

# THE SPECIAL RELATIONSHIP

*Encore Capital's acquisition of Cabot Credit Management marks the entry of a significant US player to the UK debt purchase market. Cabot's chief executive, Neil Clyne, assesses the deal*

**W**hen complete, US debt buyer Encore Capital's purchase of Cabot Credit Management (CCM) will probably be the biggest deal to take place in the UK debt purchase market in 2013.

Encore Capital has agreed to buy the controlling stake in CCM that was previously acquired by American private equity firm JC Flowers & Co LLC for £128m.

The agreement came at the end of May, two weeks after CCM – one of the UK's largest debt buyers – was purchased by JC Flowers & Co from AnaCap Financial Partners.

Encore Capital has agreed to buy 50.1% of the equity held by JC Flowers, giving it control of the CCM Group.

**From left to right:**  
Neil Clyne, Cabot Credit Management,  
Paul Grinberg, Encore Capital Group,  
Manu Rikhye, Encore Capital Group,  
Steve Mound, Cabot Credit Management

The deal is expected to close during the third quarter of this year and contains a clause giving Encore Capital the option to purchase the remaining company interest from JC Flowers from the fourth anniversary of the deal going through.

CCM's management team will remain in place with changes made to the firm's Board following AnaCap's exit.

AnaCap purchased Cabot Financial in 2011 and merged it with Apex Credit Management to create the current entity.



Here Neil Clyne, chief executive of Cabot Credit Management, gives an overview of the deal and what it means for his firm.

**Q.** What plans do Cabot's new owners plus the management team have in place for the firm?

**A.** The partnership between Encore and Cabot brings together two market leaders to create a global leader.

Encore is a leading debt management and recovery company in the US, and Cabot has 14 years of collections history as a pioneer and market leader in consumer debt purchase in the UK and Ireland.

The plan for this new partnership is to continue with the strategy of maximising the company's potential in the UK and Irish markets.

We will work with Encore to leverage the company's analytics, technology and consumer data expertise to enhance CCM's already strong operations even further.

Additionally, while we will continue our focus on purchasing semi-performing debt or "fresh paper", CCM also expects to be able to buy UK secondary and tertiary debt. This debt typically requires a more intensive, and therefore costly, collections strategy. Encore has been very successful in collecting on this type of debt in a cost effective manner.

**Q.** What will the new ownership do for the possibility of international expansion? Is Cabot looking at this at the moment?

**A.** Right now we are focused on making sure we are leveraging the opportunities available through this new relationship with Encore, but the possibility will be reviewed in the medium term.

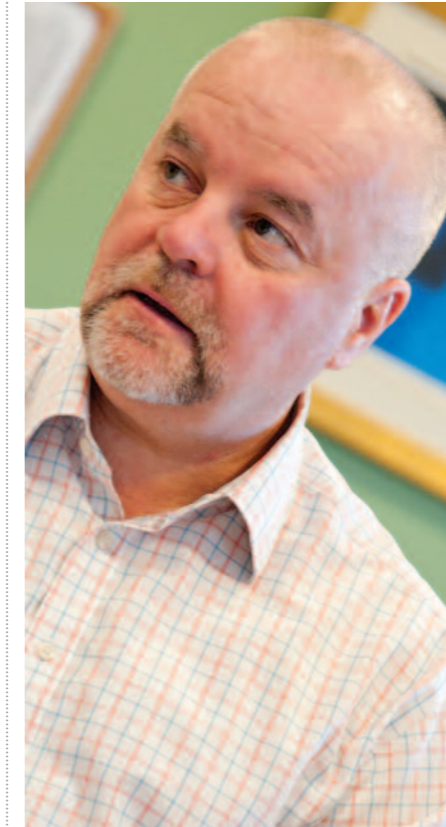
**Q.** What pros and cons does having a US-based owner give Cabot?

**A.** The UK possesses the largest mature debt purchase market in the world after the US, so there are many opportunities to learn from one another.

First, CCM and Encore purchase complementary consumer debt types. CCM's purchases are focused on semi-performing or "fresh paper". This is highly cash generative and long-tailed, which complements Encore's focus on secondary and tertiary debt.

Additionally, debt purchase cycles in the US and UK occur at different times, allowing for diversification in the global earnings profile.

Cabot and Encore are also culturally aligned, treating consumers and employees fairly and respectfully, which will enable outstanding collaboration.



years and this growth is expected to continue.

As one of the leading companies in its space in the UK and Ireland, and with all the strong relationships CCM has with issuers, there will be significant opportunities to deploy capital to buy portfolios.

Additionally, through our relationship with Encore, we will have access to more capital, enabling us to buy additional debt and of diverse types.

**Q.** What implications does the new ownership structure have for any plans Cabot might have to float the business?

**A.** The strategy is for Encore to purchase the remaining shares in CCM from JC Flowers & Co in the next four to six years.

**Q.** Will Cabot look at acquisitions, either in the UK or internationally, as a way to grow the business further?

**A.** While we are currently focused on maximising the synergies created by our new relationship with Encore, CCM will look at acquisitions as a way to grow its business further.

This will be in the UK initially, and possibly internationally in the medium term.

**Q.** Are there any new markets the firm plans to move into, or existing markets it would like to expand its presence in?

**A.** CCM has a history in financial services and secured debt. Encore has acquired significant volumes of fresh paper over the years, but has extensively purchased older paper with lower balance and multiple accounts – for example, telecoms debt.

CCM plans to leverage Encore's deep expertise in aged paper to expand its purchasing to new asset classes.

**Q.** Is Cabot likely to refinance or complete another bond this year?

**A.** A growing business needs to continue to review its options for finance. CCM has exhibited strong growth over the last few

**Q.** How does Cabot see the UK debt purchase marketplace evolving?

**A.** Originators are looking for companies that have invested in their operations, technology and compliance, and have strong financial backing.

As a result, this means there will be fewer companies that will be in a position to offer all of these services to the standard required, resulting in a niche number of players being able to operate at this high level.

**Q.** Will there be more consolidation and/or further acquisitions in the UK debt purchase marketplace?

**A.** Yes, it is likely there will be more consolidation and/or acquisitions in the UK debt purchase arena. @

**"RIGHT NOW, WE ARE FOCUSED ON MAKING SURE WE ARE LEVERAGING THE OPPORTUNITIES AVAILABLE THROUGH THIS NEW RELATIONSHIP WITH ENCORE"**

Neil Clyne