Slide #	Commentary
	Bruce Thomas
1	Thank you, Operator. Good afternoon and welcome to Encore Capital Group's third quarter 2016 earnings call. With me on the call today are Ken Vecchione, our President and Chief Executive Officer, Jonathan Clark, Executive Vice President and Chief Financial Officer, Ashish Masih, President of our Midland Credit Management business, and Paul Grinberg, Group Executive, International and Corporate Development. Ken and Jon will make prepared remarks today, and then we will be happy to take your questions.
2 (Safe Harbor)	Before we begin, we have a few housekeeping items. Unless otherwise noted, all comparisons made on this conference call will be between the third quarter of 2016 and the third quarter of 2015. Today's discussion will include forward-looking statements subject to risks and uncertainties. Actual results could differ materially from these forward-looking statements. Please refer to our SEC filings for a detailed discussion of potential risks and uncertainties. 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 earnings presentation, which was filed on Form 8-K earlier today. As a reminder, this conference call will also be made available for replay on the Investors section of our website, where we will also post our prepared remarks following the conclusion of this call. With that, let me turn the call over to Ken Vecchione, our President and Chief Executive Officer.

	Ken Vecchione
3 (Intro/Encore Update)	Thanks, Bruce, and good afternoon everyone. In the third quarter, Encore enjoyed another solid quarter of capital deployment in an increasingly favorable domestic environment. We believe we are seeing a turn in our industry cycle in which pricing and supply are improving. In addition, our consumer-centric liquidation programs are contributing to better returns. Our financial results for the quarter are clouded by non-cash charges associated with our thorough review of all of our European pool groups. Unlike typical allowances which are driven by reduced expectations of collections, our revised collection curves resulting from our review are forecasting more expected collections, but the timing of the collections is delayed due to factors I will describe in a moment. It is important that we provide a clear picture of the events that led to the charges and why we are confident that we've resolved the issues with the actions we took in Q3. In addition to covering the highlights from our business in the third quarter, some investors and analysts have also been recently focused on the outline of proposed new rules from the CFPB, and we have a bit more detail to share on that topic. I'd like to begin by reviewing Encore's domestic business…

4 (U.S.)	The U.S. market for charged off receivables is becoming an increasingly attractive market for us and continues to show signs of improvement. Supply in the U.S. is on track to rise 15% in 2016, accompanied by meaningful declines in price from last year. Our consumer-centric liquidation improvement programs continue to improve our collections performance while simultaneously increasing consumer satisfaction. Newly committed forward flows are being booked at higher returns for 2017 than they were for 2016, a continuation of the trend we've been seeing for approximately the last 12 months. Encore is well positioned in this market as we judiciously deploy capital along with other large debt purchasers. Our liquidation improvement programs are generating strong results and our strategic cost management initiatives continue to lower our cost-to-collect. All of these actions contribute to the rise in current and future returns. Incremental capital is being deployed at higher money multiples and higher IRR's than for the last few years. IRR's for our 2016 vintage are nearly 40% higher than in 2015. As capital allocators, nearly 90 percent of Encore's shareholder capital is designated for deployment in the U.S. market, excluding our subsidiaries Cabot and Baycorp, which are self-funding. Our expectations for the coming domestic cycle are different than for prior cycles. Capital inflows by opportunistic outside participants are limited by the regulatory environment, the need for substantial compliance investments, and the absence of sophisticated operating platforms. We believe investments in compliance and operations have ensured that the moat that protects our business continues to get wider and deeper.

5 (Legal Collections Ramping)	In the domestic market, issuers have now caught up with our documentation requests to support our legal collections efforts. We do not see this as a problem going forward and, indeed, the improved documentation is enhancing our legal collections. Although we had encountered delays in both collections and expenses, we're beginning to ramp back up to more typical legal collections run rates and expect to be fully ramped as we enter 2017. Legal collections delayed in 2016 will be shifted to 2017 with no material impact to revenue. Strategic cost management initiatives implemented at the beginning of this year have produced very strong results as operating expenses declined by $23 million in Q3 and $53 million year-to-date. Of these totals, we reduced expenses due to documentation delays by $5 million in Q3 and $8 million year-to-date. Some of these expenses will be shifted into next year as we ramp up legal collections efforts in 2017. Higher deployments in the U.S. market, combined with our continued focus on expense reduction, should result in lower cost-to-collect over time.

6 (Domestic Delinquencies to Increase)	The rise in consumer receivables to pre-2008 recessionary levels should support the current pricing and supply environment. In addition to improved pricing in the U.S. market, several recent indicators of credit growth lead us to conclude that supply is poised to increase further. Consumers are increasingly taking on a higher debt load. We've heard from several large bank CEO's who are including in their earnings commentary that delinquencies are expected to rise followed by charge-offs and higher recoveries – including debt sales – which will help mitigate the rise in charge-off rates. Outstandings have grown to pre-recession levels. Average household credit card debt has also grown to pre-recession levels. The improved returns we're seeing from our U.S. business will take some time to offset the lower returns from portfolios purchased in 2014 and 2015. Consequently, their full impact will not be realized immediately. However, as we approach this cross-over point, we will continue to aggressively invest in the improving U.S. market and to opportunistically deploy capital at attractive returns in other regions. Let's now turn our focus to Cabot…

7 (Cabot)	The largest of our international businesses is Cabot Credit Management, headquartered in the United Kingdom. With a long history of solid collections performance and over 1400 unique portfolios among their assets, Cabot has become the largest debt buyer in Europe with a sizable advantage in Estimated Remaining Collections over their next largest competitor. Cabot continues to build upon its leading market positions in the U.K. and Ireland and has expanded its business into Spain, France and Portugal. These markets offer attractive returns on capital deployment. Cabot buys and services secured and unsecured debt. They also continue to expand the capabilities of their servicing and BPO businesses. Cabot's long collection curves driven by a high concentration of payment plans and low affordable payment amounts provide steady collections and long-term sustainable revenue streams. In October, Cabot redeemed its 265 million pound senior secured notes due 2019 and replaced them with a new 350 million pound senior secured offering due 2023 with a reduced coupon. In addition, Cabot increased the size of its revolving credit facility from 200 million pounds to 250 million pounds and extended its maturity at a reduced interest margin. After these actions, Cabot's liquidity stood at approximately 250 million pounds, reinforcing our expectation that Cabot has the appropriate liquidity and capital to continue its growth.

8 (Portfolio Allowance Charge)	Before we turn our attention to the European allowance charge, I would like to take a moment to touch on our accounting practices. Since 2008, Encore has consistently applied a prudent approach to revenue recognition. Over this period of time, Encore has not taken any portfolio allowance charges for portfolios purchased after 2008, other than the single charge related to the CFPB's consent order. Because of our approach, it will take a fairly unusual event, such as a significant regulatory change or an isolated issue related to a single portfolio, to trigger a material allowance charge. Given our long history of consistently applying this approach to our purchases, we have strong confidence in our reported ERC. During our last earnings call, we announced that the Encore and Cabot teams were undertaking a thorough examination of our European pool groups. After completing this exhaustive study and calculating revised curves based on our analysis, we have recorded a gross consolidated allowance charge of $94 million, of which $37 million represents Encore's share after taxes. The allowance charge was the result of two factors: • First, on certain pool groups, we had increased our expectations and raised IRR's under U.S. GAAP based on collections overperformance and expected uplift from operational initiatives. • Second, these uplifts were delayed and tempered primarily due to revised regulatory requirements and operational initiatives which did not fully materialize.

8 continued (Portfolio Allowance Charge)	The size of this allowance charge was driven mainly by the largest pool group in Encore's European vintages, the Cabot acquisition pool group. This pool group is approximately ten times larger than a more typical pool group for Cabot and contains all of the historical Cabot pool groups, from pre-2002 up through 2013 when we acquired Cabot. The ERC associated with our 2013 European vintage which contains this pool group is more than $900 million. In reforecasting these pool groups, we have revisited our expectations going forward through a methodical analysis, and now have full confidence that we've comprehensively concluded the review of all of our European pool groups. Unlike more typical allowances, the charges we've taken today are largely the result of delayed collections – not reduced collections - and in fact we expect to collect more from these pools over time. We now expect to generate greater collections in a more consumer-friendly fashion, but have incurred an allowance charge due to the timing of these collections.

9 (Expected Uplifts Impacted)	Regulatory changes in recent years drove changes in business practices, which Cabot incorporated into their collection practices over time. The cumulative impact of revised regulatory expectations *eventually* offset some of the upside we were anticipating in the near-term, ultimately delaying but increasing collections over time. In the face of these influences, planned liquidation initiatives were not as effective in generating near-term collections as we had predicted.
10 (Migrating to 180-Month ERC for Cabot)	Pursuant to Cabot's policy under IFRS, Cabot's ERC as reported is a rolling snapshot of expected collections over the next 10 years. Pursuant to Encore's policy under U.S. GAAP, Encore's ERC as reported was derived from a static 10-year window with its beginning fixed at the time of purchase for international portfolios. Beginning in Q3 2016, Encore lengthened Cabot's ERC as calculated under U.S. GAAP to 15 years in order to reflect the longer duration of these curves and better capture the total collections expected over time. We believe this change will improve the accuracy of the ERC by accounting for years 11 through 15, which now comprise a meaningful portion of the total expected collections. Both accounting policies have as a starting point forecasts that originate at Cabot.

11 (Ongoing Impact from Portfolio Allowance)	Based upon our ownership share and applying the appropriate U.K. tax rate, the reduction in the basis resulting from the portfolio allowance charge reduced quarterly earnings in the third quarter by approximately $0.11 per share after tax.
12 (Adjustment to Deferred Court Costs)	In connection with our review of all European pool groups, we also undertook a thorough review of Cabot's deferred court costs, which represent the portion of incurred costs we expect to recover through litigation. This review caused us to re-examine the timing and estimate of Cabot's court cost recoveries. The cumulative impact of regulatory changes also had a negative impact on our recoveries from litigation efforts. When combined with changes in the types of assets we were litigating, we reduced our expectation for recovering court costs. As a result, we've made an $11 million adjustment to Cabot's deferred court costs. After accounting for noncontrolling interest, the non-cash deferred court cost adjustment was $4 million after tax.

13 (CFPB Rules)	Before I hand the call over to Jon, I'd like to remind everyone that we are entering one of the last phases of the CFPB's formal rule making process. When we spoke about this a quarter ago, we acknowledged that the new rules were going to create a level playing field for participants in the U.S. market, that the outline of proposed rules aligns well with Encore's current practices, and that we were pleased that many of the proposed rules were consistent with our own recommendations or current practices. Because of this alignment, we believe we are well-positioned, and in fact far ahead of others in the industry, as these new rules are rolled out. The substantial investments of time and resources we've made over the last several years have developed our compliance pedigree and given us a competitive advantage. I'd like to add that we continue to have thoughtful dialogue with the CFPB on several areas of the proposed new rules where we suspect that a small subset of the current proposals may lead to unintended consequences for consumers. We continue to cooperate with the CFPB in this way and are providing statistical support to the issues we believe to be the most important to the industry as we navigate our way to expected new rule implementation sometime in early 2018. Once the rules are finalized, we can measure their intended and unintended impact on the consumer and our U.S. operations. I'll now turn it over to Jon, who will go through the financial results in more detail. Jon…

	Jonathan Clark
14 (Detailed Financial Discussion)	Thank you, Ken. Before I go into our financial results in detail, I would like to remind you that, as required by US GAAP, we are showing 100 percent of the results for Cabot, Grove, Refinancia and Baycorp in our financial statements. Where indicated, we will adjust the numbers to account for non-controlling interests.
15 (Impact from Allowance Charge)	The non-cash portfolio allowance and the adjustment to our deferred court costs reduced Encore's revenue by $94 million and increased operating expenses by $11 million in the third quarter. GAAP net income and EPS declined $41 million and $1.57 respectively while ERC rose $296 million. Due to the timing of collections an allowance charge is warranted when future collections are discounted at current monthly IRR's, even though total ERC increased.
16 (Q3 Results)	Turning to Encore's results in the third quarter, Encore incurred a GAAP loss from continuing operations of approximately $1.5 million, or $0.06 per share, with the results heavily impacted by the $41 million non-cash allowance charge in the quarter. Adjusted income was approximately $3.6 million or $0.14 per share.

17 (Q3 Deployments)	Deployments totaled $206 million dollars in the third quarter. In the United States, the majority of our $142 million dollars of deployments represented charged-off credit card paper, over 80 percent of which was comprised of fresh accounts. And as Ken mentioned earlier, excluding self-funding subsidiaries, nearly 90 percent of Encore shareholder capital deployed in Q3 was invested in the U.S. market, reflecting our commitment to capturing the improving returns available in the United States. U.S. year-to-date purchases and commitments now total over $530 million dollars for 2016. With pricing having peaked in 2015, projected returns from our 2016 deployments continue to exceed those from last year. European deployments through Cabot and Grove totaled $43 million dollars during the third quarter with the majority attributed to portfolio purchases in the U.K. and Spain. We deployed $22 million dollars in other geographies in the third quarter, including purchases in Australia and, to a lesser extent, Latin America.
18 (Q3 Collections)	Worldwide collections declined 4 percent, to $407 million dollars in the third quarter. In constant currency terms, collections grew 1 percent in the quarter. Our collections this quarter represent the most geographically diversified stream of collections in the company's history. Encore's international collections received benefit in the year-over-year comparison from the addition of Baycorp, our subsidiary in Australia and New Zealand.

19 (Cash Flows)	In the third quarter, we generated $245 million dollars of Adjusted EBITDA, a decrease of 7 percent compared to the third quarter of 2015, primarily due to the $11 million adjustment we made to our deferred court costs. In constant currency terms, Adjusted EBITDA decreased 2 percent. On a trailing twelve months' basis, we generated adjusted EBITDA of 1 billion - 57 million dollars, which was up 2 percent compared to the same period a year ago.
20 (Q3 Revenues)	Revenue in the quarter was $179 million dollars, net of the $94 million portfolio allowance charge. Domestic revenues were down 2% compared to the same quarter a year ago, as we continue to see the impact of higher multiple portfolios rolling off our books. International revenues outside of Europe grew compared to third quarter last year due to Encore's addition of Baycorp in Q4 of 2015. We recorded $3 million dollars of domestic net portfolio allowance reversals in Q3. In the third quarter, we increased domestic yields primarily in the 2012 and 2013 vintages as a result of sustained over-performance by pools within those vintages. In the third quarter, Encore generated $38 million of zero-basis revenue, compared to $29 million in the same period a year ago. Encore's prudent accounting approach can generate zero-basis revenues. Zero-basis revenues are highly predictable and provide Encore with a valuable long-term collection stream.

21 (Cost-to-Collect)	Turning to cost-to-collect, excluding acquisition-related and other costs, our overall cost-to-collect for the third quarter was 41.1 percent, compared to 39.2 percent in the same quarter a year ago. This increase of 190 basis points year-over-year reflects the impact of the adjustment to Cabot's deferred court costs and was partially offset by improved cost-to-collect in the United States, which benefitted from our strategic cost management program. Without the adjustment to Cabot's court cost reserve, our European cost-to-collect would have been approximately 31.0 percent and our overall cost-to-collect would have been approximately 38.3 percent. We expect our European cost to collect will return to its normal run-rate closer to 30% in Q4.
22 (ERC)	Our Estimated Remaining Collections, or ERC, at the end of the third quarter was $5.7 billion dollars, an increase of 1 percent compared to the end of September a year ago. In constant currency terms, our ERC grew 9 percent on a year-over-year basis.

23 (Encore and Cabot ERC Differences)	It is important to understand that Encore and Cabot account for ERC differently. In accordance with U.S. GAAP principles, Encore's ERC represents our best estimate of future collections. And as Ken mentioned, we're now migrating to a 180-month ERC for Cabot pool groups, beginning at the time of acquisition. Cabot's ERC as reported is revised for each pool group each quarter. Cabot adjusts ERC based on collections from the most recently completed quarter – either up or down – and it is done on a formulaic basis. And unlike Encore, Cabot's ERC is based on a rolling 120-month window. Because of these differences, and because Encore's European vintages and Cabot's vintages are constructed from different combinations of pool groups, Encore's ERC is not directly comparable to Cabot's ERC for any given vintage. Additionally, all collection curves and forecasts for Cabot pool groups originate at Cabot. The projected ERC always starts with Cabot and Cabot management. Importantly, we believe the reported ERC in both Encore's and Cabot's financial disclosures - though different - is correctly represented given each company's respective accounting policy.

24 (Q3 EPS Walk)	In the third quarter, we recorded a GAAP net loss from continuing operations of $0.06 per share, which resulted largely from our European allowance charge, partially offset by a tax adjustment. In reconciling our GAAP net loss to our adjusted net loss, adjustments included 15 cents related to acquisition, integration and restructuring costs, 12 cents related to the non-cash interest and issuance costs associated with our convertible notes, 10 cents related to settlement fees and related administrative expenses, followed by 2 cents for the amortization of certain acquired intangible assets related to our contingency collections business. After applying the income tax effect of the adjustments and adjusting for non-controlling interest, we end up with $0.14 per fully diluted share, and our non-GAAP Economic EPS was also $0.14. Because our shares traded at an average price below the initial conversion prices of our convertible debt during the quarter, we did not exclude any shares from the calculation of our Economic EPS. I would like to mention here an important point about our tax provisions for the third and fourth quarters, which are explained in more detail in the income tax footnote in our Form 10-Q. The large disparity in tax rates between the U.S. and Europe normally reduces our effective tax rate, but because of the Q3 loss centered in European operations this quarter, it instead increased our effective tax rate. Since the effective tax rate expected for the year will also be much higher due to the same factors, our tax expense for the fourth quarter is expected to be approximately $10 million higher than our normalized rate.

25 (Debt and Debt Ratios)	Our consolidated debt to equity ratio in the third quarter was 4.56 times. Considering this ratio without Cabot, our debt to equity ratio is 2.18 times, which is less than half of the consolidated ratio. It is important to remember that we fully consolidate Cabot's debt on our balance sheet because we have a 43 percent economic interest in Cabot and we control their board. Nonetheless, Cabot's debt has no recourse to Encore. Consequently, Encore is far less levered than a quick review of our financials would indicate. Available capacity under Encore's revolving credit facility, subject to borrowing base and applicable debt covenants, was $188 million as of yesterday, not including the $195 million additional capacity provided by the facility's accordion feature. With that, I'd like to turn it back over to Ken.

	Ken Vecchione
26 (Summary)	Thanks, Jon. To summarize, the U.S. market for charged off receivables continues to be favorable for the few remaining qualified large debt buyers. Pricing leverage is shifting from sellers to buyers and we believe, based upon year-to-date performance, we are approaching a positive turn in the market. We expect future debt sales will continue at these lower prices. Add to this increasing supply and the benefits we're seeing from our consumer-centric liquidation programs, and it is clear that returns are rising for us in the U.S. The Encore team is also driving improved returns by reducing costs through our emphasis on cost management initiatives around our global operation. With the comprehensive review of our European pool groups, we are highly confident in our ERC and the accounting curves that support them. We continue to be focused on improving shareholder value by judiciously deploying capital, improving liquidity and managing our costs.
27 (Q&A Session)	Now we'd be happy to answer any questions that you may have. Operator, please open up the lines for questions.
27 (Sign Off)	That concludes the call for today. Thanks for taking the time to join us and we look forward to providing our fourth quarter and full-year 2016 results in February.