



FINANCIAL  
TECHNOLOGY  
G R O U P

INDUSTRY  
UPDATE

Consumer  
Bankruptcy  
Services

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INVESTMENT BANKERS

McColl Partners is an exclusive U.S. partner in the [Clairfield Partners](#) international corporate finance partnership which includes eight investment banks throughout Europe and Asia.

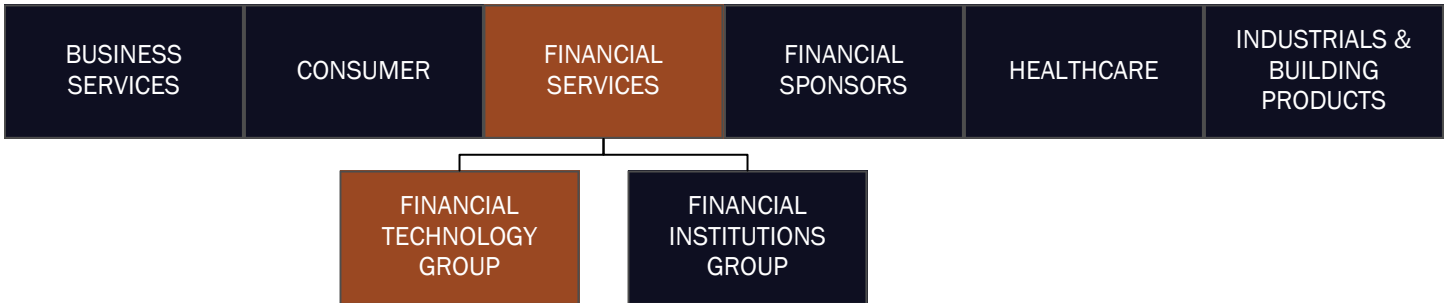
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Financial Services Group



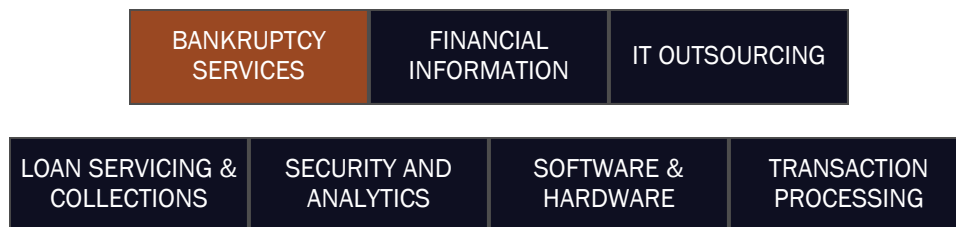
McColl Partners' Financial Technology Group focuses on companies that provide innovative technology and processes to serve the financial services industry. Representative clients include payment processors, merchant processors, financial software and hardware providers, collections agencies, and bankruptcy service providers.

Led by Managing Director Jamie Lewin, McColl Partners' Financial Technology Group continues to build on its knowledge base and extensive relationships, both of which were developed through a wealth of merger and acquisition and financing experience within the sector. As the financial advisor in several recent financial technology transactions, McColl Partners has proven its ability in varying market conditions to consistently create shareholder value for its clients. The sector outlook remains positive as companies operating within the financial services industry continue to face increased pressure to implement technologies that control costs, mitigate risk, and drive profitability.

McColl Partners continually monitors trends and factors that influence the financial technology industry and related sub-sectors.

- Demographic trends
- Economic developments
- Domestic and international market dynamics
- Performance of publicly traded comparable companies
- Notable mergers, acquisitions, and joint ventures

SUB-SECTORS



**McCOLL PARTNERS SECTOR SPOTLIGHT**  
**Consumer Bankruptcy**

**U.S. Bankruptcy Filings**

Increasing unemployment rates and consumer debt levels, in combination with diminishing home values and personal incomes, are driving a growing number of struggling consumers into bankruptcy. After steadily increasing over the past two years, the number of personal bankruptcy filings jumped to 108,595 in October 2008, exceeding 100,000 filings for the first time since the passage of the Bankruptcy Abuse Prevention and Consumer Protection Act (“BAPCPA”) in 2005. The growth in filings represents an increase of approximately 34% from October 2007. Figure 1 presents historical and expected U.S. consumer bankruptcy filings.

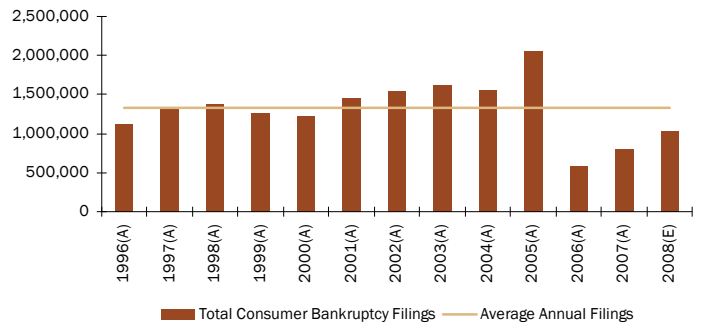
**U.S. Unemployment Rates**

The U.S. unemployment rate rose to 6.5% in October 2008, a 14 year high. Furthermore, with the large number of layoff announcements recently, analysts expect the unemployment rate to rise significantly based on expected job losses alone. Figure 2 displays the monthly U.S. unemployment rate.

**U.S. Personal Saving Rate**

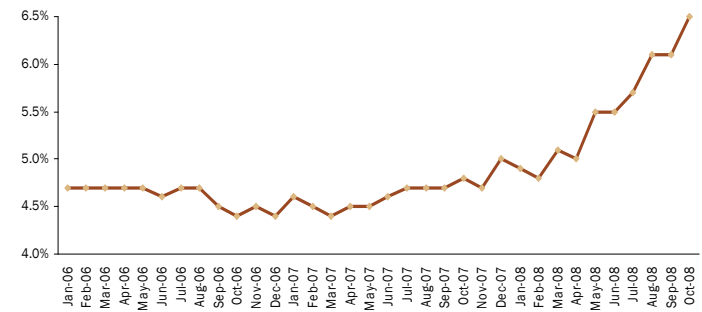
The U.S. personal saving rate has decreased from an average of 7.1% in 1980 to 2000, to approximately 1.5% since 2000. During the third quarter of 2005, the personal saving rate moved into negative territory for the first time. A negative personal saving rate indicates that U.S. households are consuming more than they earn, forcing them to take on increased levels of debt. Consumer debt levels have steadily grown over the last five years as a result of lenient consumer lending standards and slower economic growth. Figure 3 presents historical consumer debt levels.

Figure 1: U.S. Consumer Bankruptcy Filings



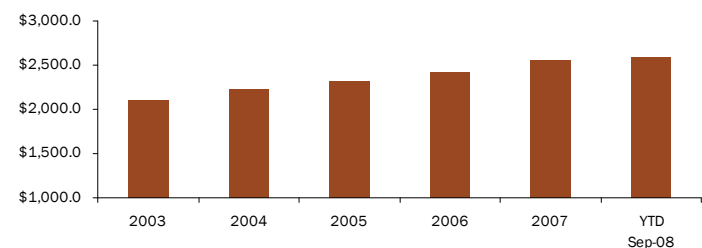
Source: National Bankruptcy Research Center.

Figure 2: U.S. Monthly Unemployment Rate



Source: Bureau of Labor Statistics.

Figure 3: U.S. Consumer Debt Levels (\$ in Millions)



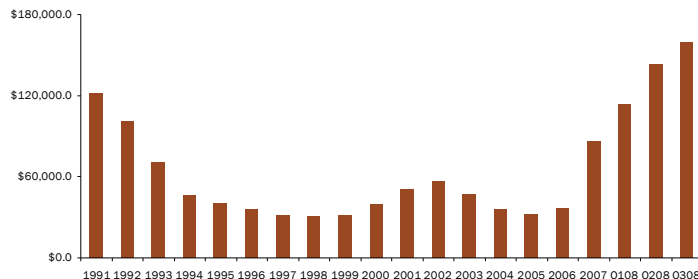
Source: Federal Reserve.

**McCOLL PARTNERS SECTOR SPOTLIGHT**  
**Consumer Bankruptcy (continued)**

**U.S. Non-Performing Loans**

The number of non-performing loans, defined as loans that have been delinquent for more than 90 days, is commonly used as an indicator of future bankruptcy filings because many debtors with non-performing loans are eventually forced to file for bankruptcy. The recent spike in non-performing loans suggests that bankruptcy volume will continue to increase. Figure 4 presents U.S. non-performing loans.

Figure 4: U.S. Non-Performing Loans (\$ Millions)

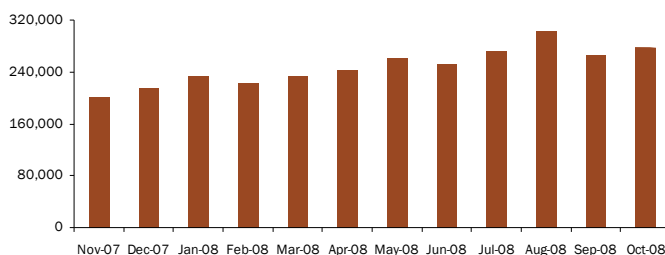


Source: SNL Financial.

**U.S. Foreclosure Filings**

The number of monthly foreclosure filings surged to 279,561 in October 2008, representing a 25% increase in foreclosure activity from October 2007. October 2008 marks the 34th consecutive month in which U.S. foreclosure activity has increased compared to the prior year. Historically, bankruptcy filings have lagged foreclosures by approximately 6 to 12 months, suggesting that bankruptcy filings will continue to increase in the near-term. Figure 5 presents U.S. monthly foreclosure filings.

Figure 5: U.S. Monthly Foreclosure Filings



Source: RealtyTrac.

**Consumer Bankruptcy Services**

Consumer bankruptcy service providers can be broadly divided between two groups: (i) companies that provide services to lenders and (ii) companies that provide services to consumers.

Because lender service companies generally serve larger, well-established clients, this group has historically generated higher volume and has undergone more consolidation than companies serving consumers. Consumer service providers generally generate higher margins but have historically failed to meet the requisite size threshold for investment consideration by large strategic acquirors or financial sponsors. However, the recent spike in consumer bankruptcies has raised the sophistication of these companies and has increased the interest from strategic acquirors and financial sponsors, leading to additional consolidation among this group of operators.

**Selected Lender Service Providers**

- Default processing
- Risk mitigation and analytics
- Asset acquisition, management, and disposition support
- Secured and unsecured consumer bankruptcy credit

**Selected Consumer Service Providers**

- Bankruptcy filing and legal services
- Debt management, credit counseling, and debtor education
- Auto loan redemption and replacement
- Debt settlement

## Industry Investment Merits

The consumer bankruptcy sector has attractive investment merits that will continue to generate significant interest from both strategic acquirors and financial sponsors.

- I. **Significant Buyer Interest.** Strategic acquirors seeking the benefits of this sector will gain an immediate entry into the fast-growing, highly attractive financial technology industry, enabling them to vertically integrate and gain immediate access to new markets. Financial sponsors are interested in acquiring niche, high-value service providers with opportunities for consolidation and significant organic growth. The sector offers unique services that are difficult to replicate due to the extensive experience and knowledge required, which makes this sector ideal for acquisitions.
- II. **Positive Industry Trends.** The consumer bankruptcy sector's growth is expected to continue due to increasing consumer bankruptcies. Personal bankruptcy filings are reaching record levels since the passage of the BAPCPA in 2005 and show no signs of slowing down. The combination of an increasing unemployment rate, high consumer debt levels, and the recent surge in foreclosures point toward increasing bankruptcy filings in the near future.
- III. **Countercyclical Business Model.** The current economic recession makes a company in the consumer bankruptcy sector the ideal acquisition due to the countercyclical nature of its business model that can be expected to generate continued growth in economic downturns.
  - *Strategic Acquirors* – These groups are looking to diversify their revenue streams and view this sector as an opportunity to hedge against the potential global recession and capture the benefits of increasing consumer bankruptcies.
  - *Financial Sponsors* – These groups have available capital to invest in opportunities that have growth potential, especially in an economic slowdown. The consumer bankruptcy sector provides a safe acquisition opportunity with significant upside due to the favorable industry trends that forecast increases in consumer bankruptcies.
- IV. **Significant Barriers to Entry.** Strategic acquirors and financial sponsors are attracted to the consumer bankruptcy sector due to its high barriers to entry, which discourage new competitors from entering the market during periods of growth. The consumer bankruptcy sector's barriers to entry include:
  - High technology capital requirements.
  - High value-added services that require extensive experience.
  - Established industry relationships.

## COMPARABLE FINANCIAL TECHNOLOGY COMPANIES

As of December 17, 2008, the following publicly traded financial technology companies were trading at a mean and median of 7.0x and 6.8x latest twelve months (“LTM”) earnings before interest, taxes, depreciation, and amortization (“EBITDA”), respectively.

(\$ in Millions)

	% of 52 Week High	LTM Revenue	LTM EBITDA	EBITDA Margin	Equity Market Value	Enterprise Value ("EV") <sup>(1)</sup>	EV/ Revenue	EV/ EBITDA
<b>Financial Technology</b>								
ACI Worldwide, Inc.	58.8 %	\$411.7	\$35.3	8.6 %	\$516.6	\$497.3	1.2 x	14.1 x
Broadridge Financial Solutions, Inc.	52.2	2,248.6	414.8	18.4	1,787.3	2,281.3	1.0	5.5
DST Systems, Inc.	43.8	2,298.5	474.2	20.6	1,914.1	3,093.1	1.3	6.5
Diebold, Inc.	68.7	3,242.0	317.7	9.8	1,837.6	2,204.1	0.7	6.9
Dolan Media Company	21.2	171.9	42.8	24.9	197.4	367.1	2.1	8.6
Fidelity National Information Services, Inc.	35.4	5,283.0	1,301.6	24.6	3,060.8	5,471.1	1.0	4.2
Fiserv, Inc.	61.6	4,808.0	1,253.0	26.1	5,606.9	9,393.9	2.0	7.5
Jack Henry & Associates, Inc.	68.0	751.1	227.1	30.2	1,579.6	1,573.9	2.1	6.9
Metavante Technologies, Inc.	62.9	1,682.1	466.1	27.7	1,996.2	3,816.7	2.3	8.2
NCR Corporation	48.8	5,415.0	509.0	9.4	2,161.9	1,736.9	0.3	3.4
Online Resources Corporation	35.5	152.6	28.3	18.5	127.1	188.0	1.2	6.7
Total System Services, Inc.	46.2	1,903.7	538.6	28.3	2,722.1	2,676.6	1.4	5.0
<b>Median</b>	<b>50.5 %</b>	<b>\$2,076.2</b>	<b>\$440.5</b>	<b>22.6 %</b>	<b>\$1,875.8</b>	<b>\$2,242.7</b>	<b>1.3 x</b>	<b>6.8 x</b>
<b>Mean</b>	<b>50.3 %</b>	<b>\$2,364.0</b>	<b>\$467.4</b>	<b>20.6 %</b>	<b>\$1,959.0</b>	<b>\$2,775.0</b>	<b>1.4 x</b>	<b>7.0 x</b>

(1) Enterprise value equals the market value of equity plus net debt.

## SELECTED FINANCIAL TECHNOLOGY TRANSACTIONS

The financial technology sector has experienced significant consolidation at healthy valuations in the last 24 months, generating a median LTM EBITDA purchase multiple of 15.3x. Financial technology M&A remained strong in 2008 relative to other sectors, drawing particularly strong interest from financial sponsors. As major market participants are currently employing comparatively cautious acquisition strategies, many financial sponsors are capitalizing on the opportunity to invest in the wealth of smaller private companies within the sector. McColl Partners expects the trend to continue into 2009 with strategic acquirors becoming more active in the second half of the year.

(\$ in Millions)

Target/Acquiror	Close Date	LTM Revenue	LTM EBITDA	EBITDA Margin	Enterprise Value <sup>(1)</sup>	EV/Revenue	EV/EBITDA
<b>National Default Exchange, LP</b> Dolan Media Company	Sep-08	\$93.4	\$9.2	9.8 %	\$206.9	2.2 x	22.6 x
<b>Electronic Clearing House, Inc.</b> Intuit, Inc.	Feb-08	76.9	4.5	5.9	135.3	1.8	29.8
<b>CapitalStream, Inc.</b> HCL Technologies Ltd.	Feb-08	21.0	NA	NA	40.0	1.9	NA
<b>CheckFree Corporation</b> Fiserv, Inc.	Dec-07	972.6	280.8	28.9	4,368.9	4.5	15.6
<b>Authorize.Net Holdings, Inc.</b> CyberSource Corporation	Nov-07	98.5	20.5	20.8	450.4	4.6	22.0
<b>First Data Corporation</b> Kohlberg Kravis Roberts & Company	Sep-07	7,277.0	2,072.7	28.5	27,673.6	3.8	13.4
<b>eFunds Corporation</b> Fidelity National Information Services, Inc.	Sep-07	546.7	134.0	24.5	1,805.6	3.3	13.5
<b>The BISYS Group, Inc.</b> Citigroup, Inc.	Aug-07	882.5	137.3	15.6	1,493.6	1.7	10.9
<b>John H. Harland Company</b> Harland Clarke Holdings Corporation	May-07	1,056.5	194.1	18.4	2,303.9	2.2	11.9
<b>Carreker Corporation</b> CheckFree Corporation	Apr-07	114.4	12.8	11.2	168.8	1.5	13.2
<b>Digital Insight Corporation</b> Intuit, Inc.	Feb-07	238.1	69.7	29.3	1,261.4	5.3	18.1
<b>Open Solutions, Inc.</b> Providence Equity Partners, Inc.; The Carlyle Group	Jan-07	340.9	84.1	24.7	1,283.4	3.8	15.3
<b>Median</b>		<b>\$289.5</b>	<b>\$84.1</b>	<b>20.8 %</b>	<b>\$1,272.4</b>	<b>2.8 x</b>	<b>15.3 x</b>
<b>Mean</b>		<b>\$976.6</b>	<b>\$274.5</b>	<b>19.8 %</b>	<b>\$3,432.6</b>	<b>3.0 x</b>	<b>16.9 x</b>

(1) Enterprise value equals the market value of equity plus net debt assumed.

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CLIENT-FOCUSED RESULTS



McColl Partners provides investment banking services to owners and management of middle-market businesses and financial sponsors by combining experienced, dedicated professionals, unparalleled access to decision makers, and focused industry expertise.

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McColl Partners acted as financial advisor to Emergency Debt Relief, Inc.



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McColl Partners acted as financial advisor to Enhancement Services Corporation.



has been acquired by



McColl Partners acted as financial advisor to SureFire Commerce, Inc.

McColl Partners' Financial Technology Group combines robust knowledge of diverse and dynamic capital markets with innovative approaches to traditional investment banking. From mergers and acquisitions to private capital raises, McColl Partners professionals work with each client to develop tailored solutions.

For more information on how McColl Partners can assist your company, please contact:

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