

# Encore Overview

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Encore Capital Group, Inc.

May/June 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, earnings per share, growth, run rates and impacts of COVID-19. 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.



# Introduction to Encore

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# Who We Are

 **6,600**  
global colleagues

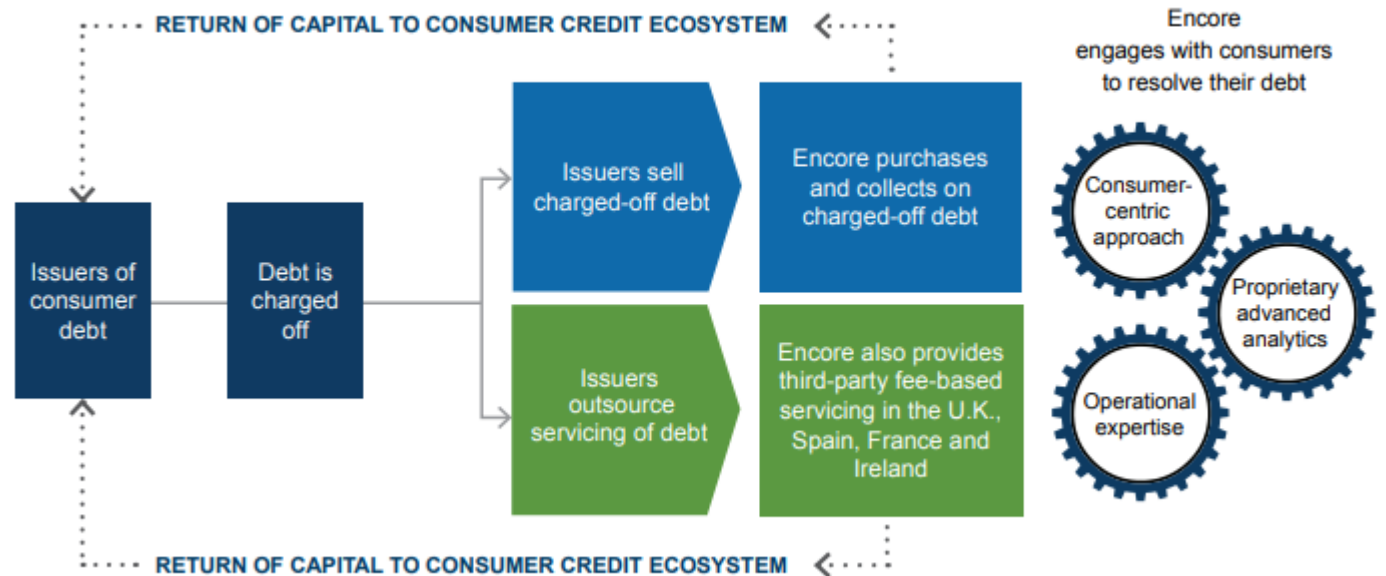
 **9**  
countries where we operate

 **25+**  
years in business

## ENCORE ENABLES THE FUNCTIONING OF A HEALTHY CREDIT ECOSYSTEM

By purchasing NPL portfolios, we return capital to banks, enabling further lending and thus playing a key role in the consumer credit ecosystem. Our two largest operating units are Midland Credit Management (U.S.) and Cabot Credit Management (U.K. and Europe).

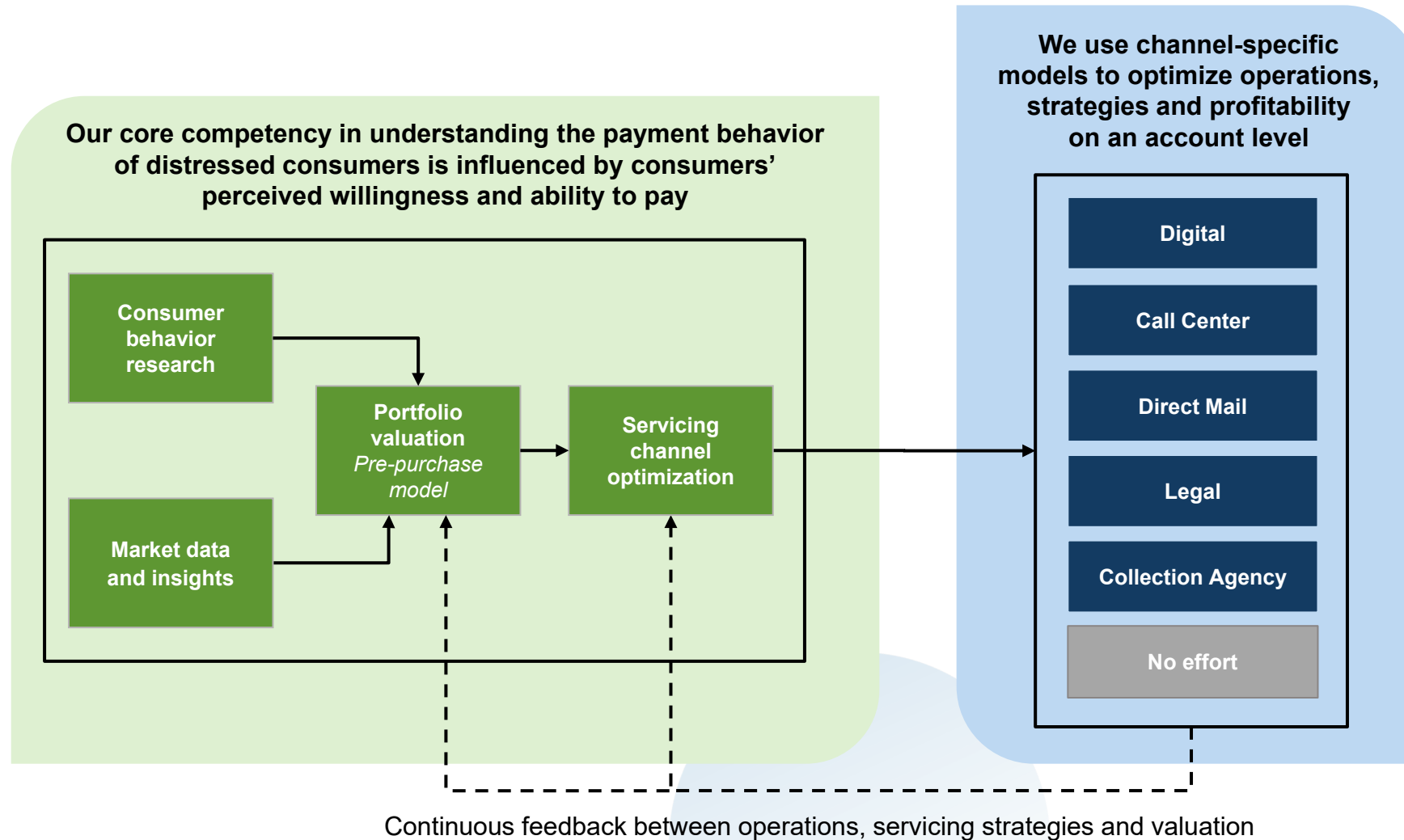
Encore's primary business is the purchase and collection of charged-off consumer debt in the U.S. and Europe



**\$12B**

Amount of capital returned to the consumer credit ecosystem through our portfolio purchases since our inception

# Our large data sets feed proprietary predictive models to optimize valuation, pricing and account level collection strategies





# **Our Strategy and Financial Priorities**

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# Our Business and Our Strategy

## Our Business

- 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



## Our Strategy

- Market Focus
- Competitive Advantage
- Balance Sheet Strength

# First Pillar of Our Strategy

## Market Focus

Concentrating on our most valuable markets with the highest risk-adjusted returns

- Target market characteristics:
  - Large, consistent flow of purchasing opportunities
  - Strong regulatory framework
  - Sophistication and data availability
  - Stable, long-term returns
- Emphasizing U.S. and U.K. now, strengthening in Spain, France, Portugal and Ireland
- Thrive on recurring portfolio sales through the credit cycle. Our success does not rely on large macro events.



# Second Pillar of Our Strategy

## Competitive Advantage

Innovating to enhance  
our competitive  
advantages

We are built around certain key competencies that allow us to both deliver differentiated returns and earnings as well as generate significant cash flow:

- Price risk and optimize collections using data analytics
- Excel at operating in highly regulated environments
- Embed compliance in all we do
- Treat each consumer with fairness and respect
- Operate effectively, supported by scale, efficient platforms and digital technology investments

# Third Pillar of Our Strategy

## Balance Sheet Strength

Continuing focus on the strength of our balance sheet

- Leverage ratio<sup>1</sup> of 1.9x at March 31, 2022, below the low end of our targeted range of 2.0x-3.0x
- Returning capital through share repurchases and tender offer
- Combined balance sheets of our U.S. and European businesses, formed unified global funding structure
- Established best-in-class capital structure: cost, liquidity, tenor, diversification of capital sources, overall flexibility
- Well positioned with ample liquidity and access to attractive funding to increase NPL purchases and capitalize on opportunities through the cycle

# Our Financial Priorities

## Balance Sheet Objectives

- Preserve financial flexibility
- Target leverage<sup>1</sup> between 2.0x and 3.0x
- Maintain a strong BB debt rating



## Capital Allocation Priorities

- Portfolio purchases at attractive returns
- Strategic M&A
- Share Repurchases

Deliver strong ROIC through the credit cycle



# Our Value Proposition

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# Our Value Proposition

- A global leader in the debt purchasing industry, which is a critical component of the world's credit ecosystem
- Industry leadership in the U.S. and the U.K., two of the world's largest and most valuable credit markets
- Interactions with consumers are conducted with respect and empathy, emphasizing a thorough understanding of each consumer's individual circumstance to arrive at an optimal solution
- Business results driven by best-in-class collections operation anchored by deep analytics and more than 25 years of experience
- Balance sheet amongst the strongest in the industry, focused on preserving financial flexibility, operating with appropriate leverage and maintaining access to many sources of funding
- Clear financial objectives and capital allocation priorities
- Significant cash flow generation and the highest returns<sup>1</sup> in the industry

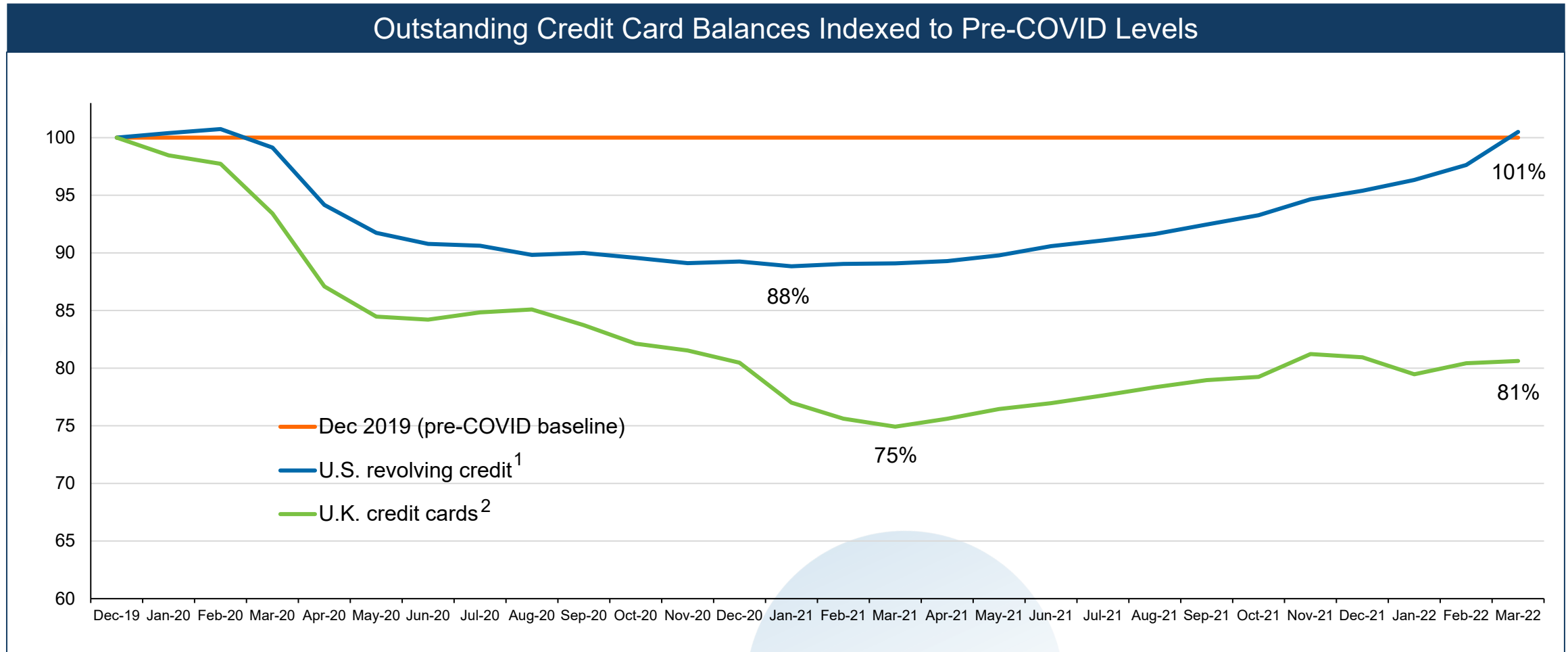
# Q1 2022 Update

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## In Q1 we continued to deliver best-in-class returns and solid cash flows

- Exceptional Q1 performance driven by continued stronger-than-expected collections in the U.S. leading to higher revenues in the current period and an increase in future period collection expectations
- Global portfolio purchases were \$170M at a purchase price multiple of 2.3x
- Lending growth continues; a leading indicator of future portfolio supply
- \$26M of ECPG share repurchases in Q1; returned \$415M of capital to shareholders over the past 5 quarters

# As credit card balances rise, supply will start increasing again



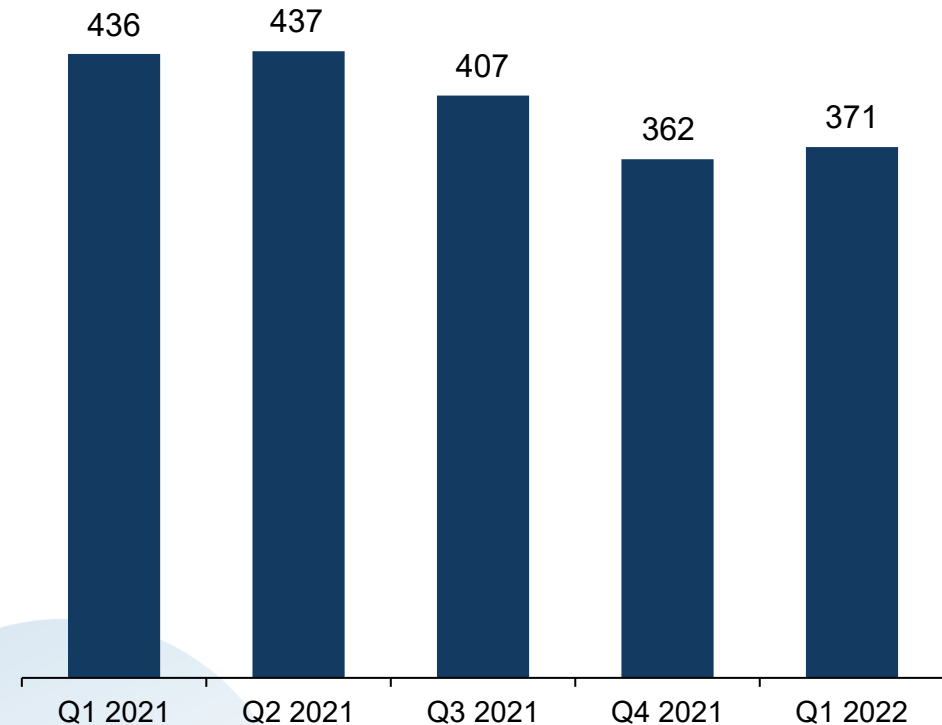


# Market Focus: MCM collections in Q1 were higher than expected

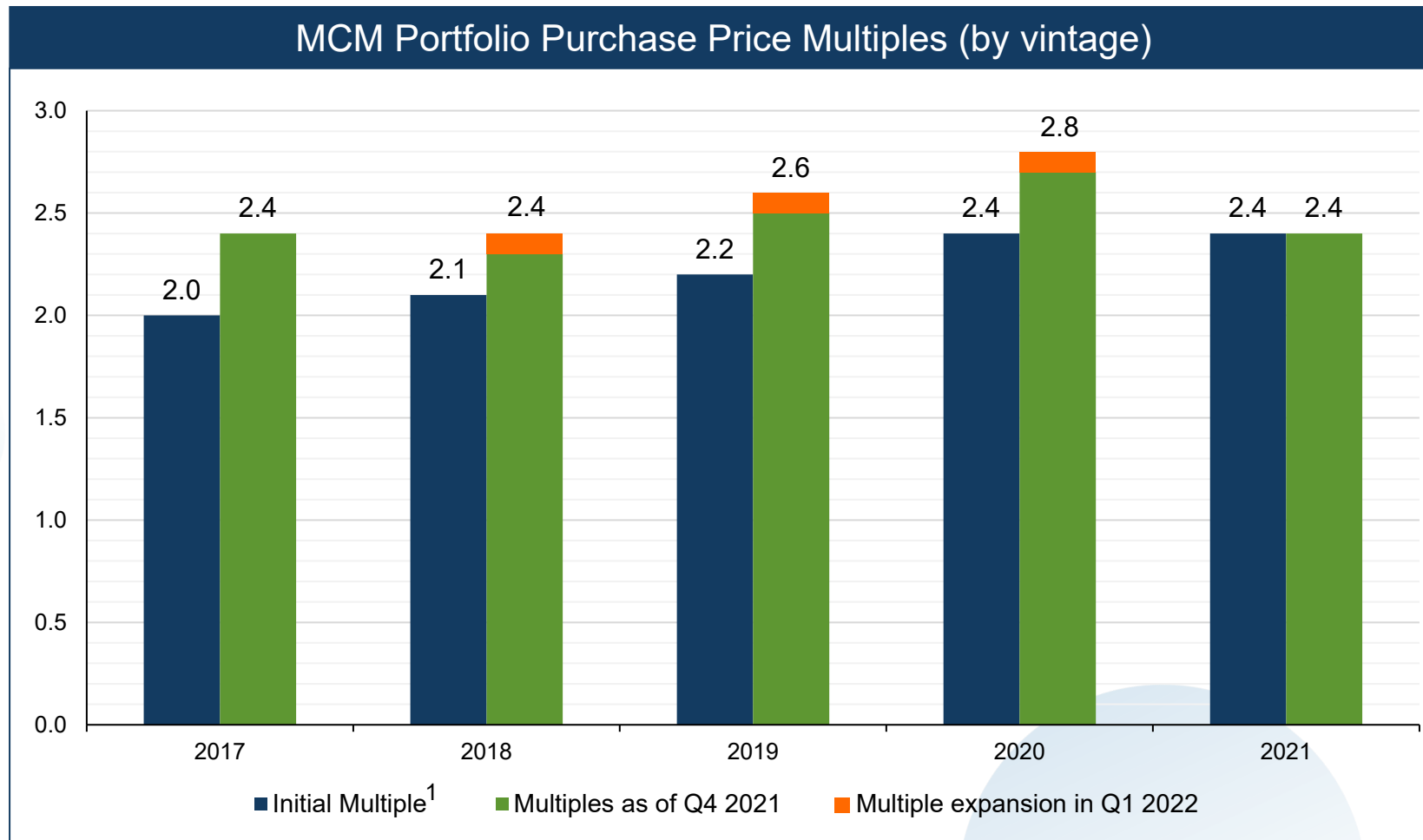
## MCM (U.S.) Business

- MCM collections in Q1 were 115% of ERC at Dec 31, 2021<sup>1</sup>
  - As previously reported, MCM collections for the full year 2021 were 124% of ERC at Dec 31, 2020<sup>2</sup>
- As a result of sustained overperformance, we now expect incremental collections (ERC) of \$225M
- Portfolio purchases were \$94M in the U.S. with purchase price multiple of 2.3x, reflecting our disciplined purchasing and superior collections effectiveness

## MCM Collections (in \$M)



# MCM's collections performance is driving increased collection expectations and purchase price multiple expansion



Our strong purchase price multiples and best-in-class returns are driven by meaningful differentiators:

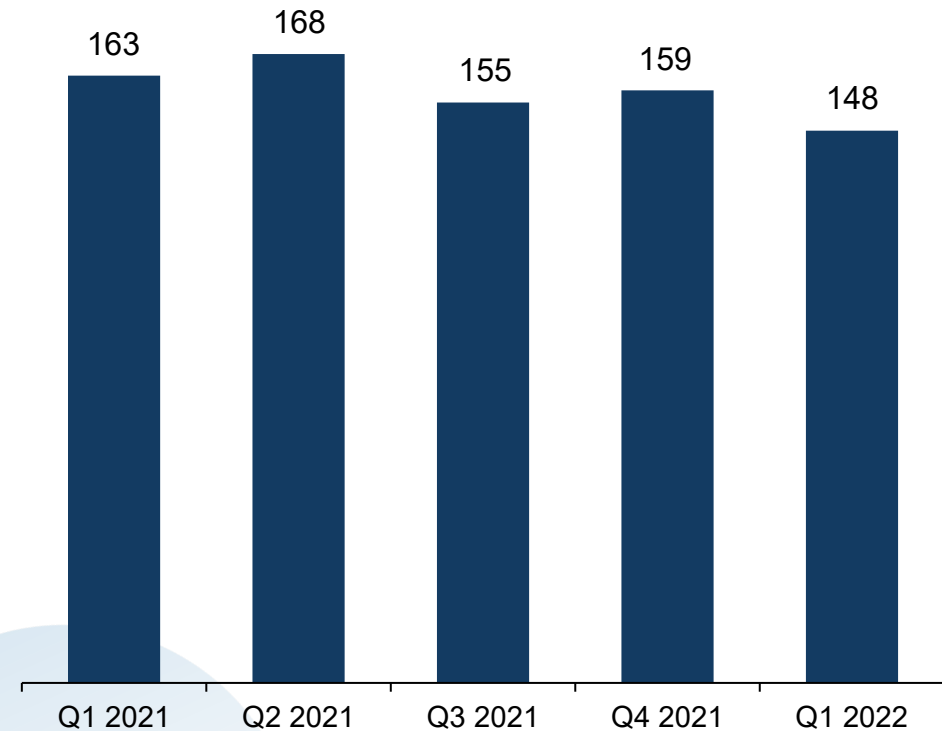
- Disciplined purchasing
- Superior collections effectiveness
- Continuous collections improvement efforts

# Market Focus: Cabot delivered solid performance in Q1

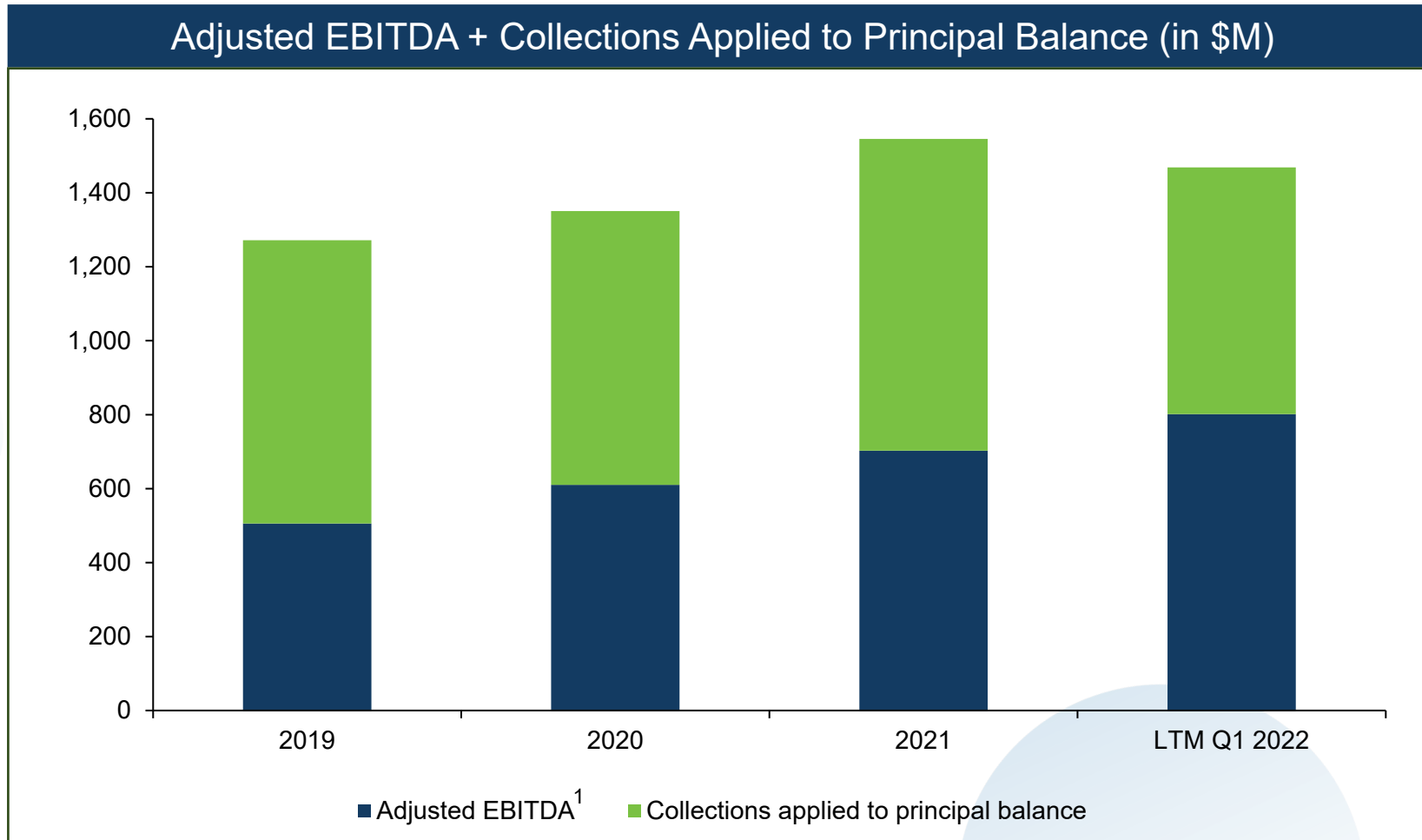
## Cabot (Europe) Business

- Cabot collections of \$148M in Q1 declined 9% compared to Q1 2021, primarily due to lower portfolio purchasing in recent quarters
- Cabot's portfolio purchases were \$75M with purchase price multiple of 2.2x
- In a competitive market, we remained disciplined in our approach to purchasing portfolios at strong returns

## Cabot Collections (in \$M)

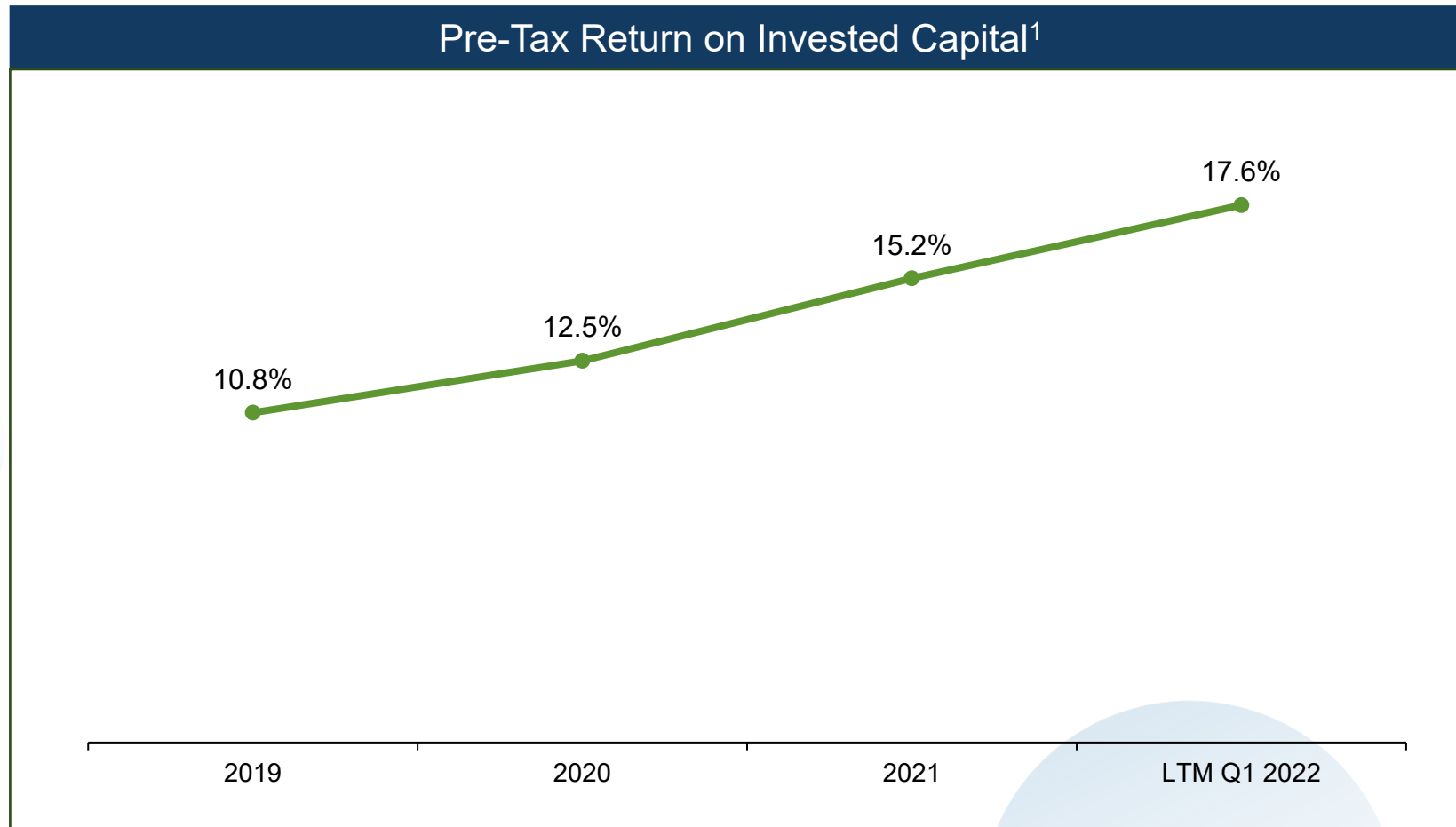


# Competitive Advantage: Continued significant cash generation



Our cash generation is driven by our operational efficiency and portfolio resilience

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



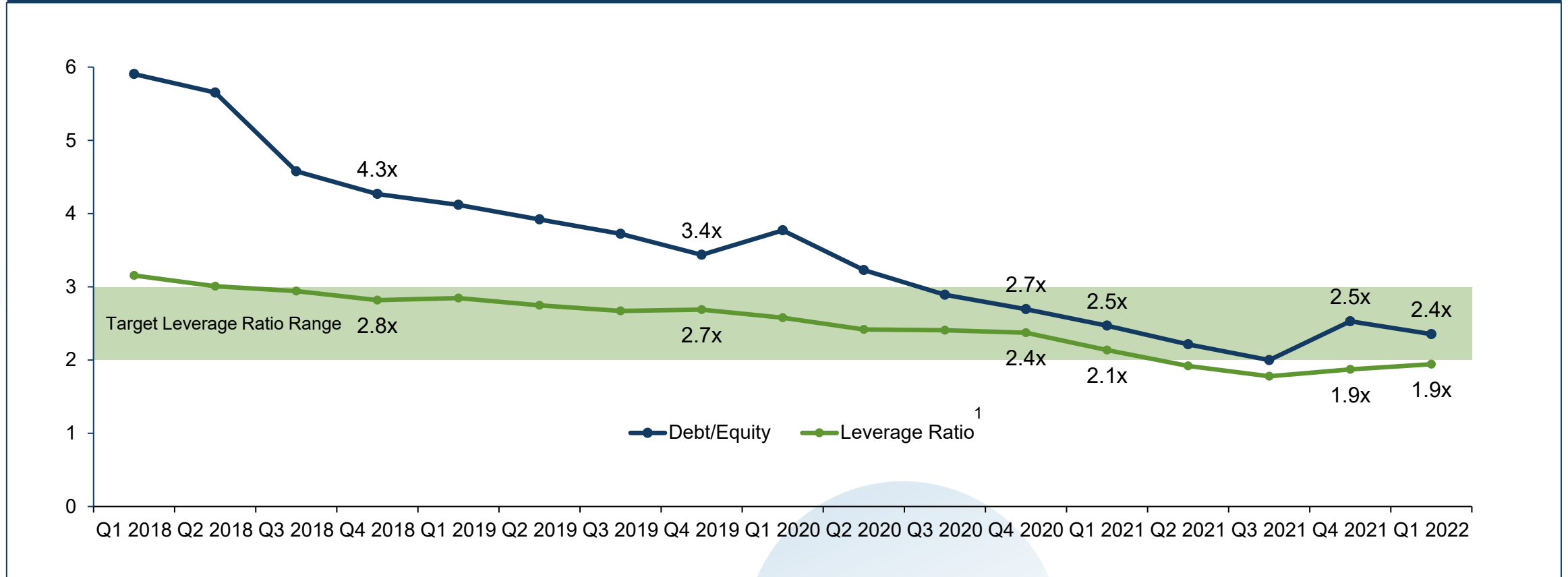
- ROIC takes into account both the performance of our collections operation and our ability to price risk appropriately when investing our capital
- We expect to deliver strong returns through the credit cycle

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.

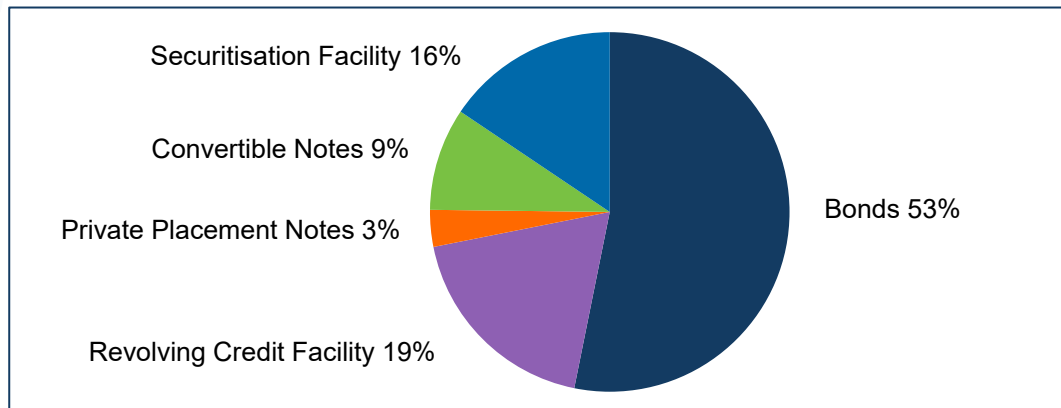
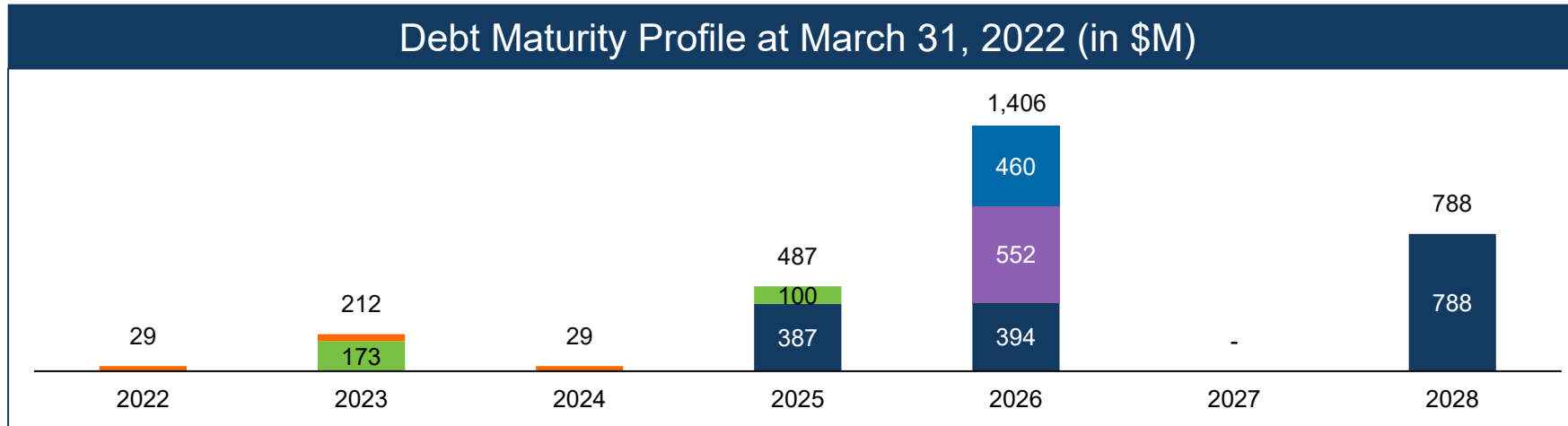
# Balance Sheet Strength: Leverage remains at the low end of our target range

## Leverage



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.

# Further strengthened our diversified funding structure in Q1



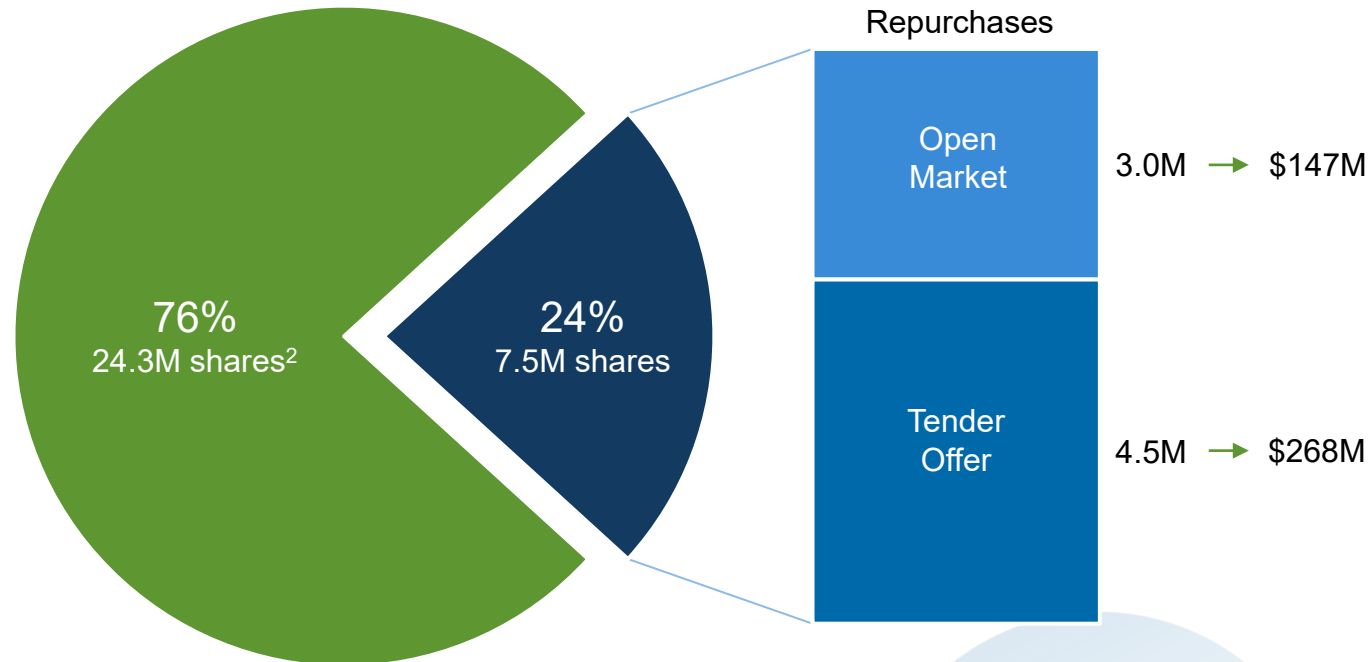
As of March 31, 2022, available capacity under Encore's global senior facility was \$560M, not including non-client cash and cash equivalents of \$134M

- Amended global senior facility in Q1 to expand its capacity by \$90M, to \$1.1B, and extend the maturity from 2025 to 2026
- Retired \$150M principal amount of convertible notes that matured in March with cash, reducing the proportion of our debt funded by convertible bonds

Note: At Dec 31, 2022, LTV Ratio (loan-to-value) = 39.7% (72.5% covenant), FCCR (Fixed Charge Coverage Ratio) = 11.3x (2.0x covenant), each as calculated under our Senior Secured Note indentures.

# Bought back 7.5M ECPG shares over the past 5 quarters, or 24% of shares outstanding at the end of 2020

ECPG Shares<sup>1</sup> Repurchased Over Past 5 Quarters (in M shares)



- Through open market repurchases and the tender offer, returned \$415M of capital to shareholders over the past 5 quarters
- \$153M remaining in our multi-year repurchase authorization as of March 31, 2022



# Our Mission, Vision and Values



## Mission

**Creating pathways to economic freedom**



## Vision

**We help make credit accessible by partnering with consumers to restore their financial health**



## Values



### **We Care**

We put people first and engage with honesty, empathy and respect



### **We Find a Better Way**

We deliver our best in everything we do, find ways to make a positive difference, and achieve impactful results



### **We are Inclusive and Collaborative**

We embrace our differences and work together to ensure every individual can thrive

# Environmental, Social & Governance (ESG) remains a strong focus area for us in 2022 with key milestones to come

## Our ESG Pillars



Consumer



People



Environment



Community



Operating  
Responsibly



Perform Greenhouse Gas (GHG)  
Baseline Assessment



Gather and Assess Data to Set Targets  
for 2023 and Beyond

Sustainability Accounting Standards Board (SASB)  
&  
Task Force on Climate-Related Financial Disclosures (TCFD)



Publish Encore's First  
Annual ESG Report

# Appendix

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# Q1 2022 Key Financial Measures

	Q1 2022	vs. Q1 2021
Collections	\$519M	-14%
Revenues	\$500M	+20%
Portfolio Purchases	\$170M	0%
ERC <sup>1</sup>	\$7.80B	-6%
Operating Expenses	\$235M	-6%
GAAP Net Income <sup>2</sup>	\$176M	+86%
GAAP EPS	\$6.40	+115%
LTM Pre-Tax ROIC <sup>3</sup>	17.6%	+180 bps
Leverage Ratio <sup>4</sup>	1.9x	-0.2x

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)

# Key Financial Measures by Quarter

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Collections	\$606M	\$612M	\$567M	\$522M	\$519M
Revenues	\$417M	\$428M	\$413M	\$357M	\$500M
Portfolio Purchases	\$170M	\$143M	\$168M	\$183M	\$170M
ERC <sup>1</sup>	\$8.31B	\$8.11B	\$7.88B	\$7.75B	\$7.80B
GAAP Net Income <sup>2</sup>	\$95M	\$97M	\$84M	\$76M	\$176M
GAAP EPS	\$2.97	\$3.07	\$2.66	\$2.53	\$6.40
LTM Pre-tax ROIC <sup>3</sup>	15.8%	15.0%	15.2%	15.2%	17.6%
LTM GAAP ROAE <sup>4</sup>	29.1%	23.7%	24.7%	29.2%	34.2%
Leverage Ratio <sup>5</sup>	2.1x	1.9x	1.8x	1.9x	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) 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).

# 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 <sup>1</sup>	\$7.83B	\$8.53B	\$7.75B
GAAP Net Income <sup>2</sup>	\$168M	\$212M	\$351M
GAAP EPS	\$5.33	\$6.68	\$11.26
Pre-Tax ROIC <sup>3</sup>	10.8%	12.5%	15.2%
Leverage Ratio <sup>4</sup>	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) Leverage ratio defined as Net debt ÷ (Adjusted EBITDA + collections applied to principal balance).

# Debt/Equity and Leverage Ratios

	2021				2022
	Q1	Q2	Q3	Q4	Q1
Debt / Equity <sup>1</sup>	2.5x	2.2x	2.0x	2.5x	2.4x
Leverage Ratio <sup>2</sup>	2.1x	1.9x	1.8x	1.9x	1.9x

	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Debt / Equity <sup>1</sup>	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 <sup>2</sup>	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)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
<b>GAAP net income (loss), as reported</b>	<b>\$ 130,784</b>	<b>\$ 55,107</b>	<b>\$ 37,212</b>	<b>\$ 94,765</b>	<b>\$ 96,787</b>	<b>\$ 83,566</b>	<b>\$ 76,083</b>	<b>\$ 175,749</b>
Interest expense	50,327	52,974	51,393	46,526	44,159	40,874	38,088	34,633
Loss on extinguishment of debt	-	14,988	25,963	-	9,300	-	-	-
Interest income	(559)	(394)	(444)	(474)	(426)	(270)	(568)	(437)
Provision for income taxes	35,570	19,747	10,499	26,968	24,607	24,703	9,061	55,024
Depreciation and amortization	10,542	10,609	11,344	11,512	12,046	14,136	12,385	11,829
Stock-based compensation expense	4,778	3,884	3,371	3,405	5,651	3,847	5,427	3,921
Acquisition, integration and restructuring related expenses <sup>1</sup>	4,776	(23)	22	-	-	17,950	2,609	679
CFPB settlement fees <sup>2</sup>	-	15,009	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>\$ 236,218</b>	<b>\$ 171,901</b>	<b>\$ 139,360</b>	<b>\$ 182,702</b>	<b>\$ 192,124</b>	<b>\$ 184,806</b>	<b>\$ 143,085</b>	<b>\$ 281,398</b>
Collections applied to principal balance <sup>3</sup>	\$ 106,921	\$ 172,406	\$ 192,448	\$ 229,510	\$ 224,074	\$ 188,181	\$ 201,322	\$ 53,567

- 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, and the loss on sale of our investment in Brazil of \$4.8 million during the three months ended June 30, 2020. 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. 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. 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 March 31, 2022.

# Reconciliation of Adjusted EBITDA to GAAP Net Income

(Unaudited, in \$ thousands)	2019	2020	2021
<b>GAAP net income, as reported</b>	<b>\$ 168,909</b>	<b>\$ 212,524</b>	<b>\$ 351,201</b>
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 <sup>1</sup>	---	15,009	---
Stock-based compensation expense	12,557	16,560	18,330
Acquisition, integration and restructuring related expenses <sup>2</sup>	7,049	4,962	20,559
Loss on sale of Baycorp <sup>3</sup>	12,489	---	---
Goodwill impairment <sup>3</sup>	10,718	---	---
Net gain on fair value adjustments to contingent considerations <sup>4</sup>	(2,300)	---	---
<b>Adjusted EBITDA</b>	<b>\$ 505,851</b>	<b>\$ 610,119</b>	<b>\$ 702,718</b>
Collections applied to principal balance <sup>5</sup>	\$ 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. 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.

# Calculation of ROIC

## Reconciliation of Adjusted Income from Operations

(Unaudited, in \$ thousands, except percentages)	Last Twelve Months Ended				
	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022
<b>Numerator</b>					
<b>GAAP Income from operations</b>	<b>\$ 654,675</b>	<b>\$ 609,269</b>	<b>\$ 633,462</b>	<b>\$ 633,272</b>	<b>\$ 729,971</b>
Adjustments: <sup>1</sup>					
CFPB settlement fees <sup>2</sup>	15,009	15,009	---	---	---
Acquisition, integration and restructuring related expenses <sup>3</sup>	(33)	(1)	2,670	5,681	6,360
Amortization of certain acquired intangible assets <sup>4</sup>	7,232	7,326	7,409	7,417	7,349
Adjusted income from operations	\$ 676,883	\$ 631,603	\$ 643,541	\$ 646,370	\$ 743,680
<b>Denominator</b>					
Average net debt	\$ 3,181,033	\$ 3,016,599	\$ 2,967,800	\$ 3,049,979	\$ 2,956,452
Average equity	1,092,298	1,198,369	1,263,038	1,202,669	1,262,580
Total invested capital	\$ 4,273,331	\$ 4,214,968	\$ 4,230,838	\$ 4,252,648	\$ 4,219,032
<b>LTM Pre-tax ROIC</b>	<b>15.8%</b>	<b>15.0%</b>	<b>15.2%</b>	<b>15.2%</b>	<b>17.6%</b>

- Adjustments below are to adjust GAAP income from operations and accordingly do not include any amounts related to other income and expense.
- 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.
- 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.
- 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.

# Calculation of ROIC

## Reconciliation of Adjusted Income from Operations

(Unaudited, in \$ thousands, except percentages)	2019	2020	2021
<b>Numerator</b>			
<b>GAAP Income from operations</b>	<b>\$ 446,345</b>	<b>\$ 533,562</b>	<b>\$ 633,272</b>
Adjustments: <sup>1</sup>			
CFPB settlement fees <sup>2</sup>	---	15,009	---
Acquisition, integration and restructuring related expenses <sup>3</sup>	7,049	154	5,681
Amortization of certain acquired intangible assets <sup>4</sup>	7,017	7,010	7,417
Goodwill impairment <sup>5</sup>	10,718	---	---
Net gain on fair value adjustments to contingent considerations <sup>6</sup>	(2,300)	---	---
<b>Adjusted income from operations</b>	<b>\$ 468,829</b>	<b>\$ 555,735</b>	<b>\$ 646,370</b>
<b>Denominator</b>			
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
<b>Pre-tax ROIC</b>	<b>10.8%</b>	<b>12.5%</b>	<b>15.2%</b>

- Adjustments below are to adjust GAAP income from operations and accordingly do not include any amounts related to other income and expense.
- 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.
- 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.
- 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.
- 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.
- 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.

# Reconciliation of Adjusted Income from Operations

(Unaudited, in \$ thousands)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
<b>Numerator</b>								
<b>GAAP Income from operations</b>	<b>\$ 219,692</b>	<b>\$ 142,455</b>	<b>\$ 124,213</b>	<b>\$ 168,314</b>	<b>\$ 174,287</b>	<b>\$ 166,647</b>	<b>\$ 124,023</b>	<b>\$ 265,014</b>
Adjustments: <sup>1</sup>								
CFPB settlement fees <sup>2</sup>	---	15,009	---	---	---	---	---	---
Acquisition, integration and restructuring related expenses <sup>3</sup>	(32)	(23)	22	---	---	2,648	3,033	679
Amortization of certain acquired intangible assets <sup>4</sup>	1,791	1,773	1,803	1,865	1,885	1,856	1,811	1,797
Adjusted income from operations	\$ 221,451	\$ 159,214	\$ 126,038	\$ 170,179	\$ 176,172	\$ 171,151	\$ 128,867	\$ 267,490
LTM Adjusted income from operations	\$ 510,481	\$ 545,270	\$ 555,735	\$ 676,883	\$ 631,603	\$ 643,541	\$ 646,370	\$ 743,680

- 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.

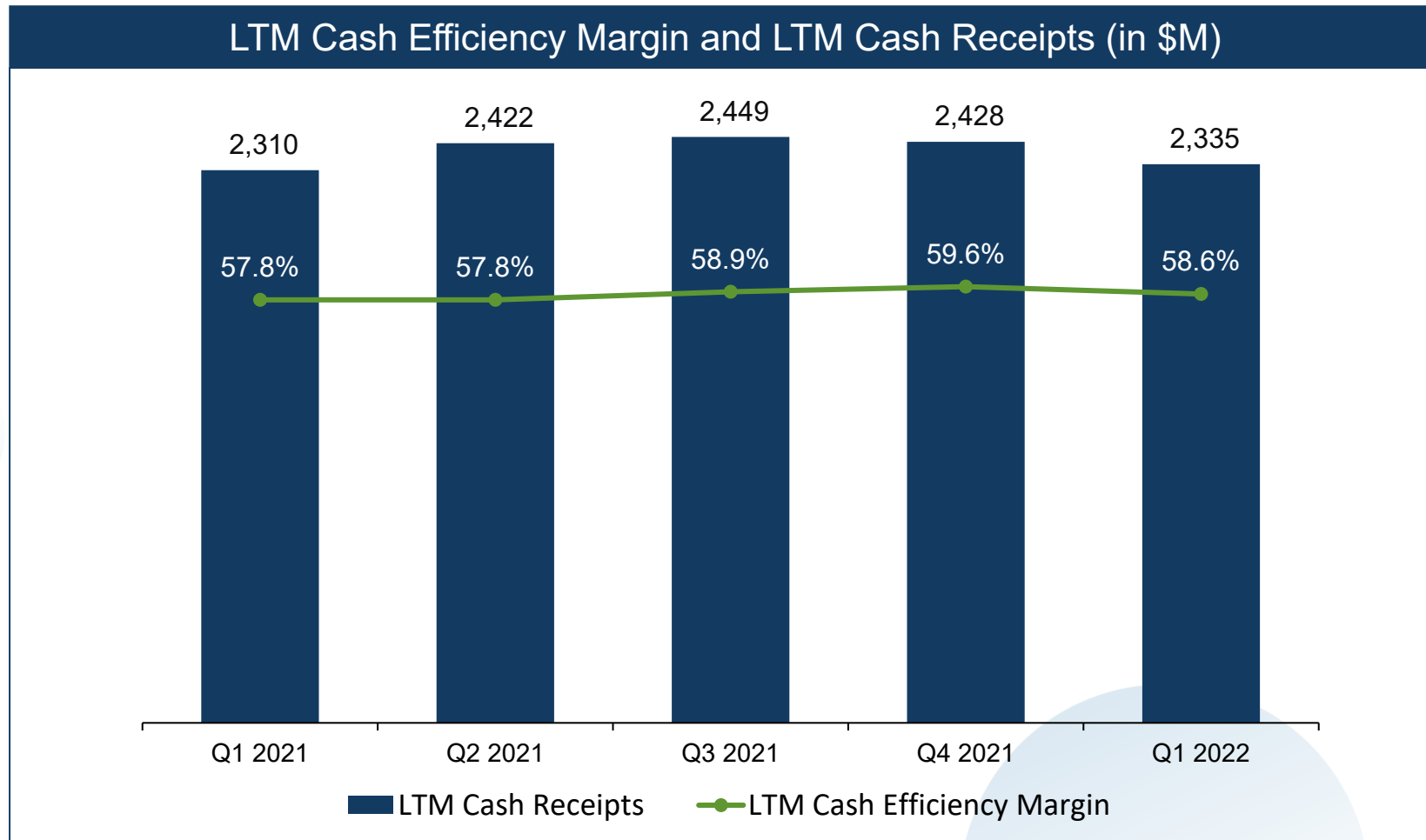
# Reconciliation of Net Debt

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

(Unaudited, in \$ millions)	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>GAAP Borrowings, as reported</b>	<b>\$ 3,607</b>	<b>\$ 3,530</b>	<b>\$ 3,561</b>	<b>\$ 3,491</b>	<b>\$ 3,593</b>	<b>\$ 3,530</b>	<b>\$ 3,429</b>	<b>\$ 3,513</b>	<b>\$ 3,404</b>	<b>\$ 3,354</b>	<b>\$3,252</b>	<b>\$ 3,282</b>
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 <sup>1</sup>	26	23	26	22	25	24	22	25	19	21	20	20
<b>Net Debt</b>	<b>\$ 3,493</b>	<b>\$ 3,442</b>	<b>\$ 3,472</b>	<b>\$ 3,440</b>	<b>\$ 3,530</b>	<b>\$ 3,459</b>	<b>\$ 3,340</b>	<b>\$ 3,419</b>	<b>\$ 3,304</b>	<b>\$ 3,144</b>	<b>\$ 3,209</b>	<b>\$ 3,205</b>

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

# Introducing a new metric - Cash Efficiency Margin



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

# Calculation of Cash Efficiency Margin

(Unaudited, in \$ thousands, except percentages)	Last Twelve Months Ended				
	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022
Collections	\$ 2,191,030	\$ 2,295,242	\$ 2,322,184	\$ 2,307,358	\$ 2,220,311
Servicing revenue	\$ 118,954	\$ 127,068	\$ 126,602	\$ 120,778	\$ 114,408
Cash receipts (A)	\$ 2,309,984	\$ 2,422,310	\$ 2,448,786	\$ 2,428,136	\$ 2,334,719
Operating expenses (B)	\$ 974,482	\$ 1,021,589	\$ 1,006,345	\$ 981,228	\$ 967,373
<b>LTM Cash Efficiency Margin (A-B)/A</b>	<b>57.8%</b>	<b>57.8%</b>	<b>58.9%</b>	<b>59.6%</b>	<b>58.6%</b>

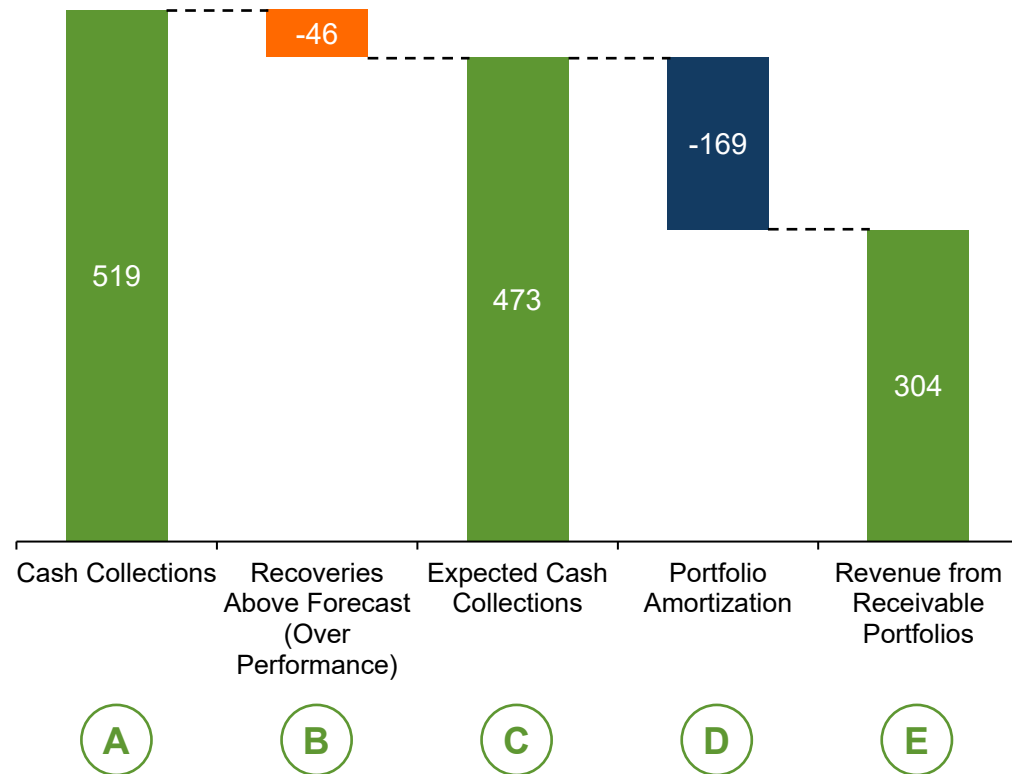
(Unaudited, in \$ thousands)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
Quarterly collections	\$ 508,215	\$ 539,748	\$ 536,606	\$ 606,461	\$ 612,427	\$ 566,690	\$ 521,781	\$ 519,414
Quarterly servicing revenue	\$ 23,950	\$ 29,787	\$ 32,701	\$ 32,516	\$ 32,064	\$ 29,321	\$ 26,877	\$ 26,146
Quarterly operating expenses	\$ 206,341	\$ 261,221	\$ 258,397	\$ 248,523	\$ 253,449	\$ 245,977	\$ 233,279	\$ 234,668

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

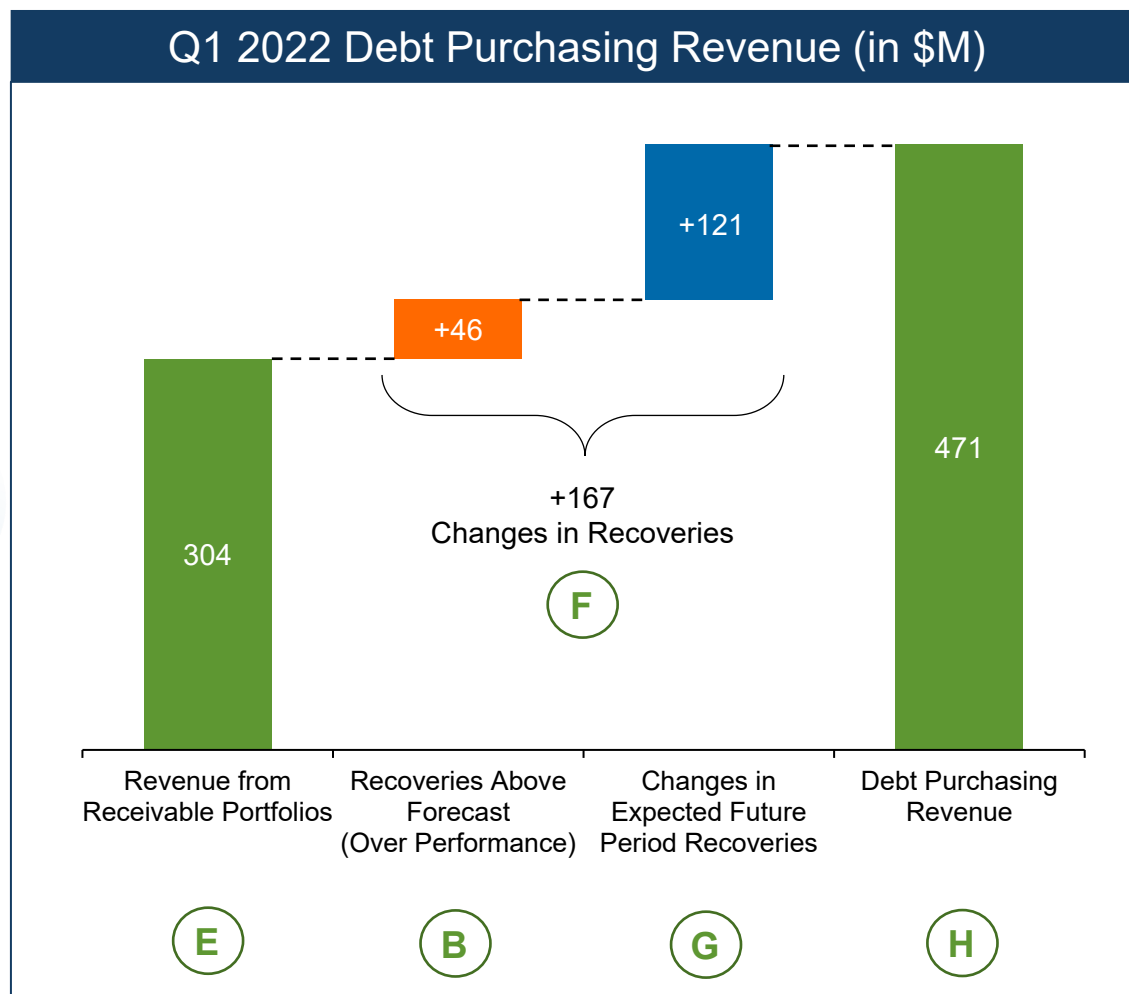
## Q1 2022 Collections and Revenue Reconciliation (in \$M)



- A** \$519M **Cash Collections** from debt purchasing business in Q1 2022
- B** \$46M **Recoveries Above Forecast**, cash collections in excess of Expected Cash Collections in Q1 2022
- C** \$473M **Expected Cash Collections**, equal to the sum of Q4 2021 ERC plus expected collections from portfolios purchased in Q1 2022
- D** \$169M **Portfolio Amortization**
- E** \$304M **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 ~\$3.2m for the three months ended March 31, 2022.

# Components of Debt Purchasing Revenue



**(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-under”.

**(G) Changes in Expected Future Period Recoveries<sup>1</sup>** 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

Revenues	Three Months Ended March 31,	
	2022	2021
Revenue from receivable portfolios	\$ 304,105	\$ 338,018
Changes in recoveries	167,223	44,537
<b>Total debt purchasing revenue</b>	<b>471,328</b>	<b>382,555</b>
Servicing revenue	26,146	32,516
Other revenues	2,208	1,766
<b>Total revenues</b>	<b>499,682</b>	<b>416,837</b>