M&A UPDATE

Greenberg Advisors
M&A • STRATEGIC ADVISORY • CAPITAL

An Active Start to 2013

2013 is off to a very busy start for M&A transactions in the ARM/RCM* sector worldwide. Twelve deals were completed in 1Q 2013, capping a 12 month period in which 50 transactions were completed. This level of activity confirms that, for those "in the know", the industry continues to offer many opportunities.

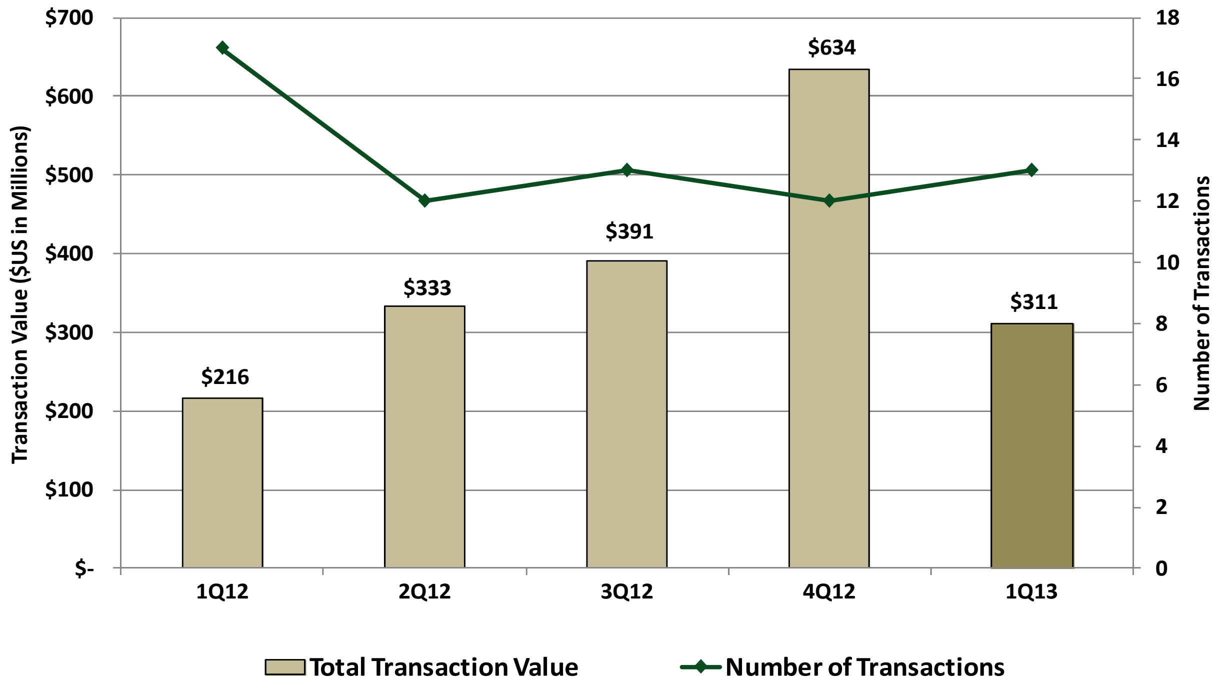
Deal Tracker, our proprietary database, indicates that the largest ARM/RCM M&A transaction in the 1st quarter was **The EOS Group's** acquisition of the **debt collection arm of Banco Popular** for $180 million (€135 million).

A direct result of the Eurozone banking crisis, Spain's Banco Popular was forced to sell this division in order to raise capital, after failing a banking "stress test". The sovereign debt issues that have roiled world markets are now acting as a catalyst for M&A in ARM.

This deal enabled The EOS Group to expand their footprint into Southern Europe, as the transaction included an exclusive 10 year servicing agreement with Banco Popular. Long-term post-transaction servicing arrangements remain a useful tool in M&A transactions.

In the US, **FedFinancial Federal Credit Union** sold its wholly-owned subsidiary, **CU Collections,** to a strategic buyer. CU Collections, a designated credit union service organization (CUSO), provides early stage collection services to credit unions across the US. As the acquirer offers mainly later stage ARM services, this acquisition provided it with upstream collection expertise, as well as additional access to the credit union market. Greenberg Advisors advised FedFinancial throughout the sale process.

Figure 1: ARM/RCM Transaction Value & Volume



Source: Greenberg Advisors

(Continued on Page 2)

__Greenberg Advisors, LLC__ provides trusted M&A and strategic advice within the financial services and business services sectors worldwide. The firm is best known for its expertise in Accounts Receivable Management (ARM), Revenue Cycle Management (RCM), Business Process Outsourcing (BPO), and Specialty Finance. Focused on these interrelated sectors for over 15 years, the firm's professionals offer a comprehensive, yet highly specialized perspective from which to advise clients, which has resulted in the completion of nearly 100 merger & acquisition (M&A), capital raising, valuation, and strategic advisory engagements. These client successes reflect its distinct client-first approach, objective point of view, deep sector expertise, and roll-up-the-sleeves work ethic.

M&A UPDATE

Greenberg Advisors
M&A • STRATEGIC ADVISORY • CAPITAL

Another notable transaction in 1Q 2013 involved the acquisition of **iQor Holdings UK** by publicly traded **Capita PLC** (LSE: CPI.L) for $63 million (£42 million). iQor Holdings UK was sold by US-based iQor Holdings Inc., which spun it off in order to refocus its strategy away from contingency collections, as well as to concentrate on its core geography of North America.

For the ARM industry as a whole, 1Q 2013 reflected an increase in ARM transaction value to $311 million, up from $216 million in 1Q 2012 **(Figure 1)**. Quarterly activity increased throughout 2012 and peaked in 4Q 2012, as a result of typical year-end trends where the 4th quarter is often the busiest. In the US, activity was further boosted as sellers sought to complete transactions before year-end in order to preempt a January 1, 2013 increase in federal capital gains tax.

Overall transaction volume has been remarkably consistent, with either 12 or 13 transactions in each of the last 4 quarters. Not surprisingly, transaction pricing multiples rose throughout 2012, but dipped in 1Q 2013.

A significant portion of the "super sized" 4Q12 activity was the result of large debt buyers selling their entire portfolio. With aggressive debt buyers paying handsomely for paper (some would say overpaying), numerous owners capitalized on the opportunity by selling. This has created an additional wave of M&A activity, which will continue throughout 2013.

To discuss pricing multiples, opportunities in the market, or your other interests, contact us.

** RCM-related commentary and statistics in the M&A Update includes firms providing RCM services and excludes firms providing software/IT services.*

Contact Us at 301-576-4000 | Visit Our Website at www.greenberg-advisors.com

Brian Greenberg	**CEO**	**bgreenberg@greenberg-advisors.com**
Shaun Tiwari	**Senior Associate**	**stiwari@greenberg-advisors.com**