CAS INSIGHTS

EXPERTS IN OUTSOURCED BUSINESS SERVICES

THE TECH TRANSFORMATION CONTINUES

SECOND QUARTER 2019

CAS
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INTEGRITY • CONFIDENTIALITY • EXPERIENCE

A WELCOME MESSAGE FROM MICHAEL LAMM

According to Mark Twain, among others, "*The best predictor of the future is the past*." Irrespective of the origination of the quote, if it is true, then CAS can look forward to a robust second half of 2019, as we have completed five M&A transactions during the first half, along with other valuation/market research/ consulting services, with many more in our pipeline. Increasing debt levels, private investment interest with a technology/service focus as well as the desire to scale operations globally, drove deals this quarter. The details of CAS M&A transactions are on the last page of this newsletter. Be mindful that not all transactions can be made public.

We continue to find an active M&A market in Tech Enabled Outsourced Business Services (OBS). The ARM Market completed 14 deals with a combined enterprise value of $957mm, the RCM Market completed 20 deals with a combined enterprise value of $3,715mm, and the CRM Market completed 14 deals with a combined enterprise value of $874mm. A more detailed analysis of market activity is in the newsletter, along with notable transactions, public comparables and an update on specialty finance.

When we are not closing deals, we are attending and speaking at conferences and webinars and recording podcasts. In April, Elaine Rowley and Mark Russell attended SpeechTEK in Washington, D.C. In May, I "jumped" Niagara Falls at The Canadian Society of Collection Agencies, and participated in a webinar through Lorman Education. You can obtain a recording of that webinar at a 50% discount on our website, under Resources, Merchandise. On July 10th, Joann Needleman of Clark Hill PLC, George Buck, President Emeritas, Frost-Arnett Company and I hosted a webinar: "*Costs to Implement and Operate Under the CFPB*." You can obtain a recording by submitting a request here. I also attended InsideARM's First Party Summit and the HFMA ANI, and attended and presented at the ACA International annual meeting. This week, Mark Russell is attending the RMAi Executive Retreat in Sedona, Arizona. Upcoming conferences and shows are listed in the newsletter. We publish two monthly podcasts and you can listen to one or all of them, for free, at any time. You can find these podcasts on our website, ARM M&A Deal Talk with Michael Lamm and Leadership Fuel with Michael Lamm.

We did take a break from closing deals, attending conferences and recording podcasts to organize a summer outing in Washington, D.C. CAS team members enjoyed a round trip boat tour from Georgetown to Old Town Alexandria, without getting stranded on a desert island. Later that day, we attended a Second City Comedy Troupe performance at the Kennedy Center. Predictably, the players presented a comical take on the current state of America. We had such a blast on this excursion, we scheduled a second outing for the Fall. All but two team members have signed up for a Philadelphia Tough Mudder! The two holdouts will hold coats, bags and yell encouragement. This will be the second fitness related event we participate in this year, which is about right considering the high level of activity in the M&A market. We will report back in our 3rd quarter newsletter!

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From left to right: Mike Likogiannis, Nick Ciabattone, Mark Russell, Elaine Rowley, Michael Lamm, Lauren Cha, Bishara Rahman, Mickey Kaiser and Drew Sacher.

Look for details and statistics for the ARM, CRM, RCM and Specialty Finance markets, informative articles and a regulatory update in this newsletter. 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,

Michael Lamm

Michael Lamm
Managing Partner
Cell: 202-904-7192

Special Note to ARM Industry Participants:

If you plan to submit a comment letter to the Consumer Financial Protection Bureau (CFPB), the due date is 11:59 p.m. August 19th, 2019. Instructions for filing your letter via Regulations.gov can be found here. While the proposed legislation is mostly positive for the debt collection industry, we are concerned about any regulation that could negatively impact the industry's ability to perform the basic function of debt collection: collecting outstanding debt. Collecting debt is important for the individual, the debtor and the U.S. economy. Our business manager, Elaine Rowley, has been diligently preparing CAS' comment letter, with primary concerns being: call caps, more clarity around emails and text, allow skip tracing, suggested improvements of validation notice, and issues around the definition and limitations in the safe harbor section of the rule.

SELECT CAS CONFERENCE AND EVENT ACTIVITY

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

- **September 8 – 9, 2019: AFCC 2019 Fall Conference**
  - Encore at Wynn, Las Vegas, NV
  - Attended by Michael Lamm, who is also a speaker: Roundtable Sessions

AFCC American Fair Credit Council

To schedule an appointment with Michael, contact Elaine Rowley

- **September 18-19, 2019: PA AAHAM Keystone Chapter Meeting**
  - Hollywood Casino, Penn National Race Track, Grantville, PA
  - Attended by Michael Lamm

AAHAM American Association of Healthcare Administrative Management

To schedule an appointment with Michael, contact Elaine Rowley

- **October 2 – 4, 2019: HFMA – New Jersey Chapter**
  - Annual Institute Meeting, Borgata, Atlantic City, NJ
  - Attended by Michael Lamm

hfma™

To schedule an appointment with Michael, contact Elaine Rowley

- October 9-10, 2019: Becker's Hospital Review IT and RCM Conference
  - Hilton Dowtown Chicago
  - Attended by Michael Lamm and Mark Russell

BECKER'S HOSPITAL REVIEW

To schedule an appointment with Michael or Mark, contact Elaine Rowley

- October 22-23, 2019: ACG Philadelphia
  - Philadelphia Convention Center
  - Attended by Mark Russell and Nick Ciabattone

ACG® Philadelphia Association for Corporate Growth

To schedule an appointment with Mark or Nick, contact Elaine Rowley

- November 13 and 14, 2019, RMA Canada 2019 Conference
  - Downtown Hilton Hotel, Toronto
  - Attended by Michael Lamm, who is also a speaker: "Mergers & Acquistions"

RMA CANADA

To schedule an appointment with Michael, contact Elaine Rowley

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SELECT PODCAST ACTIVITY

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

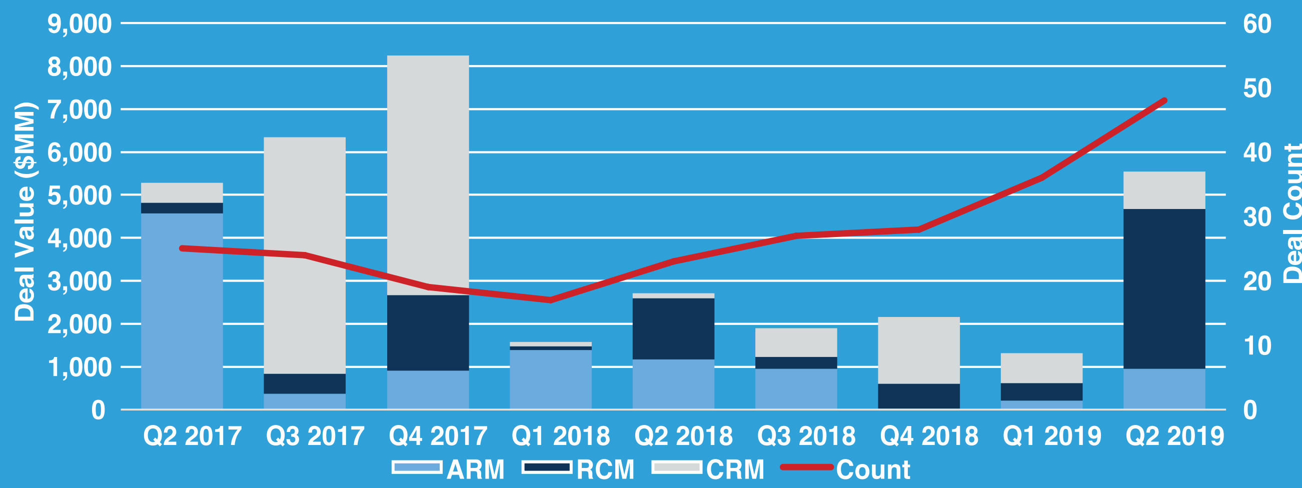
AccountsRecovery.net | RepoPulse.com ℗ & © 2018 ARM M&A Deal Talk with Michael Lamm

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

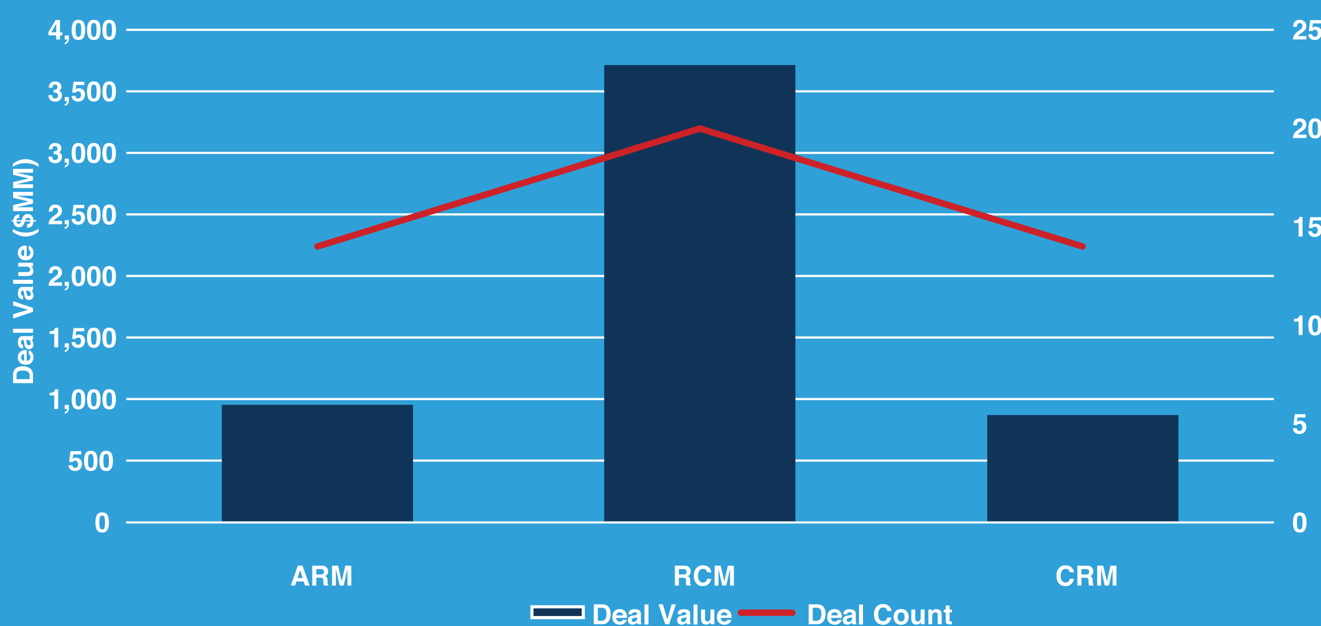
Here are some key highlights of what you will find in this newsletter

- 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 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.
- An article detailing *14 Steps to Increase the Probability of Achieving Targeted Returns on Your Acquisitions* by Laura Kellers Queen, EdD, Founder and CEO of 29 Bison, Human Capital Advisors for the middle market.
- An article describing *Cyber Due Diligence: What You Need to Consider Before a Merger or Acquisition* by Michael Abboud, Founder and CEO of TetherView, offering a comprehensive private cloud solution of security, storage and sharing.
- ARM Regulatory Resource
- Select CAS 2019 Transactions

Outsourced Business Services (OBS) Market Overview



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



Accounts Receivable Management (ARM)

The ARM Market completed 14 deals with a combined enterprise value of $957mm. Increasing debt levels, private investment interest and the desire to scale operations drove deals this quarter.

For almost 5 years straight, the total household debt has continued to rise and is now at an all-time high of $13.67 trillion, almost $1 trillion higher than the previous peak in 2008. This is also reflected in the increase of serious delinquent loans, leading to more debt purchases and collections by ARM service. Two of public debt collectors' financials show that their debt purchases rose 20-23% and collections increased 10-11% in 2018. Debt-collection lawsuits are also on the rise which, combined with supposedly more "aggressive" approaches applied by ARM service providers (such as collecting on time-barred debt), have caused the media to highlight this industry resurgence in a negative light. While the media and consumer advocates focus on the problems of the collections process, the industry appeals to look at the falling right-party contract rates and the lack of response from borrowers that pushes them to their last resort – lawsuits. Consumers owing larger amounts tend to be more reluctant to respond to ARM service providers as they know these providers have limited power over the collections. Deregulation across the American financial sector and increasing debt levels has allowed creditors to get more comfortable with pursuing a legal strategy which tends to extend the liquidation cycle.

We are experiencing the lowest unemployment rate in the past 30 years, scoring 3.7% in June 2019. This is good news for employees, but ARM service providers in particular are experiencing trouble hiring since there is more demand (jobs) than supply (people). It is becoming harder to find the right people for the jobs as the gap between employees' skill sets and their job is growing, and most importantly trying to hire good talent drives compensation higher which in return is putting more pressure on the employer. Outsourcing business services, such as contact centers, also suffer from this trend as it intensifies the competition for people and causes a surge in operating costs. For example, IBISWorld (2019) reports that ARM industry wages are expected to account for 41.6% of costs in 2019. There is a movement in the House Democrats to increase the federal minimum wage to $15/hour, which some groups worry will threaten jobs and small businesses. However, if employers in the outsourcing business can leverage what people value in their work including flexibility and productivity using the nature of contact centers, then they might be able to pivot this situation to their favor. Furthermore, automating and replacing some high-importance but low-value human tasks with the application of modern technology, such as using AI to streamline processes and reduce information/identity errors, ARM companies can achieve efficiency improvements in the labor force, and harness human resources effectively. Our previous CAS Insights from Q1 described the AT&T/Comcast partnership to implement new anti-robocalling technology ahead of anticipated FCC guidelines, which have now come to fruition in Q2 with the FCC declaratory ruling on June 6 allowing voice service providers to block illegal and "unwanted" calls. While this may come as good news for many consumers plagued by robocalls, the Association of Credit and Collection Professionals' (ACA) initial concerns about legitimate calls also being blocked– such as blocking genuine calls from legitimate ARM service providers trying to provide timely information to their consumers – are still warranted with the industry still uncertain on how to file complaints, appeals, and reviews of erroneous blocking. This concern is not unfounded with a recent benchmark study finding that nearly half of all sampled phone numbers were at risk of being improperly blocked.

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As ARM service providers utilize digital platforms to engage with consumers and collect payments, appropriate handling of data privacy is quickly becoming one of the most important issues in the industry. American Medical Collection Agency (AMCA) had a data breach that exposed the personal and sensitive information of almost 20 million consumers over an 8 month period between August 2018 to March 2019. The parent company of AMCA, Retrieval-Masters Creditors Bureau has recently filed for bankruptcy in June from losing business as result of the data breach. One study recently revealed that the average cost of a healthcare data breach is 60% higher than other sectors, typically around $6.5 million and the longtail costs of a data breach can last for years. The Equifax data breach which occurred in 2017 has also cost the company $700 million, including $425 million in consumer settlements in July this year. These cases show how important it is for ARM service providers to prioritize managing data security and not to overlook investing in digital security solutions.

Debt collection and the ARM industry have always played a crucial part in any credit ecosystem, however industry activities are often seen to create disagreement between the industry and consumer advocates. In an effort to balance consumer rights and servicers' limitations in the market, as well as to address the need for guidance in the application of modern communication technologies, the Consumer Financial Protection Bureau (CFPB) released its much-anticipated newly proposed rules to better implement the Fair Debt Collection Practices Act (FDCPA) which Congress passed more than four decades ago. The new guidelines limit the number of call attempts made by debt collectors and require them to disclose certain information about the debt and related consumer protections. It also clarifies how debt collectors can apply the correct usage of modern communication technologies including voicemails, emails, and text messages when communicating, which in turn provides a safe harbor for collectors. Although one-size-does-not-fit-all with these rules, CAS still believes that such boundaries for communication will provide new opportunities for collection and enable the ARM industry to utilize modern technology more effectively and efficiently in collecting activities without fear of litigation. The CFPB has also included the prohibition of filing or threatening to file a lawsuit on time-barred debts, which still leaves the ARM market with challenges around differences between debt types and state legislations that need to be reconciled in the future. It is important to remember that any newly proposed rules are unlikely to go into effect until late 2020 or early 2021, and service providers together with industry related institutions should continue to provide well-thought-out recommendations/comments during this period to balance the ruling in a way that most benefits the industry while protecting consumers. In addition, since this is not yet a final ruling, CAS expects there to be enough time for the industry to negotiate, adjust, and potentially meet in the middle on the new changes.

CFPB's role in overseeing student loan servicers has been under scrutiny. Six Democratic lawmakers including Sen. Elizabeth Warren sent a letter to the CFPB, expressing their concerns that the Bureau has been neglecting its supervisory and enforcement activities related to federal student loan servicers, and are demanding detailed answers to a series of questions regarding the Bureau's interventions in the Public Service Loan Forgiveness Program (PSLF). The PSLF was designed to forgive borrowers the remaining balance of the loan after 10 years of timely repayments for those working in public service, however 99% of the first borrowers to apply for forgiveness in 2017 were rejected by the Education Department (ED). Unforeseen rejections are attributed to misguided and incomplete advice given by loan servicers that resulted in borrowers making non-qualifying PSLF payments. A growing number of lawsuits against the servicers are being filed by regulators and advocacy groups. In responding to the letter sent by lawmakers, the CFPB has affirmed that it is staying vigilant in the area subject to its authority to ensure the compliance of the law, while also highlighting roadblocks preventing information collection from student loan servicers as the ED has been guiding servicers to not release information citing "privacy" concerns.

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The CECL (Current Expected Credit Losses) accounting standard introduced by the Financial Accounting Standards Board (FASB) will change how financial institutions account for expected credit losses. This new reporting standard will impact the return creditors get from selling paper and ultimately impact their decision on what to send to ARM service providers and what to sell to debt buyers. It has a focus on estimating expected losses over the lifetime of a loan, instead of the previous focus of incurred losses, to help ensure reserves are adjusted for future expected losses as realized during the 2008 financial crisis. The new standard introduces additional reporting burden for businesses in the financial services industry, requiring more granular data collection and more rigorous modelling to account for long-term forward-looking estimates instead of short-term historical trends. This is expected to have a significant impact on non-bank financial institutions such as ARM service providers. While the CECL standard is expected to take effect in January 2020 for major SEC filers, a recent FASB proposal will push back the dates for all other public businesses from January 2021 to January 2023, and for private companies and nonprofits from January 2022 to January 2023. This is due to the FASB recognizing that smaller companies require more time to prepare and learn for the upcoming implementations in large public companies. CAS expects this to positively impact the ARM industry by relieving some of the immediate pressure to comply with the obligations of the new accounting standards, allowing more opportunity to learn and refine from the public companies experiencing it first.

CAS has observed an increased number of consolidation activities during the last quarter. CAS observed 7 transactions in Q1 and 14 in Q2 of 2019. We believe there are a few factors driving this movement; strengthened regulation is causing greater compliance costs that smaller firms are more prone to feel the effect, larger firms are looking to diversify their portfolio whilst drawing interest from financial buyers as well, and greater leverage on IT systems in larger firms is lowering the overall cost of IT, allowing the industry to pivot to more tech-enabled services. As the debt market is growing, new market entrants have been noticed too. With consistently active consolidations expected to take place over the next five years, the number of large ARM service providers are also expected to rise.

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Company	Description	Recent News/Trend
TrueAccord	TrueAccord is an automated debt recovery platform that bridges the gap between the creditor and those in debt, using a machine learning platform that adapts to consumer behavior with personalized and empathetic communications to deliver the right payment option at the right time and on the right channel.	TrueAccord continues with their goal of disrupting debt collection with AI, transparency, and most importantly – empathy, and has been vocal in applauding recent changes to Fair Debt Collection Practices Act (FDCPA) that are recognizing changes to allow modern communication channels to contact those in debt about collections.
solutions by text	Solutions by Text (a division of Marketing Response Solutions, LLC) has a focus on delivering critical information in an SMS format Worldwide, using proprietary software designed to adhere to worldwide regulations in the mobile phone industry.	Solutions by Text have also been praising the recent CFPB changes to the Fair Debt Collection Practices Act (FDCPA), as it now offers new opportunities for debt collectors to communicate even make payments over text message.
firstsource	Firstsource Solutions Limited, headquartered in India, provides business process outsourcing services in banking, financial, customer, telecom, media, and healthcare sectors. Firstsource Advantage developed an AI based collections platform to identify consumers who are most likely to pay.	Firstsource recently made headlines by announcing their new Managing Director and CEO, Vipul Khanna, who was previously the Global Head of Digital Operations for Cognizant. This demonstrates a deep tech-driven BPM approach with an expectation to increase their digital services revenue from 9% to 20% within the next two years.
edgeverve An Infosys company	EdgeVerve is a wholly-owned subsidiary of Infosys offering enterprise software platforms and solutions on Robotic Process Automation (RPA), Artificial Intelligence (AI) and Banking.	By using AI and machine learning, EdgeVerve have recently launched CollectEdge, a new solution to help lending organizations reduce delinquency rates, boost recoveries, improve operational efficiencies and enhance customer experience with data-driven risk segmentation models.

Notable Transactions

- Incline Equity Partners acquired Brown & Joseph
- Trivest Partners recapitalized AG Adjustments
- CAS served as the exclusive M&A advisor to Windham Professionals, Inc. (WPI) in its acquisition of Allen, Maxwell & Silver, Inc. (AMS)
- CAS served as the exclusive M&A advisor to NCC Business Services on its sale to Transworld Systems Inc. (TSI)

ARM Public Comparables:

Analysis of Selected Publicly Traded Accounts Receivable Management (ARM) Companies
($ In Millions)
All Data as of 6/30/2019

Company Name	Ticker	Price Per Share	Market Cap (1)	TEV (2) (4)	LTM Revenue	LTM EBITDA (4)	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Arrow Global Group, PLC (3)	LON:ARW	$2.88	508.8	513.8	487.3	152.6	61.3	1.05x	3.37x	8.38x
Collection House Limited (3)	ASX:CLH	$0.85	116.8	183.1	97.5	31.9	19.7	1.88x	5.74x	9.29x
Credit Corp Group Limited (3)	ASX:CCP	$18.57	886.1	923.7	222.2	80.0	49.8	4.16x	11.54x	18.55x
Encore Capital Group	ECPG	$33.87	1,048.8	4,476.9	1,382.3	429.1	143.3	3.24x	10.43x	31.24x
Intrum (3)	STO:INTRUM	$25.70	3,373.8	8,082.7	1,561.1	589.9	256.4	5.18x	13.70x	31.52x
Performant Financial Group	PFMT	$1.05	55.8	105.9	133.5	--	--	0.79x	--	--
PRA Group	PRAA	$28.14	1,277.1	3,886.2	891.4	217.2	59.7	4.36x	17.89x	65.11x
Mean (ARM)			1,038.2	2,596.1	682.2	250.1	98.4	2.95x	10.45x	27.35x
Median (ARM)			886.1	923.7	487.3	184.9	60.5	3.24x	10.99x	24.89x

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 6/30/2019
(4) - Information not available for certain businesses

Source: PitchBook

Customer Relationship Management (CRM)

The CRM Market completed 14 deals with a combined enterprise value of $874mm. M&A activity was driven by strong consumer competition and company's initiatives to increase customer satisfaction.

In today's modern age, having technology to communicate with consumers on multi-channel platforms has provided businesses with expanded opportunity to reach their customers. Conversely, consumers equally expect instant feedback and 24/7 communication availability, placing greater emphasis on employing streamlined customer service and business process for companies using the latest technology. Chatbots and virtual assistants offer new ways for businesses to offload burden and ease bottlenecks on customer communication channels. Chatbots – powered with AI and backed with CRM for critical customer context and history – have been shown to increase customer satisfaction and productivity by minimizing response times, providing highly personalized answers, and in turn lead to increased sales conversions. Taking Chatbots beyond simple decision trees and into contextual conversations was a driver behind Conversocial, a top bot for Salesforce, recently acquiring Assist to enable more sophisticated and conversational language exchanges for their customers.

While other digital channels to connect with consumers are becoming more prevalent in the market, phone calls are still the most widely used communication medium. However, the level of spoofed calls and unwanted robocalls is causing even legitimate calls to go unanswered, directly connecting to a decrease of customer satisfaction and potential sales, not to mention increased business costs from focusing more resources towards reaching their customers. Just recently, the Senate approved the TRACED act, which aims to provide the FCC with more power to deter and fine illegal robocallers and for carriers to adopt call authentication technology. In the meantime, outbound dialers are now turning to intelligence on consumer telecommunication behavior and equipping them with dependable call blocking/erroneous spam-mislabeling solutions in order to overturn the down trending call answer rates. By integrating with CRM that provides and applies intelligence on the best option for communicating with their clients – such as who, when, and how – proper call ID optimization and branded call displays are enabling regained consumer trust on the phone channel for communications. Another example of organizations becoming more strategic in providing solutions to the market in an ever-shifting regulatory environment is the announcement of the partnership between TCN (a leading provider of BPO contact centers) and Numeracle (a robocall blocking and labeling visibility company) to safeguard legitimate calls together from incorrect labeling as fraud or scam. By adding and enhancing transparency of legal callers on top of a streamlined BPO process, this movement is expected to assist companies with transparent and compliant communication channels.

As one of the leaders in CRM and business process outsourcing services providers, Atento (NYSE: ATTO) deployed a project to train 50 of their customer relationship agents on Robotic Process Automation (RPA). RPA has been shown to reduce cost and errors, and improve efficiency when used in services and in the back office. By combining technology and talent, the company plans to leverage the knowledge of their expert CRM agents with continued training on programming and automation to offer new automation services in the CRM market, helping companies gain a competitive edge in the digital age.

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IVR (Interactive Voice Response), commonly used in telephone automation menus with customers using their number pad or speech recognition to navigate a phone menu, is another technology that has been receiving a renewed interest with AI and CRM integration. While IVR itself is not new, using CRM and AI to tackle some of the traditional IVR challenges such as unclear navigation, needing to repeat details that were already provided, and virtual agents that cannot solve the issue at hand has renewed market interest in this area. Research firm Grand View Research estimated that the market for contact center software such as IVR and CRM was valued at $16.3 billion in 2018, and is expected to reach $47.8 billion by 2025 – although it is noted that continued investment in AI training is crucial to successfully leverage the benefits of machine learning, requiring the expertise of human workers to help with the accuracy.

After introducing the concept last year, Salesforce has now announced an expansion of their Customer Data Platform (CDP) that aims to bring a 360 view of a single customer by unifying separate systems and apps with a related Customer ID. The next generation of this technology will include Data Unification and Consent Management to create profiles of consumers across cookies, emails, and more to track consent and engagement; Advanced Audience Segmentation based on real-time demographics, engagement history, and interactions; Personalized Engagement Everywhere, where individualized communications are seamlessly activated across multiple channels such as ads, email, social media, mobile, and web for an integrated and continuous experience; and Optimization Based on Einstein Insights with Salesforce's AI engine Einstein to analyze and understand how best to engage with customers for driving loyalty and business performance.

Numeracle, a robocall blocking and labeling company recently partnered with TCN, Inc. a BPO cloud technology provider to contact centers and collection agencies. The partnership allows TCN customers to receive direct access to Numeracle's Number Registration and Trusted Entity™ Certification solutions which allows users to register and certify phone numbers so that call centers and collection agencies do not get mislabeled as fraud or spam. Numeracle also partnered with Arbeit Software in efforts to increase compliance standards and transparency in the debt collection industry while also improving the customer engagement rate by allowing customers to register phone numbers.

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Company	Description	Recent News/Trend
neustar	As a leading customer intelligence and information service provider, Neustar empowers critical decisions across its clients' enterprise needs in marketing, compliance, communications, security, and registry services via its unique, accurate and real-time data analytics.	Neustar's phone data intelligence and reliable call-blocking/erroneous labelling solutions promises to transform outbound dialling in the current market where 88% of business call go unanswered. This is expected to help companies to avoid erroneous call blockings under the strengthened regulations by Federal Communications Commission (FCC) and stay compliant with the CFPB's new proposed rule.
tableau	Tableau Software helps customers see and understand data with interactive visualization software, focused on business intelligence.	Tableau is one of the market-leading analytics platforms and was recently acquired by Salesforce, an industry leading CRM provider. The acquisition demonstrates Salesforce's strategic move for better intelligence, visualization, and automation of customer data assets.
ada	Ada is an AI-powered, Automated Customer Experience (ACX) company providing scalable automation and chatbots to drive engagement across the customer journey.	Ada has announced the launch of 'Ada Glass', a new tool to assist in the handoff from chatbot to live chat platforms. This will enable enterprises to connect customers directly with live chat agents on their platform partners such as SalesForce, ZenDesk, and Nuance.

Notable Transactions

- SugarCRM acquired Salesfusion
- McDonald's (NYSE: MCD) acquired Dynamic Yield
- SinglePoint Acquired PR Exchange Group of Companies

CRM Public Comparables:

Analysis of Selected Publicly Traded Customer Relationship Management (CRM) Companies
($ In Millions)
All Data as of 6/30/2019

Company Name	Ticker	Price Per Share	Market Cap (1)	TEV (2) (4)	LTM Revenue	LTM EBITDA (4)	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
Atento SA	ATTO	$2.49	187.8	760.9	1,764.5	150.1	--	0.43x	5.07x	--
Genpact Ltd.	G	$38.09	7,248.9	8,276.1	3,121.1	513.9	278.2	2.65x	16.11x	29.75x
StarTek, Inc.	SRT	$8.17	313.4	525.0	399.9	--	--	1.31x	--	--
Sykes Enterprises. Incorporated	SYKE	$27.46	1,168.8	1,113.6	1,614.2	136.3	49.7	0.69x	8.17x	22.42x
Teleperformace SE [3]	PAR:TEP	$200.34	11,677.4	14,095.6	5,240.7	861.4	368.2	2.69x	16.36x	38.28x
TTEC, Inc. *(Formally TeleTech Holdings)*	TTEC	$46.59	2,157.0	2,471.5	1,528.3	167.9	50.2	1.62x	14.72x	49.21x
WNS Global Services	WNS	$59.20	2,963.1	2,871.1	809.1	168.0	105.4	3.55x	17.09x	27.23x
Mean (CRM)			3,792.2	4,540.5	2,278.1	365.9	186.6	1.57x	12.09x	34.92x
Median (CRM)			1,662.9	1,792.6	1,689.4	167.9	164.2	1.46x	14.72x	34.02x

Notes
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(2) - Total enterprise value is consists of market cap plus debt less cash
(3) - Converted to USD from Pitchbook using exchange rate as of 6/30/2019
(4) - Information not available for certain businesses

Source: PitchBook

Revenue Cycle Management (RCM)

The RCM Market completed 20 deals with a combined enterprise value of $3,715mm. Deals continue to be driven by healthcare policy, a patient-centric/engagement model and health system consolidation.

Definitive healthcare found that consolidation is the most important healthcare industry trend that executives are thinking about. In Q2 2019, there were 19 announced healthcare system transactions which is down from 27 in Q1 2019 but remains in line with the historical trend. The total health system revenue for Q2 2019 was $11.3 billion which is significantly higher than the quarterly norm. For this reason, we believe the trend of healthcare mega deals is likely to continue. RCM vendors can experience an increase or decrease in work as a result of health system integrations.

M&A has become more about strategy than opportunistic growth in healthcare. There has been fewer deals involving struggling hospitals and more strong health systems seeking to expand their geographic footprint. The frenzy of healthcare transactions resulted in a period of implementation despite attractive opportunities. In 2017 and 2018, the volume of transactions was driven by corporate divestitures from public health systems looking to focus on their core businesses. High levels of private equity capital could lead to higher deal volume in the coming quarters.

Patients experienced a 12% increase to their out of pocket costs in 2018, while in the same period wages only grew about 3%. In 2017 Americans spent $10,739 on healthcare on a per capita basis. As out of pocket expenses continue to increase and burden consumers, it is vital that healthcare providers engage patients in conversations around their out of pocket responsibility, identify who might be eligible for financial assistance and/or create payment plans prior to service. Increased transparency in the healthcare industry should allow for providers to better collect on unpaid debt. Providing a price estimate prior to delivering care can be very helpful when 34% of patients indicated difficulty in paying their deductible before insurance kicks in, due to the fact that patients who had an average out of pocket expense between $501-$1,000 jumped to 59% in 2018 from 39% in 2017.

The medical billing outsourcing market is expected to be valued at $16.9B by 2024. A strong CAGR of 11.8% is being driven by the need to decrease in-house processing costs and to minimize error. Additionally, health systems are facing pressure to implement digital record keeping from regulators. The continuation of outsourcing these functions can increase a hospital's cash flow by reducing staff size, costs, and software expenses.

There are two options when it comes to managing the revenue cycle. One way is to do it in house and the other is to outsource it to a third-party vendor. Outsourcing is particularly popular in small and midsized practices like clinics, acute care hospitals and physician groups as they face difficulty collecting reimbursements while costs continue to rise. This drives demand in the outsourced market and is expected to continue to grow. It makes financial sense to outsource the RCM function of a health system as it is expensive to pay and train employees, as well as spend time on complex HR issues. This is especially true while we are in a tight labor market and witnessing near record low unemployment.

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Alongside the trend to outsource the revenue cycle is the rise in demand for cloud-based RCM software. Cloud based solutions were expected to gain traction and are now expected to see the fastest growth, outpacing web-based solutions and physical systems. With the help of artificial intelligence, machine learning, and data analytics, hospitals and physician groups can better manage their revenue cycle. For example, analytics tools can now predict the likelihood that a patient will pay their bill on a specific day if an email is sent to them. Then with machine learning, the systems are advanced enough to then forecast reimbursements based on previous trends. This not only gives health systems insight into what their reimbursements will look like, but it will allow them to optimize their staffing needs resulting in operational efficiencies and costs savings. Cloud based systems do not require large up-front capital expenditures like on-premise solutions and are more accessible than other alternatives.

Reimbursements from insurance companies is one of the most complex tasks within the revenue cycle which in recent years has become more intricate. Since the implementation of the Affordable Care Act, there have been significant changes in the insurance market. Plans have been redesigned and provider networks have been trimmed. It is crucial that those managing the revenue cycle, whether in house or outsourced, keep up with changing plans to limit denials. For healthcare providers who want to keep the RCM function in house, there has been an increase in demand for automated workflows. Such technology prioritizes claims for each worker and proactively simplifies the revenue cycle. As the Act aims to expand coverage, more reimbursement claims will need to be managed.

Pursing a legal strategy or suing individuals with delinquent medical debt is a controversial practice. This goes for both healthcare providers and vendors who collect on their behalf. Those who are ultimately working the accounts can expect to receive additional scrutiny around the lawsuits that are filed in effort to collect unpaid balances. Dr. Michael Ugwueke, President and Chief Executive of Methodist Le Bonheur Healthcare said, "In every case the only time we pursue legal action to collect a debt is when the patients who can pay refuse to work with us" after a report was released accusing the Memphis hospital "relentlessly suing the poor". The CFPB recently reported that as of Q2 2018, about two thirds of agency tradelines indicated medical debt. The regulatory body could put rules in place around credit reporting medical debt for agencies and debt buyers. Clients also can forbid vendors from pursuing legal action.

The rise in medical costs has made patients and consumers more concerned about their medical bills. The rise of consumerism within the healthcare industry continues to be a major trend. Patients are more technology savvy than ever before. As a result, the front end of the revenue cycle is a huge differentiating opportunity for health systems to provide transparency. The market has become saturated with front-end solutions providers so those agencies that can incorporate a strong back-end collections model to their front-end piece will be positioned best for growth. Additionally, the best vendor in the event of a merger will be chosen to continue to service patient accounts.

JP Morgan (NYSE: JPM) acquired InstaMed, a healthcare payments firm for over $500 million, making it the bank's largest acquisition since the financial crisis. According to Takis Georgakopuolos, the bank's Head of Wholesale Payments, JP Morgan surveyed the healthcare landscape for ways to ramp up investment. "The acquisition will expand the bank's suite of payment services designed specifically for healthcare". JPM will offer InstaMed to its corporate clients and possibly integrate into their bill-paying apps. This would be a big step as consumers prefer to make payments on their mobile phones. From a collection's standpoint, RCM companies will want to be able to offer similar payment methods that patients are banking with. This may even allow JPM to offer RCM services. US healthcare spend pegged at $3.5 trillion in 2017 and projected to grow at an average rate of 5.5%, or 0.8% faster than GDP to reach $6 trillion by 2027.

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Golden Gate Capital announced its plan to acquire 51% of Ensemble Health Partners, an Ohio based national leader in revenue cycle management from Bon Secours Mercy Health for $1.2B (according to *The Wall Street Journal*). Bon Secours Mercy Health plans to reinvest the proceeds from the deal into the health system. The deal is expected to close in Q3 of 2019. As mentioned in our previous edition of CAS Insights, private equity investment interest in healthcare and outsourced services remains high. especially as dry powder (available capital) remains high. EQT and Canada Pension Plan Investment Board have agreed to acquire a majority equity stake in Waystar, a provider of revenue cycle technology. The seller is Bain Capital Private Equity, which will retain a minority stake in Waystar when the deal closes. The deal will put Waystar at a valuation of US$2.7 billion. The transaction is expected to close later this year. Barclays and Triple Tree provided financial advice to EQT while J.P. Morgan and Deutsche Bank did likewise for Bain Capital. Similarly, Serent Capital recently invested in The Professional Companies.

Front end RCM services such as scheduling, insurance eligibility and verification, and authorization are gradually facing a decline in revenue. These functions are extremely important as they can help prevent claim denials. This not only allows for providers to better collect on their revenue but also saves patients and their families the stress if the claim is denied, thus improving the patient experience. Since these functions are so important, the market has become saturated as competition has elevated. As a result, middle-end services are expected to see the fastest growth due to new market entrants.

The Ambulatory Services Market to reach $4.3 trillion by 2026 growing at a CAGR of 6.1%. Technology has allowed surgical procedures to become minimally invasive and thus reduced costs by shortening stays and recovery time. Primary care offices led the market as technology upgrades to electronic health records and drug procurement have been made which reduced human errors. This growing market could be an area of great potential for providers of RCM services.

The rising demand and adaption of telehealth presents a new area of growth for RCM companies. For example, imagine a patient who is suffering from depression that wants to get care. An RCM company can connect the patient with a healthcare provider through an app while also collecting pre-registration, insurance information, scheduling availability, a price estimate, and even patient financing. Anyone can do this on their own time and receive the care required on any device, which ultimately increases access to healthcare. Millennials are trending to prefer urgent care over primary care physicians. With telehealth quickly entering the market and growing in popularity, RCM companies who provide front end solutions with telehealth capabilities are well positioned to improve the patient experience by delivering a quick, effective and quality care process. RCM is a full cycle and does not stop once care is provided so there is also opportunity in the back-end collections, insurance follow up and claims denials management. The growth in this market improves the patient experience and provides new revenue streams for RCM companies that provide this type of service. Venture capital investment in healthtech for this year is positioned to surpass 2018's record high.

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Company	Description	Recent News/Trend
CHANGE HEALTHCARE	Change Healthcare is a healthcare technology company that offers a suite of software, analytics, tech-enabled services and network solutions. Their end to end RCM solution integrates AI to enhance staff efficiency and optimize cash flow.	Change Healthcare (NAS: CHNG) raised $557.14 million in its IPO on June 27, 2019. The company stated the proceeds from the offering would be used to pay down existing debt.
kareo	Kareo provides EHR, billing services, analytics, telemedicine, mobile apps. This includes scheduling, appointment reminders claims tracking which provides visibility into A/R	Offering telemedicine is not only convenient and accessable for the patient, but it also streamlines reimbursement, increases efficiency and reduces no-show/cancelation costs.
Azalea HEALTH	Azalea Health is a cloud based healthcare technology and services company including EHR, RCM billing services, pre authorization and telehealth.	Given Azalea is cloud based, there is no required management of hardware or software. This shortens the implementation time and learning curve. Azalea has entered the Ambulatory, Telehealth and RCM markets which are all trending offerings in the market.

Notable Transactions

CAS served as the exclusive M&A advisor for a Healthcare RCM and Patient Financing business on its sale to a Middle Market Private Equity First which closed in Q3 2019

- Golden Gate Capital acquired Ensemble Health Partners
- H.I.G. Capital acquired Medusind Solutions
- MiraMed Global Services acquired Medac

RCM Public Comparables:

Analysis of Selected Publicly Traded Revenue Cycle Management (RCM) Companies
($ In Millions)
All Data as of 6/30/2019

Company Name	Ticker	Price Per Share	Market Cap (1)	TEV (2)	LTM Revenue	LTM EBITDA	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
HMS Holdings Corp.	HMSY	$32.39	2,821.0	2,841.2	604.8	125.4	68.2	4.70x	22.65x	41.64x
Allscripts Healthcare Solutions, Inc.	MDRX	$11.63	1,935.7	2,585.3	1,668.1	273.5	432.5	1.55x	9.45x	5.98x
Cerner Corporation	CERN	$73.30	23,852.3	23,387.4	5,463.3	1,437.6	636.3	4.28x	16.27x	36.76x
Huron Consulting Group Inc.	HURN	$50.38	1,152.8	1,540.2	889.8	91.0	20.2	1.73x	16.92x	76.19x
Change Healthcare	CHNG	$14.60	1,727.6	1,724.2	0.0	--	--	--	--	--
Nextgen Healthcare Inc.	NXGN	$19.90	1,289.8	1,267.7	529.2	75.0	24.5	2.40x	16.90x	51.76x
Mean (RCM)			5,463.2	5,557.7	1,525.9	400.5	236.3	2.93x	16.44x	42.46x
Median (RCM)			1,831.7	2,154.8	747.3	125.4	68.2	2.40x	16.90x	41.64x

Notes

(1) - Market Cap equates to total shares outstanding multiplied by the price per share

(2) - Total enterprise value is consists of market cap plus debt less cash

Source: PitchBook

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Specialty Finance

The universe of FinTech and Specialty Finance continues to expand and overlap as new entrants enter the market. Financial institutions and Specialty Finance companies are competing in the same markets are likely to work together as the industry changes.

Bernie Sanders and Alexandra Ocasio-Cortez have proposed capping interest rates for credit cards at 15%. Initially, this sounds like it would benefit people and provide access to credit for but after taking a deep dive, the result does not point directly at helping the poor. The interest rate on a loan or credit card is the cost, or price, to borrow. Putting a cap on that number creates a price ceiling which leads to several affects. At a lower price (interest rate), demand for credit will increase. Think about how the Fed lowers interest rates to stimulate borrowing in the economy. This would then lead to people seeking more loans and ability to build credit by having access to credit. However, on the supply side, there will be less banks willing to lend at a lower rate. As a result, there will be more demand for loans and a lower supply leading to a shortage of loanable funds in the market.

The CFPB proposed to rescind certain provisions of final rule on Payday, Vehicle Title and Certain High-Cost Installment Loans released in 2017. In doing so, consumers would have access to more credit. Many argue that loans such as payday loans are predatory and are intended to confuse consumers who are unable to understand the choice they are making. Professor Lisa Servon from the University of Pennsylvania published *The Unbanking of America* on the payday loan industry. She worked as a teller at a business that offers loans and found that many of the people were aware of what they were doing. Many had poor experiences at banks with over draft fees and if compared on an equal basis to payday loans, overdraft fees can be more expensive than the interest on payday loans. In fact, customers found the high interest rates more transparent than overdraft fees charged by banks. For those with inconsistent cash flows, having quick access to cash is needed by the consumer. Like all political decisions, not everyone wins so regulating the payday loan industry out of existence would negatively impact some. It is not black and white what the net effect of rescinding the 2017 final rule, but more available credit generally results in more outstanding debt that needs to be collected, all else equal.

Like private equity, direct lending funds are raising record amounts of dry powder: cash reserves or remaining cash in a fund that will be used for new acquisitions and portfolio company needs. PE heavy weights are also getting into private credit as banks are pulling back and endowments, hedge funds, and pension funds are all in search of yield in this low interest rate environment. In direct lending, investors make loans to small and medium sized businesses as opposed to buying debt from bank intermediaries.

Large banks under strict regulatory scrutiny, for example a Systemically Important Financial Institution (SIFI), may want or have to unwind/divest business lines that generate unnecessary risk resulting in heighted M&A. Additionally, shrinking retailer numbers may allow banks, specialty finance, PE and insurance firms to acquire and white-label their credit card portfolios, run them off and leverage scale a and well-oiled processes to operate them at a much lower cost (Deloitte).

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As the economy is now in the longest recorded bull market in history, many investors have been thinking about when the trend will reverse and trying to find signals for it. Deep pocketed private equity firms could see opportunity to buy up unique distressed assets during a downturn, which could result in consolidation in the loan origination and servicing markets. State tax deductions have been limited to $10,000, which can lead to distressed investment opportunity as origination volume will likely fall.

Billions of dollars are originated through alternative lending monthly. Online installment loans grew approximately 643% from 2014 to 2018. 60% of the loans were between $500 - 2,000 in 2018, which is up from 43% in 2014. Both the dollar amount and volume has increased. In addition to larger loans, the payment terms have lengthened, and the scheduled payment amounts has fallen. This could be a sign that the subprime category of borrowers is adopting alternative lending platforms and could result in increased defaults, and therefore, collection demand. New applicants to the alternative lending space do have higher credit scores than years prior, which likely means prime or near prime borrowers are beginning to adopt alternative lending.

TD Bank conducted a survey in which 90% of respondents, which include corporate treasury and finance professionals, agree that blockchain will have a positive impact on the payments industry. 29% think blockchain will create stronger audit trails, 22% said it will speed up payments, 21% believe it will improve efficiency of cross-border payments, and 18% stated blockchain will reduce fraud. Applications include communication between financial institutions and negotiation of contracts. These uses can be good for middle market companies, as this is currently done manually and may contain deleted files, delays in mail delivery and scheduling of in person meetings.

Company	Description	Recent News/Trend
attunely	Attunely provides tailored multi-channel strategies, account segmentation and real time scoring to reduce variable expenses. Their platform helps comapanies create personalized collection strategies by moving beyond static scoring vendors and using real time scoring	Major credit scoring vendors such as FICO and Experian have come out with new models for credit scoring. Companies like attunely are harnessing data to optimize yield inmanaging accounts. Machine learning helps analyze past performance to predict collectability.
LendingClub	LendingClub is a U.S. online lending marketplace platform. They offer loan products such as personal, education and patient finance, small business and auto to investors.	Alternative lending offers investors access to asset classses that they would generally otherwise be closed to or limited to institutional investors. In addition to interest charged, LendingClub earns a majority of its revenue from transaction fees.
FIGURE	Figure provides consumer financial solutions for home improvement, debt consolidation and retirement planning. They leverage AI, analytics and blockchain to innovate products in origination, custody, trading and securitization for institutions.	On May 9th, 2019 Figure received $1B of debt financing in the form of an asset based financing facility from Jefferies Finance and WSFS Financial.

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Notable Transactions

- Total System Services (NYSE: TSS) to merge with Global Payments (NYSE: GPN)
- Equifax (NYSE: EFX) acquired DataX
- Nuvei to acquire SafeCharge
- Mastercard (NYSE: MA) acquired Transactis

Specialty Finance Public Comparables:

Analysis of Selected Publicly Traded Specialty Finance Companies
($ In Millions)
All Data as of 6/30/2019

Company Name	Ticker	Price Per Share	Market Cap (1)	TEV (2) (3)	LTM Revenue	LTM EBITDA (3)	LTM Net Income	TEV/ Revenue	TEV/ EBITDA	TEV/ Net Income
LendingClub Corporation [4]	LC	$16.40	1,416.7	--	717.6	--	--	0.51x	--	--
Navient Solutions Inc. [4]	NAVI	$13.65	3,266.6	--	1,906.0	--	397.0	0.58x	--	0.12x
OneMain Holdings, Inc. [4]	OMF	$33.81	4,601.3	--	3,454.0	--	475.0	0.75x	--	0.10x
Credit Acceptance Corp.	CACC	$483.83	9,094.6	13,222.6	--	--	--	--	--	--
Mean (Specialty Finance)			4,594.8	13,222.6	2,025.9	--	436.0	0.61x	--	0.11x
Median (Specialty Finance)			3,933.9	13,222.6	1,906.0	--	436.0	0.58x	--	0.11x

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 provider of global location advisory, economic incentive and corporate real estate services. Our purpose is to deliver conflict-free solutions that enable our clients to make a positive impact in their communities. Our mission is to connect companies to the optimal locations through our integrated service offerings which include: Location Advisory Consulting, Economic Incentive Services, Corporate Real Estate Services and Economic Development Consulting.

40 Major Data Center Site Selection Projects of 2019

Data center capital investment is reaching all-time highs with more on the way. Learn where some of the largest data center site selection projects of 2019 landed.

Top Hiring Trends for Truck Drivers in 2019

Learn about the latest hiring trends for truck drivers across the United States

Top Manufacturing Trends in the First Half of 2019

Learn which metro areas have been the most active for manufacturing so far in 2019, and how they could affect key market dynamics.

16 Companies Announce Major Call Center Expansions in Q2 2019

Almost 30,000 call center jobs were announced by Amazon, Uber, Allstate and other call center employers in Q2. Learn where these companies are expanding.

Largest Economic Incentive Deals of Q2 2019

610 deals were announced with economic incentives of approximately $1.26 billion. Learn more about these projects.

Tight Labor Conditions Spur Site Selection Activity

Companies continue to expand across the U.S. despite tight labor conditions. Learn about the latest site selection trends and how they may impact your location decisions.

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ARM REGULATORY RESOURCE

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

ARM Industry Participants:

- If you plan to submit a comment letter to the Consumer Financial Protection Bureau (CFPB), the due date is 11:59 pm August 19th, 2019. Instructions for filing your letter via Regulations.gov can be found here. While the proposed legislation is mostly positive for the debt collections industry, we are concerned about any regulation that impacts the industry in a way that is onerous to performing the very function of debt collection: collecting outstanding debt. Collecting debt is important for the individual, the debtor and the U.S. economy. I have been diligently preparing CAS' comment letter, with primary concerns being: call caps, more clarity around emails and text, allow skip tracing, suggested improvements of validation notice, and issues around the definition and limitations in the safe harbor section of the rule.

- The Federal Trade Commission has stopped a student loan debt relief scheme, alleging it bilked more than $23 million from thousands of consumers with false claims that it would service and pay down their student loans. After the FTC filed a complaint seeking to end the deceptive practices, a federal court temporarily halted the scheme and froze its assets.

  According to the FTC's complaint, since at least 2014, the operators of Mission Hills Federal and Federal Direct Group have lured consumers into paying hundreds to thousands of dollars in illegal upfront fees with false promises to lower consumers' monthly student loan payments. The defendants also allegedly tricked consumers into submitting their monthly student loan payments directly to the defendants by falsely claiming to take over servicing the consumers' loans. In reality, the defendants either only applied minimal payments on consumers' loans or, in many instances, applied none of the payments to the loans, diverting consumers' payments to themselves.

  "Debt relief companies can't collect advance fees or masquerade as federal student loan servicers," said Andrew Smith, Director of the FTC's Bureau of Consumer Protection. "Anyone asking for upfront fees to help with student loan debt is likely a scammer, and consumers should hang up and alert the FTC." Read full release here.

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On July 16th, 2019, three more bills dealing with credit reporting were passed by the House Financial Services Committee. The bills, which are listed below, would make various amendments to the FCRA, including those described below:

- The "Student Borrower Credit Improvement Act." The bill would prohibit a consumer reporting agency (CRA) from providing a consumer report containing any adverse information relating to a delinquent or defaulted private student loan if the borrower has rehabilitated his or her credit by making 9 on-time monthly payments during a 10-month period after the date of the default or delinquency.

- The "Clarity in Credit Score Formation Act of 2019." The bill would direct the CFPB to establish standards for validating the accuracy and predictive value of scoring models both before their release and at regular intervals thereafter and to conduct a review of credit scoring models at least every 2 years to determine if the use of any particular factors or how certain factors are weighed or considered is inappropriate.

- The "Accurate Access to Credit Information Act of 2019." The bill would require the nationwide CRAs to jointly develop an online consumer portal landing page that would give consumers unlimited free access to various items and functions such as consumer reports and credit scores, the ability to dispute the accuracy or completeness of consumer report information, and the ability to place and remove a security freeze.

- In a House Committee hearing on robocalls in early May, lawmakers on both sides of the aisle found common ground in their disgust over the current state of affairs. Joined by four robocall experts representing consumer groups, the telecom industry, a hospital, and an anti-robocall app, lawmakers met to figure out how to tackle the plague of robocalls that has tormented everyone with a mobile phone. Though the FCC and the private sector have been working on solutions, lawmakers are ready to pick up their swords as well. As Rep. Mike Doyle (D-PA), who led the hearing put it, robocalls are rendering the phone system obsolete. Source: Yahoo Finance

- On April 30th, U.S. Senate Democratic Whip Dick Durbin (D-IL), a longtime champion of legislation to rein in the predatory payday lending industry, submitted testimony to the House Financial Services Subcommittee on Consumer Protection and Financial Institutions hearing on ending debt traps in the payday and small dollar credit industry. The subcommittee will discuss the Protecting Consumers from Unreasonable Credit Rates Act of 2019, a bill Durbin reintroduced yesterday that would eliminate the excessive rates and steep fees charged to consumers for payday loans by capping interest rates on consumer loans at an Annual Percentage Rate (APR) of 36 percent—the same limit currently in place for loans marketed to military service-members and their families.

- On April 25th, the Consumer Financial Protection Bureau (Bureau) issued a Request for Information (RFI) on its Remittance Rule. The RFI includes a consideration of issues discussed in the Bureau's assessment of the Rule, which examined if the Rule had been effective in achieving its goals. The Remittance Rule imposes requirements on companies which send international money transfers, or remittance transfers, on behalf of consumers. Among its requirements, the Rule mandates that providers generally must disclose the exact exchange rate, the amount of certain fees, and the amount expected to be delivered to the recipient. The Bureau is requesting information on two aspects of the Remittance Rule: First, the Bureau is asking for information to determine whether to propose changing the remittance transfer providers the Rule covers. Specifically, the Bureau is seeking information about the number of remittance transfers a provider must make to provide them in the normal course of business, and information on incorporating a small financial institution exception into the Rule. The public will have 60 days to comment after the RFI is published in the Federal Register. The RFI is available at the following link.

On the Campaign Trail:

U.S. Senator Elizabeth Warren (formerly interim Director of the CFPB), who is seeking the Democratic nomination for the 2020 presidential election, wants to cancel billions of dollars in student loan debt and make college cheaper for students going forward.

Warren, in an April 22, 2019 post on the website Medium, proposed canceling $50,000 in student loan debt for anyone with annual household income under $100,000, which her campaign said would amount to 42 million Americans. It would also cancel some debt for those with household incomes between $100,000 and $250,000. Source: Reuters

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Cyber Due Diligence: What You Need to Consider Before a Merger or Acquisition

Michael Abboud, Founder and CEO, TetherView

What is the problem?

Do you know how often hackers attack? According to a study by the University of Maryland's Clark School, a cyberattack happens every 39 seconds, on average. That's over 2,200 attempts a day, and more than a startling 808,600 tries a year. And that estimate may actually be conservative.

In today's digital world, a casual attitude towards cybersecurity is no longer sufficient. Even if your company is diligent regarding cybersecurity, when a merger or acquisition is under consideration you have to evaluate how your counterpart addresses the critical issue of data protection.

Cyberthreats are becoming increasingly sophisticated. Several household names including Sony, JP Morgan, Target and Equifax have been targeted by cyberthieves. On average, a single data breach in the United States costs $7.96 million, and it takes an average of 196 days for companies to detect a breach.

Plus, a shocking number of companies never realize they have been hacked. To make matters worse, some choose not to say anything about it although they are completely and utterly aware.

Now that data is typically viewed as one of a company's most valuable assets, performing cyber due diligence before a merger or acquisition is a must. Otherwise, your company could be stuck dealing with the fallout of a breach post merger or acquisition, and the ramifications can be staggering.

What is at risk?

Companies often significantly underestimate the repercussions from a single breach. Along with the financial cost, the organization has to deal with reputational damage. This can lead to lost business.

Business interruptions can also occur. While ransomware is possibly the most clear-cut example, dealing with any kind of malware can lead to downtime while the virus is being eradicated.

Loss of intellectual property or other records also shouldn't be ignored. Fallout can be intense whether a hacker steals proprietary information or steals company, employee, customer or vendor data.

Compliance issues must also be considered. For organizations governed by HIPAA, GDPR, SEC, FINRA, NYDFS, PCI, or other standards, recovering from a cyberattack becomes dramatically harder. Similarly, bringing a company that hasn't taken compliance seriously up to code could be costly and time-consuming.

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How to Prepare Before a Merger or Acquisition

With so much at risk, exercising due diligence is a must. Without proper preparation, you could be integrating with a company that introduces serious risks into your organization.

The first step is to be straightforward before your companies move forward. Sometimes, just asking if the other company has been hacked can be revealing. However, the fact they may not know they were hacked adds an additional level of complexity.

Before you proceed with the deal, conduct the following on the company, key personnel and major suppliers

- Dark Web Analysis (through an outside cybersecurity firm)
- Social Media Analysis
- Extensive Internet Search

For a superficial check, domain-based websites and databases like “have i been pwned” can be great places to start.

Next, evaluate the company more thoroughly as the deal moves forward. Review its information security standards, including plans, procedures and policies. Go through its Incident Response (IR) methods, Business Continuity Plan (BCP) and Disaster Recovery (DR) procedure with a fine-toothed comb.

Also, review a recent cyber vulnerability assessment and findings from penetration testing. Then, conduct new assessments, preferably through an independent third-party.

Review the company’s cybersecurity employee training program. Assess the existing infrastructure and software. Evaluate IT personnel for competence and capabilities. Monitor corporate networks and review user activity. All of these steps allow you to gauge the organization’s current state, increasing the likelihood of spotting an issue, if one exists.

Evaluating the organization for compliance and whether it adheres to a recognized cyber framework (such as NIST or ISO) is also advised. NIST and ISO are recognized standards, guidelines, and best practices designed to mitigate cybersecurity risk through increased control, proper data handling, and other essentials that may be a red flag if a company does not rely on a known framework.

Moving Forward After a Merger or Acquisition

Once the deal is set in stone, work isn’t done. Instead, it is time for another cyber risk assessment to review the current state of the new organization.

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Enhancing IT operations is also wise, especially if any shortcomings were noted in the period leading up to the merger or acquisition. By partnering with a Managed Services Provider (MSP) that specializes in technical operations, compliance and cybersecurity, you can reduce overhead costs while increasing your cybersecurity capabilities.

By implementing a private cloud and virtual desktop infrastructure (VDI) solution, you can create a more secure environment while enhancing mobility. Plus, you can adapt to your changing personnel needs, ensuring you have the proper service level at all times.

Michael Abboud is the Founder and CEO of TetherView, offering a comprehensive private cloud solution of security, storage and sharing. TetherView's Digital Bunker and Frictionless Cloud allow users to work anywhere in the world, on any device without exposing any of their data.

To get in touch with Michael call 732-898-1149 or e-mail him at info@tetherview.com

14 Steps to Increase the Probability of Achieving Targeted Returns on Your Acquisitions

Laura Kellers Queen, EdD, Founder and CEO, 29 Bison

How do you increase the probability of achieving targeted returns on your acquisitions? What if you increase the challenge by adding a relatively low-return environment? Can you increase your returns while also decreasing your risks?

Preqin's *Key Findings: 2019 Global Alternative Assets Reports* present these same questions. Anyone you ask has a perspective and there are no silver-bullets or sure-fire methods. However, you can take steps to significantly improve your chances of success, particularly where human capital is concerned.

The role of human capital in deal-making and value creation was center stage at the recent ACG Intergrowth Conference. Hurray! But the statistics haven't changed - **70-90% of M&A transactions fail to achieve their intended deal outcomes, in large part due to issues related to people and culture.**

In a recent TV interview, Doug Claffey, CEO of Energage, opined that employee engagement and culture are among the final untapped opportunities for improving business performance and increasing enterprise value.

We are excited to see greater interest in human capital as a lever for improved long-term operating and investment outcomes, and as a focus to identify and address potential risks.

What metrics can you use to predict transaction success?

Our friend, Michael, who is a seasoned private equity investor, recently labeled as being insufficient, at best, the PE sector's traditional focus on meeting a target company's principals for dinner and drinks, and evaluating pensions and employee benefits as the primary sources of people-related due diligence. In fact, at the 2019 Total Impact Conference, a number of attendees talked of finding ways to better understand human capital risks and opportunities in their targeted investments. At least one limited partner representative reported using Glassdoor ratings to help guide investment decisions!

Michael shared his struggles with leadership following deal closings, wondering how to know whether someone is likely to do well, find satisfaction with, and contribute to building a truly successful organization before signing-on-the-dotted-line. This is a great question, which led to more than an hour of conversation.

We did a good deal of unpacking the various issues and concerns, agreeing that getting at the right data, information and details requires both quantitative and qualitative approaches to understanding an organization. A conscious search for similarities, unique differences, and opportunities for capturing and preserving value is imperative. That said, success, especially leadership success, is often contextual.

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Case study

Imagine you are acquiring an organization built on principles of innovation, individual autonomy and bottom-up decision-making. This company is relatively small, customer-centric, and employs mostly young, self-taught programmers. The founder, Tom, whom you would like to keep and grow following the acquisition, is a successful serial entrepreneur - he has selected and groomed his team in his own image.

At closing, you expect Tom to take a long-term position with the new organization as COO, reporting to your most successful operating partner, Lisa. Lisa runs a tight ship by holding weekly operations and strategy review meetings. She expects to be involved in most, if not all, business decisions. While she has a long history of building organizations, she has never led a tech-innovator company. Her teams are typically composed of highly talented, well-educated professionals, mainly from Ivy League colleges and universities.

Lisa and Tom will be tasked with meeting their current customers' demands, while growing the business more than 15% per year for the next five years. They are expected to accelerate product innovation activities, and integrate these two businesses quickly, with an eye toward additional acquisitions over the next three years. This is a recipe for success - two organizations with successful track records, headed by two strong leaders. What could go wrong?

Long-term value can be gained or lost in situations like these. Success is a function of a complex set of factors, some of which are fairly easily identified if the right questions are asked. Others are more difficult to detect. Fundamentally, context, not just talent and capability, can enable achievement or create tangible risk.

14 steps to greater success

The ocean couldn't be boiled over lunch, but while we talked through hypotheticals like our Tom and Lisa scenario we quickly agreed upon a number of impactful ways to increase the odds of a successful outcome. These fourteen steps can help to avoid potential stumbling blocks, minimize risk and set the stage for meaningful growth and accomplishment. Many of these also contribute to higher levels of engagement and job satisfaction for members of the leadership and employee teams.

1. Clarify and communicate the investment/deal thesis
2. Establish targeted outcomes and deadlines
3. Agree upon behavioral expectations
4. Work toward a common language and set of definitions for key terms and concepts
5. Conduct a comprehensive due diligence process
6. Invite other perspectives
7. Assess talent in critical roles - leadership and otherwise

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8. Design and implement a well thought out operating structure

9. Define roles, accountabilities and levels of authority

10. Intentionally create your desired culture (for more information on this topic, check out the link here https://www.energage.com/winning-intentional-culture/)

11. Be candid about your findings and concerns

12. Work to build strong relationships - communicate, communicate, communicate!

13. Address issues immediately, don't let problems fester

14. Hope (alone) is not a winning strategy - bringing two organizations together is not for the faint of heart and requires a lot of care and feeding

Final thoughts

Online rating tools such as Glassdoor, pension and benefits due diligence, and dinners with the leadership teams of prospective acquisitions may be important aspects of your information gathering process. However, they are individual tools in what should be a much larger toolkit. Adopt a comprehensive approach to human capital due diligence, paired with additional strategic and tactical activities. When you do, you will be sure to reduce your risk and achieve increased value.

We'd love to help you address your challenges and opportunities.

Laura Kellers Queen, EdD, is the Founder and CEO of 29 Bison, Human Capital Advisors for the middle market. 29 Bison enables clients to make timely, critical decisions that improve transaction outcomes.

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Altisource

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

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

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

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May 2019

CAS represented a healthcare RCM company in a sale to a mid-market private equity firm

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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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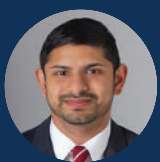

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