't the only one looking to acquire payment companies, as 2018 has already seen a volume of \$46 Billion in acquisitions as of June (a 40% increase from last year).  
[iZettle Press Release](#)  
[Jetlore Press Release](#)  
[Simility Press Release](#)  
[Hyperwallet Press Release](#)
- Companies like Walmart (NYSE: WMT), Nestle (SWX: NESN), and Kroger (NYSE: KR) are looking into using blockchain technology as a digital ledger to trace the source of contaminated product. Due to blockchain being an immutable transactional record, major retailers have looked to it as a solution for tracing errors back to their source.
- With the Office of the Comptroller of the Currency (OCC) encouraging banks to offer short-term small-dollar loans, banks getting involved in these types of loans could help ARM companies affected by the reduced amount of payday loan portfolios due to increased scrutiny.
- British FinTech Revolut seeks United States banking license. As well as traditional banking services, the U.K. startup valued at \$1.7 Billion offers fee-free currency conversions to its users through a mobile interface. Revolut is among the growing number of online-only banks.
- Interstate Capital purchases Texas based factoring company for \$100 Million. This could hint at a growing factoring market within the United States. Typically, the U.S. has not made much use of invoice factoring, with the Americas as a whole having only 8% global market share of the \$3 Trillion factoring industry.

## Trends we are watching in 2018

- De-regulation of the market continues as Dodd-Frank is rolled back, resulting in reduced oversight for Banks with assets under the \$250 Billion mark. Compare this to the \$50 Billion mark previously used.
- Credit-card lending may be about to see a downturn due to increasing loan losses and rewards expenses.







# Public Comparables:

## Analysis of Selected Publicly Traded Specialty Finance Companies (\$ In Millions)

All Data as of 6/30/2018

| Company Name                         | Ticker | Price  | Market Cap (1) | TEV (2)<br>(3) | LTM Revenue | LTM EBITDA | LTM Net Income | TEV/<br>Revenue | TEV/<br>EBITDA | TEV/<br>Net Income |
|--------------------------------------|--------|--------|----------------|----------------|-------------|------------|----------------|-----------------|----------------|--------------------|
| LendingClub Corporation <sup>4</sup> | LC     | 3.79   | 1,590.5        | —              | 653.4       | —          | (155.2)        | 0.41x           | —              | —                  |
| Navient Solutions Inc. <sup>4</sup>  | NAVI   | 13.03  | 3,447.8        | —              | 2,256.0     | —          | 330.0          | 0.65x           | —              | 0.10x              |
| OneMain Holdings, Inc. <sup>4</sup>  | OMF    | 33.29  | 4,517.7        | —              | 3,040.0     | —          | 274.0          | 0.67x           | —              | 0.06x              |
| Credit Acceptance Corp.              | CACC   | 353.40 | 6,824.1        | 10,207.7       | 1,142.8     | 740.9      | 497.0          | 8.93x           | 13.78x         | 20.54x             |
| Mean (Specialty Finance)             |        |        | 4,095.0        | 10,207.7       | 1,773.0     | 740.9      | 236.5          | 2.67x           | 13.78x         | 6.90x              |
| Median (Specialty Finance)           |        |        | 3,982.7        | 10,207.7       | 1,699.4     | 740.9      | 302.0          | 0.66x           | 13.78x         | 0.10               |

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(4) - Revenue, EBITDA and Net Income ratios calculated using Market Cap

Source: PitchBook



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# CAS is pleased to provide a link to the Site Selection Group's *Location Intelligence Newsletter*

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](#) for the latest *Location Intelligence Newsletter*.



## ARM REGULATORY RESOURCE

Elaine Rowley | Corporate Advisory Solutions, LLC  
Chevy Chase, Maryland  
240-235-6008

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!

- On June 7th, Tamar Yudenfreund, Senior Director of Public Policy, Encore Capital Group (NASDAQ: ECPG), Donald Redmond, Senior Counsel, Government Affairs, Portfolio Recovery Associates, Donald Maurice, Representative, Receivables Management Association\* and Elaine Rowley, Business Manager, Corporate Advisory Solutions, LLC, provided a compelling testimony to Bill sponsor Jack Evans and other council members of the District of Columbia, **Committee on the Judiciary & Public Safety public hearing on Bill 22-0572, The “Wage Garnishment Fairness Amendment Act of 2017”**.

### Some highlights of the testimony, as provided by Ms. Yudenfreund:

- This bill, as written, renders many of most valid court judgements essentially meaningless.
- Would be devastating to judgement creditor's ability to recoup delinquent debt obligations.
- Unintended consequences to the most vulnerable consumers would be less credit available to consumers who need it the most, helps the top 5% more than the poor, delays repaying and resolving debt.
- Alternatives which would help consumers the most would be to expand exemptions from wage garnishment in D.C., create a court form for consumers to file a request for exemption, require that judgement creditor serve a notice of exemptions on the consumer along with the judgement and notice of wage garnishment.



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(continued on next page)

- On July 16th, CAS attended the **7th Annual Municipal Finance Conference at Brookings Institute** in Washington, D.C. The Municipal Finance Conference aims to bring together academics, practitioners, issuers, and regulators to discuss recent research on municipal capital markets and state and local fiscal issues. Of particular interest were the sessions on the impact of Dodd-Frank. All of the session recordings and papers can be accessed by way of the link above.
- **The CFPB will be one of the members of the new Task Force on Market Integrity and Consumer Fraud** (Task Force) to be established by the U.S. Department of Justice (DOJ). Last week, the DOJ announced it was disbanding the Financial Fraud Enforcement Task Force, established under the Obama Administration, and pursuant to an Executive Order issued by President Trump, plans to establish the Task Force in its place. By Barbara S. Mishkin on July 16, 2018, POSTED IN CFPB ENFORCEMENT, CFPB MONITOR.
- **New research report on student loan repayment and broader household borrowing.**  
Student loans make up an increasing share of the debt held by borrowers around the country, particularly for younger borrowers. Our previous research has shown that borrowers vary greatly in their ability to pay off their loans, how quickly they can do so, and the potential hurdles they face. Today, we released a new Data Point report providing a closer look at borrowers' use of credit as they approach and make their final student loan payments, and in the months that follow. Read full report here.
- **Quarterly consumer credit trends: End-of-year credit card borrowing.**  
This is part of a series of quarterly reports of consumer credit trends produced by the Bureau of Consumer Financial Protection using a longitudinal, nationally-representative sample of approximately five million de-identified credit records maintained by one of the three nationwide credit reporting companies. This third report analyzes how credit card borrowing patterns evolve during and after the annual peak in consumer spending in November and December of each year. Read full report here.

\*CAS is an RMA Authorized Audit Provider



For the latest agency reports and information, click on the icons below!



# Is Your Business Ready for Sale?

*Todd Feldman, CFP and Patrick Carroll, CFP*

So, you're ready to sell your business. That's great. But is your business ready to be sold?

If you suspect that "business sale readiness" is the key not only to being able to attract a buyer but also to getting a great purchase price, you're right. If, however, you think that just because you're ready to move on, your business is poised to move on without you, you might be way off base.

How do you know? And if your business isn't ready, where do you turn?

For answers to those questions, we consulted our strategic allies at Obsidian Business Planning Solutions, experts in helping owners plan for the most important financial event of their lives—the transition out of their businesses.

As a business owner, you are in a unique financial situation: the most significant financial event of your life is likely to be the transition out of your business. Chances are it will be if your business is poised to sell at the best possible price. But how do you prepare a business for sale?

Our colleagues at Corporate Advisory Solutions provide a Comprehensive Business Assessment that tells you which aspects of your business drive up, and which detract from, the value of your business. That's a critical part of creating a sale-ready business so we incorporate it into our comprehensive and owner-centric business exit planning process.

## **You Define Success. We Don't.**

Having worked with owners for many years to craft successful exits from their companies, we know that each owner defines "successful exit" differently, so we start there: What do you want your exit to accomplish? If you haven't set concrete goals related to how much money you need from the sale of your business to live the post-exit life you desire, we'll help you do that.

Once we understand what you want your exit to accomplish, we'll quantify your starting point: the current value of your business and non-business assets. With both starting and end points defined, you'll have a clear picture of how much your business needs to increase in value before you can leave it.

## **Would You Buy Your Business?**

But let's look at business value from another perspective: a buyer's. Perhaps the best way to do that is to ask yourself a simple question: Would you buy a business whose success depends on the skill, contacts and presence of its current owner?

Perhaps. But wouldn't you rather purchase a company with effective operating systems run by a proven management team motivated to create revenue without its owner's involvement?

That's why we'll look at your role: what it is and what you'd like it to be. We will assess the systems you use to motivate your employees to build business value. You may already have an effective incentive system in place. If not, we'll work with you to create one that motivates your employees to grow the amount of business value you need in the period before your desired departure date. If your team is not capable of running the company in your absence, even for short periods, we'll work with you to change that.

*(continued on next page)*



### Minimize Risk – Maximize Sale Proceeds

We'll also assess the risks to your business from inside and out because buyers hate risk. If they are willing to assume limited amounts of risk, buyers mitigate it by lowering their offers or setting aside large portions of a sale price as an earnout.

To maximize the amount you'll receive for your business at closing, we'll also determine if you are doing all you can to minimize both your personal and business tax liability today and when you sell.

### Contingency Planning

Let's be realistic: bad stuff happens. Some owners don't reach their planned exits and instead leave their businesses via death or disability. Either one of those events can kill a business and with it a family's future—unless proper succession planning mechanisms are in place.

If you co-own your business and have a buy-sell agreement in place, we'll work with your attorney to be sure that the formula used to calculate business value when you signed it is appropriate today and equally fair to the departing and remaining owners. We'll ask the hard questions about whether the agreement provides the cash necessary to: 1) replace the financial resources you provided; 2) keep key employees in place when they justifiably wonder about the future of the company without you; and 3) hire someone with the talents and contacts that you have.

If you are a sole owner, we've got some ideas about how you can protect your family and business should you die or become disabled before you can sell your business.

Remember when we said that business owners are in a unique financial situation? Well, that's especially true in when it comes to estate planning. Your most valuable asset, your business, is partially or totally illiquid. Your heirs can't sell it on a market as they can sell stock of a publicly held company. Still, you want your heirs to receive the benefit of your life's work.

We will work with your attorney (or recommend one who is an expert at crafting estate plans for owners of closely held companies) to make sure your estate plan accomplishes your goals.

### A Sale-Ready Business

Preparing a business for sale doesn't just happen. Sale-ready businesses are the result of a systematic, multi-disciplinary process whose sole purpose is to achieve your goals. That process begins well before a sale. What better day than today?



*Patrick Carroll, CFP®, CExP™ is the Founder and CEO of Obsidian Business Planning Solutions and author of Tame Your Money Elephants (Apple Ridge Press, 2016). He has worked with business owners to create successful business exits for over 20 years. Pat can be reached at [pcarroll@obsidianplanning.com](mailto:pcarroll@obsidianplanning.com) or (301) 990-4395.*



*Todd Feldman, CFP®, CExP™ brings experience in banking, stock brokerage, insurance and financial planning to his work with individuals and business owners. His natural curiosity and determination to find solutions make him a creative and trusted problem solver for Obsidian's business owner clients. Todd can be reached at [tfeldman@obsidianplanning.com](mailto:tfeldman@obsidianplanning.com) or (301) 990-4395.*



# Finding the Future Leaders of OBS

*Bill Borkovitz, Principal at JM Search*

It is no secret that outsourcing businesses have been undergoing fundamental changes driven by the influence of technology. From collections and billing to call center operations, advancements like Robotic Process Automation (RPA), Artificial Intelligence (AI), and broader adoption of cloud-based software have created both opportunities and pressures for traditional business process outsourcing (BPO) companies.

As services businesses are integrating technology into their solutions at an ever-increasing rate, with some transitioning to product-driven organizations altogether, having the right leadership in place is pivotal. But executives who have grown up in outsourced business services may not possess the requisite exposure to the technology and business models that will define the future of the sector. While there are certainly leaders within the sector well-equipped to navigate the changes occurring, companies willing to consider outsiders for leadership roles can position themselves to win both short- and long-term.

In all businesses, direct industry experience is typically sought in leaders. But when an industry is undergoing change, traditional industry experience can be less relevant. To understand the executives who are leading the outsourced business services industry today, we reviewed the backgrounds of chief executives from a sample of 50 companies, both publicly traded and privately held, across segments that include accounts receivable management (ARM), revenue cycle management (RCM), and customer relationship management (CRM). Of the selection, only 12% of the sitting chief executives joined their respective companies from outside of the sector, whether they were hired into the role or promoted subsequent to joining the company. On the surface, this indicates a reluctance to consider outsiders. However, it is also emblematic of challenges associated with attracting executives into the sector.

Forward-thinking companies within outsourced business services are well-positioned to attract leaders from different backgrounds because of tailwinds that will sustain growth. By 2022, the Business Process Outsourcing Services market in the United States is projected to reach \$148.3 billion, according to IBIS World, growing at an annualized rate of 2.7%, compared to 2% for the overall US economy during this period. As companies seek to realize expense reductions through outsourcing non-core functions, and demand for technology-driven solutions that exceed in-house capabilities continues to increase, the opportunity for BPOs to innovate is substantial. However, a BPO's ability to successfully transform its offerings will hinge on its leadership.

While we are still in the early stages of the technological transformation of outsourced business services, companies that adapt early will be best positioned for long-term success. Having the right executives in place who can lead through an industry transformation and deliver innovation is the best way to position towards a competitive advantage.



*Bill Borkovitz is a principal at JM Search, where he recruits C-Level executives across a range of industries, including financial services, BPO, business services, and technology. He possesses over 20 years of operating experience combined with a decade of C-level executive recruiting.*

*JM Search is a leading retained executive search firm that recruits transformational leaders for private equity and venture capital portfolio companies, Fortune 1000s, and other growth-oriented businesses.*



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

**Affinity Global**

WAS ACQUIRED BY

**ELI GLOBAL**

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

**CAS**  
Corporate Advisory Solutions

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

**RevSolve**

WAS ACQUIRED BY

**USCB AMERICA**

The undersigned initiated the transaction and served as M&A advisor to RevSolve, Inc. January 2018

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**SRA ASSOCIATES**

WAS ACQUIRED BY

**Global IT Sales**

The undersigned initiated the transaction and served as M&A advisor to SRA Associates, Inc.

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**JOHNSON MORGAN & WHITE**  
HARDY BATTLE FOR LARS

HAS MERGED INTO

**altus**  
GLOBAL TRADE SOLUTIONS

The undersigned initiated the transaction and served as advisor to Johnson, Morgan & White

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**Berlin-Wheeler, Inc.**  
A Receivables Management Company

WAS ACQUIRED BY

**WAKEFIELD & ASSOCIATES**

The undersigned initiated the transaction and served as M&A advisor to Berlin-Wheeler, Inc.

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**PRS**  
PROFESSIONAL RECOVERY SERVICES, INC.

WAS ACQUIRED BY

**CREDITCONTROL**

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

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**KADENT**  
THE TEAM THAT COUNTS

WAS ACQUIRED BY

**ARB**  
ARCADIA RECOVERY BUREAU

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

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**Integrity**  
Solution Services, Inc.

WAS ACQUIRED BY

**Oakville Consolidated Limited**

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**LEADING EDGE**  
RECOVERY SOLUTIONS

WAS ACQUIRED BY

**Affinity Global**  
Connecting People with Solutions

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

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**PENNCRO**  
ASSOCIATES, INC.  
A FINANCIAL SERVICES COMPANY

WAS ACQUIRED BY

**radius**

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**Credit Bureau of Traverse City, Inc.**

WAS ACQUIRED BY

**MERCHANTS ASSOCIATION**  
COLLECTION DIVISION, INC.

The undersigned initiated the transaction and served as M&A advisor to Credit Bureau of Traverse City.

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**altus**  
GLOBAL TRADE SOLUTIONS

WAS ACQUIRED BY

**NEWSPRING CAPITAL**  
**SPRING CAPITAL**  
**Evergreen**

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**VITAL SOLUTIONS**

WAS ACQUIRED BY

**FUSION**

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**RENTCOLLECT GLOBAL**  
Debt Management Services

WAS ACQUIRED BY

**ASSURANT** Specialty Property

The undersigned initiated the transaction and served as M&A advisor to Rent Collect Global.

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The Encino California law firm of Bleier & Cox has merged with the Law Offices of Patenaude & Felix, APC

**PATENAUDE FELIX, APC**  
A PROFESSIONAL LAW CORPORATION

The undersigned served as advisor to Patenaude & Felix, APC

**CAS**  
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# WE GET DEALS DONE.

*We encourage you to contact CAS to confidentially discuss your growth and exit interests. Contact Elaine Rowley at [erowley@corpadvisorysolutions.com](mailto:erowley@corpadvisorysolutions.com) to submit an article or advertisement.*



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