Encore Capital Group, Inc. Closes New $75 Million, Three-Year Revolving Credit Facility with J.P. Morgan Chase

July 6, 2004

SAN DIEGO--(BUSINESS WIRE)--July 6, 2004--Encore Capital Group, Inc. (Nasdaq:ECPG), a leading accounts receivable management firm, today announced that it has closed on a new $75 million syndicated, three-year revolving credit facility to be utilized for the purpose of purchasing portfolios of receivables and working capital needs. Bank One, NA, a wholly owned subsidiary of J.P. Morgan Chase & Co. (successor by merger with Bank One Corporation) is the lead bank on the new credit facility.

Encore expects the new facility to be used, at the Company's option, during the second half of 2004, to fund portfolio purchases of non-credit card paper classes, and, upon expiration of the Company's Secured Financing Facility on December 31, 2004, to fund all types of portfolio purchases, including credit card receivables.

The Company believes that the new credit facility improves upon the Secured Financing Facility in two important ways:

- The Company will not pay any contingent interest on borrowings under the new facility. Contingent interest expense represents lender profit participation in portfolios purchased with the Secured Financing Facility. In 2003, contingent interest amounted to $16.0 million, or an after-tax amount of $.46 per fully diluted share, and represented 88% of the Company's total interest expense. In the first quarter of 2004, contingent interest amounted to $8.6 million, or an after-tax amount of $.22 per share, and represented 94% of the Company's total interest expense.
- The Company will no longer need lender approval for purchases as long as the Company is in compliance with the financial covenants of the new credit facility.

Although the Company will continue to pay contingent interest related to collections on portfolios purchased under the Secured Financing Facility until such time as the collections on those portfolios are exhausted, the Company anticipates that contingent interest payments will decline rapidly beginning in 2005. The Company expects that its contingent interest expense could be approximately 60-65% of current levels in 2005; 25-30% of current levels in 2006; and will be reduced to minimal amounts beyond 2006.

"Entering this new credit facility is another important milestone for the Company, as it will significantly reduce our total interest expense and dramatically improve our bottom-line results," said Carl C. Gregory, III, President and CEO of Encore Capital Group, Inc. "Under the new facility, the Company will retain 100% of the collections we make on portfolios purchased with that facility, and we will not be required to share any of the profits with our lender. We expect that this will not only improve both cash flow and net income, but also increase our flexibility in pursuing attractive investment opportunities in the future.

"Additionally, we are very excited about our new partnership with J.P. Morgan Chase. We view J.P. Morgan Chase as a powerful ally in our quest to reach our full potential," said Mr. Gregory.

Interest rates on borrowings under the new credit facility will, at the borrower's option, be at the lender's prime rate or at LIBOR plus a current margin of 250 basis points and will not include any contingent interest. The applicable margin will be adjusted quarterly based on a pricing grid which takes into account certain financial covenants related to the borrower's balance sheet and results of operations. This compares to the pricing on the Company's Secured Financing Facility of prime plus 200 to 300 basis points in addition to the contingent interest earned by the lender.

The new facility is secured by a security interest in all assets of the Company, except for those assets in which the Secured Financing Facility lender has a first priority security interest. The new facility also requires the Company to pay certain fees and expenses to the lender in connection with the commitment letter and the loan.

About Encore Capital Group, Inc.

Encore Capital Group, Inc. is an accounts receivable management firm that specializes in purchasing charged-off and defaulted consumer debt. More information on the company can be found at www.encorecapitalgroup.com.

Forward-Looking Statements

The statements in this press release that are not historical facts, including, most importantly, those statements preceded by, or that include, the words "may," "believes," "projects," "expects," "anticipates" or the negation thereof, or similar expressions, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). These statements may include, but are not limited to, projections of revenues, income or loss; cash flows; estimates of capital expenditures; plans for future operations, products or services; and financing needs or plans, as well as assumptions relating to those matters. For all "forward-looking statements," the Company claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company and our subsidiaries to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could affect the Company's results and cause them to materially differ from those contained in the forward-looking statements include: the Company's ability to purchase receivables portfolios on acceptable terms and in sufficient quantities; the availability and cost of financing; the Company's ability to recover sufficient amounts on or with respect to receivables to fund operations; the Company's continued servicing of receivables in its third-party financing transactions; the Company's ability to hire and retain qualified personnel to recover on its receivables efficiently; changes in, or failure to comply with, government regulations; the costs, uncertainties and other effects of legal and administrative proceedings; and risk factors and cautionary statements made in the Company's Annual Report on Form 10-K as of and for the year ended December 31, 2003.

Forward-looking statements speak only as of the date the statement was made. They are inherently subject to risks and uncertainties, some of which the Company cannot predict or quantify. Future events and actual results could differ materially from the forward-looking statements. The Company will not undertake and specifically declines any obligation to publicly release the result of any revisions to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, whether as the result of new information, future events or for any other reason. In addition, it is the Company's policy generally not to make any specific projections as to future earnings, and the Company does not endorse any projections regarding future performance that may be made by third parties.

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SOURCE: Encore Capital Group, Inc.