

Encore Capital Group, Inc.
 First Quarter 2026 Conference Call Prepared Remarks
 06-May-2026



| Slide # | Commentary |
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| | Bruce Thomas |
| 1 | <p>Thank you, Operator. Good afternoon and welcome to Encore Capital Group's first quarter 2026 earnings call. Joining me on the call today are Ashish Masih, our President and Chief Executive Officer, Tomas Hernanz, Executive Vice President and Chief Financial Officer, and Ryan Bell, President of Midland Credit Management. Ashish and Tomas will make prepared remarks today, and then we'll be happy to take your questions.</p> |
| 2 Safe Harbor | <p>Unless otherwise noted, comparisons on this conference call will be made between the first quarter of 2026 and the first quarter of 2025. In addition, today's discussion will include forward-looking statements that are based on current expectations and assumptions and are subject to risks and uncertainties. Actual results could differ materially from our expectations. Please refer to our SEC filings for a detailed discussion of potential risks and uncertainties. We undertake no obligation to update any forward-looking statement.</p> <p>During this call, we will use rounding and abbreviations for the sake of brevity. We will also be discussing non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are included in our investor presentation, which is available on the Investors section of our website.</p> <p>As a reminder, following the conclusion of this conference call a replay, along with our prepared remarks, will also be available on the Investors section of our website.</p> <p>With that, let me turn the call over to Ashish Masih, our President and Chief Executive Officer.</p> |

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| | Ashish Masih |
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| <p>3</p> <p>Q1 2026 Highlights</p> | <p>Thanks, Bruce, and good afternoon, everyone. Thank you for joining us.</p> <p>Encore delivered another strong performance in the first quarter as our industry leadership and operational execution are on full display. Our business continues to thrive with solid first quarter portfolio purchases of \$363 million dollars and record collections of \$718 million dollars, which were up 19% compared to a year ago. Average receivable portfolios increased 14% to \$4.4 billion dollars.</p> <p>Our record collections performance helped earnings increase sharply, with net income in the first quarter of \$86 million dollars and earnings per share of \$3.86.</p> <p>Our leverage improved to 2.3 times at the end of Q1, compared to 2.6 times a year ago, even with continued significant portfolio purchases in the first quarter.</p> <p>Encore's strong operating and financial results are primarily driven by the exceptional performance of our MCM business in the U.S. across all dimensions of purchasing, collections and efficiency. I will provide more details on MCM's results later in the presentation.</p> |

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| <p>4</p> <p>Our Strategy and Market Presence</p> | <p>Before I continue, I believe it's helpful to remind investors of the critical role we play in the consumer credit ecosystem by assisting in the resolution of unpaid debts. These unpaid debts are an expected outcome of the lending business model. Our Mission is to create pathways to economic freedom for the consumers we serve, by helping them resolve their past-due debts. We achieve this by engaging consumers in honest, empathetic and respectful conversations.</p> <p>We pursue our business objectives through our three-pillar strategy of participating in the largest and most valuable markets, developing and sustaining a competitive advantage in these markets, and maintaining a strong balance sheet. We employ our strategy across our two main businesses: Midland Credit Management – or MCM - in the U.S. and Cabot Credit Management in select European markets.</p> |
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| <p>5</p> <p>Our Value Engine</p> | <p>We believe value is created in the consumer debt buying industry through optimal execution of three critical drivers: buying, collecting and funding. When these drivers are executed well within attractive markets, leveraging the resources we possess and our strong balance sheet, we believe they enable high, consistent returns and profitability.</p> <p>The cycle begins with our commitment to purchase portfolios of charged-off receivables at attractive returns, which is the “buy well” component of our value engine. Our disciplined portfolio purchasing is underpinned by superior data and analytics capabilities, which when applied to our very large data sets stemming from our scale and history, optimize portfolio valuation through account-level underwriting. As a result, we win more portfolios at strong returns enabled by our superior collections as reflected in our industry-leading portfolio yield and collections yield.</p> <p>The cycle continues with our commitment to “collect efficiently” – maximizing net collections to realize strong yields. Our operational excellence, advanced analytics and our consumer-centric approach produce industry-leading yields while still exhibiting a solid cash efficiency margin. As a result, our very effective, personalized engagement with consumers leads to payments with predictable, consistent cash flow.</p> <p>This cash flow helps to complete the cycle as it contributes to our commitment to “fund competitively” – based on low-cost funding and a strong balance sheet. Importantly, our balance sheet strength enables access to capital at competitive costs through the credit cycle.</p> <p>In summary, Encore’s Value Engine is the critical enabler of our competitive advantage that allows us to execute our proven three-pillar strategy to drive shareholder value.</p> |
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| <p>6</p> <p>Portfolio Purchases</p> | <p>I would now like to highlight Encore’s first quarter performance in terms of several key metrics, starting with portfolio purchasing:</p> <p>Encore’s global portfolio purchases for the first quarter were \$363 million dollars. As a result of the attractive market conditions and higher returns available in the United States, 87% of our portfolio purchasing dollars were spent in the U.S. during the first quarter.</p> |
| <p>7</p> <p>Collections</p> | <p>Global collections in Q1 were up 19% to a record \$718 million dollars. This exceptional collections performance is the result of strong execution and continued significant portfolio purchasing as well as the deployment of new technologies, enhanced digital capabilities and continued operational innovation, especially in the U.S. Our global collections performance in the first quarter compared to our ERC at the end of 2025 was 106%.</p> |
| <p>8</p> <p>Cash Generation</p> | <p>We believe that our ability to generate significant cash provides us with an important competitive advantage, which is also a key component of our three-pillar strategy.</p> <p>Similar to the collections dynamic I mentioned earlier, strong execution, higher portfolio purchases at strong returns over the past few years as well as operational improvements have also led to meaningful growth in cash generation. Our cash generation in the first quarter was up 21% compared to Q1 last year and we expect it to continue to grow.</p> |

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| <p>9</p> <p>U.S. Outstandings and Charge Off Rate</p> | <p>Let's now take a look at our two largest markets, beginning with the U.S.:</p> <p>The U.S. Federal Reserve reports that revolving credit in the U.S. remains near record levels.</p> <p>At the same time, since bottoming out in late 2021, the credit card charge-off rate in the U.S. increased to its highest level in more than 10 years in 2024 and still remains at an elevated level.</p> <p>The combination of strong lending and elevated charge off rates continues to drive robust portfolio supply in the U.S. Let me illustrate this impact by highlighting the annualized amount of net dollar charge-offs, which can be estimated by multiplying revolving credit outstandings by the net charge-off rate. Using Q4 2025 data, the most recent quarter reported by the Federal Reserve, annualized net charge-off volume was more than \$54 billion dollars.</p> |
| <p>10</p> <p>U.S. Bankcard Delinquency Rates</p> | <p>Similarly, U.S. consumer credit card delinquencies, which are a leading indicator of future charge offs, also remain near multi-year highs. With revolving consumer credit at an elevated level and the charge off rate above 4%, purchasing conditions in the U.S. market remain favorable. We are observing continued strong U.S. market supply and favorable pricing as well. First quarter delinquency data supports our expectation that the portfolio purchasing environment in the U.S. is expected to remain robust for the foreseeable future.</p> |

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| <p>11</p> <p>MCM (U.S.) Business</p> | <p>MCM continues to capture significant portions of this U.S. market supply opportunity. MCM portfolio purchases in the first quarter were \$316 million dollars, one of our strongest portfolio purchasing quarters ever.</p> <p>In addition to its solid portfolio purchases in Q1, our MCM business continues to excel operationally. MCM collections increased to a record \$556 million dollars, which was an increase of 23% compared to Q1 last year.</p> <p>The collections over-performance in the U.S. was driven by the deployment of new technologies, enhanced digital capabilities and continued operational innovation, which enabled us to reach more consumers, leading to more payments as well as a large and growing payer book. These initiatives had a greater impact on the early stages of a portfolio's lifecycle, leading to over-performance of our recent vintages. We expect that our collections forecasts will gradually adjust to reflect the positive impact of these initiatives.</p> <p>Our outstanding results reflect our substantial portfolio purchasing over the last few years at strong returns as well as the improvements we've made in our collections operation. Despite some of the negative news and macro uncertainty in the U.S. our consumers' payment behavior remains stable. This is in line with what many of the banks and credit card issuers are saying in their recent earnings calls. We, of course, continue to monitor for any signs of change.</p> |
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| <p>12</p> <p>Cabot (U.K. and Europe) Business</p> | <p>Turning to our business in Europe, Cabot delivered another quarter of solid performance in Q1.</p> <p>Cabot's portfolio purchases of \$47 million dollars in the first quarter were consistent with Cabot's recent historical trend. We continue to be selective with Cabot's deployments as the U.K. market remains impacted by subdued consumer lending and low delinquencies as well as continued robust competition.</p> <p>Cabot collections in the first quarter were \$161 million dollars, up 7% compared to Q1 last year supported by currency tailwinds. We continue to focus on Cabot's operational excellence and cost management, including leveraging relevant best practices from our MCM business. This is particularly relevant in the U.K., where banks are increasingly selling fresh portfolios in forward flows. Our operational focus and initiatives within the Cabot business continue to drive cash efficiency margin improvement.</p> <p>I'd now like to hand over the call to Tomas for a more detailed look at our financial results...</p> |
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| | Tomas Hernanz |
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| 13 Detailed Financial Discussion | Thank you, Ashish. |
| 14 Summary Earnings Statement and Key Financial Measures | <p>Moving to the financial results slide:</p> <p>In the first quarter, we delivered strong growth in collections and portfolio revenue of 19% and 13%, respectively.</p> <p>Strong collections performance was supported by the high levels of U.S. portfolio purchases in recent quarters, our focus on execution, operational improvements and stable consumer behavior. Collections yield was 65.2% in Q1, an improvement of 2.6 percentage points compared to last year.</p> <p>Portfolio revenue increased by 13% to \$390 million dollars supported by 14% growth in average receivable portfolios and a portfolio yield of 35.4%.</p> <p>As a reminder, “changes in recoveries”, is the sum of two numbers: First, “recoveries above or below forecast” is the amount we collected above or below our ERC expectation for the quarter and is also known as “cash overs” or “cash unders”. Second, “changes in expected future recoveries” is the net present value of changes in the ERC forecast beyond the current quarter.</p> <p>Changes in recoveries were \$62.7 million dollars for the quarter. Of that total, the majority - \$46.0 million dollars - were recoveries above forecast.</p> <p>Changes in expected future recoveries were \$16.7 million dollars.</p> <p>{continued on next page}</p> |

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| <p>14</p> <p>Summary Earnings Statement and Key Financial Measures</p> <p>(continued)</p> | <p>Put differently, we collected \$46 million dollars more than we forecasted in our ERC, which is incremental cashflow. The collections over-performance in the U.S. was driven by the deployment of new technologies, enhanced digital capabilities and continued operational innovation, which enabled us to reach more consumers, leading to more payments as well as a large and growing payer book. These initiatives are having a greater impact on the early stages of a portfolio’s lifecycle, leading to over-performance of our recent vintages. We expect that our collections forecasts will continue to gradually adjust to reflect the positive impact of these initiatives. Over the next few quarters, we expect any future “cash overs” to transition eventually into portfolio revenues. Changes in expected future recoveries in Q1 were \$16.7 million dollars, a reflection that this transition is taking place.</p> <p>Debt purchasing revenue increased by 23.5% to \$453 million dollars and the resulting debt purchasing yield was 41.1%. Approximately 5.7% was the impact of changes in recoveries. Servicing and other revenues were \$23 million dollars, bringing total revenue to \$475 million dollars, reflecting growth of 21%.</p> <p>Operating expenses increased only 11% to \$291 million dollars, compared to 19% growth in collections, reflecting significant operating leverage in the business.</p> <p>Cash efficiency margin for the quarter improved by 2.6 percentage points to 60.9% compared to 58.3% in Q1 last year. We continue to expect cash efficiency margin for the full year to exceed 58% in 2026.</p> <p>Interest expense and other income increased by 5% to \$72 million dollars, reflecting higher debt balances. Our tax provision of \$25 million dollars implies a corporate tax rate of approximately 23%, which is in line with our previous guidance.</p> <p>Finally, net income increased by 84% to \$86 million dollars resulting in earnings per share for the quarter of \$3.86, up 100% compared to \$1.93 in Q1 last year.</p> |
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| <p>15</p> <p>Balance Sheet Strength</p> | <p>We believe our balance sheet provides us very competitive funding costs and access to capital when compared to our peers. Our funding structure also provides us financial flexibility and diversified funding sources to compete effectively in this favorable supply environment.</p> <p>Leverage closed at 2.3x, a 0.3x improvement versus last year and lower than a quarter ago.</p> <p>In March we extended the maturity date of our Cabot Securitisation Facility by one year to January 2031. And we have no material maturities until 2028 and ample liquidity to continue to grow our business well into the future.</p> <p>With that, I'd like to turn it back over to Ashish.</p> |
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| | Ashish Masih |
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| <p>16</p> <p>Our Financial Objectives and Priorities</p> | <p>Thanks, Tomas.</p> <p>Now I would like to remind everyone of our key financial objectives and priorities.</p> <p>Maintaining a strong and flexible balance sheet, including a strong “double-B” debt rating, as well as operating within our target leverage range of two to three times, remain critical objectives.</p> <p>With regard to our capital allocation priorities, buying portfolios, particularly in today’s attractive U.S. market, offers the best opportunity to create long-term shareholder value by deploying capital at attractive returns. This is indeed what we are doing as highlighted by our track record of purchasing receivable portfolios at strong returns.</p> <p>Next on our capital allocation priority list are share repurchases. We repurchased approximately \$20 million dollars of Encore shares in the first quarter.</p> <p>And finally, we remain committed to delivering strong return on invested capital throughout the credit cycle. Our ROIC improved to 14.6% in the first quarter on a trailing twelve-months basis, up from 8.3% in Q1 last year.</p> |

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| <p>17</p> <p>Revised Guidance</p> | <p>In summary, Encore's first quarter results are an indication that we are off to a very strong start in 2026. I am truly excited about how Encore is performing and about our future prospects:</p> <ul style="list-style-type: none">• To begin, through our MCM business in the U.S., we are the largest debt buyer in the largest and most valuable consumer credit market in the world. The U.S. market continues to be very favorable driven by growth in consumer lending and charge-off rates that are at their highest level in 10 years. Within this environment, we are leveraging our scale and extremely effective collections operation to purchase record amounts of portfolio in the U.S. at strong returns.• In Europe, Cabot is delivering stable collections performance and remains focused on operational excellence and cost management. We continue to selectively purchase portfolios amid modestly growing market supply conditions.• Finally, we have adequate liquidity to continue to grow the business as our strong, flexible balance sheet provides us the capacity to capitalize on any opportunities that come up in the market. This competitive advantage only grows as we continue to reduce our leverage. <p>As a result of this continuing strong performance and the business momentum we carried into the second quarter, we are providing the following guidance on key metrics:</p> <p>We continue to anticipate global portfolio purchases in 2026 to be within a range from \$1.4 billion dollars to \$1.5 billion dollars.</p> <p>We are raising our collections guidance and now expect global collections in 2026 to increase by 8% to \$2.8 billion dollars.</p> <p>In addition, after a strong start to 2026 in the first quarter in which productivity enhancements and strong execution across the business contributed to significant earnings power, we expect our EPS in 2026 to increase by 19% to \$13.00 per share.</p> |
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| 17 Revised Guidance (continued) | We continue to expect the combination of interest expense and other income to be approximately \$300 million dollars for the year, and we also continue to expect our effective tax rate for the year to be in the mid-20's on a percentage basis. Now we'd be happy to answer any questions that you may have. Operator, please open up the lines for questions. |
| Q&A Session | |
| 17 Closing | Thanks for taking the time to join us today and we look forward to providing our second quarter 2026 results in August. |