



State of the ARM Industry

Corporate Advisory Solutions
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Introductions

Michael Lamm

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As Co-Founder and Managing Partner at CAS, Michael oversees and executes M&A engagements, investment opportunities, compliance/regulatory assessments, strategic consulting, valuation, and expert witness litigation matters. He also charts the firm's corporate direction and strategic growth plan.

Michael is actively involved in leading industry associations including ACA and the Receivables Management Association International (RMAI), and he is an active board member of the Association for Corporate Growth – Philadelphia chapter, the American University Alumni Association, and the Healthcare Financial Management Association (HFMA).

Michael holds the Series 79, 63, and SIE registrations as a Registered Representative of Finalis Securities LLC, Member FINRA/SIPC. Corporate Advisory Solutions and Finalis Securities LLC are separate, unaffiliated entities. He is also a FINRA arbitrator.

About Corporate Advisory Solutions: *CAS is a boutique investment bank exclusively focused on the ARM and other tech-enabled outsourced business services industries, advising owners and operators on M&A transactions, valuations, and strategic consulting. CAS has completed over 150 transactions with more than \$2.75 billion in total transaction value.*



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The Industry at a Glance



The Industry at a Glance

The U.S. ARM industry is an estimated \$16 billion sector – highly fragmented, and in the early stages of a significant technology-driven transformation.



Size & Scale

- The North American collections industry is made up of 5,000+ agencies and 120,000+ employees.
- Industry concentration is low – the two largest players control just 11.5% of revenue – making it one of most fragmented service sectors in the country.



The Collections Pipeline

- Bankcard originations hit near-record highs in 2025, led by a surge in subprime – expanding the future placement pipeline.
- Delinquency rates and bankruptcies are trending above 2019 levels, with auto delinquency now exceeding 2008 highs and repossession referrals on the rise.



Investor & Capital Interest

- The ARM industry's digital transformation has attracted a growing class of outside investors – vertical SaaS acquirers, software-focused PE firms, and fintech platforms are entering the space for the first time.
- Technology platforms serving the ARM sector are increasingly seen as high-value, recurring-revenue businesses, drawing capital from buyers with no prior ARM background.



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Current U.S. Economic Climate



Current U.S. Economic Climate

Mounting geopolitical uncertainty, persistent inflation, and years of elevated borrowing costs continue to drive growth in delinquencies and collections activity.



Credit & Delinquency Trends

- Credit card balances continue to reach record highs in 2026 as consumers lean increasingly on revolving credit.
- Delinquency rates hit a multi-year high, with bankruptcies making up a growing share of total write-offs.



Consumer Financial Health

- Consumer pessimism is at its highest point in years, with a majority cutting back on discretionary spending.
- Rising unemployment is adding further pressure on household budgets and repayment capacity.



Interest Rate Environment

- The Fed cut rates in the second half of 2025, but re-accelerating inflation has complicated the path to further easing.
- Consumer debt costs remain elevated and have not meaningfully declined despite rate cuts.



Macro Outlook

- The U.S.-Iran conflict has triggered a sharp spike in energy prices, pushing inflation higher and straining consumer and business finances.
- Geopolitical uncertainty is weighing on consumer sentiment, with confidence falling to its lowest point in months.



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Industry Trends



Industry Trends

ARM operators continue to navigate a challenging but opportunity-rich environment – rising delinquencies are driving placement volume, while technology transformation, regulatory shifts, and margin pressure are reshaping how the industry operates.



Economic & Credit Environment

- Credit card balances at record highs with delinquency rates continuing to climb.
- Consumer financial stress deepening – pessimism rising and discretionary spending being cut across the board.



Operational Pressures

- Account volumes up across the industry, with further growth expected.
- Right-party contact rates declining as call screening and digital avoidance behaviors push up cost-to-collect.



Technology Transformation

- AI and automation have moved from exploration to adoption, with the vast majority of companies now implementing or actively piloting AI/ML capabilities.
- Leading use cases: call transcription, sentiment analysis, predictive account scoring, and omnichannel outreach.



Regulatory Outlook

- CFPB federal enforcement pressure has eased, but state AG activity is accelerating – creating a growing patchwork of disclosure, AI governance, and consumer protection requirements.
- Litigation costs rising, driven in part by AI-enabled pro se filings, pushing companies toward more selective recovery strategies.



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Key Operational Levers Driving Success



Key Operational Levers Driving Success

The ARM operators pulling ahead are those investing in digital infrastructure, deploying AI thoughtfully within a compliance framework, and rethinking workforce strategy – all while sharpening their ability to engage consumers on their terms.

Technology & Automation

Deploying AI for call transcription, sentiment analysis, and agent coaching

Implementing predictive scoring to prioritize accounts by collectability

Shifting to omnichannel outreach (SMS, email, chatbots) as phone-only strategies lose efficacy

Guiding consumers to self-service payment portals to reduce inbound staffing load

Piloting AI-driven outbound calling and virtual agents as augmentation tools

Cost Reduction & Workforce Strategies

Leveraging nearshore/offshore partners for high-volume, lower-complexity work

Utilizing work-from-home strategies to access wage arbitrage and expand the talent pool

Building dedicated DSC (debt settlement company) teams with formalized processes and standardized terms

Investing in re-enrollment campaigns for autopay and hardship plan participants post-resolution

Developing outcome-based performance metrics to replace traditional penetration-based benchmarks



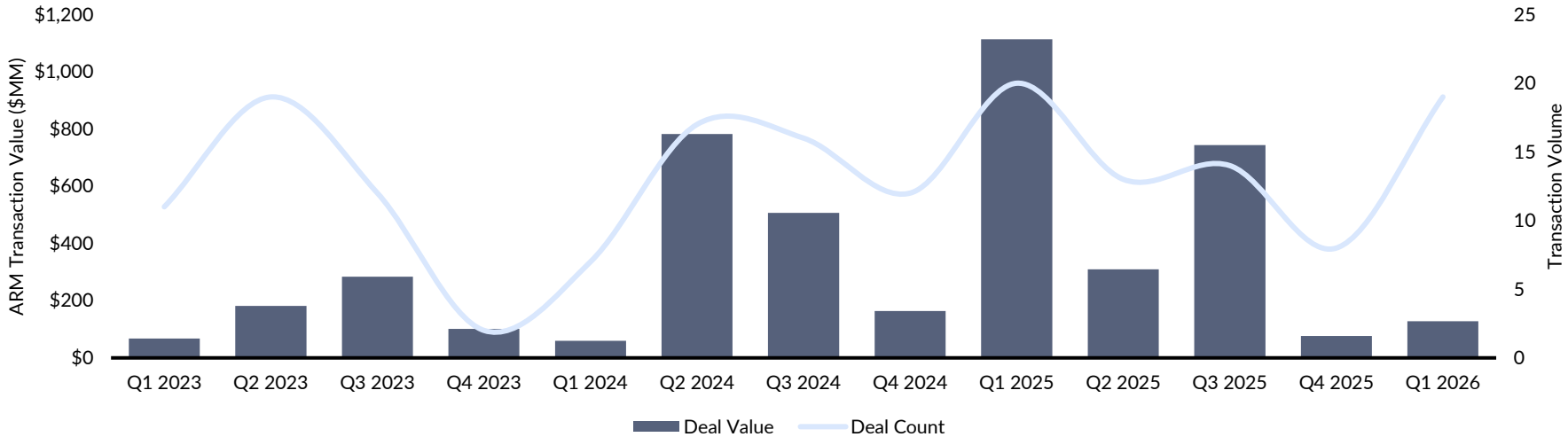
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M&A Market Insights



Historical M&A Deal Value & Volume

- M&A activity across the ARM ecosystem – including servicers and ARM technology platforms— remained active through 2025 and into Q1 2026, with well-capitalized strategic and PE-backed buyers pursuing both operational scale and technology capabilities.
- Scale has become a prerequisite – ARM companies facing declining fee rates, rising compliance costs, and technology investment requirements are finding it increasingly difficult to compete without it.
- PE interest remains strong, supported by significant dry powder and an improving rate environment that lowers the cost of leveraged acquisitions.
- We expect consolidation to accelerate throughout the remainder of 2026 – driven by succession needs, technology gaps, and margin pressure among operators, as well as growing investor appetite from outside the industry.



ARM Technology M&A Interest

As the ARM industry undergoes digital transformation, technology vendors serving the sector have become a compelling target for investors – attracting a new and growing class of buyers beyond traditional agency acquirers.

Why ARM Tech is Attracting Capital



- The push toward AI, automation, omnichannel communication, and self-service has made technology infrastructure central to agency competitiveness – creating durable demand for best-in-class platforms.
- Recurring revenue models, sticky client relationships, and scalability make ARM tech businesses highly attractive to both strategic and financial buyers.

New Buyers Entering the Space



- Vertical SaaS acquirers and software-focused PE firms are increasingly active, targeting niche platforms with established ARM client bases and room for product expansion.
- These buyers are often new to the ARM sector but bring capital, distribution, and product development resources that accelerate growth.

What This Means for the Ecosystem



- Technology vendors are no longer just vendors – they are becoming investment platforms in their own right, with M&A activity flowing both into and out of the ARM tech stack.
- Companies at the intersection of collections workflow, AI, and compliance infrastructure are commanding the strongest valuations and the most competitive buyer processes.

M&A Outlook

Consolidation momentum is building as rising account volumes, an improving financing environment, and the growing cost of compliance and technology are reshaping the buyer-seller dynamic across the ARM landscape.



Market Dynamics Driving Deal Activity

- Rising placements and persistent margin compression are motivating more owners to consider a transaction.
- PE firms are under pressure to deploy dry powder before fund expiration, and declining rates are restoring the economics of leveraged buyouts.



Key Buyer Themes

- Strategic buyers are targeting companies with tech-enabled platforms, strong client retention, and vertical specialization.
- Vertical SaaS acquirers and software-focused PE firms are entering the ARM space for the first time, targeting technology platforms with sticky client bases and recurring revenue.



Valuation Trends

- Premium valuations are going to companies with proprietary technology, strong data capabilities, and low client concentration.
- Those reliant on legacy systems, with compliance exposure, or dependent on a single client vertical are seeing limited buyer interest and valuation haircuts.






Looking Forward

- The gap between market leaders and everyone else is widening – consolidation will reward those who invested early in technology and talent.



ARM Transaction Spotlight

The ARM industry is seeing continued consolidation as firms pursue scale and efficiency, while investors increasingly enter through technology-driven platforms, seeing opportunity in further tech enablement across the ecosystem.

Date & Value	Acquirer(s) Description	Target(s) Description	Transaction Rationale
 <p>ACQUIRED</p>  <p>The undersigned served as M&A advisor to JS Technologies, Inc.</p>  <p>Corporate Advisory Solutions MEMBER OF THE FINRA GROUP</p> <p>Securities conducted through Finra Securities LLC Member FINRA/SIPC</p>	<p>Embrace Software Inc. is a strategic acquirer and investor in vertical SaaS and industry-specific software companies, focusing on preserving brand identity while accelerating growth and customer value through operational support.</p> <p>The firm targets niche software businesses where long-term investment and market expertise can enhance product development and market reach.</p>	<p>JS Technologies, Inc. is a provider of specialized software solutions for legal debt collection firms, offering the CollectMax™ and Accis™ platforms to support case management, compliance tracking, workflow automation, and reporting.</p> <p>The company's technology helps clients efficiently manage receivables and recovery processes in highly regulated environments.</p>	<p>Embrace acquired JS Technologies to expand its presence into the legal tech vertical and leverage JST's established platforms as part of its broader strategy of investing in and growing vertical-market software businesses.</p> <p>The partnership aims to maintain JST's brand and customer relationships while benefiting from Embrace's long-term ownership model and operational support to fuel future product innovation.</p>
<p>Lower Middle Market Strategic Acquirers</p> <p><u>Acquired</u></p> <p>5+ Small Debt Collection Agencies</p>	<p>Lower middle market strategic operators active across a range of verticals, asset classes, and geographies.</p> <p>These owners, operators, or managements pursue targeted acquisitions to expand capabilities, strengthen local market positions, and broaden service offerings within their existing platforms.</p>	<p>Smaller, often founder-led agencies facing margin pressure from rising operating costs and an increasingly competitive landscape.</p> <p>Many are well-established niche players with several high-quality clients seeking a stable, long-term home with greater scale and operational support.</p>	<p>These transactions underscore how even the smallest market participants are actively consolidating to remain competitive and drive growth.</p> <p>Strategic buyers are capitalizing on attractive entry valuations to achieve scale and efficiencies, as well as generate compelling returns on investment.</p>



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Conclusion



Conclusion: The Road Ahead



Economic & Consumer Outlook

- Consumer financial stress is not going away — rising delinquencies, record credit card balances, and the looming student loan default wave will continue to drive placement volumes and expand the collections pipeline.
- Inflation and geopolitical uncertainty will keep pressure on household budgets, sustaining demand for ARM services well into 2027.



Industry & Operational Trends

- AI will move from pilot to core infrastructure — agencies that haven't made meaningful technology investments will find it increasingly difficult to compete on cost, compliance, and client experience.
- Right-party contact challenges and rising cost-to-collect will force further operational innovation; the agencies pulling ahead will be those with the most sophisticated digital engagement and analytics capabilities.



Regulatory Environment

- Federal oversight will remain light, but state-level regulation will intensify — compliance complexity is not going down, it's just moving to a different level of government.
- Agencies should expect continued investment in compliance infrastructure to be a competitive requirement, not just a cost center.



M&A Outlook

- Consolidation will accelerate — the gap between well-capitalized, tech-enabled operators and everyone else is widening, and that gap drives deals.
- ARM technology is attracting growing investor interest as the sector's digital transformation deepens, bringing new capital and new buyers into the ecosystem.

Q&A

