

Greenberg Advisors

M&A • STRATEGIC ADVISORY • CAPITAL

M&A Update 2020



Accounts Receivable
Management

INTRODUCTION

It goes without saying; 2020 was a challenging year in so many respects. Businesses across the US grappled with uncertainty and navigated rigorous challenges. To no one's surprise, mergers and acquisitions (M&A) activity in the Accounts Receivable Management (ARM) industry was also impacted.

Despite the pandemic, 21 M&A transactions were completed in 2020, representing \$670 million in ARM deal value. Greenberg Advisors (GA) was at the center of this activity, having advised in five transactions for the year, including the sales of [Arcadia Recovery Bureau](#) and [Praxis Healthcare Solutions](#) to strategic buyers and the acquisition of [Hunter Warfield's Commercial Collection](#) division.

The light at the end of the proverbial tunnel brightened in December, when two COVID-19 vaccines were approved by the US Food and Drug Administration. As well, our discussions with owners and investors indicate that both buyers and sellers are equally as interested in pursuing M&A as before the pandemic. As we happily put 2020 in the rearview mirror, these factors, along with others, have created a sense of optimism in the ARM M&A market.

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

SELECTED GA TRANSACTIONS IN 2020



a portfolio company of



acquired select assets of



Buy-Side Advisor



was acquired by



a portfolio company of



NEW MOUNTAIN CAPITAL LLC

Sell-Side Advisor



was acquired by



a portfolio company of



Sell-Side Advisor

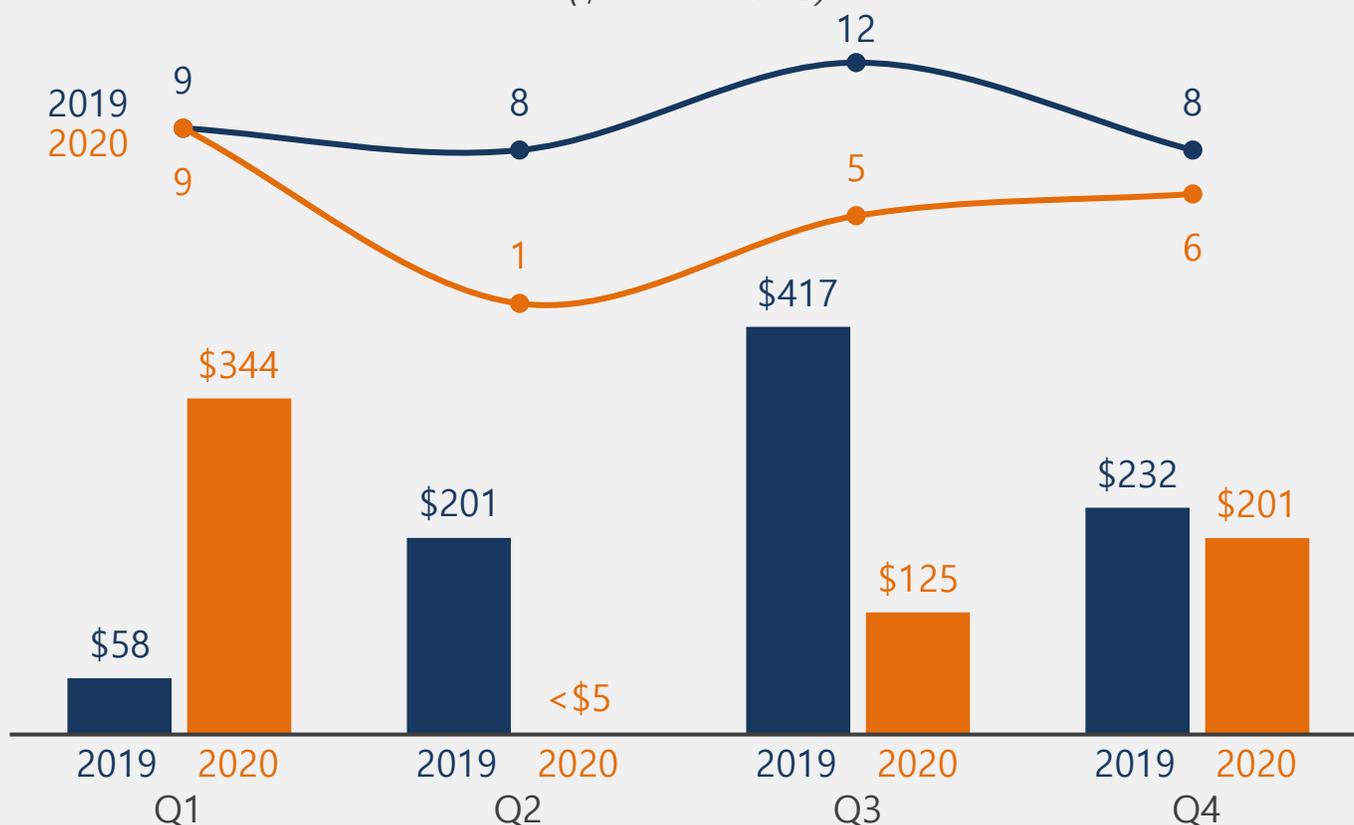
KEY TAKEAWAYS

1 Stop and Go

After a strong start to the year, with nine transactions closing in the first quarter, deal activity came to a screeching halt in the second quarter when only one transaction closed as the pandemic impacted the US. As owners and executives learned how to navigate the difficulties imposed by the pandemic, deal activity slowly resumed, resulting in 11 transactions in the second half of the year. Despite the 43% reduction in deal volume relative to 2019, deal value only decreased by 26%, largely due to the fact that a higher percentage of the deals that closed in 2020 exceeded \$50 million.

DEAL VALUE AND VOLUME

(\$ in millions)



KEY TAKEAWAYS

2 Buyers, Buyers Everywhere

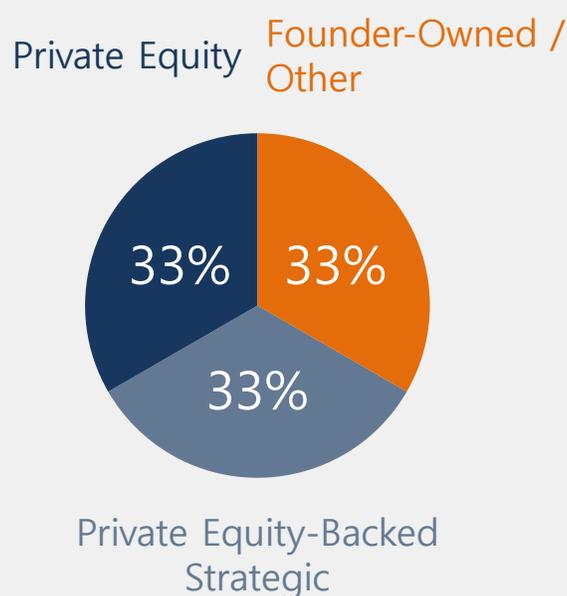
Over the last five years, approximately 50% of M&A transactions in the US involved private equity.¹ How does ARM stack up? In 2020, 67% of transactions involved private equity investors. Half of those transactions were by private equity groups entering the ARM market (i.e. 'platform' acquisitions), while the other half were made by strategic buyers that were backed by private equity firms. Interestingly, many of the private equity buyers that made platform acquisitions in 2020 are experienced in ARM, having owned and exited an ARM investment previously.

Private equity firms seeking a platform typically have investment constraints that require the target company to be of a certain size (often at least \$3 million in EBITDA). Private equity-backed strategic buyers have a more flexible approach and often pursue deals of any size, as long as there are strategic benefits to be gained, such as diversification of offerings or end-markets.

We've participated in the ARM industry's consolidation for over 25 years and in some ways, it's the 'same old same old.' In other ways, however, there is a very new class of buyers in the ARM industry for whom only deals of a certain rare level of profitability will suffice.

DEAL VOLUME BY BUYER TYPE

(% of total deals)



¹ Downie, Ryan. "Reading Between the M&A Activity Headlines." *Axial*, 18 Aug. 2020.

KEY TAKEAWAYS

3 Seller Statistics

DEAL VOLUME BY SELLER REVENUE

(% of total deals, \$ in millions)



MOST POPULAR CLIENT SEGMENTS

#1

Healthcare

#2

Financial Services

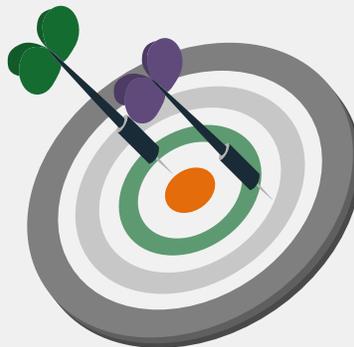
#3

Telecom



29%

...of sellers were high-growth companies. Up from 16% in 2019!



62%

...of sellers were founder-owned companies.

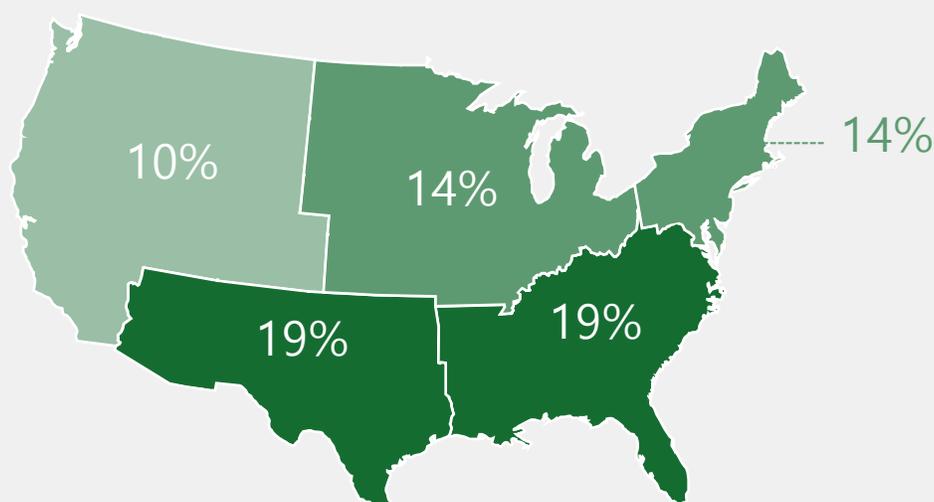
KEY TAKEAWAYS

4 Sea to Shining Sea

As shown below, ARM M&A activity was spread relatively evenly across the US. There were a few notable trends in 2020 worth discussing:

- Transactions involving sellers based in the Southwest surged, representing 19% of transactions in 2020. Interestingly, only one of these transactions included a buyer that was also headquartered in the Southwest.
- Transactions involving sellers in the Midwest have steadily declined. In 2018, they represented 28% of all transactions, and in 2020, just 14%. There are two buyers that have made multiple Midwest acquisitions since 2018. One of those buyers was pursuing a 'roll-up' strategy to consolidate offices and takes advantage of the resulting cost reductions.
- International M&A remains consistent, with four or five deals closing in each of the last three years. In 2020, the majority of those transactions involved US-based buyers acquiring non-US firms.

**US DEAL VOLUME
BY REGION**
(% of total deals)



KEY TAKEAWAYS

The Elephant in the Room: Valuations

Most senior executives with an interest in M&A are wondering “What are valuations today?” While we addressed this and other common questions in an ARM Intel titled [ARM Company Performance and M&A During a Pandemic](#), the topic deserves an update.

There has not been any notable decline in valuation multiples for ARM companies when compared to pre-COVID-19 multiples. For companies significantly impacted by COVID-19, buyers have utilized deal structure, enabling sellers to earn full value when their company recovers to pre-COVID-19 levels of performance, while still providing appropriate down-side protection for the buyer.

Reach out to us if you’d like to learn more about the valuation or deal structure trends that we’re seeing in the market. Contact ckrasko@greenberg-advisors.com to schedule a call.

LOOKING AHEAD

As noted, there is a great deal of optimism for a successful 2021 in ARM. The majority of companies that we speak with have *mostly* rebounded from a COVID-19-related dip and / or can see the path to a full rebound. Further, most owners cite the stimulus distributions as one of the reasons that liquidations have improved. With another round of stimulus slated in President Biden’s American Rescue Plan, this trend could continue well into 2021.

On the M&A front, activity appears to have normalized. We expect many of the transactions that were delayed in 2020 to close in 2021, allowing the statistics to accurately reflect the market’s level of activity. As well, as months pass and sellers continue to show that any financial impact of COVID-19 was an aberration, the market will heat up again.

RESOURCES FOR OWNERS

GA TRANSACTION ANNOUNCEMENTS



GA advised Brown & Joseph / Altus in its acquisition of Hunter Warfield's Commercial Collection Division. [Press Release](#).



GA advised Praxis Healthcare Solutions in its sale to Revint Solutions. [Press Release](#).



GA advised Arcadia Recovery Bureau in its sale to Annuity Health. [Press Release](#).



GA advised ALN Medical Management in its acquisition of Nexus Healthcare Solutions. [Press Release](#).

GA PUBLICATIONS



ARM Intel: ARM Company Performance and M&A During a Pandemic. [Read it here](#).



The Real Deal with Kristeen Coronado of Enhanced Revenue Solutions. [Read it here](#).



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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 135 M&A, capital raising, valuation, and strategic advisory engagements.



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Note: This update is for informational use only. Information contained in this update is based on data obtained from sources believed to be reliable, and in some instances contains estimates. Data may include sellers that generate some non-ARM revenue. Nothing in this publication is intended as investment advice. Use of any of the included proprietary information for any purpose without the written permission of Greenberg Advisors is prohibited.

ADVISING INDUSTRY LEADERS FOR 25+ YEARS

2020 Transactions

 **BROWN & JOSEPH**
ALTUS
RECYCLES MANAGEMENT

a portfolio company of

 **INCLINE**[®]
EQUITY PARTNERS

acquired select assets of

 **HUNTER WARFIELD**

 **PRAXIS**
HEALTHCARE SOLUTIONS

was acquired by

 **REVINT**

a portfolio company of

 **NMC**
NEW MOUNTAIN CAPITAL LLC

 **ARCADIA**
RECOVERY BUREAU

was acquired by

 **ANNUITY**
HEALTH

a portfolio company of

 **PINE TREE**
EQUITY PARTNERS

 **ALN**
ALN Medical Management

acquired

 **nexus**
Nexus Healthcare Solutions

(not yet announced)

a private equity-backed RCM firm

acquired

an RCM firm

 **GENERAL**
REVENUE
CORPORATION

a subsidiary of

 **NAVIENT**[®]

was acquired by

 **SINGLEPoint**

 **meduit**

a portfolio company of

 **NexPhase**
CAPITAL

acquired the early-out assets of

 **SIGNATURE**
Performance

 **dcm**
services

a portfolio company of

 **NEP**

Norwest Equity Partners

was acquired by

 **WIL**
square

 **JL**
teamworks

was acquired by

 **US**
CB
AMERICA