

Greenberg Advisors

M&A • STRATEGIC ADVISORY • CAPITAL



M&A Update

2019

A grayscale background image showing a close-up of a calculator and a keyboard. The calculator is in the foreground, and the keyboard is in the background, both slightly out of focus.

**Accounts Receivable
Management**

INTRODUCTION

In 2019, there were 31 M&A transactions in the Accounts Receivable Management (ARM) industry, which represented nearly \$900 million in deal value, both lower than prior years. So, what does a down year for ARM M&A activity mean? And how might it impact owners of ARM firms that may be considering a transaction? The devil is always in the details, which we address in this M&A Update.

New investors are now seeking to enter, re-enter, or expand within the ARM industry. They're certainly keeping it interesting! Fear not, folks, we believe we are at a turning point in ARM investment activity.

We hope you enjoy this M&A Update. Reach out anytime to confidentially discuss your current interests, plans, or questions.

Visit GA's website for information on Revenue Cycle Management (RCM) and Healthcare IT industry transactions.

Source: All statistics and market data in this document are from GA's proprietary M&A database. May contain estimates.

SELECTED GA TRANSACTIONS



a subsidiary of

NAVIENT

was acquired by

SINGLEPoint

Sell-Side Advisor



was acquired by



Sell-Side Advisor



a portfolio company of



acquired the early-out assets of



Buy-Side Advisor

KEY TAKEAWAYS

1 What Goes Down Must Come Up?

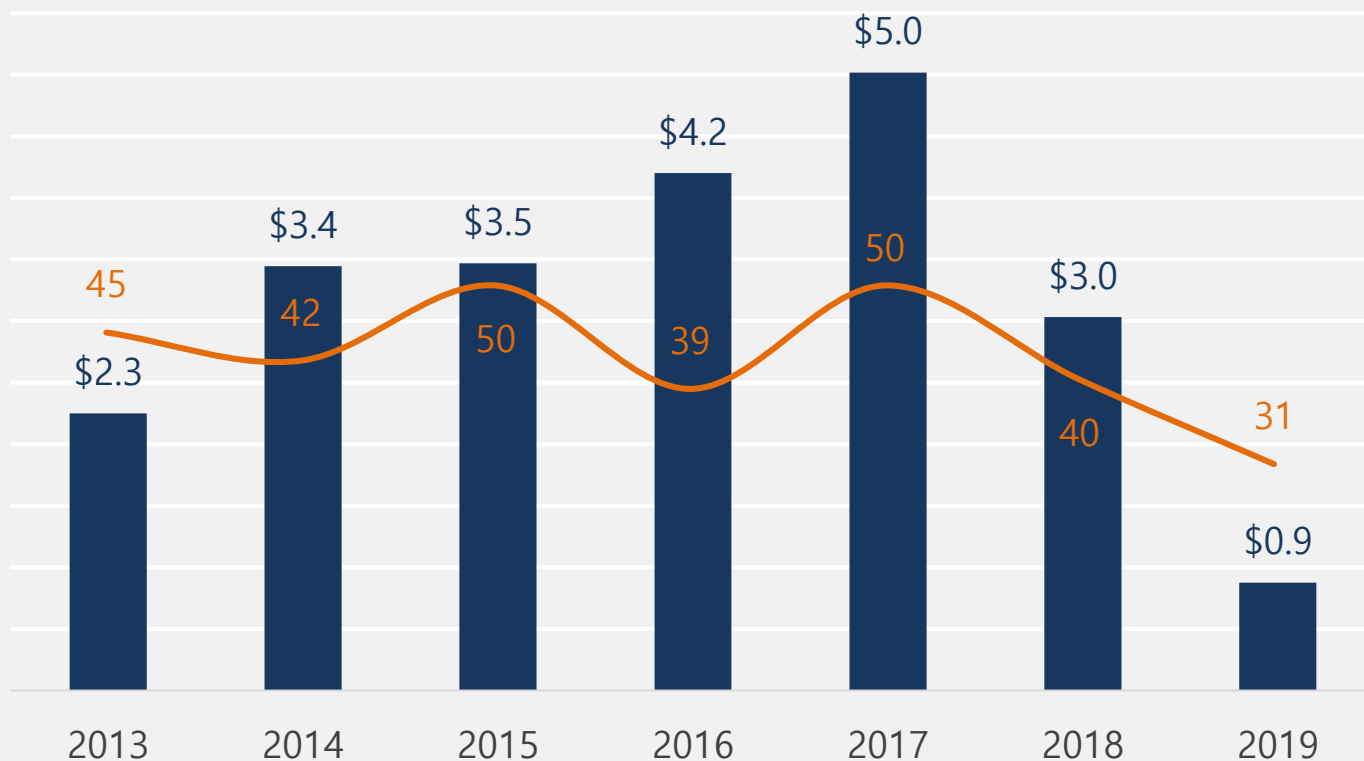
The second half of 2019 saw an uptick in M&A activity from first-half 2019, with deal value more than doubling from \$260 million to \$620 million.

While deal value grew in the second half of 2019, it remains well-below the five-year average of close to \$2 billion. Part of that drop is due to several transactions that didn't close by year-end. We expect that those deals will be completed in 2020, launching the new year's activity in a significant way.

DEAL VALUE AND VOLUME

(\$ in billions)

■ Deal Value
— Deal Volume



KEY TAKEAWAYS

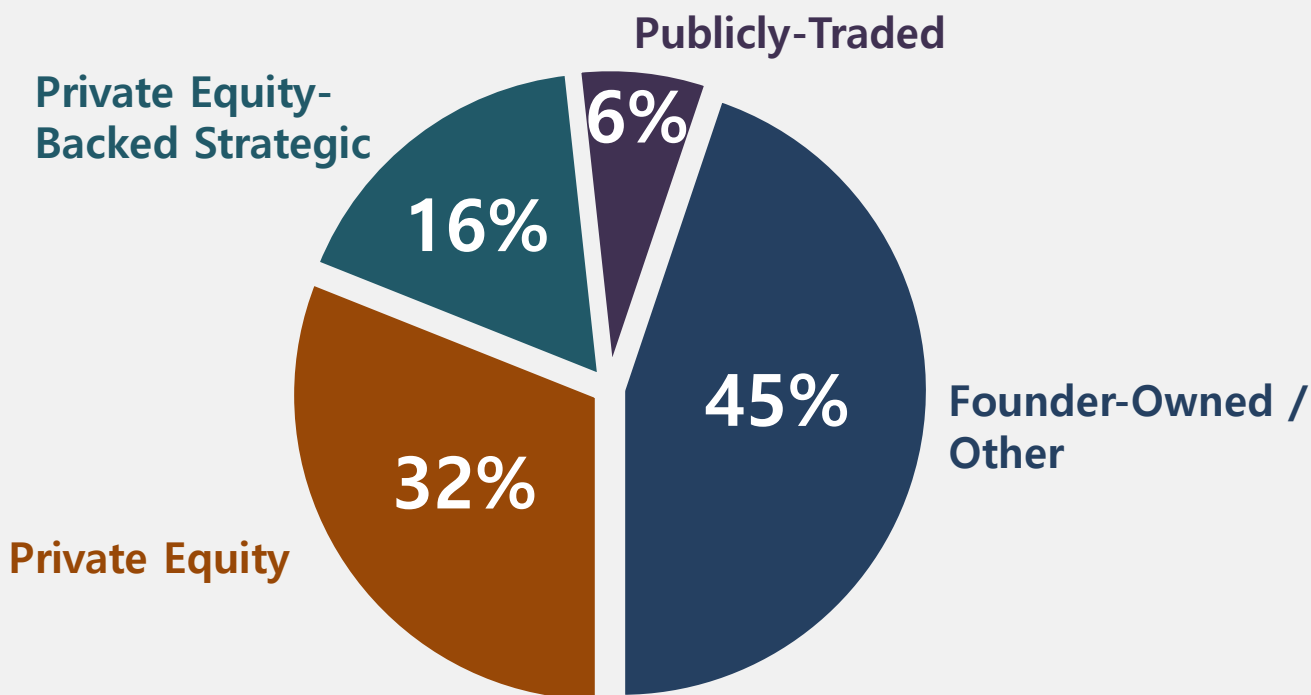
2 Financial Buyers Fueling The Fire

Private equity (PE) firms are betting big on the ARM industry. Platform investments accounted for 32% of the transactions in 2019, almost double the average of the last seven years. 2019 included a number of interesting PE platform acquisitions, such as those involving **Harris & Harris** (Chicago, IL) and **Receivable Solutions, Inc.** (Columbia, SC).

These investments will lead to further M&A activity as the PE owners will seek add-on acquisitions to gain scale, add capabilities, or accomplish other strategic objectives. With 48% of all ARM transactions being completed by PE or PE-backed companies, they clearly stand to play a much larger role in industry transactions.

DEAL VOLUME BY BUYER TYPE

(% of total deals)



KEY TAKEAWAYS

3 Strategics Are Carving It Up Like It's Thanksgiving

Strategic buyers remained active by doing what they do: entering new vertical and geographic markets, expanding their capabilities in existing markets, and so forth. In one of Greenberg Advisors' 2019 transactions, **Navient** (NASDAQ: NAVI) sold its education-focused receivables management subsidiary, **General Revenue Corporation**, to a Canadian strategic. The transaction enabled the buyer to gain access to the US student loan market while establishing a foothold in the much larger US credit granting market. This is also an example of a corporate carve-out, which is a rare "bird" in the ARM industry and involves additional complexities to ensure a smooth transition to new ownership. In this case, the transaction made sense as it enabled Navient to focus on its core activities, while providing a good "home" for GRC's clients and staff.

4 Lower-Middle Market Is King

For as long as we've been tracking ARM transactions, which is almost 25 years now(!), deals with an enterprise value of \$20 million or less have dominated the activity. 2019 was no exception, as these transactions accounted for 68% of the deal volume.

Crucial to understanding this statistic, however, is the composition of the industry, which includes very few companies that would support a \$100 million transaction. While larger deals like that are not representative of the market or investor sentiment, they do still play an important role in analyzing long-term trends.

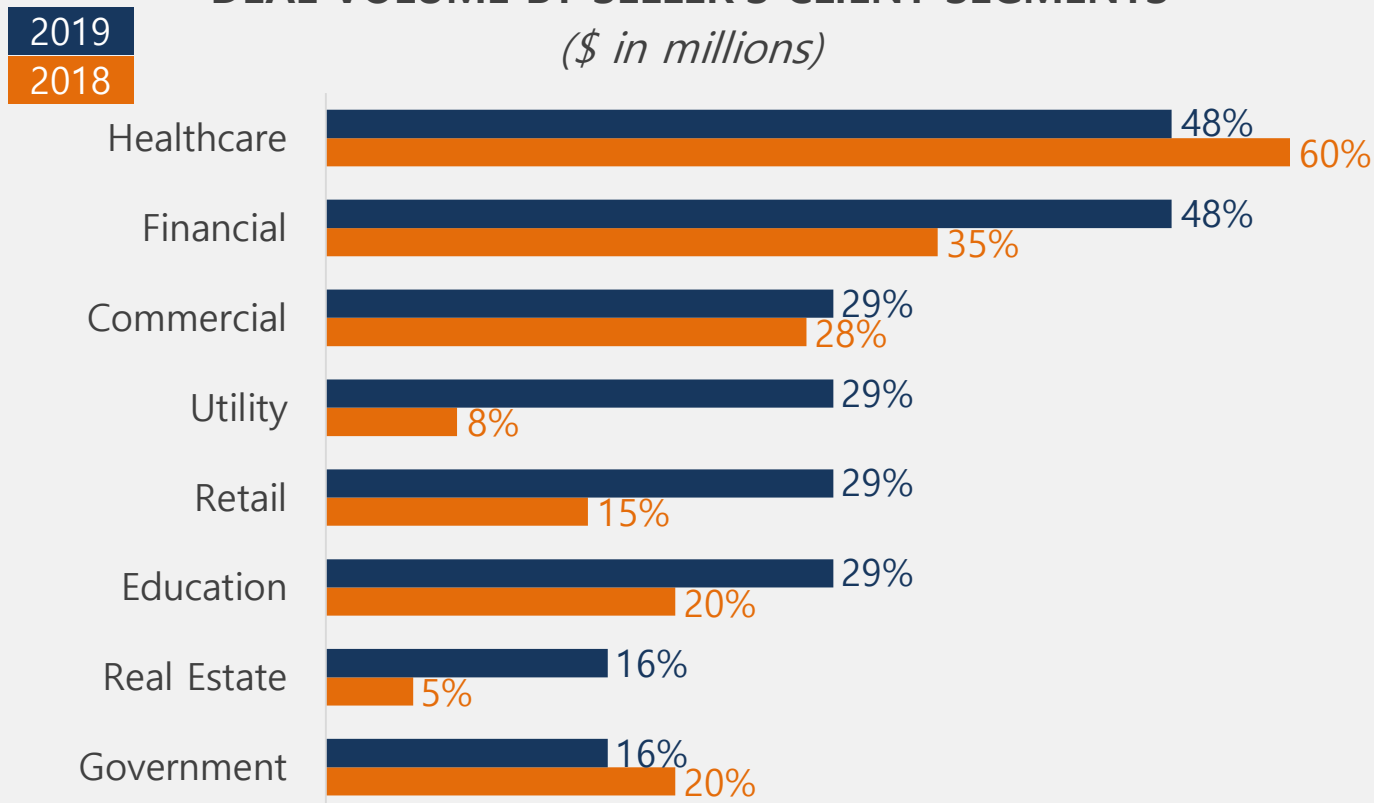
KEY TAKEAWAYS

5 So Much For “Commercial-Free”

Aggregate transaction value in the commercial receivables management sector jumped in 2019. That market generated the third-highest deal value behind the healthcare and utilities collection markets. Given the large-balance placements that are commonplace in the commercial sector, these firms often produce much higher profit margins than those in other sectors, and are therefore increasingly attractive acquisition candidates.

Healthcare continued its reign, accounting for nearly 50% of all of the ARM transactions, matched only by the financial segment. Given the level of outstanding medical debt, increasing self-pay bills, and the cash-crunch experienced by many healthcare providers, there will be a consistent need for those servicing medical receivables.

DEAL VOLUME BY SELLER’S CLIENT SEGMENTS



LOOKING AHEAD

We predict a turnaround in M&A activity in 2020 fueled by PE firms and large strategic buyers. The focus will be on sellers that are specialists in one or two vertical markets that are performing well. Other firms that don't fit this description will certainly be attractive and saleable to the right buyers as long as they solve the buyer's need. Rest assured, there are plenty of M&A opportunities for buyers and sellers in this market and we expect there will be for years to come.



GA can help you maximize the value of your business by assessing your growth and / or exit strategy. Find out how.

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GA Celebrated Its 10-year Anniversary



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ABOUT GREENBERG ADVISORS

Greenberg Advisors, LLC is one of the most prolific and experienced M&A advisory and planning firms in the Accounts Receivable Management (ARM) industry. The firm's professionals have provided trusted M&A and strategic advice to ARM executives and investors for nearly 25 years, resulting in the completion of over 130 M&A, capital raising, valuation, and strategic advisory engagements.

Greenberg Advisors celebrated its 10-year anniversary in 2019.

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ADVISING INDUSTRY LEADERS FOR 25 YEARS



a subsidiary of
NAVIENT
was acquired by
SINGLEPoint



a portfolio company of
NEP
Norwest Equity Partners
was acquired by
WLSquare



a portfolio company of
NexPhase CAPITAL
acquired the early-out assets of
SIGNATURE Performance



was acquired by
American Capital



acquired
enhanced revenue solutions



was acquired by
USCB AMERICA



acquired
NARS CALL CENTER SOLUTIONS



a portfolio company of
THOMPSON STREET CAPITAL PARTNERS
acquired
ALLIED BUSINESS SERVICES

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