Slide #	Commentary
	Bruce Thomas
1	Thank you, Operator. Good afternoon and welcome to Encore Capital Group's third quarter 2024 earnings call. Joining me on the call today are Ashish Masih, our President and Chief Executive Officer, Jonathan Clark, Executive Vice President and Chief Financial Officer, Ryan Bell, President of Midland Credit Management and Tomas Hernanz, Chief Financial Officer of Cabot Credit Management. As you may recall, Tomas will succeed Jonathan as Encore's CFO when Jon retires at the end of March 2025. Ashish and Jon will make prepared remarks today, and then we will be happy to take your questions.
2 Safe Harbor	Unless otherwise noted, comparisons on this conference call will be made between the third quarter of 2024 and the third quarter of 2023. 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. 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. As a reminder, following the conclusion of this call a replay of this conference call, along with our prepared remarks, will also be available on the Investors section of our website. With that, let me turn the call over to Ashish Masih, our President and Chief Executive Officer.

	Ashish Masih
3 Q3 2024 Highlights	Thanks, Bruce, and good afternoon, everyone. Thank you for joining us. I'll begin today's call with key highlights from the third quarter: Encore's strong third quarter performance was largely driven by MCM in the U.S., our largest business. Record portfolio supply in the U.S. is being driven by the highest charge off rate in more than 10 years coupled with growth in lending. Amid these favorable market conditions, MCM continues to deliver on this robust opportunity with portfolio purchases up 28% compared to the year ago quarter, while collections in the quarter were up 22% to their highest level since 2021. In Europe, the portfolio purchasing market continues to show signs of improvement but remains competitive. Although we see examples of improved pricing, we believe European portfolio pricing still does not consistently reflect the higher cost of capital caused by higher interest rates. We are maintaining our discipline and continue to be selective, which has led to reduced Cabot portfolio purchases. At the same time, we are managing Cabot's cost structure accordingly. Overall, our year-to-date performance is ahead of the expectations we revised upward a quarter ago, driven by continued growth in portfolio purchasing and collections resulting in higher cash generation.

4 Our Business and Our Strategy	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 and necessary outcome of the lending business model – although the levels may vary depending on the stage of the macroeconomic cycle. Regardless of where we are in the cycle, 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. Our business is to purchase portfolios of non-performing loans at attractive returns while minimizing funding costs. For each portfolio that we own, we strive to exceed our collection expectations, while both maintaining an efficient cost structure and ensuring the highest level of compliance and consumer focus. We achieve these objectives through our three-pillar strategy. This strategy enables us to deliver strong financial performance while positioning us well to capitalize on portfolio purchasing opportunities. We believe this is instrumental for building long-term shareholder value. The first pillar of our strategy, Market Focus, concentrates our efforts on the markets where we can achieve the highest risk-adjusted returns. Let's now take a look at our two largest markets, beginning with the U.S...

5 U.S. Outstandings and Charge Off Rate	The U.S. Federal Reserve has been reporting that revolving credit in the U.S. has been steadily rising since early 2021. At the same time, since bottoming out in late 2021, the credit card charge off rate in the U.S. has also been steadily rising and is now at its highest level in more than 10 years. The combination of higher lending and growth in the charge off rate is driving record portfolio supply in the U.S.
6 U.S. Bankcard Delinquency Rates	Similarly, U.S. consumer credit card delinquencies, which are a leading indicator of future charge offs, also continue to rise. With both lending and the charge off rate growing simultaneously, purchasing conditions in the U.S. market remain highly favorable. We are observing not only continued strong growth in U.S. market supply, but attractive pricing as well. This data supports our expectation that 2024 will be another year of record portfolio sales by U.S. banks and credit card issuers.
7 U.S. Business	With portfolio supply in the U.S. surging to its highest level in over 10 years, Q3 was another strong quarter of portfolio purchasing for our MCM business. U.S. deployments of $230 million dollars were up 28% compared to Q3 2023 at strong returns. Collections in the U.S. in the third quarter were $402 million dollars, up 22% compared to the third quarter of 2023, resulting in MCM's highest collections quarter since 2021. This is an especially strong performance considering that, in a typical calendar year, Q3 is usually a seasonally lower collections quarter than Q2. Consumer payment behavior remained stable throughout the quarter.

8 MCM Portfolio Purchases	We continue to purchase significantly more volume than we ever have in the U.S. Given current and expected market conditions, as well as our forward flow commitments already in hand, we anticipate 2024 to be another record year of portfolio purchasing for our MCM business in the U.S.
9 U.K. Outstandings and Charge Off Rate	In contrast to the U.S., supply in the U.K. has been growing much more slowly. Credit card outstandings just recently returned to pre-pandemic levels as banks in the U.K., unlike those in the U.S., have not been meaningfully increasing consumer lending. In addition, U.K. charge offs remain at low levels.
10 U.K. and European Business	Cabot's collections in Q3 were $148 million dollars, up 10% compared to the third quarter a year ago. We continue to be selective with Cabot's portfolio purchases, which were $52 million dollars in the third quarter. Although portfolio pricing continues to improve, we believe it still does not yet consistently reflect higher funding costs. Accordingly, we expect to continue to deploy at modest levels until the returns in Cabot's markets become more attractive. We are currently choosing to allocate significantly more capital to the U.S. market, which has higher returns, consistent with our well-established strategic focus. During the third quarter, we exited the secured NPL market in Spain by selling related portfolios, resulting in a pre-tax loss of $8 million dollars. It is important to note that secured NPL was a small, niche portion of our Spanish business, where our primary focus has been and will continue to be unsecured consumer and SME portfolios. We also continue to prudently manage the Cabot cost structure given the reduced level of portfolio purchases in recent quarters.

11 Portfolio Purchasing	I would now like to highlight Encore's third quarter performance in terms of two key metrics, starting with portfolio purchasing: Encore's global portfolio purchases increased 23% compared to Q3 a year ago to $282 million dollars, driven primarily by continued strong U.S. deployments in our largest business, MCM. This increased level of portfolio purchasing will help drive Encore's collections growth over the next few years. The fact that the vast majority of our global deployment in the third quarter was in the U.S. is a reminder of the flexibility that our global funding structure provides to us. This structure enables us to allocate capital to the opportunities in the markets with the highest returns.
12 Collections	Global collections in the third quarter were $550 million dollars and up 18% compared to Q3 a year ago. The past several quarters of higher portfolio purchases, particularly in the U.S., has led to meaningful growth in collections, a trend we expect to continue. I'd now like to hand over the call to Jon for a more detailed look at our financial results…

	Jonathan Clark
13 Detailed Financial Discussion	Thank you, Ashish.
14 Q3 2024 Key Financial Measures	The third quarter was another period of strong purchasing for our U.S. business at attractive returns. Collections were higher than our forecast for the quarter and we made minor adjustments to our ERC forecast, which together resulted in a positive impact to earnings. I would also like to reiterate that the sale of portfolios related to our exit from the secured NPL market in Spain reduced our third quarter earnings by $8 million or $0.27 in earnings per share. In addition, I'd like to highlight a few items: Q3 collections of $550 million dollars were up 18% compared to the third quarter last year. ERC at the end of the quarter was $8.65 billion dollars, up 10% compared to a year ago. Operating expenses remain well-controlled and were up 11% compared to Q3 last year as we continued to realize operating leverage and the scale benefits of collections growth in our business. As a result, our Cash Efficiency Margin increased from 51% a year ago to 53.6% in the current quarter. GAAP net income of $31 million dollars and GAAP EPS of $1.26 in the third quarter were up 58% and 59%, respectively, compared to the third quarter of 2023.

15 Cash Generation	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. Similar to the dynamic Ashish mentioned earlier, higher portfolio purchases at strong returns over the past several quarters have also led to meaningful growth in cash generation, a trend we expect to continue. Our cash generation in the third quarter was up 22% compared to Q3 of 2023.
16 Balance Sheet Strength: Leverage	As the third pillar of our strategy, balance sheet strength is a constant priority. Our unified global funding structure provides us with financial flexibility, diversified sources of financing and extended maturities. It also underpins one of the best balance sheets in our industry with comparatively attractive leverage. Importantly, even as we remain on a record pace for portfolio purchases in the U.S. this year, our leverage declined again during the third quarter given our strong cash generation – just as we expected it would. This cash generation is driven by our increased volume of purchases over the last several quarters, the higher returns associated with those purchases and continued strong collections. Our leverage ratio of 2.7 times at the end of the third quarter remains well within our target range and is down from 2.9 times at the end of 2023.

17 Balance Sheet Strength: Proactively Managing Maturities	We believe our balance sheet provides us very competitive funding costs when compared to our peers. Our funding structure also provides us financial flexibility and diversified funding sources to compete effectively in this growing supply environment. In the third quarter, we again made good use of our diversified funding structure to proactively manage our debt maturities. In September, we amended and extended our U.S. facility to, among other things, increase its capacity to $300 million dollars from $175 million dollars and extend its maturity by one year, to October 2027. You may recall we issued a total of one billion dollars of senior secured notes in the first half of 2024 comprised of two $500 million dollar offerings. These two bonds expanded our options for future financing, establishing our access to the broad and deep U.S. high-yield bond market. While we initially used the proceeds from these bonds to pay down our revolving credit facility, we subsequently used that same facility to redeem our 2025 euro notes at par in October and we plan to redeem our 2026 sterling notes at par in mid-November. As a result, we now effectively have no material maturities until 2027. In addition, we amended and extended our revolving credit facility in October. We increased its capacity by $92 million dollars to $1.295 billion dollars, reduced the interest margin by 25 basis points and extended its maturity by 1 year, to September 2028. With that, I'd like to turn it back over to Ashish.

	Ashish Masih
18 An Update to Our Capital Allocation Priorities	Thanks, Jon. Now I would like to address a change to our capital allocation priorities. We strongly believe that the prospects for our business exceed those of our competitors by a wide margin. Our strong position in the valuable U.S. market, our investing discipline, operational performance and financial flexibility are all factors that provide us a consistent advantage over our competition. And so, when we look at today's market, buying portfolios, particularly in the U.S., offers the best opportunity to create long-term shareholder value by deploying capital at attractive returns, which is exactly what we are doing as highlighted by our recent purchasing history. Now, as we look at the market and ongoing industry challenges, we are not seeing opportunities for value-creating strategic M&A. As a consequence, we are far more likely to repurchase our own stock than acquire another firm. Although this has been implicit in our capital allocation and demonstrated by our track record over the past several years, we now want to be more explicit by clearly prioritizing the return of capital over strategic M&A. Having said that, maintaining a strong and flexible balance sheet, including a strong BB debt rating, as well as operating within our target leverage range of two to three times, remain critical objectives. As we work through the current cycle and continue purchasing portfolios at current or even growing levels, we anticipate that our leverage will continue to decline. When leverage nears the midpoint of our target range, we expect to resume stock repurchases subject to balance sheet considerations and market conditions. Furthermore, as leverage approaches the low end of our target range, you can also expect to see an increase in the pace of share repurchases.

19 Our Differentiated Business	I'd now like to recap how we are differentiated from others in our industry, especially during a time when a number of our competitors are dealing with their own challenges. First, we are the largest player in the attractive U.S. debt purchasing market. Second, we believe our ability to collect on the portfolios we buy - and our corresponding purchase price multiples - lead to collecting more over a vintage's lifetime, which in turn generates more cash, more earnings and ultimately higher returns. And third, our well-diversified global balance sheet allows us to allocate capital to opportunities with the highest returns. This flexibility is vital, as demonstrated by our current allocation of the vast majority of our capital to our MCM business in the U.S. Our balance sheet also provides us the flexibility to fund our business in a myriad of ways. This provides a significant advantage in times when traditional markets become less certain and more expensive.

20 Summary	In closing, I'd like to quickly summarize our third quarter performance: • Portfolio supply in the U.S. market continues to grow to record levels, which is where we are currently focusing the majority of our capital deployment. • Against this highly favorable backdrop, we deployed $230 million dollars in the U.S. in Q3 at strong returns. • In the U.K. and Europe, we are maintaining our discipline and continue to be very selective in our purchases until returns become more attractive. We are also right sizing the business to reflect Cabot's current purchasing levels. • Our overall performance through Q3 is ahead of the expectations we last raised in August, driven by strong portfolio purchasing and collections. As a result, we are raising our guidance <u>again</u>: • We now anticipate our global portfolio purchasing this year to be approximately $1.25 billion dollars, an increase of $175 million dollars when compared to 2023. This implies our Q4 purchasing to be approximately $400 million dollars, and is driven by continued strong purchasing at MCM as well as a large spot purchase at Cabot. • In addition, we now expect our year-over-year collections growth to be approximately 15% to over $2.125 billion dollars, an increase of over $250 million dollars when compared to 2023. Now we'd be happy to answer any questions that you may have. Operator, please open up the lines for questions.
Q&A Session	
20 Closing	Thanks for taking the time to join us today and we look forward to providing our fourth quarter and full-year results in February.