UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

August 3, 2022
Date of report (Date of earliest event reported)

ENCORE CAPITAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-26489**	**48-1090909**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

350 Camino de la Reina, Suite 100
San Diego, California 92108
(Address of principal executive offices)(Zip Code)

(877) 445-4581
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 Par Value Per Share	**ECPG**	**The NASDAQ Stock Market LLC**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On August 3, 2022, Encore Capital Group, Inc. posted a slide presentation on its website. A copy of the slide presentation is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

The information in Item 2.02 of this Current Report on Form 8-K, including the information contained in Exhibit 99.1, is being furnished to the Securities and Exchange Commission pursuant to Item 2.02, and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by a specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

Exhibit Number	Description
99.1	Slide presentation of Encore Capital Group, Inc. dated August 3, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ENCORE CAPITAL GROUP, INC.

Date: August 3, 2022	/s/ Jonathan C. Clark
	Jonathan C. Clark
	Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT INDEX

Exhibit Number	Description
99.1	Slide presentation of Encore Capital Group, Inc. dated August 3, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

Exhibit 99.1

encore CAPITAL GROUP
Better Solutions. Better Life.®

Second Quarter 2022 Financial Results

Encore Capital Group, Inc.

August 3, 2022

Legal Disclaimers

The statements in this presentation that are not historical facts, including, most importantly, those statements preceded by, or that include, the words “will,” “may,” “believe,” “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, statements regarding our future operating results (including portfolio purchase volumes), supply, run rates and impacts of inflation. 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 its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors are discussed in the reports filed by the Company with the Securities and Exchange Commission, including its most recent reports on Form 10-K and Form 10-Q, as they may be amended from time to time. The Company disclaims any intent or obligation to update these forward-looking statements.

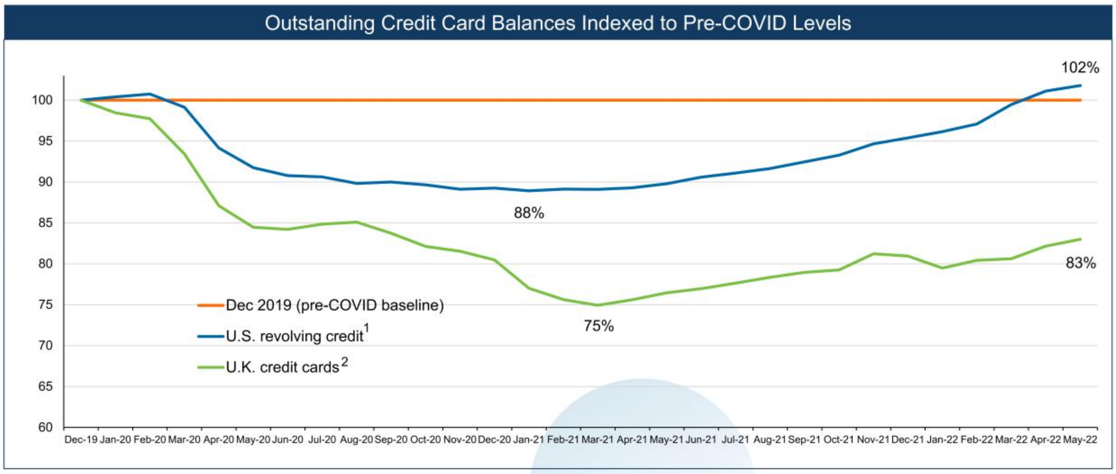
Q2 2022 Highlights

- Q2 earnings driven by strong U.S. collections
- Increase in future collections expectations in the U.S. led to higher period revenues
- Global portfolio purchases were $173M, up 21% compared to Q2 2021
- Portfolio supply increasing, particularly in the U.S., driven by lending growth and rising delinquencies
- $25M of share repurchases in Q2

Our Business and Our Strategy

Our Business	Our Strategy
○ Purchase NPL portfolios at attractive cash returns ○ Focus on the consumer and ensure the highest level of compliance ○ Meet or exceed collection expectations ○ Maintain efficient cost structure ○ Minimize cost of funding	○ Market Focus ○ Competitive Advantage ○ Balance Sheet Strength

Credit card lending continues to grow; now above pre-pandemic levels in the U.S.



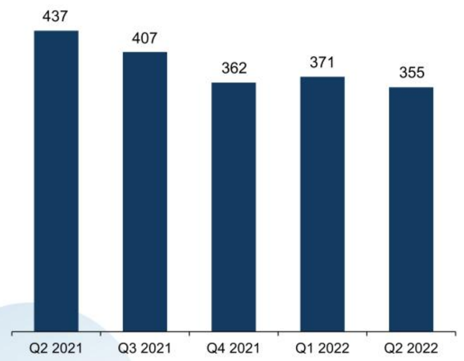
1) Source: U.S. Federal Reserve
2) Source: Bank of England

Market Focus: MCM collections in Q2 were higher than expected

MCM (U.S.) Business

- MCM collections of $355M in Q2 declined 19% compared to Q2 2021, primarily due to normalizing consumer behavior and lower portfolio purchasing in recent quarters
- As a result of sustained overperformance, we now expect incremental future collections of $60M
- Portfolio purchases were $116M in the U.S. compared to $90M in Q2 2021, an increase of 30%
- Purchase price multiples for MCM continue to reflect our competitive advantage

MCM Collections (in $M)

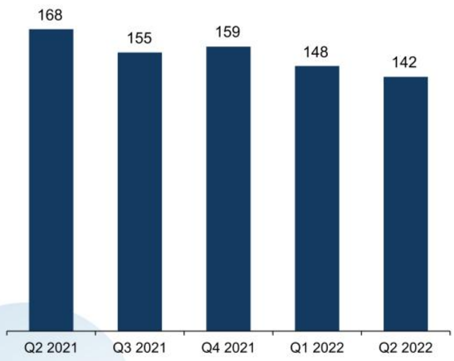


Market Focus: Cabot delivered solid performance in Q2

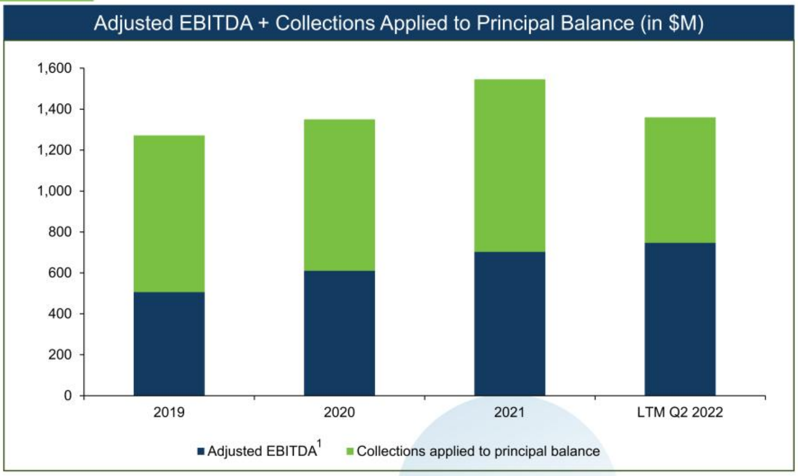
Cabot (Europe) Business

- Cabot collections of $142M in Q2 declined 16% compared to Q2 2021, primarily due to currency impacts and lower portfolio purchasing in recent quarters
- Cabot's portfolio purchases were $57M compared to $53M in Q2 2021
- In a competitive market, we remained disciplined in our approach to purchasing portfolios

Cabot Collections (in $M)



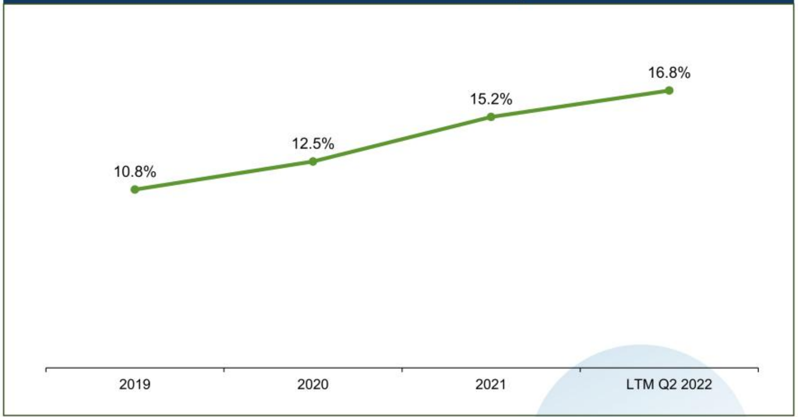
Competitive Advantage: Continued significant cash generation



1) See appendix for reconciliation of Adjusted EBITDA to GAAP net income.
2) Cash generation defined as Adjusted EBITDA + collections applied to principal balance.

Competitive Advantage: Delivering the best returns in the debt buying industry

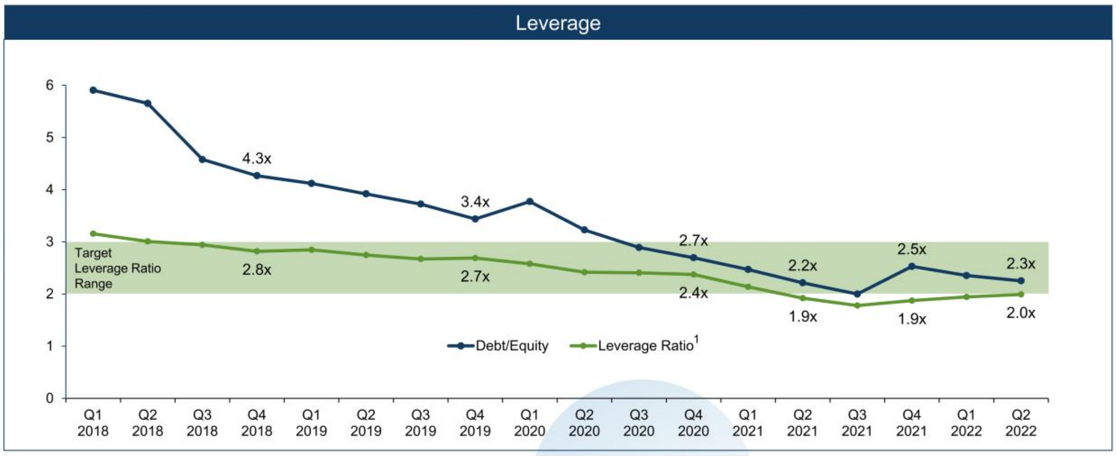
Pre-Tax Return on Invested Capital[1]



- ROIC takes into account both the performance of our collections operation and our ability to price risk appropriately when investing our capital
- We expect to deliver strong returns through the credit cycle

1) See appendix for calculation of Pre-Tax ROIC (Return on Invested Capital).
Note: Statements made about historical ROIC performance and comparisons to peers relate to the debt buying industry in the United States and Europe and are based on LTM performance for the most recent reported period.

Balance Sheet Strength: Leverage remains at the low end of our target range



1) Leverage Ratio defined as Net Debt ÷ (LTM Adjusted EBITDA + LTM collections applied to principal balance). See appendix for reconciliation of Net Debt to GAAP Borrowings and Adjusted EBITDA to GAAP net income.

Detailed Financial Discussion

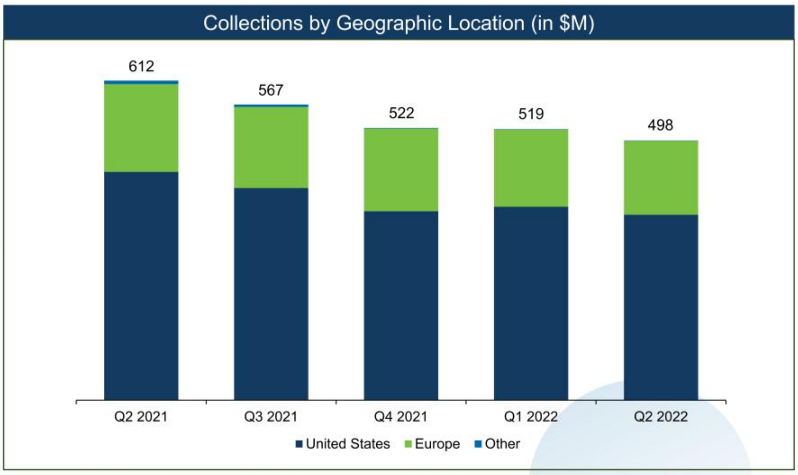
Q2 2022 Key Financial Measures

	Q2 2022	vs. Q2 2021
Collections	$498M	-19%
Revenues	$357M	-17%
Portfolio Purchases	$173M	+21%
ERC[1]	$7.56B	-7%
Operating Expenses	$238M	-6%
GAAP Net Income[2]	$60M	-37%
GAAP EPS	$2.29	-25%
LTM Pre-Tax ROIC[3]	16.8%	+180 bps
Leverage Ratio[4]	2.0x	+0.1x

Changes in expected future recoveries represented $15M of revenue and $0.43 of GAAP EPS in Q2 2022

1) 180-month Estimated Remaining Collections
2) Attributable to Encore
3) See appendix for calculation of LTM Pre-Tax ROIC (Return on Invested Capital)
4) Leverage Ratio defined as Net Debt ÷ (LTM Adjusted EBITDA + LTM collections applied to principal balance)

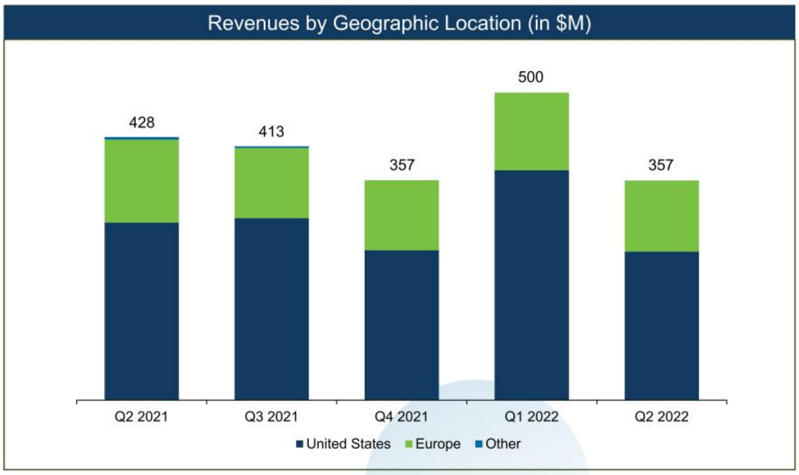
Collections of $498M in Q2 2022 were higher than expected



- Collections continue to be pressured by lower portfolio purchases in recent periods
- Collections in Europe were primarily impacted by foreign currency exchange rates as well as weakness in Spain

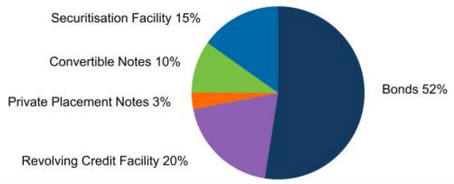
Note: Year-to-date global collections through Q2 2022 were 107%, U.S. collections were 116% and Europe collections were 91% of the Dec 31, 2021 portfolio ERC forecast for the period, respectively, for portfolios purchased prior to Dec 31, 2021.

Revenue was $357M in Q2 2022, down 17% compared to Q2 2021



Our funding structure is well diversified

Debt Maturity Profile at June 30, 2022 (in $M)



As of June 30, 2022, available capacity under Encore's global senior facility was $576M, not including non-client cash and cash equivalents of $135M

Note: At June 30, 2022, LTV Ratio (loan-to-value) = 38.6% (72.5% covenant), FCCR (Fixed Charge Coverage Ratio) = 10.7x (2.0x covenant), each as calculated under our Senior Secured Note indentures.

Our Financial Priorities

Balance Sheet Objectives		Capital Allocation Priorities
○ Preserve financial flexibility ○ Target leverage[1] between 2.0x and 3.0x ○ Maintain a strong BB debt rating	→	○ Portfolio purchases at attractive returns ○ Strategic M&A ○ Share Repurchases

Deliver strong ROIC through the credit cycle

1) Leverage defined as Net Debt ÷ (LTM Adjusted EBITDA + LTM collections applied to principal balance), which we also refer to as our Leverage Ratio.

Appendix

Key Financial Measures by Year

	2019	2020	2021
Collections	$2.03B	$2.11B	$2.31B
Revenues	$1.40B	$1.50B	$1.61B
Portfolio Purchases	$1.00B	$0.66B	$0.66B
ERC[1]	$7.83B	$8.53B	$7.75B
GAAP Net Income[2]	$168M	$212M	$351M
GAAP EPS	$5.33	$6.68	$11.26
Pre-Tax ROIC[3]	10.8%	12.5%	15.2%
GAAP ROAE[4]	18.2%	18.9%	29.2%
Leverage Ratio[5]	2.7x	2.4x	1.9x

1) 180-month Estimated Remaining Collections
2) Attributable to Encore
3) See appendix for calculation of Pre-Tax ROIC (Return on Invested Capital)
4) GAAP ROAE (Return on Average Equity) defined as GAAP net income ÷ average stockholders' equity
5) Leverage ratio defined as Net debt ÷ (Adjusted EBITDA + collections applied to principal balance).

Key Financial Measures by Quarter

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Collections	$612M	$567M	$522M	$519M	$498M
Revenues	$428M	$413M	$357M	$500M	$357M
Portfolio Purchases	$143M	$168M	$183M	$170M	$173M
ERC[1]	$8.11B	$7.88B	$7.75B	$7.80B	$7.56B
GAAP Net Income[2]	$97M	$84M	$76M	$176M	$60M
GAAP EPS	$3.07	$2.66	$2.53	$6.40	$2.29
LTM Pre-tax ROIC[3]	15.0%	15.2%	15.2%	17.6%	16.8%
LTM GAAP ROAE[4]	23.7%	24.7%	29.2%	34.2%	30.6%
Leverage Ratio[5]	1.9x	1.8x	1.9x	1.9x	2.0x

1) 180-month Estimated Remaining Collections
2) Attributable to Encore
3) See appendix for calculation of Pre-Tax ROIC (Return on Invested Capital)
4) LTM GAAP ROAE (Return on Average Equity) defined as LTM GAAP net income ÷ average stockholders' equity
5) Leverage ratio defined as Net debt ÷ (LTM Adjusted EBITDA + LTM collections applied to principal balance).

Debt/Equity and Leverage Ratios

	2021				2022	
	Q1	Q2	Q3	Q4	Q1	Q2
Debt / Equity[1]	2.5x	2.2x	2.0x	2.5x	2.4x	2.3x
Leverage Ratio[2]	2.1x	1.9x	1.8x	1.9x	1.9x	2.0x

	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Debt / Equity[1]	5.9x	5.7x	4.6x	4.3x	4.1x	3.9x	3.7x	3.4x	3.8x	3.2x	2.9x	2.7x
Leverage Ratio[2]	3.2x	3.0x	2.9x	2.8x	2.8x	2.7x	2.7x	2.7x	2.6x	2.4x	2.4x	2.4x

1) GAAP Borrowings ÷ Total Encore Capital Group, Inc. stockholders' equity
2) Leverage Ratio defined as Net Debt ÷ (LTM Adjusted EBITDA + LTM collections applied to principal balance). See appendix for reconciliation of Net Debt to GAAP Borrowings and Adjusted EBITDA to GAAP net income.

Non-GAAP Financial Measures

This presentation includes certain financial measures that exclude the impact of certain items and therefore have not been calculated in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The Company has included information concerning Adjusted EBITDA because management utilizes this information in the evaluation of its operations and believes that this measure is a useful indicator of the Company's ability to generate cash collections in excess of operating expenses through the liquidation of its receivable portfolios. The Company has included Pre-Tax ROIC as management uses this measure to monitor and evaluate operating performance relative to our invested capital and because the Company believes it is a useful measure for investors to evaluate effective use of capital. The Company has included Net Debt and Leverage Ratio as management uses these measures to monitor and evaluate its ability to incur and service debt. The Company has included impacts from foreign currency exchange rates to facilitate a comparison of operating metrics that are unburdened by variations in foreign currency exchange rates over time.

Adjusted EBITDA, Adjusted Income from Operations (used in Pre-Tax ROIC), Net Debt, Leverage Ratio and impacts from foreign currency exchange rates have not been prepared in accordance with GAAP. These non-GAAP financial measures should not be considered as alternatives to, or more meaningful than, net income, net income per share and income from operations as indicators of the Company's operating performance or liquidity. Further, these non-GAAP financial measures, as presented by the Company, may not be comparable to similarly titled measures reported by other companies. The Company has attached to this presentation a reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

Reconciliation of Adjusted EBITDA to GAAP Net Income

(Unaudited, in $ thousands)	2019	2020	2021
GAAP net income, as reported	**$ 168,909**	**$ 212,524**	**$ 351,201**
Interest expense	217,771	209,356	169,647
Loss on extinguishment of debt	8,989	40,951	9,300
Interest income	(3,693)	(2,397)	(1,738)
Provision for income taxes	32,333	70,374	85,340
Depreciation and amortization	41,029	42,780	50,079
CFPB settlement fees[1]	---	15,009	---
Stock-based compensation expense	12,557	16,560	18,330
Acquisition, integration and restructuring related expenses[2]	7,049	4,962	20,559
Loss on sale of Baycorp[3]	12,489	---	---
Goodwill impairment[3]	10,718	---	---
Net gain on fair value adjustments to contingent considerations[4]	(2,300)	---	---
Adjusted EBITDA	**$ 505,851**	**$ 610,119**	**$ 702,718**
Collections applied to principal balance[5]	$ 765,748	$ 740,350	$ 843,087

1) Amount represents a charge resulting from the Stipulated Judgment with the CFPB. We have adjusted for this amount because we believe it is not indicative of ongoing operations; therefore, adjusting for it enhances comparability to prior periods, anticipated future periods, and our competitors' results.
2) Amount represents acquisition, integration and restructuring related expenses. We adjust for this amount because we believe these expenses are not indicative of ongoing operations; therefore, adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.
3) The sale of Baycorp resulted in a goodwill impairment charge of $10.7 million and a loss on sale of $12.5 million during the year ended December 31, 2019. We believe the goodwill impairment charge and the loss on sale are not indicative of ongoing operations, therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.
4) Amount represents the net gain recognized as a result of fair value adjustments to contingent considerations that were established for our acquisitions of debt solution service providers in Europe. We have adjusted for this amount because we do not believe this is indicative of ongoing operations.
5) For periods prior to January 1, 2020, amount represents (a) gross collections from receivable portfolios less the sum of (b) revenue from receivable portfolios and (c) allowance charges or allowance reversals on receivable portfolios. For periods subsequent to January 1, 2020 amount represents (a) gross collections from receivable portfolios less (b) debt purchasing revenue, plus (c) proceeds applied to basis from sales of REO assets and related activities. For consistency with the Company debt covenant reporting, for periods subsequent to June 30, 2020, the collections applied to principal balance also includes proceeds applied to basis from sales of REO assets and related activities; prior period amounts have not been adjusted to reflect this change as such amounts were immaterial.

Reconciliation of Adjusted EBITDA to GAAP Net Income

(Unaudited, in $ thousands)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
GAAP net income (loss), as reported	**$ 55,107**	**$ 37,212**	**$ 94,765**	**$ 96,787**	**$ 83,566**	**$ 76,083**	**$ 175,749**	**$ 60,439**
Interest expense	52,974	51,393	46,526	44,159	40,874	38,088	34,633	37,054
Loss on extinguishment of debt	14,988	25,963	-	9,300	-	-	-	-
Interest income	(394)	(444)	(474)	(426)	(270)	(568)	(437)	(588)
Provision for income taxes	19,747	10,499	26,968	24,607	24,703	9,061	55,024	23,250
Depreciation and amortization	10,609	11,344	11,512	12,046	14,136	12,385	11,829	11,646
Stock-based compensation expense	3,884	3,371	3,405	5,651	3,847	5,427	3,921	5,119
Acquisition, integration and restructuring related expenses[1]	(23)	22	-	-	17,950	2,609	679	487
CFPB settlement fees[2]	15,009	-	-	-	-	-	-	-
Adjusted EBITDA	**$ 171,901**	**$ 139,360**	**$ 182,702**	**$ 192,124**	**$ 184,806**	**$ 143,085**	**$ 281,398**	**$ 137,407**
Collections applied to principal balance[3]	$ 172,406	$ 192,448	$ 229,510	$ 224,074	$ 188,181	$ 201,322	$ 53,567	$ 170,112

1) Amount represents acquisition, integration and restructuring related expenses, including the loss recognized on the sale of our investment in Colombia and Peru of $17.4 million during the three months ended September 30, 2021. We adjust for this amount because we believe these expenses are not indicative of ongoing operations; therefore, adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.
2) Amount represents a charge resulting from the Stipulated Judgment with the CFPB. We have adjusted for this amount because we believe it is not indicative of ongoing operations; therefore, adjusting for it enhances comparability to prior periods, anticipated future periods, and our competitors' results.
3) Amount represents (a) gross collections from receivable portfolios, less (b) debt purchasing revenue, plus (c) proceeds applied to basis from sales of REO assets and related activities. A reconciliation of "collections applied to investment in receivable portfolios, net" to "collections applied to principal balance" is available in the Form 10-Q for the period ending June 30, 2022.

Calculation of ROIC
Reconciliation of Adjusted Income from Operations

(Unaudited, in $ thousands, except percentages)	2019	2020	2021
Numerator			
GAAP Income from operations	**$ 446,345**	**$ 533,562**	**$ 633,272**
Adjustments:[1]			
CFPB settlement fees[2]	---	15,009	---
Acquisition, integration and restructuring related expenses[3]	7,049	154	5,681
Amortization of certain acquired intangible assets[4]	7,017	7,010	7,417
Goodwill impairment[5]	10,718	---	---
Net gain on fair value adjustments to contingent considerations[6]	(2,300)	---	---
Adjusted income from operations	$ 468,829	$ 555,735	$ 646,370
Denominator			
Average net debt	$ 3,429,624	$ 3,311,835	$ 3,049,979
Average equity	922,547	1,122,741	1,202,669
Total invested capital	$ 4,352,171	$ 4,434,576	$ 4,252,648
Pre-tax ROIC	**10.8%**	**12.5%**	**15.2%**

1) Adjustments below are to adjust GAAP income from operations and accordingly do not include any amounts related to other income and expense.
2) Amount represents a charge resulting from the Stipulated Judgment with the CFPB. We have adjusted for this amount because we believe it is not indicative of ongoing operations; therefore, adjusting for it enhances comparability to prior periods, anticipated future periods, and our competitors' results.
3) Amount represents acquisition, integration and restructuring related expenses. We adjust for this amount because we believe these expenses are not indicative of ongoing operations; therefore, adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.
4) We have acquired intangible assets, such as trade names and customer relationships, as a result of our acquisition of debt solution service providers. These intangible assets are valued at the time of the acquisition and amortized over their estimated lives. We believe that amortization of acquisition-related intangible assets, especially the amortization of an acquired company's trade names and customer relationships, is the result of pre-acquisition activities. In addition, the amortization of these acquired intangibles is a non-cash static expense that is not affected by operations during any reporting period.
5) The sale of Baycorp resulted in a goodwill impairment charge during the year ended December 31, 2019. We believe the goodwill impairment charge is not indicative of ongoing operations, therefore adjusting for this expense enhances comparability to prior periods, anticipated future periods, and our competitors' results.
6) Amount represents the net gain recognized as a result of fair value adjustments to contingent considerations that were established for our acquisitions of debt solution service providers in Europe. We have adjusted for this amount because we do not believe this is indicative of ongoing operations.

Calculation of ROIC
Reconciliation of Adjusted Income from Operations

(Unaudited, in $ thousands, except percentages)	Last Twelve Months Ended Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022
Numerator					
GAAP Income from operations	**$ 609,269**	**$ 633,462**	**$ 633,272**	**$ 729,971**	**$ 674,633**
Adjustments:[1]					
CFPB settlement fees[2]	15,009	---	---	---	---
Acquisition, integration and restructuring related expenses[3]	(1)	2,670	5,681	6,360	6,847
Amortization of certain acquired intangible assets[4]	7,326	7,409	7,417	7,349	7,110
Adjusted income from operations	$ 631,603	$ 643,541	$ 646,370	$ 743,680	$ 688,590
Denominator					
Average net debt	$ 3,016,599	$ 2,967,800	$ 3,049,979	$ 2,956,452	$ 2,798,699
Average equity	1,198,369	1,263,038	1,202,669	1,262,580	1,292,975
Total average invested capital	$ 4,214,968	$ 4,230,838	$ 4,252,648	$ 4,219,032	$ 4,091,674
LTM Pre-tax ROIC	**15.0%**	**15.2%**	**15.2%**	**17.6%**	**16.8%**

1) Adjustments below are to adjust GAAP income from operations and accordingly do not include any amounts related to other income and expense.
2) Amount represents a charge resulting from the Stipulated Judgment with the CFPB. We have adjusted for this amount because we believe it is not indicative of ongoing operations; therefore, adjusting for it enhances comparability to prior periods, anticipated future periods, and our competitors' results.
3) Amount represents acquisition, integration and restructuring related expenses. We adjust for this amount because we believe these expenses are not indicative of ongoing operations; therefore, adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.
4) We have acquired intangible assets, such as trade names and customer relationships, as a result of our acquisition of debt solution service providers. These intangible assets are valued at the time of the acquisition and amortized over their estimated lives. We believe that amortization of acquisition-related intangible assets, especially the amortization of an acquired company's trade names and customer relationships, is the result of pre-acquisition activities. In addition, the amortization of these acquired intangibles is a non-cash static expense that is not affected by operations during any reporting period.

Reconciliation of Adjusted Income from Operations

(Unaudited, in $ thousands)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Numerator								
GAAP Income from operations	**$ 142,455**	**$ 124,213**	**$ 168,314**	**$ 174,287**	**$ 166,647**	**$ 124,023**	**$ 265,014**	**$ 118,948**
Adjustments:[1]								
CFPB settlement fees[2]	15,009	---	---	---	---	---	---	---
Acquisition, integration and restructuring related expenses[3]	(23)	22	---	---	2,648	3,033	679	487
Amortization of certain acquired intangible assets[4]	1,773	1,803	1,865	1,885	1,856	1,811	1,797	1,646
Adjusted income from operations	$ 159,214	$ 126,038	$ 170,179	$ 176,172	$ 171,151	$ 128,867	$ 267,490	$ 121,081
LTM Adjusted income from operations	$545,270	$ 555,735	$ 676,883	$ 631,603	$ 643,541	$ 646,370	$ 743,680	$ 688,590

1) Adjustments below are to adjust GAAP income from operations and accordingly do not include any amounts related to other income and expense.
2) Amount represents a charge resulting from the Stipulated Judgment with the CFPB. We have adjusted for this amount because we believe it is not indicative of ongoing operations; therefore, adjusting for it enhances comparability to prior periods, anticipated future periods, and our competitors' results.
3) Amount represents acquisition, integration and restructuring related expenses. We adjust for this amount because we believe these expenses are not indicative of ongoing operations; therefore, adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.
4) We have acquired intangible assets, such as trade names and customer relationships, as a result of our acquisition of debt solution service providers. These intangible assets are valued at the time of the acquisition and amortized over their estimated lives. We believe that amortization of acquisition-related intangible assets, especially the amortization of an acquired company's trade names and customer relationships, is the result of pre-acquisition activities. In addition, the amortization of these acquired intangibles is a non-cash static expense that is not affected by operations during any reporting period.

Reconciliation of Net Debt

	2021				2022	
(Unaudited, in $ millions)	Q1	Q2	Q3	Q4	Q1	Q2
GAAP Borrowings, as reported	**$ 3,152**	**$ 2,999**	**$2,796**	**$2,997**	**$ 2,934**	**$ 2,793**
Debt issuance costs and debt discounts	68	64	60	58	55	50
Cash & cash equivalents	(185)	(199)	(158)	(190)	(160)	(154)
Client cash[1]	23	24	28	29	26	19
Net Debt	**$ 3,058**	**$ 2,889**	**$ 2,727**	**$ 2,895**	**$ 2,855**	**$ 2,708**

	2018				2019				2020			
(Unaudited, in $ millions)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GAAP Borrowings, as reported	**$ 3,607**	**$ 3,530**	**$ 3,561**	**$ 3,491**	**$ 3,593**	**$ 3,530**	**$ 3,429**	**$ 3,513**	**$ 3,404**	**$ 3,354**	**$3,252**	**$ 3,282**
Debt issuance costs and debt discounts	77	70	89	85	79	73	75	73	69	63	107	92
Cash & cash equivalents	(217)	(182)	(205)	(157)	(167)	(169)	(187)	(192)	(188)	(294)	(170)	(189)
Client cash[1]	26	23	26	22	25	24	22	25	19	21	20	20
Net Debt	**$ 3,493**	**$ 3,442**	**$ 3,472**	**$ 3,440**	**$ 3,530**	**$ 3,459**	**$ 3,340**	**$ 3,419**	**$ 3,304**	**$ 3,144**	**$ 3,209**	**$ 3,205**

1) Client cash is cash that was collected on behalf of, and remains payable to, third party clients.

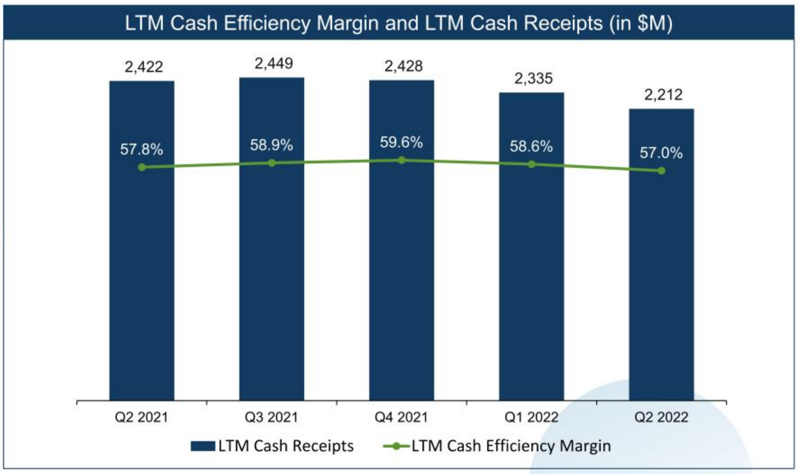
Impact of Fluctuations in Foreign Currency Exchange Rates

(Unaudited, in $ millions, except per share amounts)	Three Months Ended June 30, 2022	
	As Reported	Constant Currency
Collections	$498	$514
Revenues	$357	$370
ERC[1]	$7,560	$8,078
Operating Expenses	$238	$247
GAAP Net Income[2]	$60	$64
GAAP EPS[2]	$2.29	$2.41
Borrowings[1]	$2,793	$3,056

1) At June 30, 2022
2) Attributable to Encore

Note: Constant Currency figures are calculated by employing Q2 2021 foreign currency exchange rates to recalculate Q2 2022 results. All constant currency values are calculated based on the average exchange rates during the respective periods, except for ERC and debt, which are calculated using the changes in the period-ending exchange rates. Management refers to operating results on a constant currency basis so that the operating results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of the company's operating performance. Constant currency financial results are calculated by translating current period financial results in local currency using the prior period's respective currency conversion rate. Certain foreign subsidiaries' local currency financial results in our calculation include the translation effect from their foreign operating results.

Cash Efficiency Margin



- Cash Efficiency Margin is a comprehensive measure of expense efficiency
- Calculation includes all Encore operating expenses
- $\frac{\text{Cash receipts – Opex}}{\text{Cash receipts}}$
- We use LTM to match our long-term view of the business

Note: Last Twelve Months ("LTM") Cash Efficiency Margin defined as (LTM Cash receipts – LTM Operating expenses) ÷ LTM Cash receipts, where Cash receipts = Collections + Servicing revenue

Calculation of Cash Efficiency Margin

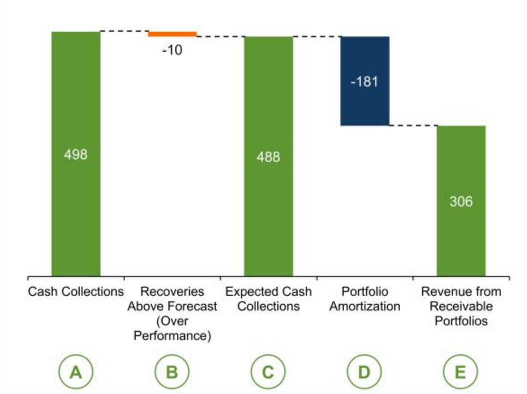
(Unaudited, in $ thousands, except percentages)	Last Twelve Months Ended				
	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022
Collections	$ 2,295,242	$ 2,322,184	$ 2,307,358	$ 2,220,311	$ 2,105,596
Servicing revenue	$ 127,068	$ 126,602	$ 120,778	$ 114,408	$ 106,132
Cash receipts (A)	$ 2,422,310	$ 2,448,786	$ 2,428,136	$ 2,334,719	$ 2,211,727
Operating expenses (B)	$ 1,021,589	$ 1,006,345	$ 981,228	$ 967,373	$ 951,893
LTM Cash Efficiency Margin (A-B)/A	**57.8%**	**58.9%**	**59.6%**	**58.6%**	**57.0%**

(Unaudited, in $ thousands)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Quarterly collections	$539,748	$ 536,606	$ 606,461	$ 612,427	$ 566,690	$ 521,781	$ 519,414	$ 497,711
Quarterly servicing revenue	$ 29,787	$ 32,701	$32,516	$ 32,064	$ 29,321	$ 26,877	$ 26,146	$ 23,788
Quarterly operating expenses	$ 261,221	$258,397	$248,523	$ 253,449	$ 245,977	$ 233,279	$ 234,668	$ 237,969

Note: Last Twelve Months ("LTM") Cash Efficiency Margin defined as (LTM Cash receipts – LTM Operating expenses) ÷ LTM Cash receipts, where Cash receipts = Collections + Servicing revenue

Cash Collections and Revenue Reconciliation

Q2 2022 Collections and Revenue Reconciliation (in $M)



- (A) $498M **Cash Collections** from debt purchasing business in Q2 2022
- (B) $10M **Recoveries Above Forecast**, cash collections in excess of Expected Cash Collections in Q2 2022
- (C) $488M **Expected Cash Collections**, equal to the sum of Q1 2022 ERC plus expected collections from portfolios purchased in Q2 2022
- (D) $181M **Portfolio Amortization**
- (E) $306M **Revenue from Receivable Portfolios** (further detailed on the next slide)

Note: For simplicity, amounts reported above do not include the immaterial impacts of put-backs and recalls, which were ~$1.4m for the three months ended June 30, 2022.

Components of Debt Purchasing Revenue

Q2 2022 Debt Purchasing Revenue (in $M)

E **Revenue from Receivable Portfolios** is revenue from expected collections and is a formulaic calculation based on the investment in receivable balance and an effective interest rate (EIR) that is established at the time of the purchase of each portfolio.

F **Changes in Recoveries** is the sum of B + G

B **Recoveries Above Forecast** is the amount collected as compared to forecast for the period and represents over/under performance for the period. Colloquially referred to as "cash-overs" or "cash-unders".

G **Changes in Expected Future Period Recoveries**[1] is the present value of changes to future ERC, which generally consists of:

- Collections "pulled forward from" or "pushed out to" future periods (amounts either collected early or expected to be collected later); and
- Magnitude and timing changes to estimates of expected future collections (which can be increases or decreases)

H **Debt Purchasing Revenue** is the sum of E + F

Debt Purchasing Revenue in the Financial Statements

	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021
Revenues		
Revenue from receivable portfolios	$ 306,282	$ 328,150
Changes in recoveries	25,150	66,178
Total debt purchasing revenue	331,432	394,328
Servicing revenue	23,788	32,064
Other revenues	1,697	1,343
Total revenues	356,917	427,735

1) References within our reporting to Collections Applied to Principal primarily reflects the aggregate of Changes in Future Period Recoveries plus Portfolio Amortization