

**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**

Date of report (Date of earliest event reported): May 4, 2017

ENCORE CAPITAL GROUP, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

000-26489
(Commission
File Number)

48-1090909
(IRS Employer
Identification No.)

3111 Camino Del Rio North, Suite 103, San Diego, California
(Address of Principal Executive Offices)

92108
(Zip Code)

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

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 (see General Instruction A.2. below):

- 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))

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 May 4, 2017, Encore Capital Group, Inc. issued a press release announcing its financial results for the quarter ended March 31, 2017. A copy of the press release 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.

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|---------------------------------|
| 99.1 | Press release dated May 4, 2017 |

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: May 4, 2017

/s/ Jonathan C. Clark

Jonathan C. Clark

Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u> |
|-----------------------|--------------------|
|-----------------------|--------------------|

| | |
|------|---------------------------------|
| 99.1 | Press release dated May 4, 2017 |
|------|---------------------------------|

Encore Capital Group Announces First Quarter 2017 Financial Results

- *Improved pricing and supply in the U.S. market driving better returns*
- *Higher purchase price multiples reflect more efficient capital deployment*

SAN DIEGO, May 4, 2017 -- Encore Capital Group, Inc. (NASDAQ: ECPG), an international specialty finance company providing debt recovery solutions for consumers across a broad range of assets, today reported consolidated financial results for the first quarter ended March 31, 2017.

"The U.S. market for charged off receivables continues to improve as growing supply and lower prices, along with improved liquidations, contribute to increasingly favorable returns," said Kenneth A. Vecchione, President and Chief Executive Officer. "We achieved a first quarter purchase price multiple of 2.0 for new defaulted credit card portfolios, a level we haven't seen since 2013. We believe we are well positioned to continue to benefit from these increasingly favorable trends, allowing us to take further advantage of our capital availability and collections capacity."

"Internationally, we had a strong deployment quarter in Europe and preparation for a potential IPO for our subsidiary Cabot Credit Management announced in February remains on track. We've also reached a milestone overseas as the Encore Asset Reconstruction Company is now operational and has recently completed initial small purchases in the Indian debt buying market. Our deployment will be slow and measured initially as we gain comfort with this substantial market opportunity."

Key Financial Metrics for the First Quarter of 2017:

- Estimated Remaining Collections (ERC) grew \$184 million compared to the same period of the prior year, to \$5.85 billion.
- Investment in receivable portfolios was \$219 million, including \$123 million in the U.S., compared to \$257 million deployed overall in the same period a year ago.
- Gross collections declined 2% to \$441 million, compared to \$448 million in the same period of the prior year.
- Total revenues were \$272 million, compared to \$289 million in the first quarter of 2016, with the difference primarily driven by currency effects and the trailing impact of the allowance charge taken in the third quarter of last year in Europe.
- Total operating expenses decreased 5% to \$196 million, compared to \$206 million in the same period of the prior year, reflecting the benefits of strategic cost management programs. Adjusted operating expenses decreased 1% to \$167 million, compared to \$169 million in the same period of the prior year.
- Adjusted operating expenses per dollar collected for the portfolio purchasing and recovery business, also known as cost-to-collect, was 37.8%, compared to 37.7% in the same period of the prior year.
- Total interest expense decreased to \$49.2 million, as compared to \$50.7 million in the same period of the prior year.
- GAAP net income from continuing operations attributable to Encore was \$22.3 million, or \$0.85 per fully diluted share, as compared to \$28.9 million, or \$1.12 per fully diluted share in the same period a year ago.
- Adjusted income from continuing operations attributable to Encore was \$24.8 million, compared to \$34.4 million in the first quarter of 2016.

- Adjusted income from continuing operations attributable to Encore per share (also referred to as Economic EPS) was \$0.95, compared to \$1.33 in the same period of the prior year.
- Available capacity under Encore's domestic revolving credit facility, subject to borrowing base and applicable debt covenants, was \$269 million as of March 31, 2017.

Conference Call and Webcast

Encore will host a conference call and slide presentation today, May 4, 2017, at 2:00 p.m. Pacific / 5:00 p.m. Eastern time, presenting and discussing the reported results.

Members of the public are invited to access the live webcast via the Internet by logging on at the Investor Relations page of Encore's website at www.encorecapital.com. To access the live, listen-only telephone conference portion, please dial (855) 541-0982 or (704) 288-0606.

For those who cannot listen to the live broadcast, a telephonic replay will be available for seven days by dialing (800) 585-8367 or (404) 537-3406 and entering the conference number 10372377. A replay of the webcast will also be available shortly after the call on the Company's website.

Non-GAAP Financial Measures

This news release 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 adjusted income from continuing operations attributable to Encore and adjusted income from continuing operations attributable to Encore per share (also referred to as economic EPS when adjusted for certain shares associated with our convertible notes that will not be issued but are reflected in the fully diluted share count for accounting purposes) because management uses this measure to assess operating performance, in order to highlight trends in the Company's business that may not otherwise be apparent when relying on financial measures calculated in accordance with GAAP. The Company has included information concerning adjusted operating expenses in order to facilitate a comparison of approximate cash costs to cash collections for the portfolio purchasing and recovery business in the periods presented. Adjusted income attributable to Encore, adjusted income from continuing operations attributable to Encore per share/economic EPS, and adjusted operating expenses 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 total operating expenses as indicators of the Company's operating performance. 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 news release a reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

About Encore Capital Group, Inc.

Encore Capital Group is an international specialty finance company that provides debt recovery solutions for consumers across a broad range of assets. Through its subsidiaries, Encore purchases portfolios of consumer receivables from major banks and credit unions.

Encore partners with individuals as they repay their obligations, helping them on the road to financial recovery and ultimately improving their economic well-being. Encore is the first and only company of its kind to operate with a Consumer Bill of Rights that provides industry-leading commitments to consumers. Headquartered in San Diego, the company is a publicly traded NASDAQ Global Select company (ticker symbol: ECPG) and a component stock of the Russell 2000, the S&P Small Cap 600 and the Wilshire

4500. More information about Encore can be found at <http://www.encorecapital.com>. More information about the Company's Cabot Credit Management subsidiary can be found at <http://www.cabotcm.com>. Information found on the Company's website or Cabot's website is not incorporated by reference.

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 "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, performance, business plans or prospects. 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 10-Q, as they may be amended from time to time. The Company disclaims any intent or obligation to update these forward-looking statements.

Contact:

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Encore Capital Group, Inc.
(858) 309-6442
bruce.thomas@encorecapital.com

FINANCIAL TABLES FOLLOW

ENCORE CAPITAL GROUP, INC.
Condensed Consolidated Statements of Financial Condition
(In Thousands, Except Par Value Amounts)
(Unaudited)

| | March 31, 2017 | December 31, 2016 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 159,931 | \$ 149,765 |
| Investment in receivable portfolios, net | 2,436,018 | 2,382,809 |
| Property and equipment, net | 71,805 | 72,257 |
| Deferred court costs, net | 71,334 | 65,187 |
| Other assets | 229,166 | 215,447 |
| Goodwill | 796,408 | 785,032 |
| Total assets | <u>\$ 3,764,662</u> | <u>\$ 3,670,497</u> |
| Liabilities and equity | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 224,788 | \$ 234,398 |
| Debt | 2,870,607 | 2,805,983 |
| Other liabilities | 29,794 | 29,601 |
| Total liabilities | <u>3,125,189</u> | <u>3,069,982</u> |
| Commitments and contingencies | | |
| Redeemable noncontrolling interest | 47,342 | 45,755 |
| Redeemable equity component of convertible senior notes | 312 | 2,995 |
| Equity: | | |
| Convertible preferred stock, \$.01 par value, 5,000 shares authorized, no shares issued and outstanding | — | — |
| Common stock, \$.01 par value, 50,000 shares authorized, 25,728 shares and 25,593 shares issued and outstanding as of March 31, 2017 and December 31, 2016, respectively | 257 | 256 |
| Additional paid-in capital | 113,532 | 103,392 |
| Accumulated earnings | 580,957 | 560,567 |
| Accumulated other comprehensive loss | (93,773) | (104,911) |
| Total Encore Capital Group, Inc. stockholders' equity | <u>600,973</u> | <u>559,304</u> |
| Noncontrolling interest | (9,154) | (7,539) |
| Total equity | <u>591,819</u> | <u>551,765</u> |
| Total liabilities, redeemable equity and equity | <u>\$ 3,764,662</u> | <u>\$ 3,670,497</u> |

The following table includes assets that can only be used to settle the liabilities of the Company's consolidated variable interest entities ("VIEs") and the creditors of the VIEs have no recourse to the Company. These assets and liabilities are included in the consolidated statements of financial condition above.

| | March 31, 2017 | December 31, 2016 |
|------------------------------------------|-------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 65,195 | \$ 55,823 |
| Investment in receivable portfolios, net | 1,010,495 | 972,841 |
| Property and equipment, net | 18,642 | 19,284 |
| Deferred court costs, net | 24,025 | 22,760 |
| Other assets | 78,465 | 79,767 |
| Goodwill | 594,547 | 584,868 |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$ 95,987 | \$ 99,689 |
| Debt | 1,577,785 | 1,514,799 |
| Other liabilities | 1,017 | 1,921 |

ENCORE CAPITAL GROUP, INC.
Condensed Consolidated Statements of Income
(In Thousands, Except Per Share Amounts)
(Unaudited)

| | Three Months Ended March 31, | |
|------------------------------------------------------------------------------|---------------------------------|------------------|
| | 2017 | 2016 |
| Revenues | | |
| Revenue from receivable portfolios, net | \$ 251,970 | \$ 270,094 |
| Other revenues | 19,971 | 18,923 |
| Total revenues | <u>271,941</u> | <u>289,017</u> |
| Operating expenses | | |
| Salaries and employee benefits | 68,278 | 69,642 |
| Cost of legal collections | 47,957 | 54,308 |
| Other operating expenses | 26,360 | 26,343 |
| Collection agency commissions | 11,562 | 10,120 |
| General and administrative expenses | 33,318 | 35,239 |
| Depreciation and amortization | 8,625 | 9,861 |
| Total operating expenses | <u>196,100</u> | <u>205,513</u> |
| Income from operations | <u>75,841</u> | <u>83,504</u> |
| Other (expense) income | | |
| Interest expense | (49,198) | (50,691) |
| Other income | 602 | 7,124 |
| Total other expense | <u>(48,596)</u> | <u>(43,567)</u> |
| Income from continuing operations before income taxes | 27,245 | 39,937 |
| Provision for income taxes | (12,067) | (10,148) |
| Income from continuing operations | 15,178 | 29,789 |
| Loss from discontinued operations, net of tax | (199) | (3,182) |
| Net income | 14,979 | 26,607 |
| Net loss (income) attributable to noncontrolling interest | 7,119 | (913) |
| Net income attributable to Encore Capital Group, Inc. stockholders | <u>\$ 22,098</u> | <u>\$ 25,694</u> |
| Amounts attributable to Encore Capital Group, Inc.: | | |
| Income from continuing operations | \$ 22,297 | \$ 28,876 |
| Loss from discontinued operations, net of tax | (199) | (3,182) |
| Net income | <u>\$ 22,098</u> | <u>\$ 25,694</u> |
| Earnings (loss) per share attributable to Encore Capital Group, Inc.: | | |
| Basic earnings (loss) per share from: | | |
| Continuing operations | \$ 0.86 | \$ 1.13 |
| Discontinued operations | \$ (0.01) | \$ (0.12) |
| Net basic earnings per share | <u>\$ 0.85</u> | <u>\$ 1.01</u> |
| Diluted earnings (loss) per share from: | | |
| Continuing operations | \$ 0.85 | \$ 1.12 |
| Discontinued operations | \$ — | \$ (0.13) |
| Net diluted earnings per share | <u>\$ 0.85</u> | <u>\$ 0.99</u> |
| Weighted average shares outstanding: | | |
| Basic | 25,876 | 25,550 |
| Diluted | 26,087 | 25,868 |

ENCORE CAPITAL GROUP, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited, In Thousands)

| | Three Months Ended March 31, | |
|-----------------------------------------------------------------------------------|---------------------------------|-----------|
| | 2017 | 2016 |
| Operating activities: | | |
| Net income | \$ 14,979 | \$ 26,607 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Loss from discontinued operations, net of income taxes | 322 | 3,182 |
| Depreciation and amortization | 8,625 | 9,861 |
| Other non-cash expense, net | 11,666 | 9,533 |
| Stock-based compensation expense | 750 | 3,718 |
| Loss (gain) on derivative instruments, net | 238 | (5,399) |
| Deferred income taxes | (4,040) | (21,588) |
| Reversal of allowances on receivable portfolios, net | (2,132) | (2,191) |
| Changes in operating assets and liabilities | | |
| Deferred court costs and other assets | (2,413) | 1,233 |
| Prepaid income tax and income taxes payable | 15,260 | 18,824 |
| Accounts payable, accrued liabilities and other liabilities | (16,095) | (14,023) |
| Net cash provided by operating activities from continuing operations | 27,160 | 29,757 |
| Net cash provided by operating activities from discontinued operations | — | 2,096 |
| Net cash provided by operating activities | 27,160 | 31,853 |
| Investing activities: | | |
| Proceeds from divestiture of business, net of cash divested | — | 106,041 |
| Purchases of receivable portfolios, net of put-backs | (222,885) | (280,990) |
| Collections applied to investment in receivable portfolios, net | 189,665 | 180,796 |
| Purchases of property and equipment | (6,081) | (2,569) |
| Payments to acquire interest in affiliates | (8,805) | — |
| (Payments for) proceeds from derivative instruments, net | (1,942) | 1,508 |
| Other, net | 1,057 | (675) |
| Net cash (used in) provided by investing activities from continuing operations | (48,991) | 4,111 |
| Net cash provided by investing activities from discontinued operations | — | 14,685 |
| Net cash (used in) provided by investing activities | (48,991) | 18,796 |
| Financing activities: | | |
| Payment of loan costs | (2,742) | (1,395) |
| Proceeds from credit facilities | 199,962 | 188,516 |
| Repayment of credit facilities | (258,073) | (236,372) |
| Repayment of senior secured notes | (3,087) | (3,750) |
| Proceeds from issuance of convertible senior notes | 150,000 | — |
| Repayment of convertible senior notes | (60,406) | — |
| Proceeds from convertible hedge instruments | 5,580 | — |
| Taxes paid related to net share settlement of equity awards | (2,065) | (3,354) |
| Other, net | (876) | (5,132) |
| Net cash provided by (used in) financing activities | 28,293 | (61,487) |
| Net increase (decrease) in cash and cash equivalents | 6,462 | (10,838) |
| Effect of exchange rate changes on cash and cash equivalents | 3,704 | 1,858 |
| Cash and cash equivalents, beginning of period | 149,765 | 153,593 |
| Cash and cash equivalents, end of period | 159,931 | 144,613 |

ENCORE CAPITAL GROUP, INC.

Supplemental Financial Information

Reconciliation of Adjusted Income From Continuing Operations Attributable to Encore to GAAP Net Income From Continuing Operations Attributable to Encore and Adjusted Operating Expenses Related to Portfolio Purchasing and Recovery Business to GAAP Total Operating Expenses
(In Thousands, Except Per Share amounts) (Unaudited)

| | Three Months Ended March 31, | | | |
|--------------------------------------------------------------------------------|------------------------------|-----------------------------------------------|-----------|-----------------------------------------------|
| | 2017 | | 2016 | |
| | \$ | Per Diluted Share— Accounting and Economic | \$ | Per Diluted Share— Accounting and Economic |
| GAAP net income from continuing operations attributable to Encore, as reported | \$ 22,297 | \$ 0.85 | \$ 28,876 | \$ 1.12 |
| Adjustments: | | | | |
| Convertible notes non-cash interest and issuance cost amortization | 3,014 | 0.12 | 2,909 | 0.11 |
| Acquisition, integration and restructuring related expenses ⁽¹⁾ | 855 | 0.04 | 3,059 | 0.12 |
| Settlement fees and related administrative expenses ⁽²⁾ | — | — | 2,988 | 0.12 |
| Amortization of certain acquired intangible assets ⁽³⁾ | 560 | 0.02 | 1,074 | 0.04 |
| Income tax effect of the adjustments ⁽⁴⁾ | (1,489) | (0.06) | (3,283) | (0.13) |
| Adjustments attributable to noncontrolling interest ⁽⁵⁾ | (482) | (0.02) | (1,218) | (0.05) |
| Adjusted income from continuing operations attributable to Encore | \$ 24,755 | \$ 0.95 | \$ 34,405 | \$ 1.33 |

(1) 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.

(2) Amount represents litigation and government settlement fees and related administrative expenses. For the three months ended March 31, 2016, amount consists of settlement and administrative fees related to certain TCPA settlements. We believe these fees and 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) As we continue to acquire debt solution service providers around the world, the acquired intangible assets, such as trade names and customer relationships, have grown substantially. 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. As a result, the amortization of certain acquired intangible assets is excluded from our adjusted income from continuing operations attributable to Encore and adjusted income from continuing operations per share.

(4) Amount represents the total income tax effect of the adjustments, which is calculated based on the applicable marginal tax rate of the jurisdiction in which the portion of the adjustment occurred.

(5) Certain of the above pre-tax adjustments include expenses recognized by our partially-owned subsidiaries. This adjustment represents the portion of the non-GAAP adjustments that are attributable to noncontrolling interest.

| | Three Months Ended March 31, | |
|---------------------------------------------------------------------------------------------|---------------------------------|-------------------|
| | 2017 | 2016 |
| GAAP total operating expenses, as reported | \$ 196,100 | \$ 205,513 |
| Adjustments: | | |
| Stock-based compensation expense | (750) | (3,718) |
| Operating expenses related to non-portfolio purchasing and recovery business ⁽¹⁾ | (27,946) | (26,885) |
| Acquisition, integration and restructuring related expenses ⁽²⁾ | (855) | (3,059) |
| Settlement fees and related administrative expenses ⁽³⁾ | — | (2,988) |
| Adjusted operating expenses related to portfolio purchasing and recovery business | <u>\$ 166,549</u> | <u>\$ 168,863</u> |

- (1) Operating expenses related to non-portfolio purchasing and recovery business include operating expenses from other operating segments that primarily engage in fee-based business, as well as corporate overhead not related to our portfolio purchasing and recovery business.
- (2) Amount represents acquisition, integration and restructuring related operating 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) Amount represents litigation and government settlement fees and related administrative expenses. For the three months ended March 31, 2016, amount consists of settlement and administrative fees related to certain TCPA settlements. We believe these fees and expenses are not indicative of ongoing operations; therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.