

## Encore Capital Group, Inc. Prices Private Placement of Convertible Senior Notes

March 6, 2014 8:53 AM ET

SAN DIEGO, March 6, 2014 /PRNewswire/ -- Encore Capital Group, Inc. (NASDAQ: ECPG) (the "Company") yesterday priced \$140,000,000 aggregate principal amount of 2.875% convertible senior notes due 2021 (the "notes") to be sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"). The notes will be the Company's senior unsecured obligations, and will be fully and unconditionally guaranteed on a senior unsecured basis by Midland Credit Management, Inc., a wholly owned subsidiary of the Company. The size of the offering was increased from the previously announced aggregate principal amount of \$125,000,000. In connection with the offering, the Company has granted the initial purchasers an option to purchase up to an additional \$21,000,000 aggregate principal amount of such notes to cover sales in excess thereof.



The notes will be senior unsecured obligations of the Company. The notes will bear interest at a rate of 2.875% per year payable semiannually in arrears on March 15 and September 15 of each year, beginning on September 15, 2014. The notes will be convertible at the option of the noteholders prior to the close of business on the business day immediately preceding September 15, 2020 only upon satisfaction of certain conditions and during certain periods, and on or after September 15, 2020, at any time until the close of business on the second scheduled trading day immediately prior to maturity regardless of these conditions. The Company may satisfy its conversion obligation by paying or delivering, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election. The conversion rate for the notes will initially be 16.8386 shares per \$1,000 principal amount, which is equivalent to an initial conversion price of approximately \$59.39 per share of common stock. The initial conversion price of the notes represents a premium of approximately 25% to the \$47.51 per share closing price of the Company's common stock on March 5, 2014. The sale of the notes is expected to close on March 11, 2014, subject to customary closing conditions.

In connection with the pricing of the notes, the Company entered into capped call transactions with one or more of the initial purchasers (or their affiliates) and/or one or more other financial institutions (the "option counterparties"). The capped call transactions are expected generally to reduce the potential dilution and/or offset the cash payments the Company is required to make in excess of the principal amount upon conversion of the notes in the event that the market price of the Company's common stock is greater than the strike price of the capped call transactions (which initially corresponds to the initial conversion price of the notes and is subject to certain adjustments under the terms of the capped call transactions), with such reduction and/or offset subject to a cap based on the cap price of the capped call transactions. The cap price of the capped call transactions will initially be \$83.1425 per share, which represents a premium of approximately 75% over the last reported sale price of the Company's common stock on March 5, 2014, and is subject to certain adjustments under the terms of the capped call transactions. If the initial purchasers exercise their option to purchase additional notes, the Company expects to enter into additional capped call transactions with the option counterparties.

The Company has been advised by the option counterparties that in connection with establishing their initial hedge of the capped call transactions, the option counterparties or their respective affiliates expect to enter into various derivative transactions with respect to the Company's common stock and/or purchase shares of the Company's common stock in privately negotiated transactions and/or open market transactions concurrently with or shortly after the pricing of the notes. This activity could increase (or reduce the size of any decrease in) the market price of the Company's common stock or the notes at that time.

In addition, the Company has been advised by the option counterparties that the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to the Company's common stock and/or purchasing or selling the Company's common stock in secondary market transactions following the pricing of the notes and prior to the maturity of the notes (and are likely to do so during any observation period related to a conversion of the notes). This activity could also cause or avoid an increase or a decrease in the market price of the Company's common stock or the notes, which could affect the ability of noteholders to convert the notes and, to the extent the activity occurs during any observation period related to a conversion of the notes, it could affect the amount and value of the consideration that noteholders will receive upon conversion of the notes.

The Company estimates that the net proceeds from the offering will be approximately \$135.3 million, after deducting the initial purchasers' discount and the estimated offering expenses payable by it (assuming no exercise of the initial purchasers' option to purchase additional notes). The Company intends to use:

- approximately \$17.0 million of the net proceeds from this offering to pay the cost of the capped call transactions; and
- the remainder of the net proceeds from this offering for general corporate purposes, including working capital.

If the initial purchasers exercise their option to purchase additional notes, the Company may enter into additional capped call transactions. The Company intends to use the resulting additional proceeds of the sale of the additional notes:

- to pay the cost of entering into additional capped call transactions; and
- for general corporate purposes, including working capital.

The notes, the shares of the Company's common stock issuable upon conversion of the notes, if any, and the capped call transactions have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

This press release does not constitute an offer to sell or the solicitation of an offer to buy securities. Any offer of the securities will be made only by means of a private offering memorandum.

### **Forward-Looking Statements**

*The statements in this press release that are not historical facts, including, most importantly, those statements preceded by, or that include, the words "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 the completion of the private offering and the anticipated use of proceeds from the offering. 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 the most recent reports on Forms 10-K and 8-K, each as it may be amended from time to time. The Company disclaims any intent or obligation to update these forward-looking statements.*

### **Contact:**

#### **Encore Capital Group, Inc.**

Paul Grinberg (858) 309-6904

[paul.grinberg@encorecapital.com](mailto:paul.grinberg@encorecapital.com)

or

Adam Sragovicz (858) 309-9509  
[adam.sragovicz@encorecapital.com](mailto:adam.sragovicz@encorecapital.com)

Information found on the Company's website is not incorporated by reference.

Logo - <http://photos.prnewswire.com/prnh/20131107/LA13022LOGO>

SOURCE Encore Capital Group, Inc.