CAS INSIGHTS

EXPERTS IN OUTSOURCED BUSINESS SERVICES

THE TECH TRANSFORMATION IS HERE

FIRST QUARTER 2019

CAS
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A WELCOME MESSAGE FROM MARK RUSSELL

Happy Spring!

With the first quarter of 2019 in the books, we at CAS have been busy focusing on our merger and acquisition (M&A) advisory and valuation business. The M&A market within the Outsourced Business Services (OBS) sector continues to be very active with more qualified strategic and financial buyers expressing interest in platform and add-on opportunities. While Healthcare Revenue Cycle Management (RCM) remains highly active in the OBS market, we have seen a notable increase in acquisition interest within the Accounts Receivable Management (ARM) and Customer Relationship Management (CRM) markets. Companies that have consistent top and bottom-line performance, and strong regulatory compliance and compliance management systems in place, are currently generating the greatest level of interest.

While the M&A market is active, buyers are still focusing intently on the financial performance, client relationships, growth potential, and regulatory compliance. For ARM service providers, the primary due diligence areas have been financial performance and regulatory compliance (including licensing). For healthcare RCM companies, buyers focus intently on client relationships and growth potential, and within the CRM market buyers are gravitating toward service differentiation via technology (artificial intelligence and automated solutions).

As we look forward to the rest of 2019, we are eager to see what the Bureau of Consumer Financial Protection (BCFP) produces in terms of rules for the collections industry (now anticipated by end of this month), and how this will impact the ARM industry. We are also anticipating growth in the use of non-voice solutions by RCM, ARM and CRM companies. With continued improvements in artificial intelligence, automated interactions via text and email messaging, social media portals and interactive voice response (IVR) systems are gaining favor over traditional phone calling and even auto-dialer options. Given the ongoing concerns related to potential TCPA class-action lawsuits and FDCPA violations, RCM, ARM and CRM companies are eager to implement solutions that can improve their financial performance while simultaneously reducing their regulatory compliance risk.

We are also keeping tabs on the U.S. economic outlook. Based on feedback we see in the news and economic analyst reports; it seems there is a growing concern about the potential of a recession either later this year or in 2020. To be clear, a recession is simply part of the broader economic cycle that the U.S. and other global economies experience. Since the U.S. has been experiencing a growth mode over the past few years, it would only be natural for a recession to take place at some point in the near future. While this is likely to occur sooner rather than later, analyst reports to date do not indicate a threat of a significant recession despite consumer debt levels reaching (and in some cases exceeding) pre-Great Recession levels back in 2007. As always, we will continue to keep our readers apprised of any developments and how we believe they may impact M&A market activity in future newsletters.

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Within this newsletter we provide further details and statistics for the ARM, CRM and RCM markets. If you have any questions, or wish to confidentially discuss your business interests, please contact us using the information provided below.

We appreciate your interest in our newsletters, and look forward to keeping in touch!

Sincerely,

Mark Russell
Managing Partner

SELECT CAS CONFERENCE AND EVENT ACTIVITY

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

- **April 29–May 1, 2019 – SpeechTEK 2019**
    - Renaissance Washington DC Downtown Hotel
    - Attended by Mark Russell and Elaine Rowley

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

- **May 3, 2019 – The Canadian Society of Collection Agencies**
    - Fallsview Casino Resort, Niagara Falls, Ontario Canada
    - Attended by Michael Lamm, *who is also a speaker.*
    - "ARM M&A Update"

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

- **May 20, 2019 – WEBINAR: Proper Documentation for Buying or Selling Debt**
    - Michael Lamm is presenting. Sign up instructions will be posted on the CAS website once available.

- June 17-19, 2019 – **First Party Summit**
    - The Loews Hotel: Nashville, TN
    - Attended by Michael Lamm

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

- June 23-26, 2019 – **HFMA Annual Conference**
    - Orange County Convention Center, Orlando, Florida
    - Attended by Michael Lamm

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

- July 14-16, 2019 – **ACA International Annual Convention and Expo**
    - Hilton San Diego Bayfront, San Diego, CA
    - Attended by Michael Lamm

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

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- **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!

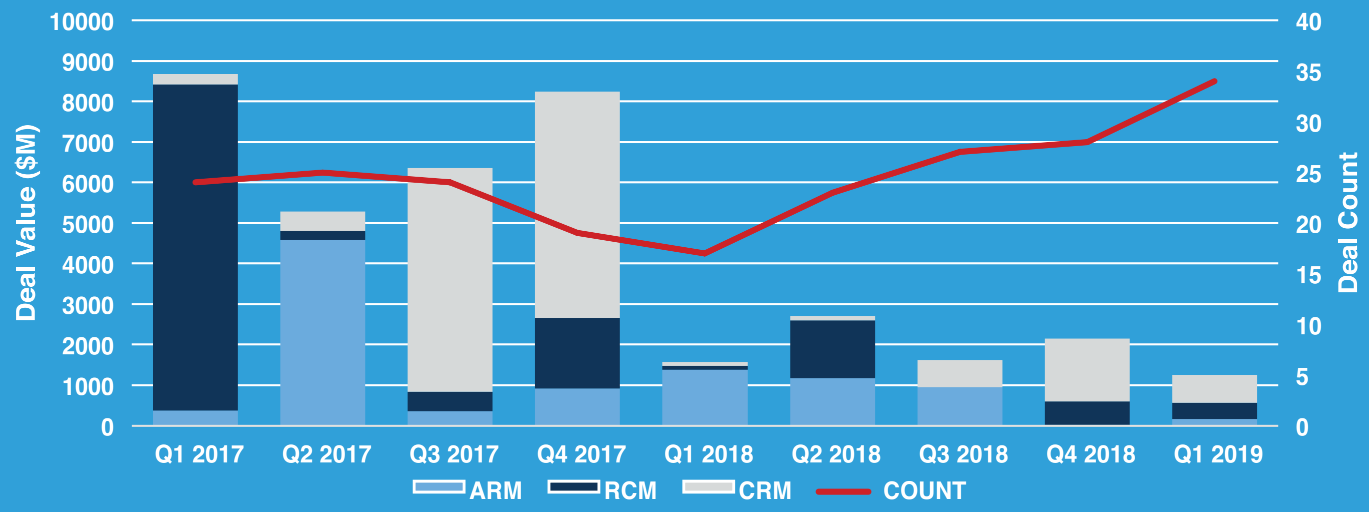
  AccountsRecovery.net | RepoPulse.com ℗ & © 2018 ARM M&A Deal Talk with Michael Lamm

- **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!

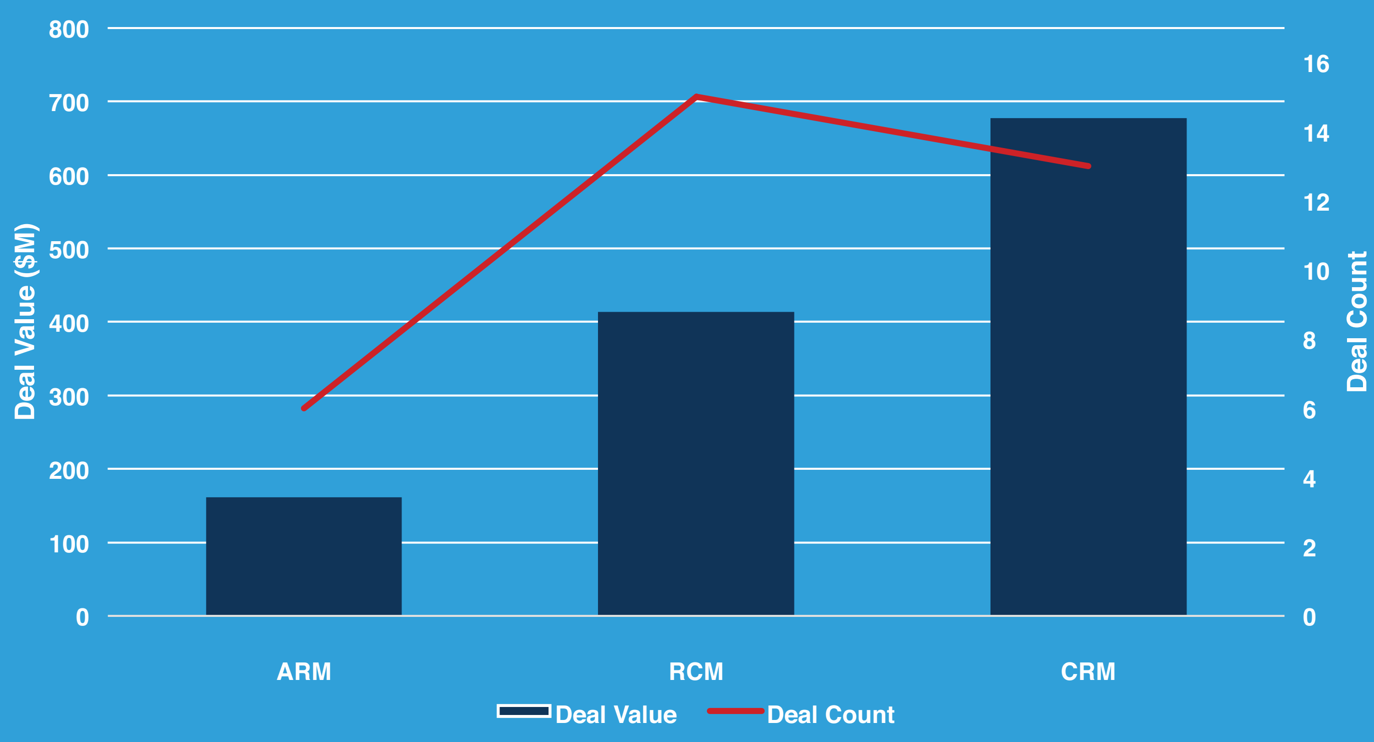
Here are some key highlights of what you will find in this newsletter

- 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.
- ARM Regulatory Update from CAS team member Elaine Rowley detailing the latest government news, regulation and compliance activities in the ARM sector.
- Meet CAS's new hires, Bishara Rahman and Drew Sacher.
- An article regarding the role of ethics in a Compliance Management System by legal expert Don Maurice.
- An informative article on data security from expert Shawn C. Corrigan.

Outsourced Business Services (OBS) Market Overview



Due to the impact technology has contributed to our coverage markets, CAS has begun to include technology service companies in Q1 2019 to our deal count as we believe they represent companies who perform similar functions as those we have represented in the past, but with the use of innovative technology.



Accounts Receivable Management (ARM)

The ARM Market completed 6 deals with a combined enterprise value of $161 million. Record debt levels and interest from financial buyers have driven M&A activity in the ARM market.

In previous issues of CAS Insights, we mentioned that an increase in demand for Payday loans has been trending particularly from Millennials and Gen Xers. The CFPB proposed to rescind mandatory underwriting provisions for Payday, Vehicle Title and other High-Cost Installment loans. The changes suggest retracting the need to inform borrowers that it is an unfair and abusive practice as well as repealing mandatory underwriting requirements. CAS believes this change in lending practices could lead to a lending bubble in the subprime market. As recent candidates for upcoming elections have expressed concern for consumer protection, this rule's chances of passing are subject to who wins the election in 2020 and their agenda.

According to the IRS, the average income tax return is nearly in line with last year's average return. Concerns rose earlier in the tax season when the Treasury Department reported that the average refund was down 8% compared to last year. This turnaround is a positive signal for ARM Service Providers because tax returns provide consumers with availability of cash that can be used to pay down delinquent debt. As a result, ARM Service Providers realize a "seasonality effect" and generate higher revenues in Q1 as compared to other quarters. It should be noted that less people are expected to receive a refund this year due to the changes in the tax code.

The NY Federal Reserve Bank shared that the total household debt balance rose for the 18th straight quarter to $13.54 trillion which is 6.9% or $869 billion above the Q3 2008 peak of $12.68 trillion. Home equity line of credit balances hit a 14 year low continuing their declining trend from 2009. Of the 19-year history of the data, auto loan origination hit an all-time high of $584 billion. The flow into 90+ day delinquencies has been trending upward for both credit card and auto loans since 2017 and 2012, respectively. Of the $630 billion delinquent debt, $416 billion is seriously delinquent. Lastly, consumer credit demand has fallen which has been indicated by the number of credit inquiries for the last six months reaching an all-time low in the data set.

The rise in overall debt is leading CAS to contemplate the possibility of potential bubbles in asset classes where debt levels are growing rapidly (student loans and auto), and an overall recession. Debt stimulates the economy today in the form of spending but comes with a cost (interest) in the future. Interest and loan payments limit a borrower's ability to spend in the future as their income will go to repaying their loan as opposed to spending. To increase spending, one must either get paid more by becoming more productive or borrow more and pay the cost in the future. Ray Dalio explains how the debt cycle eventually comes to a point where the benefit from borrowing (spending) is overcome by the interest payments and leads to a recession. Consumer spending made up 69% of U.S. GDP in 2018 which is why lowering spending can trigger a recession. CAS believes that the lending market may be reaching its peak. We will closely watch delinquency rates across several asset classes, inflation and wage growth as these numbers will explain the financial burden consumers are experiencing and when it will trigger a recession.

Consumer credit scores have been artificially inflated over the past decade according to Bloomberg. Common

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credit scoring metrics such as the FICO Score does not incorporate factors such as a strong economy; therefore, analysts at Goldman Sachs and Moody's believe that credit scores have been artificially inflated over the past decade. On a relative basis, a borrower with a 700 FICO Score today is riskier than someone with a 700 FICO Score in 2009. The issue here is that many underwriters have not adjusted their standards to the inflation in scores. In fact, they may have even loosened them in efforts to win credit worthy credit seekers due to fierce competition in the market for their business. Some analysts think this disconnect could lead to a steeper market correction than expected as signs of a recession continue to present themselves, such as an inverted yield curve.

The positive change in credit scores during the longest bull market in history helps explain why missed payments on auto loans have significantly risen in recent years despite low unemployment and increasing wages. In the past, people have paid their car payments ahead of credit cards or a mortgage mainly because a car plays a crucial role in everyday life. A car is also much easier to repossess than a home. We are now feeling the effects of the loosened standards and poor underwriting practices from 2011 to 2017; the tightened standards from 2017 onward likely won't be felt until next year Goldman Sachs says.

Fintech companies and banks have continued to provide more convenient options to consumers; however, the cost of convenience is often borne by the provider. For example, Venmo completes transactions such as money transfers for no cost to the user but pays the cost to process it. PayPal has struggled to make Venmo profitable for this reason. In efforts to control losses, Venmo recently said they would send their users who have delinquent balances to a collection agency.

The Fed is not predicting any rate hikes for 2019; President Trump has suggested to cut rates to stimulate the economy. As borrowing causes demand for accounts receivable to increase, management of those receivables also rises, driving ARM industry growth (IBIS World). With debt levels continuing to break new highs, this proposes opportunity for the ARM industry. More financial buyers are expressing an interest in ARM transactions as debt volumes increase and liquidations remain strong. Investors often look for inflection points in the market, and agencies are deploying increased marketing dollars now in anticipation of a recession in the future.

AT&T and Comcast announced a partnership to implement a new technology system that was prompted by the FCC called SHAKEN/STIR. The technology will be used to combat spoofing by the caller's network authenticating an outbound call and the receiver having the ability to verify it. They expect the new technology to roll out in this year and in 2020. ARM companies are having a more difficult time contacting consumers now with the rise of robocalling and call spoofing.

Notable 2019 ARM Transactions

- Transworld Systems announced a definitive agreement to acquire Altisource's Financial Service business, pending approvals
- PRA acquired Resurgent Holdings Canadian entity
- Metropolitan Credit Adjusters Acquired division of Access Credit
- Nonantum Capital Partners Acquired ProVest Services LLC

ARM Public Comparables:

Analysis of Selected Publicly Traded Accounts Receivable Management (ARM) Companies
($ In Millions)
All Data as of 3/31/2019

Company Name	Ticker	Price	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	2.8	501.6	507.1	482.4	134.4	40.0	1.05x	3.77x	12.69x
Collection House Limited (3)	ASX:CLH	0.9	125.9	192.2	97.5	31.9	19.7	1.97x	6.03x	9.75x
Credit Corp Group Limited (3)	ASX:CCP	15.7	749.4	787.0	222.2	80.0	49.8	3.54x	9.83x	15.80x
Encore Capital Group	ECPG	27.2	841.0	4,175.9	1,362.0	412.4	115.9	3.07x	10.13x	36.03x
Intrum Justitia (3)	STO:INTRUM	28.7	3,771.5	7,651.8	1,530.0	507.1	223.7	5.00x	15.09x	34.21x
Performant Financial Group	PFMT	2.1	109.7	147.6	155.7	8.4	-8.0	0.95x	17.49x	--
PRA Group	PRAA	26.8	1,215.2	3,708.0	874.8	222.1	65.6	4.24x	16.70x	56.56x
Mean (ARM)			1,044.9	2,452.8	674.9	199.5	72.4	2.83x	11.29x	27.51x
Median (ARM)			749.4	787.0	482.4	134.4	49.8	3.07x	10.13x	25.00x

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) - Converted to USD from Pitchbook using exchange rate as of 3/31/2019
(4) - Information not available for certain businesses

Source: PitchBook

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Customer Relationship Management (CRM)

The Customer Relationship Management (CRM) Market completed 13 deals with a combined enterprise value of $677 million. M&A activity was driven by technology and strong consumer demand for increased capabilities.

More CRM companies are tapping into artificial intelligence solutions to streamline their service offerings, and to potentially mitigate regulatory concerns going forward. A few options in this growing technology consist of text and email communications, hosted interactive voice responses, and website interactions. Businesses who are in the market for CRM solutions have changed over time due to an increase in technical literacy and interest in products more specific to their business. Tailored and customizable CRM solutions providers will lead the next wave of CRM implementation.

Saleforce's Einstein is one of the markets leading providers of conversational AI powered CRM solutions. After a meeting, one can speak into a mobile phone and the system will extract and enter all the data one shares, analyze it and help one make decisions on it. The system can help identify patterns such as when leads will convert to sales and emails that will be effective before even sending. This trend is expected to continue removing manual data entry and implementing a conversational element to CRM for better management of relationships.

Internet of Things (IoT) in CRM is the future of customer service. Customer expectations are high and will continue to rise as technology provides added speed and convenience. There is a very close relationship between smart devices and CRM. As an example, a company sells a device, it is then logged into the CRM database. A month later, the device is not working properly so it sends a signal to the CRM database, and the CRM company automatically reaches out providing customer service. The better connection, the better the service and as IoT grows, so does the potential for better CRM.

In today's world, there are many channels to get in contact with someone. Methods in the past, such as a phone call, may have been the primary medium of contact then, however those same methods do not necessarily apply today. For example, 10 years ago, if you needed to get in contact with a customer service agent, you would pick up the phone, call, and get the issue resolved. Today, that may take longer than going onto the website and accessing a live chat bot, or communicating directly with customer support through social media channels like Facebook and Twitter. Additionally, Progressive Web Apps (PWAs) allow people to experience the benefits of an app without installing it right in a web browser. Companies like Alibaba, Forbes, Fandango and Twitter have seen great results from incorporating PWAs to their site. As a result, demand for web developers has increased.

A great way for a company to upgrade their technology without making a large investment in physical assets is through the cloud. Technology continues to be a differentiator for companies and provides access to information

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from anywhere you go. With this comes a massive security risk. Blockchain has made huge strides with this issue because it is a decentralized entity. Many current issues with security and CRM arise from centralized systems and thus, have an inherent single point of failure. Amazon Web Services is one of the leaders in accessible and secure cloud services.

Much of the CRM process involves data entry and other mundane tasks that can be automated with Robotic Process Automation (RPA). Such technology is also capable of performing calculations, generating reports and analyzing the information in the database. BPO providers should be ready to provide RPA along with their intelligent business process solutions suites.

Notable Transactions

- Skyview Capital Acquired Select Customer Care Assets from Conduent (NYSE: CNDT) to form Continuum Global Solutions (Continuum)
- Transcom completes acquisition of TMS connected!
- FrontdeskAI received seed funding from Pi Ventures

CRM Public Comparables:

Analysis of Selected Publicly Traded Customer Relationship Management (CRM) Companies
($ In Millions)
All Data as of 3/31/2019

Company Name	Ticker	Price	Market Cap (1)	TEV (2) (4)	LTM Revenue	LTM EBITDA (4)	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Atento SA	ATTO	3.6	272.2	607.0	1,818.2	153.7	18.5	0.33x	3.95x	32.74x
Genpact Ltd.	G	35.2	6,665.1	7,609.1	3,000.8	502.9	282.0	2.54x	15.13x	26.98x
StarTek, Inc.	SRT	7.9	295.8	507.4	420.3	12.0	-24.3	1.21x	42.24x	--
Sykes Enterprises. Incorporated	SYKE	28.3	1,209.7	1,171.6	1,625.7	134.3	48.9	0.72x	8.72x	23.95x
Teleperformace SE (3)	PAR:TEP	179.9	10,345.8	12,764.0	5,240.7	861.4	368.2	2.44x	14.82x	34.67x
TTEC, Inc. *(Formally TeleTech Holdings)*	TTEC	36.2	1,674.2	1,885.6	1,509.2	149.6	35.8	1.25x	12.60x	52.65x
WNS Global Services	WNS	53.3	2,661.9	2,592.4	801.3	163.7	100.3	3.24x	15.83x	25.86x
Mean (CRM)			3,410.5	4,090.8	2,269.1	302.3	121.5	1.41x	16.24x	34.20x
Median (CRM)			1,442.0	1,528.6	1,721.9	151.6	42.4	1.23x	13.71x	32.74x

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(4) - Information not available for certain businesses

Source: PitchBook

Revenue Cycle Management (RCM)

The Healthcare Revenue Cycle Management (RCM) services market completed 15 deals with a combined enterprise value of $413 million. Transactions were driven by pressure to lower costs, the shift to a value-based care model and technology offerings.

The decision-making process for the way consumers utilize healthcare has significantly shifted. This is primarily driven by two factors: the shift from a fee for service model to a value-based model, and the financial burden from high-deductible and health savings plans. The focus on value-based care models that incorporate patient outreach and engagement need to be timely, relevant and proactive. When people set up appointments, view results and other health records online, they are more likely to stay involved and pay bills. This, in turn, reduces re-admissions. Cost, quality, and convenience improvements are expected to be the results of the shift in models.

The Affordable Care Act has pushed for efficiency which has supported heightened M&A and investment in technology to lower healthcare costs, engage the consumer and encourage financial transparency. Rate of payment tends to improve when the healthcare model is more retail like. Larger health systems have credit status and balance sheet strength to make investments and trim costs – small players will continue to struggle. Deals are still subject to antitrust scrutiny despite the proforma benefits expected for the combining companies. Government sponsored care is exploring ways to bridge care gaps to improve outcomes for high-risk chronic members with the help of data analytics (Wells Fargo).

PE investment is expected to remain strong in the healthcare industry. Strong demand has come from financial buyers who are looking to either purchase a platform business or an add-on for one of their portfolio companies in the third party outsourced solutions arena. Rapid growth of this subset of healthcare companies is contributing to efficiency and profitability, attracting PE investors and driving M&A. Consolidation in the healthcare provider market and tougher competition for smaller privately-owned companies is making a roll-up strategy more appealing. Healthcare RCM combined with patient engagement platforms are amongst the most sought-after additions. PE firms are targeting faster growing companies; 68.1% of PE firms expect portfolio company revenue growth above 10% in the next 12 months following the buyout (Pitchbook 2018 Annual Global PE Deal Multiples).

Fitch Ratings has a negative outlook for not for profit hospitals in 2019 – due in part to Medicare's growing share of the payer mix. Out-of-pocket expenses are forecasted to grow 4.8% per year from now to 2027 which will make up about 10%, or $6 trillion, of all healthcare expenditures. On a per-capita basis, out-of-pocket payments are currently $1,115 compared to $991 per person in 2011. That number is expected to increase to $1,661 by 2027. The added financial burden on patients and the rise of consumerism in the healthcare industry must be understood. Therefore, RCM providers are pushing to engage patients early on and throughout the entire treatment cycle to ensure health systems recover out-of-pocket expenses.

Prescreening, eligibility, verification, pre-pay estimators, payment plans and appointment setting technology have all contributed to improved transparency, collection rates and reduced denials. Investment either organically or

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through acquisition in these areas is expected to increase as pressure intensifies to reduce costs. Based on conversations in the local provider market, hospital systems are organically improving the patient experience through data analytics, artificial intelligence and machine learning.

Due to the increased complication of regulation and alternative payment models in recent years, 80% of hospital leaders from a Black Book survey are vetting or considering outsourcing full revenue cycle management by 2019. These factors make it more difficult for RCM companies to compete in the space that are not full service. In 2018, 18% of hospitals implemented a full RCM outsourcing project compared to 11% three years ago.

Cloud based RCM platforms are expected to continue to grow in popularity. Such services are expected to continue to consolidate and provide a suite of RCM from the cloud. Industry analysts estimate one third of the revenue cycle can be automated. Robotic Process Automation (RPA) has continued to be implemented in health systems due to the repetitive data entry nature of the work. It is believed RPA can do it quicker, and more accurately than a human can. The cloud allows companies to access the benefits that technology has to offer without a large investment in technology.

The medical billing outsource market is expected to reach $16.9 billion by 2021. Natural Language Processing (NLP) and Machine Learning (ML) are being used by big players to recognize and extract data from medical documents without the intervention of a human. Senior Vice President of RevWorks at Cerner, Jeff Hurst, told Healthcare IT News, "Leveraging AI, healthcare technology will be positioned to further the work to reduce the cost to collect in registration, scheduling, charge capture, health information management, and billing and collections."

Notable Healthcare RCM Transactions

- Kriya Capital Acquired Mississippi based Receivable Solutions Specialist Inc.
- RCM Brain received funding from an individual Angel Investor
- Zoll Acquired Golden Hour

RCM Public Comparables:

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

All Data as of 3/31/2019

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	29.6	2,524.9	2,586.0	598.3	120.8	55.0	4.32x	21.40x	47.03x
Allscripts Healthcare Solutions, Inc.	MDRX	9.5	1,634.5	2,158.9	1,750.0	256.4	412.3	1.23x	8.42x	5.24x
Cerner Corporation	CERN	57.2	18,556.7	18,225.0	5,366.3	1,417.2	630.1	3.40x	12.86x	28.93x
Huron Consulting Group Inc.	HURN	47.2	1,080.4	1,344.3	878.0	83.5	13.6	1.53x	16.09x	98.51x
Nextgen Healthcare Inc.	NASDAQ:NXGN	16.8	1,088.8	1,086.9	530.2	48.7	9.5	2.05x	22.30x	114.18x
Mean (RCM)			4,977.1	5,080.2	1,824.5	385.3	224.1	2.51x	16.22x	58.78x
Median (RCM)			1,634.5	2,158.9	878.0	120.8	55.0	2.05x	16.09x	47.03x

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Source: PitchBook

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Specialty Finance/Debt Settlement – Gearing Up For a Recession

Distressed consumers essentially have 2 options when facing a financial disaster: bankruptcy or debt settlement. Option one, bankruptcy, can seriously impact one's credit score for seven years. Option two, debt settlement, can result in a paid in full or settled in full mark on one's credit score which is favorable compared to bankruptcy. Negotiations with creditors can sometimes take years which makes entry into this market attractive in anticipation of a market recession.

As consumer debts levels continue to inch higher and concerns spread of slowing economic growth, the debt settlement industry becomes positioned well for growth. Over the past three decades, the debt settlement industry has been correlated with consumer debt levels. CAS has received interest and requests for insight in this market from financial buyers as they gear up to view recession resistant and counter cyclical industries.

Debt settlement companies have been ramping up their marketing efforts in prospect of a market correction. Late night ads and targeted search engine ads have been effective channels in reaching those experiencing financial hardship because they often have trouble sleeping while under financial stress or search "how to get out of debt", for example. This increased marketing deployment now is expected to result in profitability during a recession as those costs will decrease and client volume and fees will increase.

Numerous fintech and alternative lending groups have distanced themselves from using traditional lending metrics like the FICO Score, and instead, are using their own in-house scoring methods which include data points such as education level, amongst many others, with the use of AI and machine learning. Online alternative lending companies such as Lending Club (NYSE: LC) showed signs of caution in their 2019 projections. Although they do not provide loans, they simply connect credit seekers with capital providers and charge a fee, Lending Club has gotten more stringent with their credit standards on their platform.

Consumer data is extremely sensitive and valuable that must be protected with regard. Large banks, insurance companies, and payment processors such as Wordplay, who recently entered an agreement to merge with Fidelity National Information Systems (FIS), use Featurespace's ARIC platform to prevent fraud, improve efficiency and reduce false positives. The system detects and blocks fraud by continuously responding to new consumer data to self-learn all in real time. As mentioned in previous editions of this newsletter, investment in technology to safeguard customer data and prevent fraud is expected to continue to increase; Featurespace is a good example of a leading company in the space who provides such technology.

Regional banks and credit unions have gained deposits after the Great Recession due to a low level of trust in big banks. In that time frame, big banks have built, bought, invested in and partnered with technology companies to win back market share through digital offerings targeting millennials; and it has been working. BB&T Corp. and SunTrust Banks Inc. struck a deal in February, the largest U.S. bank merger since the financial crisis. The deal was primarily driven to compete with big banks for deposits and technology. Four days later, Morgan Stanley announced they would acquire Solium Capital for $900 million. This is another example of how big banks are

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seeking to build relationships with young individuals. In this case they are targeting soon to be wealthy individuals with stock plans for their wealth management business, and startup companies their investment bankers are eager to take public. Through Solium's 3,000 corporate clients, Morgan Stanley will be well positioned to get that business. These events could lead to more M&A activity in the banking industry.

The two biggest credit card companies in the U.S., Visa Inc. and Mastercard Inc., are increasing fees in April. When this happens, retailers often increase prices to protect their profits. This increase in fees is expected to cost U.S. merchants $570 million through April 2020

There are publicly traded companies that are on the forefront of using data to influence financial decisions. CoreLogic (NYSE: CLGX) recently released a new Verification of Employment and Income product. We expect this trend to continue as the accessibility of data becomes more fluid.

Student loans are a growing problem, but Purdue University believes they have come up with a breakthrough model, or at least provide an alternative way to pay for an education. Instead of taking out loans, the student would agree to an income sharing agreement where they would pay back a portion of his or her income for a set period after they graduate. In a traditional model, the lender is taking a big risk that the student will land a job, and one that will afford the loan payments plus interest payments which kick in no matter if or what job the graduate gets. In Purdue's model, if you aren't working, you don't pay and the less you make the less you are required to pay.

Notable Specialty Finance Transactions

- FIS to acquire Wordplay
- Fiserv to buy First Data
- Morgan Stanley to buy Solium Capital
- BB&T to buy SunTrust

Specialty Finance Public Comparables:

Analysis of Selected Publicly Traded Specialty Finance Companies
($ In Millions)
All Data as of 3/31/2019

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
LendingClub Corporation [4]	LC	3.1	1,328.0	--	694.8	--	-128.3	0.52x	--	--
Navient Solutions Inc. [4]	NAVI	11.6	2,828.9	--	1,942.0	--	395.0	0.69x	--	0.14x
OneMain Holdings, Inc. [4]	OMF	31.8	4,317.7	--	3,366.0	--	447.0	0.78x	--	0.10x
Credit Acceptance Corp.	CACC	451.9	8,487.4	12,224.0	1,285.8	931.2	574.0	9.51x	13.13x	21.30x
Mean (Specialty Finance)			4,240.5	12,224.0	1,822.2	931.2	321.9	2.87x	13.13x	7.18x
Median (Specialty Finance)			3,573.3	12,224.0	1,613.9	931.2	421.0	0.73x	13.13x	0.14x

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.

California Population Migration Indicates Power of Corporate Site Selection Strategies

California loses companies that are relocating to areas with better business climates and costs of living. Learn what states benefit from this migration.

Largest Economic Incentive Deals of First Quarter 2019

451 deals were announced with economic incentives of approximately $1.19 billion. Learn more about these projects.

Call Center Saturation Report Identifies Most Saturated Call Center Labor Markets

Call center saturation impacts the performance and profitability of call centers due to employee attrition, wage inflation and labor quality decline. Learn which metro areas are the most saturated.

Top Mistakes Manufacturers Make in the Site Selection Process

Site Selection Group identifies the top mistakes manufacturing companies make during the site selection process. Learn how to avoid these pitfalls.

Workforce Trends of 2019 Impacting Distribution Center Site Selection Strategies

Optimizing the final delivery process is essential for distribution center operators. Learn how that varies by the complexity of the logistics network

Sale Leasebacks in the Data Center World and Their Importance

Enterprise corporations are exploring sale-leasebacks both as a solution to upgrading their IT needs and divesting non-core assets. Learn why these sale-leasebacks are in an opportune time in data center site selection.

Site Selection Group™
Strategic Location Solutions

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 ARM sector oversight. Your comments and suggestions are welcome!

- **Notice of Proposed Rulemaking**

The Bureau of Consumer Financial Protection (BCFP or CFPB) has been engaged in research and pre-rulemaking activities regarding debt collection practices and has received encouragement from industry and consumer groups to engage in rulemaking to address how the 40-year old Fair Debt Collection Practices Act (FDCPA) applies to modern collection practices.

In July 2016, the Bureau released an outline of proposals under consideration concerning practices by companies that are debt collectors under the FDCPA, in advance of convening a panel in August 2016, under the Small Business Regulatory Enforcement Fairness Act in conjunction with the Office of Management and Budget and the Small Business Administration's Chief Counsel for Advocacy to consult with representatives of small businesses that might be affected by the rulemaking. The Bureau expects to issue a Notice of Proposed Rulemaking addressing such issues as communication practices and consumer disclosures by Spring 2019. *Source: BCFP*

- In her first public speech as director of the Consumer Financial Protection Bureau, **Kathy Kraninger** said the agency would focus on supervising and working with financial institutions on protecting consumers, rather than enforcing laws against them.

Kraninger announced Wednesday that the CFPB would soon propose rules to update one of the nation's older consumer protection statutes, which prohibits abusive practices from debt collectors. One proposal would be a clear limit on the number of phone calls per week debt collectors could make.

The CFPB director also said the agency would launch a symposia series to engage stakeholders on issues at the bureau, starting with one on clarifying the meaning of "abusive acts or practices" under the 2010 Dodd Frank Act. *Source: Roll Call*

BCFP Director Kathy Kraninger

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Federal Communications Commission (FCC)

See Comment Letter from ACA detail under Comment Letters.

Comment Letters

- On April 3rd, 2019, ACA International (ACA) CEO Mark Neeb submitted a comment letter to the House Committee on Appropriations, Subcommittee Chairman U.S. Rep. Mike Quigley, D-Ind., and Ranking Member U.S. Rep. Tom Graves, R-Ga., in advance of the House Subcommittee's FCC Oversight and Budget Hearing. *"ACA members are consumers, and like many consumers, greatly dislike illegal robocalls. These calls that are originated by bad actors, often overseas, as noted by Kevin Williamson in a recent National Review article, are extremely different than informational calls being made for legitimate business purposes such as debt collection calls".* Read full letter in link above "letter".

- On March 27, 2019, The American Financial Services Association (AFSA) submitted a comment letter to the U.S. Senate Committee on Banking, Housing, and Urban Affairs with regard to Fannie Mae and Freddie Mac (the GSE's), urging congress to adopt comprehensive GSE legislation. *"Any GSE reform effort must encompass the following three principles: preservation of consumer choice, access to consumer credit, and lender stability. In addition to those principles, GSE reform should include: the recapitalization of Fannie Mae and Freddie Mac, a federal backstop of qualified GSE loans, G-fee parity, and an extension of the Qualified Mortgage (QM) patch."* Read the full letter here.

CAS has grown to include two new team members

Bishara Rahman joined the CAS team in January as a Marketing and Administrative Assistant, based in our Chevy Chase, Maryland office. Bishara has been a great addition to CAS, working diligently to keep our database up-to-date and getting Mark, Michael and our staff to meetings on time, keeping our social media fresh and helping us keep the CAS brand outfront in the market.

Bishara is a graduate of American University, with a degree in Communication: Visual Media and a minor in Justice Studies. She is a resident of Washington, D.C. and enjoys traveling, spending time with family and managing her own website dedicated to the latest in beauty products.

Drew Sacher joined CAS as an Analyst in our Philadelphia office in April 2019. A recent graduate of Drexel University in March 2019, Drew earned degrees in Economics and Finance.

In his spare time, Drew enjoys spending time with friends and family, going out to eat and relaxing on the beach. Drew originally hails from Southold, a small town situated on the North Fork of Long Island. He has lived in Philadelphia for over 4 years now. While even an Eagle's Superbowl win could not persuade him to forfeit his New York sports allegiances, he enjoys all aspects of Philly!

Corporate Advisory Solutions to Sponsor TEC Services Group Scholarship Program

TEC Services Group, Inc. is pleased to announce its annual Scholarship Program has returned for 2019. TEC is also excited to announce CAS as a sponsor of this year's program, which is now in its fourth year. The program is open to employees of the Accounts Receivable Management (ARM) industry and their dependent children. Selected participants will be awarded up to $1,000 in scholarship funds. Applicants are eligible to receive an award up to four times during the term of their undergraduate program.

TEC began the program in 2016 to promote continuing education for the ARM community and to recognize academic excellence in students. To be eligible to participate, applicants must be a United States citizen and will be required to participate in an essay, and have a record of academic achievement and community involvement.

For more information about the program or to request an application, please contact TEC directly at (941) 375-0300 or Scholarship@TECsg.com. **All applications and supporting materials must be received on or before May 31, 2019. Scholarship recipients will be announced in August 2019**.

Why Ethics Matters in Your Compliance Management System

Don Maurice, Partner, Maurice Wutscher LLP

A compliance management system allows your company to identify its compliance responsibilities, communicate those responsibilities to its employees and incorporate those responsibilities into its operations. It allows your company to review its operations to ensure the responsibilities are exercised and take corrective action when they are not.

For companies in the consumer financial services space, state and federal laws and regulations will typically provide the guidance needed to identify compliance responsibilities for consumer interactions. Training, auditing and board and management oversight also play significant roles. But the reality is that any compliance management system (CMS) is only as good as the totality of each member's desire to satisfy its expectations. Your CMS depends on every person having a desire to "do the right thing."

The Role of Ethics in a Compliance Management System

Ethics is the tool that helps your employees "do the right thing" so it should be an integral part of your CMS. A 2010 study by The Ethics Resource Center found that employees of companies with a strong ethics culture were 250 times less likely to engage in abusive behavior and more than 400 percent less likely to misrepresent facts. Companies with ethically strong cultures are more likely to get the job done the "right way" as opposed to getting it done at all costs, no matter what it takes.

Ethics training helps to provide context to the law and assists in understanding societal perceptions of certain behavior. By understanding these perceptions, the company can positively align itself and its conduct with these broader expectations. And, societal perceptions are important not only because they demonstrate that your company strives for "good" behavior, but also because they impacts how regulators, consumers and, in extreme cases, jurors and judges, view your company and its conduct.

Telephone calls to collect debt provide a good example. The federal Fair Debt Collection Practices Act (FDCPA) prohibits abusive or harassing conduct or "causing a telephone to ring or engaging any person in telephone conversation repeatedly or continuously with intent to annoy, abuse, or harass any person at the called number." You can set strict call limits as one way of complying, but you can and should consider the purpose of the call in the context of all the communications made. For example, if a call is made on day one and the consumer tells the collector they do not have a job and cannot pay the debt, some might question the true purpose of a collection call placed to the consumer a day later. While it may appear lawful to make the call, the frequency and context of the call might dictate otherwise.

This is why the presence of an ethics program is often seen by regulators as a necessity of an effective compliance management system. According to the Nov. 1, 2018 edition of the United States Sentencing Commission

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Using ethics to evaluate operations also allows your company to stay ahead of the "compliance curve." The law is dynamic. What may be compliant behavior today can later become violative because societal perceptions are changing faster than the letter of the law. And, the change can occur swiftly. In consumer debt collection this occurred in the context of "time barred debt," debt being collected after the expiration of the limitations period to file a lawsuit. Over the period of a few years, the standard shifted from the collection being permissible when no express threat of litigation was made, to being impermissible where such a threat is implied. And now, some argue the FDCPA is violated simply because the debt collector did not disclose to the consumer the debt's time-barred status, even though no explicit or implicit litigation threat was made.

More recently we are seeing such a dynamic in the collection and use of personal information, particularly where the personal information was not expressly regulated. Some well-known companies are bracing for significant fines and penalties, civil lawsuits and significant reputational harm stemming from practices that just a few years ago no one thought of as unlawful. A robust ethics program would have examined those practices and asked whether customers understood the nature of the information collected, how the information would be used and whether that collection and use comported with customers' and societal expectations, even if permissible under existing law. Such an evaluation might have nixed some of the practices now being scrutinized as unlawful.

Ethics Training and Resources

In 2013, Jan Stieger, Executive Director of Receivables Management Association International (RMAI), understanding the benefits of ethics training for RMAI members, asked if I could develop an ethics presentation for the debt buying industry. The financial services space did not, at the time, have a significant body of source materials, but it does today.

Of course, RMAI is an excellent resource for ethics training. Now in its sixth year, the course Ethics as the Cornerstone of a Compliance Management System explores the ethics of current topics impacting the consumer financial services industry. The course is available twice a year at RMAI conferences and RMAI webinars.

RMAI's Code of Ethics and the Society of Financial Services Professionals Code of Professional Responsibility provide excellent examples of ethics codes.

Ethics will make a difference for any compliance management system. It forces the evaluation of conduct not just by looking to statute or regulation, but against a broader backdrop of existing perceptions. In doing so, it helps to not only define risks, but instills your company's values in its employees and sensitizes them to the views of the general public. There is no better way to identify and control risk.

Don Maurice is a partner at Maurice Wutscher LLP representing the financial services industry in compliance matters, trials and appeals of individual and class actions with offices throughout the United States. Click here for full bio.

Don can be reached at (908) 237-4570 or dmaurice@mauricewutscher.com

Grow Company Revenue Through Data Security Compliance

Shawn C. Corrigan, President, Interactive Security

Gain a Competitive Edge with Data Security Compliance

The complexities of operating any organization can be quite daunting, especially considering today's technology-centric world. Data security and compliance against various industry standards/regulations has become a fundamental business requirement of operating an organization in any industry.

Fortunately, along with this new technology challenge of compliance, comes a new business opportunity and a meaningful competitive advantage for wise organizations. By adhering to certain data security best practices and having your organization audited and certified by a cybersecurity expert, new revenue growth can be realized with a huge return on investment. "Its an investment in time and money, but these (data security) compliance audits mean millions of dollars of revenue to my business." – CEO of a midsized client

What is Data Security Compliance?

Data security compliance is the process by which an organization is certified by an authorized auditor as meeting the requirements of a regulation or standard. Compliance standards are designed to provide a framework to help ensure a solid cybersecurity posture. A secure posture allows companies to keep sensitive data protected from being read, copied, changed, or deleted by cybercriminals. In other words, it provides a standard of best practices to help defend against a hacker looking for a way in to steal this sensitive data.

Modern organizations are aggressively investing in a few key data security compliance certifications – as a means of protecting and growing their business. With proven operational and technology controls and systems in place, these organizations are regarded as a superior vendor choice in the eyes of their customers and prospects.

Typically driven by the requirements of their customers, prospects and vendors – the most common data security compliance certifications sought by organizations today are:

PCI DSS

PCI DSS (Payment Card Industry Data Standard) is an information security standard for any company that accepts, processes or stores credit card information. This standard ensures that proper controls are in place to protect credit card transactions and that all payment information is accepted, processed, and stored in a secure ecosystem.

A Qualified Security Assessor (QSA) is a data security firm that is qualified by the PCI Council to perform PCI DSS assessments.

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The Assessor will:

- Verify all technical information given by merchant or service provider
- Use independent judgment to confirm the standard has been met
- Provide support and guidance during the compliance process
- Be onsite for the duration of the assessment as required
- Adhere to the PCI Data Security Standard Assessment Procedures
- Validate the scope of the assessment
- Evaluate compensating controls
- Produce the final Report on Compliance

ISO 27001

The ISO 27001 is an information security standard that helps organizations manage the security of assets such as financial information, intellectual property, employee details or information entrusted to them by third parties. Many organizations choose to implement the standard in order to benefit from the best practice it contains while others decide they also want to get certified to reassure customers and clients that its recommendations have been followed.

ISO 27001 is the best-known standard in the family providing requirements for an information security management system (ISMS). An ISMS is a systematic approach to managing sensitive company information so that it remains secure. It includes people, processes and IT systems by applying a risk management process.

The standard specifies a management system, which allows for all information security to be under management control. The requirements include:

- Examining an organization's information security risks in context with threats, vulnerabilities, and impacts
- Designing and initiating a comprehensive suite of controls and other forms of risk treatment, such as risk avoidance or risk transfer, to address any risks that are unacceptable
- Adopting a process that ensures all information security controls continue to meet the needs of the organization on an ongoing basis

HIPAA

HIPAA (Health Insurance Portability and Accountability Act) was established in 1996 to modernize the flow of healthcare information. Any company that has access to or uses personal healthcare information (PHI) must be HIPAA-compliant. For an many organizations, its critical to be HIPAA compliant in order to do business with customers in the healthcare or healthcare-related industry.

The HIPAA Privacy Rule addresses how PHI can be saved, assesses, and shared. For handling any PHI data, an organization must follow standards related to physical and technical safeguards. Audit reports and tracking logs

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are also necessary. Technical policies should be in place that cover integrity controls or measures that have been taken to ensure the data is not altered or destroyed. Finally, network security is another requirement of HIPAA, protecting against unauthorized public access of PHI.

HITRUST

The Health Information Trust Alliance (HITRUST) is a private company collaborating with healthcare, technology, and information security stakeholders to establish the Common Security Framework (CSF). HITRUST is a more formal standard with a certification aimed at protecting sensitive healthcare information. The CSF is an outline that any organization can use to create, access, store, or exchange sensitive data. This framework is flexible and an efficient way to meet regulatory compliance and risk management. Organizations can modify the CSF based on the type of organization, size, systems, and regulatory requirements.

Conclusion: Data Security Compliance - Clients Expect It

When an organization reflects on how to better position itself for winning new customers and retaining existing clients, it is quite important to understand that data security compliance is a real business requirement. Since customers are often highly regulated themselves, they've become very diligent about data security and thus are demanding their vendors prove compliance against various data security standards in order to protect their business. *In short, organizations that don't choose to embrace this trend, are choosing to be left behind by the competition in today's competitive business environment.*

Is it time to review your organization's data security compliance posture? If so, Interactive Security can help. Their experts can evaluate your systems and processes so that you'll understand any possible risks. Gain the competitive edge that compliance can bring!

Shawn C. Corrigan is the President and Founder of Interactive Security, a global company offering data security compliance auditing services for small to large companies - focused on making compliance obtainable, simple and affordable.

To get in touch with Shawn call 267-824-2500

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

RMB Inc.
WAS ACQUIRED BY
Wakefield & Associates
The undersigned initiated the transaction and served as M&A advisor to **RMB, Inc.**
CAS Corporate Advisory Solutions

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 StillPoint 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.**
CAS Corporate Advisory Solutions
(Securities conducted through StillPoint Capital Member FINRA/SIPC, Tampa, FL)

SRA Associates
WAS ACQUIRED BY
Global IT Sales
The undersigned initiated the transaction and served as M&A advisor to **SRA Associates, Inc.**
CAS Corporate Advisory Solutions
(Securities conducted through StillPoint Capital Member FINRA/SIPC, Tampa, FL)

Johnson Morgan & White — Never Settle for Less
HAS MERGED INTO
altus Global Trade Solutions
The undersigned initiated the transaction and served as M&A advisor to **Johnson, Morgan & White.**
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(Securities conducted through StillPoint Capital Member FINRA/SIPC, Tampa, FL)

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.**
CAS Corporate Advisory Solutions
(Securities conducted through StillPoint Capital Member FINRA/SIPC, Tampa, FL)

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

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

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
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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
The undersigned initiated the transaction and served as M&A advisor to **Altus Global Trade Solutions.**
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Vital Solutions
WAS ACQUIRED BY
Fusion
The undersigned initiated the transaction and served as M&A advisor to **Vital Solutions.**
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RentCollect Global — Debt Management Services
WAS ACQUIRED BY
Assurant
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 A.P.C. — A Professional Law Corporation
The undersigned served as advisor to **Patenaude & Felix, APC**
CAS Corporate Advisory Solutions

CREDITWATCH Services Ltd.
WAS ACQUIRED BY
CreditControl
The undersigned initiated the transaction and served as M&A advisor to **Creditwatch Services.**
CAS Corporate Advisory Solutions

SquareTwo Financial
The undersigned served as a strategic and valuation advisor to **SquareTwo Bank Group.**
CAS Corporate Advisory Solutions

** Includes only transactions that have been publicly announced*

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 to submit an article or advertisement.

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