

M&A Today: Staying Informed... So You Can Capitalize!

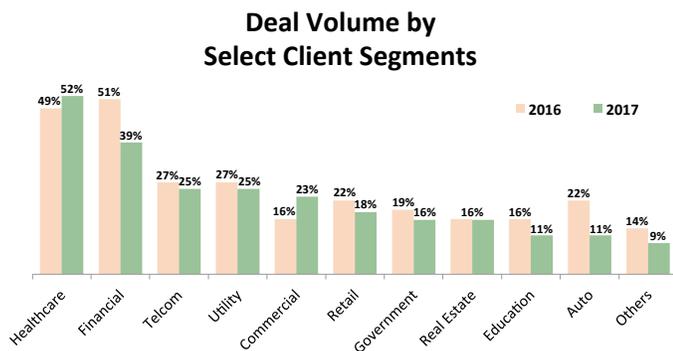
by Greenberg Advisors

By reading this article and understanding the market trends, you'll be able to more effectively assess your growth and exit strategy, whether your plans are imminent or years away. Much of the information below is extracted from Greenberg Advisors' 2017 M&A Update, available on www.greenberg-advisors.com.

Deal value is rising.

In 2017, there were 44 transactions involving collection firms, totaling nearly \$5 billion in enterprise value. This represents a 19% increase in volume and deal value over 2016.

The five most active client sectors among sellers were: Healthcare, Financial, Telecom, Utility, and Commercial. To be clear, many other attractive sectors exist, but these were the most active.



Many sellers were in growth mode.

There were over twice as many high-growth sellers in 2017 relative to 2016. In fact, 30% of sellers fell into this category. In the first quarter, we completed the sale of Minneapolis-based DCM Services, an example of one such growing company that opted to capitalize on the current market. The appetite for firms of all types still exists, including distressed or declining firms, as many such transactions also occurred in 2017.

Most deals are not “mega deals.”

It's all relative, but we think it is important to note that the majority of ARM deals (73%) traded for less than \$25 million. While consistent with prior years, it is a critical data point to

understanding the M&A dynamics within the industry, which have many drivers including the profile and availability of targets. The \$100 million+ deals do occur, but they are fewer and farther between.

Financial buyers are getting back in the game.

Financial buyers completed one-third of all transactions, representing a 56% increase from 2016. Why? Three reasons:

- 1) Financial buyers typically acquire growing companies and as noted above, there were plenty of those.
- 2) Issuers continue to reduce the number of vendors they use, which in some cases has contributed to growth of firms that then become more attractive to financial buyers. This trend supports what we already know – institutional buyers seek larger, growing firms.
- 3) Many perceive a lower regulatory risk, given the republican administration and congress.

Strategic buyers still dominate.

Strategic buyers continue their preeminence, as they were buyers in 70% of the year's transactions. That figure has ranged from approximately 65% to 85% for so many years, I can't recall the last time it didn't. They're out there and they get deals done. Be careful, though. Some of them like to offer long-term payouts and/or below-market terms.

Texas and Taxes. How they both could impact you.

While most remain unclear as to how the new tax bill will impact M&A, we believe it will stir up new M&A activity as companies seek to invest some of the “found capital” from tax cuts into growth initiatives. Being in Texas is another plus for any owners considering a sale. Each buyer's strategy is different, but I think most of you would appreciate knowing that many

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buyers we know have specifically targeted Texas as a state in which they'd like to acquire.

Expectations for 2018:

- 1) We expect this level of M&A activity to continue, mainly driven by the many PE-backed strategic buyers that are new entrants to the industry. Almost all of them will seek add-ons.
- 1) Non-PE backed strategic buyers will continue to acquire small or distressed firms, some of which seek access to greater resources such as sales/marketing capabilities or capital for compliance.
- 1) We'll see more acquisitions of niche/specialist ARM firms (ie. Education, FinTech, etc.), as acquisition plans become much more end-market specific.

for 2018 and beyond? I hope so. If not, contact me to discuss how these trends apply to your specific circumstances and goals.

Brian Greenberg is one of the most experienced M&A and strategic advisors in Accounts Receivable Management. He and his team at Greenberg Advisors (www.greenberg-advisors.com) have completed approximately 125 engagements for clients over the past 20+ years, in Texas and across the country. They specialize in helping owners plan for and execute merger and acquisition transactions, and they offer consulting services focused on strategic planning and business valuation. Brian is a veteran of the United States Air Force and a graduate of George Washington University.

So, do you feel more informed and ready to plan your strategy

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