2023 Q3 INSIGHTS

IN THIS
ISSUE

In the domain of mergers and acquisitions (M&A), Q3 2023 reflects a pivotal moment. Deal volume and count have shown resilience – bouncing back from the anemic figures of Q3 2022 and instilling confidence in the M&A sector, as valuation expectations have shifted to "the new norm" in higher interest rate environments. Nonetheless, the revenue cycle management (RCM) sector's maturation has had a consequential impact on transaction volume and deal values. A significant wave of interest is sweeping through the realm of generative AI, especially within the customer relationship management and business process outsourcing vertical (CXM/BPO). Investors are turning their focus to the accounts receivable management (ARM) vertical, aiming to leverage perceived industry tailwinds. Consequently, many companies are actively raising seed and Series A rounds, as they aim to seize the early opportunities presented by AI and large language models (LLMs) that offer distinct product suites that seamlessly integrate these technologies into business applications. While this trend continues, winners and losers will emerge. However, in the world of global tech-enabled outsourced business services, generative AI is primed to play a humbling yet crucial role in the years ahead, offering more accessible technological solutions and expediting the development and replacement of point tech solutions. The utility of generative AI and large-language models promises to simplify coding and programming, ushering in faster and more agile technological advancements (i.e., no longer will there be a fear of "changing technology stacks"). Adaptability and innovation, as well as staying well-informed, are the cornerstones of success in this dynamic landscape. As business owners and investors, maintaining vigilance and seeking expert guidance are paramount for strategic decision-making in the ever-evolving M&A terrain, and we at CAS are here to help.

On the CAS front, our deal team has been quite busy. In Q3, we closed our 10th transaction of the year, which was impactful in the food service vertical with Elior North America acquiring Cater to You Food Service. There are a few additional deals we hope to be presenting in our year-end newsletter as well

We also welcomed two new CAS part-time interns – Gregory Cook and Jeffrey Worley – both from Drexel University. During their time outside of their academic studies, Gregory and Jeffrey will be assisting the deal team.

Lastly, please find our list of the conferences members of the CAS team will be attending over the coming months below. If you will be there too, please reach out to schedule a time to connect!

Michael Lamm

2023/2024 Conferences

WHERE IN THE WORLD IS

MICHAEL LAMMDIEGO?

2023

CRC Meeting and M&A Discussion
November 8, 2023
Arlington, VA

ACA Fall Forum
November 8-10, 2023
Chicago, IL

2024

ARM Tech 2024
January 17-19, 2024
Nashville, TN

RMAI 2024 Annual Conference
February 5-9, 2024
Las Vegas, NV

ACA 2024 Committee of 100 Meeting
February 20-23, 2023
The Bahamas

ARM
INSIGHTS

Delinquency rates rising and charge-offs increasing.
The incoming wave of delinquencies is [still], yet to come.

As generative AI is poised to take over the world, the collections industry keeps on chugging along. There are distinctive tailwinds – particularly, increasing delinquency rates and the feeling of economic slowdown (although there is limited data that supports the claim) – that should impact the ARM industry over the coming quarters. Deal volume and count is down relative to the second quarter of 2023 (12 completed transactions in Q3 2023 totaling nearly $270M in transaction value), as most companies are focusing on internal processes and procedures (most notably the use of technology in their internal operations) while optimizing workflows heading into the slow part of the year prior to tax season. We anticipate that there will be some strategic deals completed in the remainder of the year, but most of the larger processes will presumably hold off until after Q1 2024, when we have a better sense of the economic conditions that consumers will be facing.

The Federal Reserve Bank of New York conducted research on "buy now, pay later" (BNPL) users and found that they are often financially fragile, with about one-third of users having low credit scores, credit application rejections, or loan delinquencies in the past year. Even though these are typically smaller balance loans (sub $1,000), this does raise concerns about the resilience of BNPL lending during economic shocks. The study also revealed that BNPL availability and use are widespread, with 64% of respondents receiving BNPL offers and 29% using it as a payment method in the past year. BNPL is commonly used for installment payments, primarily via debit cards, bank accounts, or checks. Women, renters, those without a college degree, and lower-income consumers tend to use BNPL more frequently. vInterestingly, even those with credit issues were more likely to be offered BNPL. Be that as it may, researchers noted potential risks of overextension and excessive debt accumulation among BNPL users, especially those already financially vulnerable. The lack of BNPL data reporting to credit bureaus could exacerbate these risks. These findings align with earlier research suggesting that BNPL users tend to seek and use more credit, and their credit scores are lower than non-users.

Over 30 million federal student loan borrowers resumed their student loan payments on October 1 after multiple pauses in the last three years. These pauses were initially enacted in March 2020 due to the pandemic and provided relief to nearly 44 million borrowers. Student loan interest resumed on September 1, 2023, and the U.S. Department of Education scheduled October 1 as the date for payments to restart. For borrowers whose payments are resuming on October 1, the Department of Education is implementing a 12-month plan. During this period, borrowers who miss payments from October 1, 2023, to September 30, 2024, will not face consequences like being reported to credit bureaus or placed in default. This is essentially a forbearance period to help borrowers ease back into repayment. Notwithstanding the aforementioned, borrowers may still receive delinquency notices, which could be confusing to some. The resumption of payments could be challenging for both borrowers and loan servicers, with the latter encouraging borrowers to contact them in advance to address any concerns or questions. Additionally, the system may face difficulties processing payments from many borrowers, and some borrowers may struggle to budget for their loan payments after the extended pause.
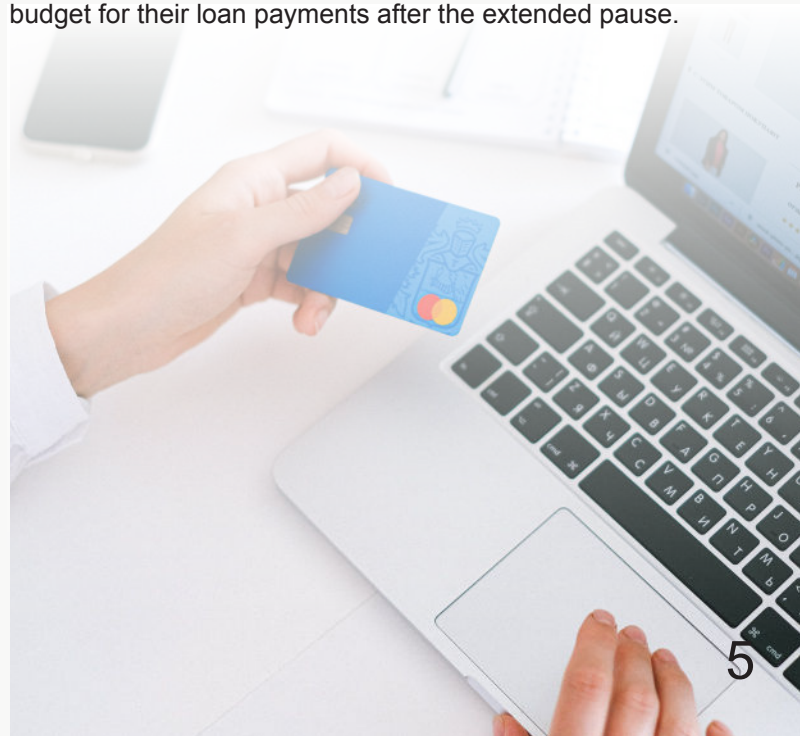
The Department of Education is working on a permanent contracting approach to enhance loan servicing stability and transparency to replace the current plan. The goal is to streamline student loan repayment with contracted servicers, improving the customer experience and support for at-risk borrowers (who are currently only going to be serviced by a single group handling all defaults on behalf of the DoE – (NYSE: MMS) MAXIMUS Federal Services, Inc). When the forbearance period ends in October 2024, this will be an intriguing trend to monitor, with a sole group handling all delinquencies for a $1.6T asset class.

The student loan debt crisis in the United States is a pressing issue, as borrowers are facing an average debt of $37,593 and a staggering total debt of $1.6 trillion (with federal loans accounting for more than 90% of it). The estimated average monthly payment is somewhere in the neighborhood of $500 per month. This crisis exerts a multifaceted impact on the economy and borrowers' personal lives. High levels of student debt make it more challenging for borrowers to become homeowners, ultimately slowing down the housing market, while also discouraging entrepreneurship/consumer spending. However, a recent report from NY Fed seems to indicate that the student loan payment resumption will have a relatively small effect on consumption, and thus, the economy. We at CAS remain skeptical, and will be watching the trends closely.

The [Consumer Financial Protection Bureau (CFPB) report](#) on student loan complaints and trends acknowledged several critical insights in the current student loan landscape. Over the period spanning September 2022 to August 2023, the CFPB received a substantial volume of complaints, exceeding 9,000 in total. Of these, 75% related to federal student loans, while the remaining 25% concerned private student loans. In particular, complaints regarding federal student loans demonstrated an upward trajectory, with issues such as extended customer service wait times, servicing errors, and challenges accessing loan cancelation programs taking center stage. The report highlights the complexity of servicing transfers, affecting over 20 million federal loan accounts since 2020 and potentially leading to payment history errors that can influence borrowers' eligibility for loan cancelation. Private student loans, though representing a smaller fraction of the overall student debt landscape, generated about 25% of the complaints, predominantly centering on hurdles associated with accessing cancelation options and concerns about misleading origination practices. This is yet another trend to focus on heading into 2024 and how this current issue will be resolved

In the [article](#), "High-Debt Consumers Average 14 Late Payments Every Year" by pymnts.com, a study disclosed that high-debt consumers grapple with an average of 14 late payments annually, alongside an increased likelihood of overdue payments and reliance on overdrafts to cover transactions compared to other consumers. Notably, approximately one-third of U.S. consumers carry

outstanding debts exceeding $250,000, primarily comprising mortgage and auto loans. High-debt consumers are more than twice as likely to hold auto loans, and 3 in 10 of them contend with overdue payments and resort to overdrafts more frequently. The article attributes the high incidence of late payments among such consumers to factors like financial literacy gaps, financial hardship, and potentially exploitative lending practices. The 14 late payments a year is an interesting data point for all agencies, law firms, and debt buyers to consider when calling on a consumer – meaning you are undoubtedly not the only one. In all probability, this trend will accelerate as economic conditions soften.

The Consumer Financial Protection Bureau (CFPB), in a [recent report](#), revealed it is in the process of considering several substantial proposals aimed at regulating data brokers, which are, historically, a more limited subset of companies but include businesses who furnish, collect, and aggregate consumer information and activities under the Fair Credit Reporting Act (FCRA). The proposal encompasses clarifying when data shared with third parties becomes a consumer report, irrespective of the data broker's intent, strengthening definitions for credit header data, and addressing consumer reporting agency practices for targeted marketing. The CFPB is also exploring matters related to permissible purposes, data breaches, dispute investigations, medical debt credit reporting, and potential impacts on small entities. These proposals are poised to reshape the regulatory landscape for data brokers and consumer reporting agencies, with substantial implications for the industry at large. Staying abreast of these developments will be essential for industry stakeholders and something we at CAS will be observing carefully.

The [retail store credit card sector](#) is facing a concerning trend as delinquency rates surge, with TransUnion data showing an increase from 3.89% in Q2 2022 to 4.98% in Q2 2023. Several factors contribute to this worrisome rise, such as the repercussions of record-high inflation, straining consumer budgets, and the Federal Reserve's interest rate hikes, making borrowing more expensive and debt repayment challenging. Moreover, there are concerns about predatory lending practices that target vulnerable consumers with high-interest credit cards, trapping them in cycles of late payments and delinquencies. If delinquencies persist, retail store credit card issuers may need to tighten lending standards and raise interest rates, potentially limiting consumer access to these cards and reducing their utilization. While the retail store credit card segment represents around 10% of the total credit card market, the escalating delinquency rates warrant proactive measures from issuers to mitigate the problem, including expanded outsourcing to agencies and considering debt sales.
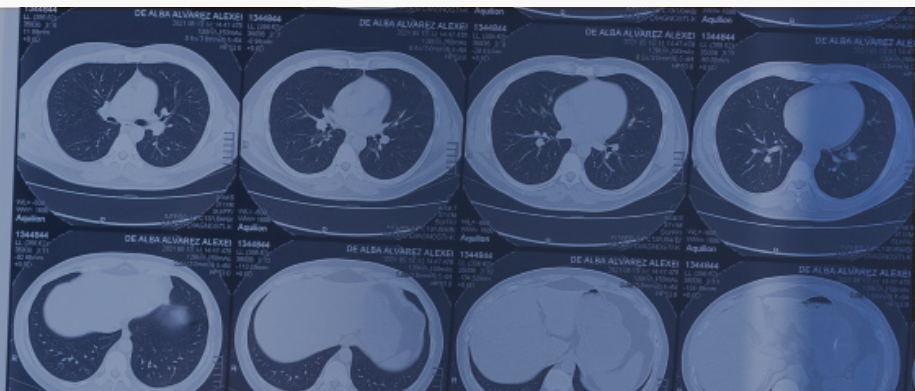
Notable Highlights

Equabli raised $3.5M

Colleen.ai raised a Seed Round

COMVEST PARTNERS invests into **ClearOne** Advantage

RCM
INSIGHTS

Industry maturity is leading to lower transaction count and deal volume.

Revenue Cycle Management companies are undergoing a transition, as the large consolidators continue to hunt for point solutions to augment their "one stop shop" for outsourcing for providers. As such, deal volume and count (12 transactions totaling nearly $210M in transaction volume) amongst RCM companies is down in Q3 2023; however, there have been a few noteworthy upstart technologies raising money with unique solutions that solve some pain point for providers. We at CAS continue to remain optimistic regarding the revenue cycle management and the outlook for transaction volume over the coming 12 to 18 months.

In a positive turn of events for the U.S. healthcare sector, the article, "Hospitals See Financial Relief as Revenues Increase, Margins Stabilize" by RevCycleIntelligence recognized a notable 6% year-over-year surge in hospital revenue in April 2023, a milestone since the pandemic's onset. This welcome boost can be attributed to several key factors, such as an uptick in patient volume, driven by pent-up demand and eased COVID-19 restrictions, as well as hospitals adjusting their pricing to accommodate inflation and rising labor and supply costs. Additionally, federal government financial relief has played a vital part in mitigating earlier pandemic-induced losses.

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The article also delves into the effect of this revenue upswing on hospital margins, which have frequently been in the red during the pandemic. Nonetheless, there is now a promising trend toward stabilization, with the median hospital margin registering at 0.3% in April 2023 – the first positive margin since December 2021.

While this financial resurgence is encouraging, the healthcare industry continues to grapple with challenges, including inflation, labor shortages, and escalating healthcare costs. It is necessary to acknowledge that this recovery is not uniformly distributed, with certain hospitals, especially those in rural and vunderserved areas, still facing financial difficulties. Any point revenue cycle solutions that can come in and show an immediate lift to the bottom line in a compliant manner are receiving attention from key decission makers.

The 2023 Patient Payment Technology Report produced by Salucro revealed significant trends in healthcare billing and payment processes.

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The 2023 Patient Payment Technology Report produced by Salucro revealed significant trends in healthcare billing and payment processes. Patient satisfaction with this aspect of healthcare has declined, with only 43% describing it as "great" in 2023 – down from 53% in 2019. Furthermore, a substantial 68% of patients reported having negative financial experiences with healthcare providers, with 53% of them leaving negative reviews, which has an evident impact on provider reputation. Billing processes remain a top consideration for patients, as 78% consider it an important factor when selecting a healthcare provider. Interestingly, 64% of patients lack confidence in the accuracy of their medical bills, emphasizing the need for more detailed statements. The report also underlined a growing demand for digital payment experiences, with 56% indicating that the availability of an online bill pay platform would influence their choice of provider; moreover, contactless payments have seen an 11% increase since 2019.

In terms of data security, 72% of patients trust healthcare providers and partnered tech firms specializing in medical payments with their data, while only 12% trust large tech companies such as Amazon and Google. Patient confidence in the security of online medical payments, though, has decreased by 10% year over year, reaching a concerning 66%, potentially due to recent healthcare data breaches. Lastly, patients prioritize flexibility, availability, and support in their payment experiences, reflecting a strong desire for a stress-free billing process that meets their needs. This information does not come as a surprise but provides quantitative context around just how dissatisfied patients are with certain revenue cycle processes. Companies that can help providers solve some of these problems will be long-term winners.

The text of the S.3103 Bill, introduced on the Senate floor on October 19 by Senators Merkley, Blumenthal, Menendez, and Fetterman, concerned the prohibition of including medical debt on consumer report. While this is just a proposal and not formal legislation, the context is key to consider. The pendulum continues to swing away from responsibility from a consumer regarding medical care and in the relatively unknown direction of providers passing on the cost of non-payers to all. Barring medical debt from credit scores could have a number of positive outcomes for borrowers. According to a Kaiser Family Foundation study, medical debt is a major factor in credit scoring for nearly 20% of Americans. This means that millions of Americans could see their credit scores improve if medical debt were removed from credit reports, but we at CAS wonder about what the cost of society this proposal would have – as there is no such thing as "free lunch."

A range of industry stakeholders, including the American Bankers Association (ABA), Association of Credit and Collection Professionals (ACA International), U.S. Chamber of Commerce (Chamber), Synchrony Bank (Synchrony), and the National Consumer Law Center (NCLC), have issued comment letters in response to the Consumer Financial Protection Bureau's (CFPB) request

for information concerning medical credit cards and other financing products used for healthcare expenses. A key theme in their responses is the contention that the CFPB lacks the statutory authority to regulate healthcare matters. The ABA emphasizes the importance of maintaining diverse and fair healthcare payment options for consumers, highlighting the rigid regulation and disclosure requirements already in place for lending products. ACA International echoes concerns about the CFPB's authority and its potential impact on consumers. The U.S. Chamber of Commerce underscores that financial services providers do not have a role in the healthcare system, advocating against payment regulations to address medical billing issues. Synchrony offers insights into its CareCredit product, emphasizing the value of consumer choice and the satisfaction of deferred interest plans for the majority of users.

In contrast, the NCLC focuses on risks to consumers when using medical payment products, particularly in cases where insurance could have covered the costs. They recommend stringent measures, such as prohibiting charges before a medical procedure is completed. While these comments reflect a spectrum of perspectives, the debate primarily centers on the CFPB's authority to regulate healthcare-related financial products and the potential consequences for consumers and the industry. This is yet another angle in which the revenue cycle is under a regulatory microscope; although the jurisdiction in this case of the CFPB is unclear, the effects are likely still the same (i.e., more scrutiny, increased compliance costs, less risks, etc.).

Notable Highlights

iCore Connect
acquired
Preferred Dental Services

Aspirion
acquired
Continuum Health Solutions

Harris Computer
acquired
Benchmark Solutions Co, LLC

Notable Highlights

iCoreConnect aquired **Preferred DENTAL SERVICES**

aspirion aquired **CONTINUUM** an aspirion company

HARRIS aquired **Benchmark Solutions** A division of Harris

CRM/BPO
INSIGHTS

Transaction count decreased yet transaction volume increased over Q2 2023 (13 transactions totaling nearly $5.5B in transaction value) as companies strategized on the implementation of AI and the use cases in outsourcing. Transaction value was driven up largely in part by the combination of (NASDAQ: CNCX) Concentrix and Webhelp for approximately $4B, including net debt. However, investors remain bullish on geographic expansion to support blending wage rates and labor market diversification.

According to Gartner's Hype Cycle for Customer Service and Support Technologies 2023 report, generative artificial intelligence, digital customer service, and conversational user interfaces (CUIs) are set to revolutionize customer service and support by 2028. These technologies share a common theme of streamlining the customer journey and meeting rising customer expectations. Generative AI is expected to play a meaningful part, with Gartner predicting that by 2025, 80% of customer service organizations will use generative AI to bolster agent productivity and customer experience. Conversational user interfaces, which facilitate natural language interactions, are essential for automation via chatbots, thereby improving customer experience. Digital customer service, focused on seamless conversation orchestration across digital channels, will reduce customer effort and boost satisfaction, as customers increasingly seek self-service options. These innovations are expected to transform customer service by making it more efficient and customer centric.

In an article published by Phillip Britt in DestinationCRM, Britt discusses how contact centers have historically relied on automation to reduce costs and better customer service but emphasizes the limitations of automation for handling complex customer issues. The article stresses the shift toward blending different forms of AI (e.g., attended, assisted, and fully automated) to streamline workflows and strengthen customer service. These AI technologies leverage real-time customer intelligence and are designed to work together to provide optimal customer interactions. The article notes that despite AI's long history in the contact center industry, many organizations are still using outdated systems, and self-service capabilities are often lacking. The benefits of blended AI include: increasing agent productivity, reducing training time, and ultimately enhancing customer and

agent satisfaction, leading to better contact center performance metrics. While the growth of AI in contact centers is expected to be significant, some experts believe it will be more gradual and steadier in the coming years. Nevertheless, AI is presumed to play a critical role in contact center operations by improving efficiency and upgrading the customer experience, which is something CAS will be monitoring closely for upstart technology that can deliver immediate impacts.

The contact center industry is facing challenges and changes in various regions highlighted in a report published by Site Selection Group. In the U.S., labor conditions are strained, and wage inflation has stabilized at around $17 per hour. Demand for U.S. contact center services is rising, but work location strategies vary. Work-from-home (WFH) has expanded recruitment options but offers minimal cost savings. In Latin America and the Caribbean, rapid growth has strained labor markets, leading to increased bilingual agent wages and high attrition rates. Offshore, the Philippines, India, South Africa, and Egypt are experiencing growth, with varying wage rates. Emerging markets like Ethiopia and Kenya are gaining traction. The global contact center market is evolving, influenced by multiple factors, including currency fluctuations and cybersecurity risks.

Notable Highlights

MarketSource
acquired
Salelytics

Five9
acquired
Aceyus

SalesForce
acquired
Airkit

Notable Highlights

MARKETSOURCE — An Allegis Group Company — **aquired** — Salelytics

Five9 — **aquired** — aceyus — a Five9 company

salesforce — **aquired** — airkit

Navigating the Digital Shift: How Social Media is Revolutionizing Skip Tracing and Collections.

In an era where traditional methods of data collection are becoming less effective and increasingly costly, social media presents a goldmine of actionable insights. The pervasiveness of platforms like Facebook, Twitter, Instagram, and LinkedIn has changed the game for collection agencies and skip tracers. Individuals today often maintain multiple social media profiles, which affords a multidimensional view of their whereabouts and how they spend their time. This isn't merely a fleeting trend; it's a shift in the industry that professionals need to understand and harness.

One of the most significant advantages of social media lies in its capacity to unveil valuable insights about consumers, encompassing their current location, employment location, contact information, and preferences. In today's digital age, individuals readily share personal milestones and location-related data on social platforms. This wealth of information can be harnessed to gain a comprehensive understanding of their geographical whereabouts, employment locations, contact details, and preferences.

Geographically and temporally, social media brings an added layer of detail to the table. Geo-tagging features and check-ins can provide real-time indications about a debtor's current location or places they frequent. Additionally, the timing of a debtor's online activities can inform when collection efforts are most likely to be effective. These nuances were previously impossible to gauge through traditional skip tracing methods.

Social connections, too, provide valuable avenues for investigation. A debtor's friends and family are often visible on social media platforms, offering an additional layer of contact when the individual is hard to locate. Even professional networks are no longer hidden, thanks to platforms like LinkedIn. This can be particularly useful for procedures like wage garnishment or when direct workplace contact is required.

There are other subtleties social media can reveal, which might seem peripheral but can have a profound impact on collection strategies. For instance, the tone and style of an individual's posts can provide clues about how to effectively communicate with them.

It's essential, however, to tread carefully when using social media for collections, keeping in mind legal and compliance factors. Some information might be admissible in legal proceedings, adding weight to collection cases. Transparency is key; all actions should fall within the framework of compliance and regulatory guidelines.

What makes social media uniquely powerful is its ability to provide real-time updates. Unlike traditional databases that could be years outdated, platforms like Facebook and Twitter offer immediate insights. Life-changing events such as new employment or marriage often find their first public mention on social media, and these can serve as triggers for timely collection actions.

Technology takes this a step further by enabling automated strategies. Advanced analytics tools can scan social media platforms for changes in a debtor's location while integration with existing CRM systems provides a comprehensive, 360-degree view of the debtor's profile and risk factors.

To sum up, the increasing relevance of social media in skip tracing and collections cannot be overstated. Agencies looking to leverage these advantages should consider specialized platforms like Spokeo for Business. Pioneering in social media aggregation and deep skip investigations, Spokeo ensures you are equipped with the most authoritative and actionable insights. The future of collections is digital, and platforms like Spokeo for Business are leading the way.

Spokeo
https://www.spokeo.com/business/collections

Disclaimer: This article/email is not intended as legal advice. Consult your legal and/ or compliance department before making any changes to your operations.

Decoding the Black Box: Using Advanced Data Analytics to Evaluate Non-Performing Consumer Debt.

The use of advanced data analytics has not yet filtered through to the market in non-performing consumer debt (NPLs), but its advent spells profound change. In NPL markets, simplistic portfolio-level evaluation techniques remain the norm, with NPL portfolios valued as virtual "black boxes". This leads to chronic mispricing of NPLs, and the ability to distinguish between more and less valuable accounts remains challenging.

Heka Global is leading the way in the development of evaluation models that value NPL portfolios on a line-by-line basis. These models have already dramatically improved Heka's pricing strategies, enabling Heka to discover different repayment patterns in seemingly identical portfolios. Broadly applied, this methodology will have major ramifications for the NPL investments landscape.

The Transformative Potential of Advanced Data Analytics

Since 2010, tech-driven lenders have leveraged Big Data to create new statistical evaluation models. These models operate by making tens of millions of observations about consumers, across a wide range of parameters, both traditional (e.g. credit history) and non-traditional (e.g. employment history). The resulting edge is the ability to distinguish between seemingly similar credit applicants who actually have different repayment profiles.

In contrast to the origination market, the NPL industry has been slow to adopt these advances. In many cases, non-performing paper is still bundled into portfolios that are priced at a purchase price multiple that accounts for a few portfolio-wide metrics, such as type of product and charge-off date.

The shortfalls of this simplistic evaluation approach are clear, with roughly 50% of NPL transactions being mispriced. And, while it is a long-standing truism that 20% of accounts will return 80% of the portfolio's value, portfolio-level evaluation is incapable of identifying that elusive, valuable segment. Granular evaluation promises to decode black-boxed portfolios by delivering a refined understanding of accounts and, in turn, pricing accuracy.

Heka's Use of Advanced Data Analytics

Heka is at the forefront of advanced statistical evaluation of NPL portfolios. Its models assess each and every account through AI models that feed on macro and micro, encompassing loan details, historical context, consumer attributes, local legal settings, market conditions, and broader economic variables.

Figure 1 presents a pinpointed example of the value of such modeling. Heka's model was applied to evaluate two portfolios with virtually identical high-level features and the same market price. What's more, all of the underlying NPLs were originated by the same originator and in the same state. Nonetheless, the model discovered that Portfolio 1's liquidation rate is actually 1.5x that of Portfolio 2.

While the model accounts for multiple feature-interactions, its output can also be substantiated by common sense. The key difference between Portfolios 1 and 2 seems to be the underlying consumers' proximities to efficient courts. Portfolio 1's underlying consumers are on average only 2.17 miles from an efficient court, versus 6.40 miles for Portfolio 2.

Characteristic (avg.)	Portfolio 1	Portfolio 2
Conventional Evaluation Observations		
Years since charge-off	1.46	1.24
Loan balance	$2,640	$2,070
Consumer age	43.9	41.5
Year placed	2022	2022
Statistically-Driven Evaluation Observations		
Consumer distance from 'efficient' court (miles)	2.17	6.40
Liquidation Rate	10.86%	7.09%

Figure 1. The major characteristics and liquidation rates of portfolios 1 and 2

Further examination provides additional assurance that the model can be effectively applied in a forward-looking manner. Legal regulation and venue rules dictate cases are assigned to nearby adjacent courts. As illustrated by figure 2, there is a near perfect relationship between the distance of a consumer from a court and the assignment of a case to that court. Evidently, consumers' proximity to efficient courts can in and of itself serve as a predictor of liquidation.
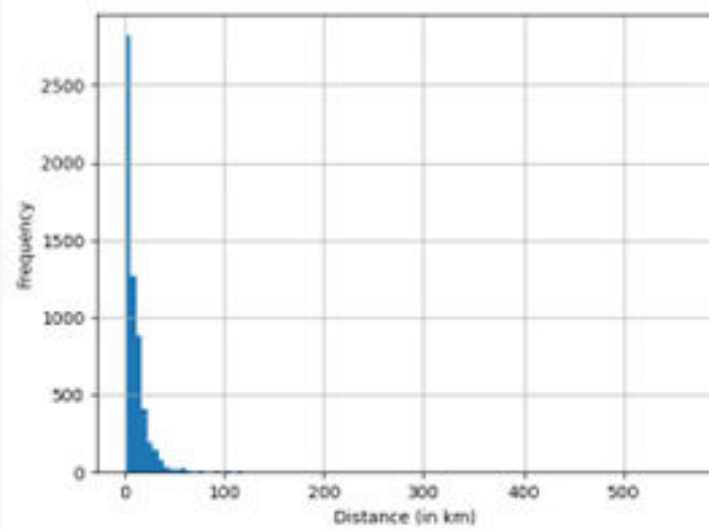
Figure 2. Underlying portfolio distribution of distance from designated court

Nonetheless, each portfolio has its own performance drivers. Although the distance from an efficient court was identified as a valuable predictor in this case, other portfolios may have different driving forces. It is certainly improbable that an investment strategy based only on consumer proximity to efficient courts will deliver notable excess returns. Instead, Heka's model usefulness stems from the fact that it is alive to a whole host of such parameters and their aggregate impact on performance.

Aligned with this understanding, Heka's supervised learning model is constantly improving. Every time it confronts a new portfolio, it widens its range of observations and refines its predictive capabilities. To date, the model has been trained on millions of NPLs accumulated over three decades under different economic environments.

The Ramifications for Consumer Credit Investments

The ability to meticulously evaluate NPL portfolios on a granular basis promises significant commercial benefits. In transactional processes, more accurate pricing technologies empower buyers and sellers to avoid unintentional concessions and to ensure value for money. Line-by-line evaluation also makes possible more sophisticated differentiated pricing. Higher-value line items can be priced competitively, while lower-value line items - especially those which may require enhanced work-out processes - are priced appropriately.

Beyond the immediate transactional benefits, account-level evaluation helps to upgrade operational efforts. By identifying the higher-value and lower-value line items at the outset, it improves the allocation of collection resources, speeds up portfolio resolution - thereby

significantly impacting IRR - and can shape the logic for follow-on sale processes.

These are only the most foreseeable potential benefits. Increased transparency and market participant intelligence inevitably spells wide-ranging improvements in financial markets of all sorts, unsettling old practices and offering new means of realizing value.

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Elevate Customer Service with Strategic Generative AI Integration
By: Rebecca Jones, general manager of Mosaicx

In today's rapidly evolving business landscape, customer service stands as the cornerstone of success for organizations across various sectors. As call centers, debt collection agencies, and healthcare providers strive to enhance their customer interactions, a new and innovative approach is emerging: AI and automation. AI and automation are poised to revolutionize customer service, bringing unprecedented efficiency and personalization to every interaction.

Imagine a scenario where your business' customer interactions are seamlessly personalized via automated conversations that not only resolve issues but also leave your customers with a sense of individualized care. Fortunately, this dream scenario can come to fruition if business leaders choose to utilize AI.

Customer service has traditionally been a dynamic interplay between human agents and customers, often limited by time constraints, resources, and the varying demands of a busy workday. However, AI, and more specifically generative AI, offers a systematic solution to these challenges.

The term generative AI is often used broadly. For background, generative AI refers to deep-learning models that can generate high-quality text, images, and other content based on the data they were trained on. One way to leverage generative AI is in customer service processes and tools. Customer service tools (e.g., intelligent virtual agents) enable two-way interactions with customers that brands can personalize and engage in automatically.

Customer service tools like IVAs that leverage generative AI can streamline internal processes, save your workforce valuable time, increase productivity, elevate customer experiences, and foster brand loyalty.

Although business leaders may be excited to embrace generative AI, they may lack a clear understanding of how it can best support their unique needs. Therefore, businesses can benefit from a carefully planned strategy outlining their business objectives and how they will use the technology to maximize its potential.

For example, businesses can start by deploying generative AI to their "internal customers" – their employees. By doing so, businesses can foster a deeper understanding of the technology and build confidence in generative AI within the organization. During this phase, businesses can automate routine tasks such as frequently asked questions and streamline processes for employees.

Businesses can follow a few important steps to ensure they are maximizing the technology's potential for internal customers:

•Carefully design.
Design tools to address the specific needs of the team members that will use them. Prioritize user-friendly interfaces and workflows that employees can customize according to their preferences.

•Monitor performance.
Once the generative AI solution is operational, closely monitor its performance in the initial stages. A best practice is to monitor request volumes, response times, and the accuracy of responses. Be sure to look for a solution provider that has robust monitoring and reporting capabilities.

•Gather feedback from users.
Gathering insights from users of your generative AI solution is essential. This practice allows you to pinpoint potential areas for enhancement, ensuring a continual refining process.

•Be prepared to make changes.
As your employees' feedback accumulates, be ready to implement changes to your customer service tools. This iterative and automatic process is ongoing and contributes to the enhancement of the solution's effectiveness over time. Be sure to monitor updates to ensure any AI-generated changes adhere to your brand's voice.

Empowering internal audiences with a strong foundational knowledge of generative AI can lead to a gradual transition to external customers and use cases that have staying power.

A methodical implementation of generative AI for customer service demands a shift in mindset – a recognition that technology is not replacing human expertise, but rather augmenting it. By equipping your teams with tools to effectively utilize generative AI, businesses can redefine the customer experience, empowering their teams to engage with customers on a whole new level.

About the Author

Rebecca Jones is the general manager of Mosaicx, a leading provider of customer service AI and cloud-based technology solutions for enterprise companies and institutions. Rebecca joined the West Technology Group, owner of Mosaicx, in January 2021, after a 25+ year career focused on growing businesses, people and client success. Rebecca also serves as a member of the board of the Families for Effective Autism Treatment (FEAT) of Louisville, KY, is an executive sponsor for Women of West, actively volunteers for The Molly Johnson Foundation that supports children with special needs, and champions causes promoting women in technology, including the IWL Foundation (Integrating Women Leaders Foundation), Tech Up for Women, and CCWomen.

Corporate Advisory Solutions ("CAS") is pleased to announce the [successful transaction](#) of Cater to You Food Service ("Cater to You" or "CTY") by Elior North America ("Elior NA"), a prominent hospitality group. CAS acted as the exclusive sell-side M&A advisor to Cater to You in this transaction.

With a 30-plus year history in providing food service to independent schools inthe NYC area, Cater to You will be joining an exceptional group of companies within Elior NA, including Constellation Culinary Group and Abigail Kirsch. CTY's current executive leadership – including Anthony Trentacosti (Founder and CEO) and Giuliette Trentacosti (President) – will be continuing in their roles.

"The culture of authenticity, relationship-focused approach, and the commitment to women in leadership that we found with the Elior NA team made this partnership a great fit," said Anthony Trentacosti, founder of Cater To You. "Our team is proud to join Elior North America's family of companies, and we're looking forward to pursuing new growth and development opportunities for both Cater To You and our outstanding team members."

This acquisition expands Elior NA's presence in the coveted New York City metro area while providing Cater to You with resources to better service their existing client base.

"We're thrilled to welcome another highly respected business to our family of companies," said Olivier Poirot, president and CEO of Elior North America. "Cater To You is a trusted brand built on enduring relationships and exceptional service, and we look forward to helping accelerate the growth of that legacy." Paul Kowalczyk, president of Elior North America's Education segment, also stated "Cater to You is a perfect complement to our existing education dining portfolio which serves K-12 public schools, K-12 independent schools, and college and university campuses under the brands of K-12 by Elior, Lexington Independents, and Aladdin Campus Dining, respectively. Our shared focus on serving student-inspired, chef-crafted meals makes Cater To You a seamless fit for our team."

Mickey Kaiser, Vice President at Corporate Advisory Solutions, highlighted CAS's involvement in the process, stating, "It was a great pleasure to work with Anthony, Giuliette, and the Elior NA team. We feel that Elior NA is the perfect partner to continue CTY's outstanding history of happy clients, remarkable service, and great food."

This deal closing marks the 10th transaction that CAS has completed in 2023.

About Corporate Advisory Solutions

Corporate Advisory Solutions (CAS) is an independent investment and merchant banking firm based in Philadelphia and Washington, D.C., specializing in M&A, valuation, and strategic advisory services for the Global Outsourced (tech-enabled) Business Services (OBS) sector. The CAS team brings over 40 years of combined M&A, valuation, exit prep, and strategic advisory experience to every engagement, and its members have successfully completed over 140 transactions representing more than $2.5 billion in deal value within these core markets. Visit our website: [Corporate Advisory Solutions](#)

CAS publishes a quarterly newsletter highlighting deal activity and macroeconomic trends within the OBS sector. [Q2-2023 Newsletter](#)

Securities conducted through Finalis Securities LLC Member FINRA/SIPC.

About Cater to You Food Service

Cater to You is a food service company providing culinary solutions to private primary and secondary education schools (Kindergarten through 12th grade) in the New York City metro area and surrounding geographies.

Visit www.catertoyoufoodservice.com to learn more.

About Elior North America

Elior North America is a family of distinct hospitality companies with more than 50 years of industry experience and 16,000 team members united in our passion for food, service and excellence. We share an appetite for growth, which drives us to continually reimagine our customers' experience. The company is part of the European contract catering firm Elior Group. Learn more at www.elior-na.com.

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