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

February 24, 2021
Date of report (Date of earliest event reported)

ENCORE CAPITAL GROUP, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

Emerging growth company ☐

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

Item 2.02. Results of Operations and Financial Condition.

On February 24, 2021, Encore Capital Group, Inc. posted a slide presentation on its website. A copy of the slide presentation is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

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

Item 9.01. Financial Statements and Exhibits.

Exhibit Number	Description
99.1	Slide presentation of Encore Capital Group, Inc. dated February 24, 2021
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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

ENCORE CAPITAL GROUP, INC.

Date: February 24, 2021

/s/ Jonathan C. Clark
Jonathan C. Clark
Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT INDEX

Exhibit Number	Description
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Exhibit 99.1

Encore Capital Group, Inc.

Q4 2020 EARNINGS CALL

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

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 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.

TODAY'S CALL

- 2020 – A Year of Unprecedented Challenge and Achievement
- Our Strategy
- Financial Results
- Priorities for 2021 and Beyond

Encore's 2020 Annual Report, including a letter to shareholders and our Form 10-K, is available on our website at www.encorecapital.com/investors

2020 KEY FINANCIAL MEASURES

	2020	vs. 2019
Collections	$2.11B	+4%
Revenues	$1.50B	+7%
Portfolio Purchases	$660M	-34%
ERC[1]	$8.53B	+9%
GAAP Net Income[2]	$212M	+26%
GAAP EPS	$6.68	+25%
Pre-tax ROIC[3]	12.5%	+180 bps
GAAP ROAE[4]	18.9%	+70 bps
Leverage Ratio[5]	2.4x	-0.3x

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

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

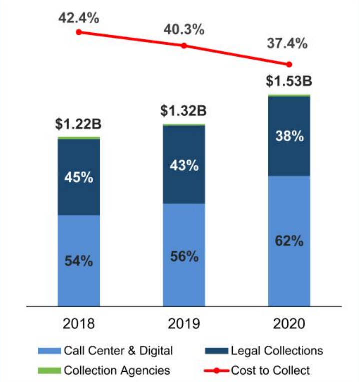
- Target market characteristics:
  - Large, consistent flow of purchasing opportunities
  - Strong regulatory framework
  - Sophistication and data availability
  - Stable, long-term returns
- Emphasizing U.S. and U.K. now, strengthening in Spain, France, Portugal and Ireland
- Thrive on recurring portfolio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

MARKET FOCUS: 2020 FOR MCM CHARACTERIZED BY STRONG COLLECTIONS, BUT REDUCED PURCHASING LATER IN THE YEAR

MCM (U.S.) Business

- Collections grew 16% in 2020 to $1.53B
- Portfolio purchases of $543M in the U.S. in 2020 were down 20% from 2019, but had highest purchase price multiples in years
- MCM's expenses in 2020 were lower than expected due to COVID impact
- We are well-prepared to fully implement long-awaited CFPB industry rules, which will become effective in late 2021
- Collections in 2020 were 106% of ERC forecast for 2020[1]

MCM Collections by Channel and CTC



1) Compared to ERC as of 12/31/2019 and excludes collections on portfolios purchased in 2020.

MARKET FOCUS: CABOT'S FOCUS ON COST MANAGEMENT HAS ENABLED CONTINUED SOLID PROFITABILITY

Cabot (Europe) Business

- Cabot's collection trends improved throughout 2020, finishing the year at 88% of ERC forecast for the year[1]
- Cabot's cost management enabled continued solid profitability in 2020 despite the pandemic's impact on the timing of collections
- In 2020, COVID caused U.K. banks to pause much of their portfolio sales activity
- We anticipate an increase in opportunities as charge-offs are expected to rise due to the impact of the COVID pandemic on European economies.
- New global funding structure enhances Cabot's ability to deploy at attractive returns

1) Compared to ERC as of 12/31/2019 and excludes collections on portfolios purchased in 2020.

SECOND PILLAR OF OUR STRATEGY

Competitive Advantage
Innovating to enhance our competitive advantages

- We are built around certain key competencies which 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

COMPETITIVE ADVANTAGE – WE DELIVERED STRONG EARNINGS, WHICH WE EXPECT TO CONTINUE IN 2021

2020 GAAP Net Income[1]

$212M

up 26% vs 2019

$6.68 per share

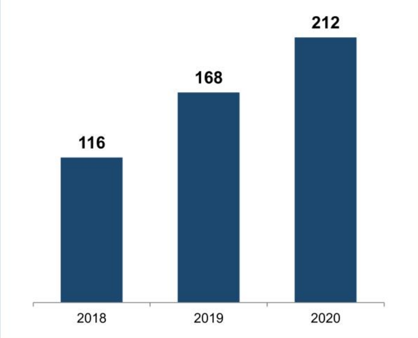
2020 Adjusted Net Income[2]

$246M

up 31% vs 2019

$7.75 per share

GAAP Net Income[1] (in $M)



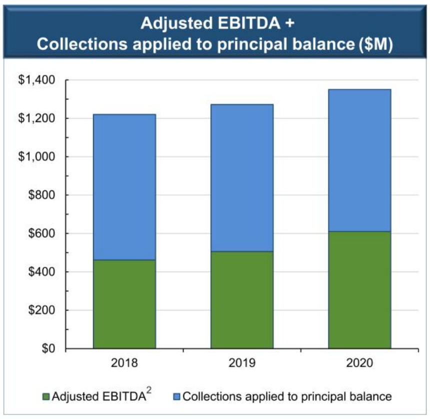
Both GAAP and adjusted net income in 2020 negatively impacted by $40M ($1.26/share) of expenses, after tax, related to establishing new funding structure and refinancing

1) Attributable to Encore
2) See appendix for reconciliation of adjusted net income and Economic EPS to GAAP. Beginning in Q1 2021, Encore will discontinue providing adjusted net income and Economic EPS.

COMPETITIVE ADVANTAGE – WE GENERATE SIGNIFICANT, CONSISTENT CASH FLOW

2020 Cash Generation[1]

up 6% vs 2019



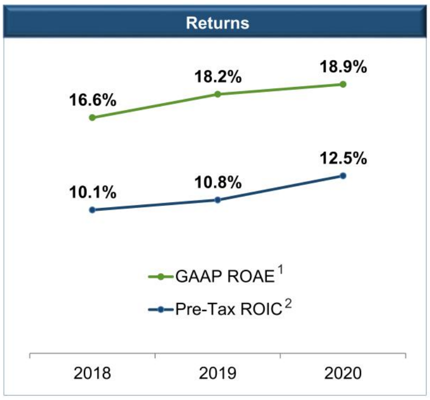
Our cash generation is the result of our operational efficiency and portfolio resiliency

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

COMPETITIVE ADVANTAGE – WE DELIVER DIFFERENTIATED RETURNS

2020 GAAP ROAE[1]
18.9%

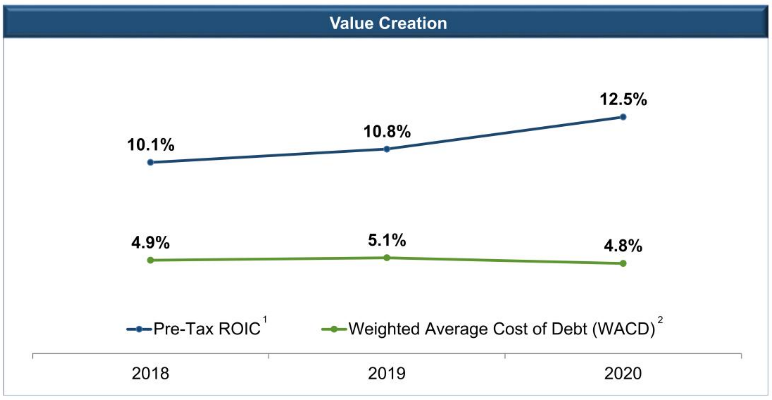
2020 Pre-Tax ROIC[2]
12.5%



Strong performance underpins increasing ROIC over time

1) GAAP ROAE (Return on Average Equity) defined as GAAP net income / average stockholders' equity
2) See appendix for calculation of Pre-Tax ROIC (Return on Invested Capital)

COMPETITIVE ADVANTAGE – OUR STRONG OPERATING PERFORMANCE AND BALANCE SHEET TOGETHER CREATE VALUE



We create increased value as the spread between our returns and our cost of debt expands

1) See appendix for calculation of Pre-Tax ROIC (Return on Invested Capital).
2) Weighted Average Cost of Debt (WACD) is defined as the sum of the products of (each borrowing's period end weight * each borrowing's stated interest rate). Data points represent average for each year.

THIRD PILLAR OF OUR STRATEGY

Balance Sheet Strength

Continuing focus on the strength of our balance sheet

- Reduced leverage ratio[1] from 2.7x to 2.4x, comfortably within our targeted range of 2.0x-3.0x
- 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

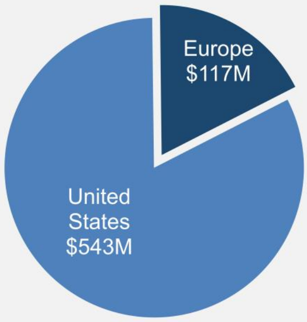
1) Leverage ratio defined as net debt / (Adjusted EBITDA + collections applied to principal balance).

Detailed Financial Discussion

2020 PORTFOLIO PURCHASES REFLECT THE IMPACTS OF THE COVID-19 PANDEMIC ON SUPPLY AND OUR FOCUS ON RETURNS

2020 Deployments

2020 Initial Purchase Price Multiple[1]
2.5x vs 2.1x in 2019

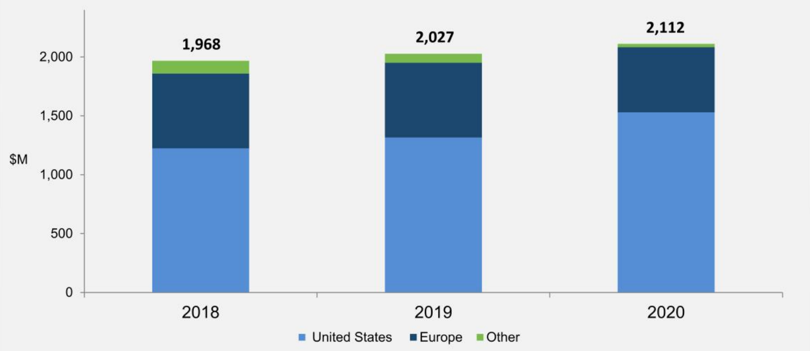


Total $660M

1) Initial purchase price multiple defined as total estimated gross collections for all geographies at end of purchase year / total purchase price for all geographies at end of purchase year.

2020 COLLECTIONS GREW 4% DESPITE THE CHALLENGES ASSOCIATED WITH THE COVID PANDEMIC

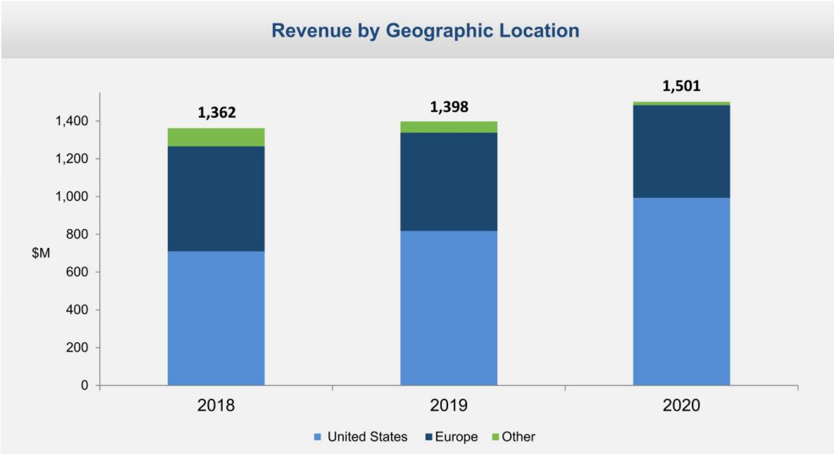
Collections by Geographic Location



2020 Collections were 100% of the ERC forecast for 2020[1]

1) Compared to ERC as of 12/31/2019 and excludes collections on portfolios purchased in 2020. U.S. collections were 106% and Europe collections were 88% of our 12/31/2019 ERC forecast, respectively.

2020 REVENUES WERE $1.5 BILLION, REFLECTING OUR CONTINUED FOCUS ON THE U.S. AND EUROPE



NEW GLOBAL FUNDING STRUCTURE ENABLED US TO CAPITALIZE ON FAVORABLE MARKET CONDITIONS TO REFINANCE $840M OF DEBT

New Global Funding Structure

Recent Actions

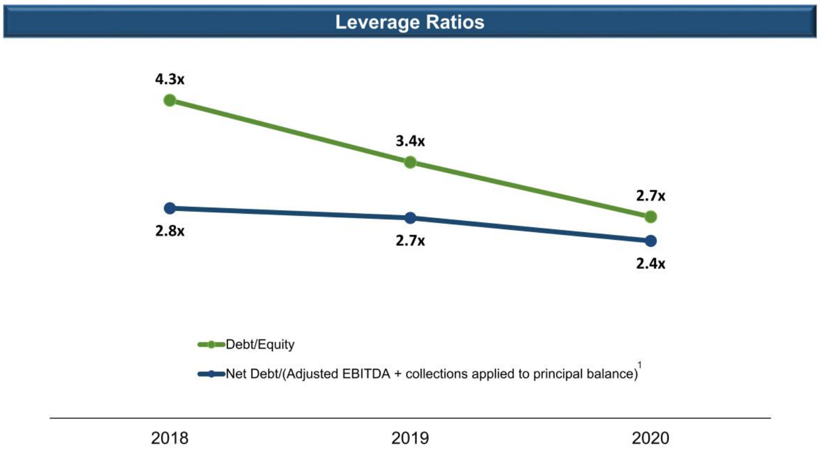
- Redeemed £287M of 7.5% notes due 2023.
  Replaced them with £300M of 5.375% notes due 2026.
- Redeemed €400M of EURIBOR + 6.375% notes due 2024.
  Replaced them with €415M of EURIBOR + 4.25% notes due 2028.

Funding Structure Benefits

- Enhances access to capital markets
- Extends debt maturities
- Enhances ability to allocate capital toward the best returns
- Reduces cost of funds

Our leverage is amongst the lowest in our peer group

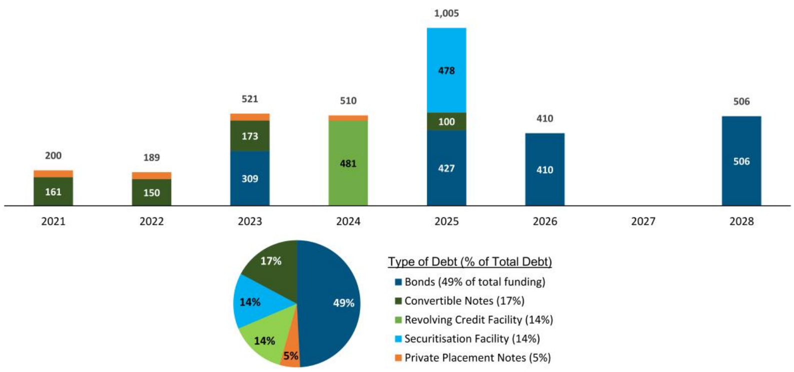
OVER THE LAST THREE YEARS, WE HAVE STEADILY REDUCED OUR LEVERAGE



1) See appendix for reconciliation of Net Debt to GAAP Borrowings and Adjusted EBITDA to GAAP net income.

WE HAVE A DIVERSIFIED GLOBAL FUNDING STRUCTURE

Debt Maturity Profile at December 31, 2020 ($M)



Note: At 12/31/2020, LTV Ratio (loan-to-value) = 37.5% (72.5% covenant), FCCR (Fixed Charge Coverage Ratio) = 7.5x (2.0x covenant). Each as calculated under our Senior Secured Note indentures.

OUR FINANCIAL PRIORITIES FOR 2021 AND BEYOND

Balance Sheet Objectives

- Preserve financial flexibility
- Target leverage[1] 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

1) Leverage defined as Net Debt / (Adjusted EBITDA + collections applied to principal balance)

Appendix

KEY FINANCIAL MEASURES BY YEAR

	2018	2019	2020
Collections	$1.97B	$2.03B	$2.11B
Revenues	$1.36B	$1.40B	$1.50B
Portfolio Purchases	$1.13B	$1.00B	$0.66B
ERC[1]	$7.22B	$7.83B	$8.53B
GAAP Net Income[2]	$116M	$168M	$212M
GAAP EPS	$4.06	$5.33	$6.68
Pre-tax ROIC[3]	10.1%	10.8%	12.5%
GAAP ROAE[4]	16.6%	18.2%	18.9%
Leverage Ratio[5]	2.8x	2.7x	2.4x

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

KEY FINANCIAL MEASURES BY QUARTER

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Collections	$499M	$527M	$508M	$540M	$537M
Revenues	$348M	$289M	$426M	$404M	$383M
Portfolio Purchases	$235M	$214M	$148M	$170M	$128M
ERC[1]	$7.83B	$8.46B	$8.38B	$8.46B	$8.53B
GAAP Net Income[2]	$43M	($10M)	$130M	$55M	$37M
GAAP EPS	$1.36	($0.33)	$4.13	$1.72	$1.17
LTM Pre-tax ROIC[3]	10.8%	9.4%	11.9%	12.7%	12.5%
LTM GAAP ROAE[4]	18.2%	12.2%	20.8%	21.3%	18.9%
Leverage Ratio[5]	2.7x	2.6x	2.4x	2.4x	2.4x

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) GAAP ROAE (Return on Average Equity) defined as GAAP net income / average stockholders' equity
5) Leverage ratio defined as Net debt / (Adjusted EBITDA + collections applied to principal balance).

ENCORE'S LEVERAGE RATIOS

Encore Consolidated	at 03/31/20	at 06/30/20	at 09/30/20	at 12/31/20
Debt / Equity	3.8x	3.2x	2.9x	2.7x
Net Debt / (LTM Adjusted EBITDA + LTM Collections applied to principal balance)[1]	2.6x	2.4x	2.4x	2.4x

Encore Consolidated	at 03/31/19	at 06/30/19	at 09/30/19	at 12/31/19
Debt / Equity	4.1x	3.9x	3.7x	3.4x
Net Debt / (LTM Adjusted EBITDA + LTM Collections applied to principal balance)[1]	2.8x	2.7x	2.7x	2.7x

Encore Consolidated	at 03/31/18	at 06/30/18	at 09/30/18	at 12/31/18
Debt / Equity	5.9x	5.7x	4.6x	4.3x
Net Debt / (LTM Adjusted EBITDA + LTM Collections applied to principal balance)[1]	3.2x	3.0x	2.9x	2.8x

1) See appendix for reconciliation of Adjusted EBITDA to GAAP net income and for reconciliation of Net Debt to GAAP Borrowings.

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 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. The Company has included Adjusted Income Attributable to Encore and Adjusted Income 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 these measures 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 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 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 Operating Expenses, Adjusted Income from Operations (used in Pre-Tax ROIC), Adjusted Income Attributable to Encore, Adjusted Income Attributable to Encore per Share/Economic EPS, 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, income from operations, 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 presentation a reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

RECONCILIATION OF ADJUSTED INCOME AND ECONOMIC EPS TO GAAP NET INCOME AND GAAP EPS

(Unaudited, in $ thousands except for per share amounts) Twelve Months Ended

	December 31, 2020		December 31, 2019	
	$	Per Diluted Share	$	Per Diluted Share
GAAP net income attributable to Encore, as reported	**$ 211,848**	**$ 6.68**	**$ 167,869**	**$ 5.33**
CFPB settlement fees[1]	15,009	0.47	---	---
Convertible and exchangeable notes non-cash interest and issuance cost amortization	14,444	0.46	15,501	0.50
Acquisition, integration and restructuring related expenses[2]	4,962	0.16	7,049	0.22
Amortization of certain acquired intangible assets[3]	7,010	0.22	7,017	0.22
Loss on Baycorp Transaction[4]	---	---	12,489	0.40
Goodwill impairment[4]	---	---	10,718	0.34
Net gain on fair value adjustments to contingent considerations[5]	---	---	(2,300)	(0.07)
Change in tax accounting method[6]	---	---	(7,825)	(0.25)
Income tax effect of the adjustments[7]	(7,478)	(0.24)	(23,230)	(0.74)
Adjusted net income attributable to Encore	**$ 245,795**	**$ 7.75**	**$ 187,288**	**$ 5.95**

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) 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. As a result, the amortization of certain acquired intangible assets is excluded from our adjusted income attributable to Encore and adjusted income per share.
4) 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.
5) 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.
6) Amount represents the benefit from the tax accounting method change related to revenue reporting. We adjust for certain discrete tax items that are not indicative of our ongoing operations.
7) Amount represents the total income tax effect of the adjustments, which is generally calculated based on the applicable marginal tax rate of the jurisdiction in which the portion of the adjustment occurred. Additionally, we adjust for certain discrete tax items that are not indicative of our ongoing operations. We recognized approximately $17.5 million, or $0.55 per diluted share, in tax benefit as a result of the sale of Baycorp, which is included in this income tax adjustment during the year ended December 31, 2019.

RECONCILIATION OF ADJUSTED INCOME AND ECONOMIC EPS TO GAAP NET INCOME AND GAAP EPS

(Unaudited, in $ thousands except for per share amounts) Three Months Ended

	December 31, 2020		December 31, 2019	
	$	Per Diluted Share	$	Per Diluted Share
GAAP net income attributable to Encore, as reported	**$ 37,320**	**$ 1.17**	**$ 43,085**	**$ 1.36**
Convertible and exchangeable notes non-cash interest and issuance cost amortization	3,239	0.10	3,930	0.13
Acquisition, integration and restructuring related expenses[1]	22	---	704	0.02
Amortization of certain acquired intangible assets[2]	1,803	0.06	1,659	0.05
Change in tax accounting method[3]	---	---	1,245	0.04
Income tax effect of the adjustments[4]	(1,079)	(0.03)	(1,390)	(0.04)
Adjusted net income attributable to Encore	**$ 41,305**	**$ 1.30**	**$ 49,233**	**$ 1.56**

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) 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. As a result, the amortization of certain acquired intangible assets is excluded from our adjusted income attributable to Encore and adjusted income per share.
3) Amount represents the benefit from the tax accounting method change related to revenue reporting. We adjust for certain discrete tax items that are not indicative of our ongoing operations.
4) Amount represents the total income tax effect of the adjustments, which is generally calculated based on the applicable marginal tax rate of the jurisdiction in which the portion of the adjustment occurred. Additionally, we adjust for certain discrete tax items that are not indicative of our ongoing operations.

RECONCILIATION OF ADJUSTED EBITDA TO GAAP NET INCOME

(Unaudited, in $ thousands) Twelve Months Ended

	12/31/2020	12/31/2019	12/31/2018
GAAP net income, as reported	**$ 212,524**	**$ 168,909**	**$ 109,736**
Interest expense	209,356	217,771	237,355
Loss on extinguishment of debt	40,951	8,989	2,693
Interest income	(2,397)	(3,693)	(3,345)
Provision for income taxes	70,374	32,333	46,752
Depreciation and amortization	42,780	41,029	41,228
CFPB settlement fees[1]	15,009	---	---
Stock-based compensation expense	16,560	12,557	12,980
Acquisition, integration and restructuring related expenses[2]	4,962	7,049	7,523
Loss on sale of Baycorp[3]	---	12,489	---
Goodwill impairment[3]	---	10,718	---
Net gain on fair value adjustments to contingent considerations[4]	---	(2,300)	(5,664)
Loss on derivative in connection with Cabot Transaction[5]	---	---	9,315
Expenses related to withdrawn Cabot IPO[6]	---	---	2,984
Adjusted EBITDA	**$ 610,119**	**$ 505,851**	**$ 461,557**
Collections applied to principal balance[7]	$ 740,350	$ 765,748	$ 759,014

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) Amount represents the loss recognized on the forward contract we entered into in anticipation of the completion of the Cabot Transaction. We adjust for this amount because we believe the loss is not indicative of ongoing operations; therefore, adjusting for this loss enhances comparability to prior periods, anticipated future periods, and our competitors' results.
6) Amount represents expenses related to the proposed and later withdrawn initial public offering by Cabot. 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.
7) 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 the sum of (b) revenue from receivable portfolios and (c) changes in expected recoveries. 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

(in $ thousands) Twelve Months Ended

	12/31/2020	12/31/2019	12/31/2018
Numerator			
Income from operations	$ 533,562	$ 446,345	$ 405,300
Adjustments:[1]			
CFPB settlement fees[2]	15,009	---	---
Acquisition, integration and restructuring related expenses[3]	154	7,049	9,041
Amortization of certain acquired intangible assets[4]	7,010	7,017	8,337
Goodwill impairment[5]	---	10,718	---
Net gain on fair value adjustments to contingent considerations[6]	---	(2,300)	(5,664)
Expenses related to withdrawn Cabot IPO[7]	---	---	2,984
Adjusted income from operations	$ 555,735	$ 468,829	$ 419,998
Denominator			
Average net debt	$ 3,311,835	$ 3,429,624	$ 3,388,336
Average equity	1,122,741	922,547	695,811
Average redeemable noncontrolling interest	---	---	75,989
Total invested capital	$ 4,434,576	$ 4,352,171	$ 4,160,136
Pre-tax ROIC	**12.5%**	**10.8%**	**10.1%**

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

CALCULATION OF ROIC
RECONCILIATION OF ADJUSTED INCOME FROM OPERATIONS

(in $ thousands) Last Twelve Months Ended

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Numerator					
Income from operations	$ 446,345	$ 382,489	$ 488,449	$ 522,559	$ 533,562
Adjustments:[1]					
CFPB settlement fees[2]	---	---	---	15,009	15,009
Acquisition, integration and restructuring related expenses[3]	7,049	6,028	4,678	836	154
Amortization of certain acquired intangible assets[4]	7,017	6,783	6,737	6,866	7,010
Goodwill impairment[5]	10,718	10,718	10,718	---	---
Net gain on fair value adjustments to contingent considerations[6]	(2,300)	(2,300)	(101)	---	---
Adjusted income from operations	$ 468,829	$ 403,718	$ 510,481	$ 545,270	$ 555,735
Denominator					
Average net debt	$ 3,429,624	$ 3,417,019	$ 3,301,314	$3,274,693	$ 3,311,835
Average equity	922,547	890,184	972,672	1,025,626	1,122,741
Total invested capital	$ 4,352,171	$ 4,307,203	$ 4,273,986	$ 4,300,319	$ 4,434,576
Pre-tax ROIC	**10.8%**	**9.4%**	**11.9%**	**12.7%**	**12.5%**

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

RECONCILIATION OF NET DEBT

(Unaudited, in $ millions) Three Months Ended

	03/31/20	06/30/20	09/30/20	12/31/20
GAAP Borrowings, as reported	**$ 3,404**	**$ 3,354**	**$3,252**	**$ 3,282**
Debt issuance costs and debt discounts	69	63	107	92
Cash & cash equivalents	(188)	(294)	(170)	(189)
Client cash[1]	19	21	20	20
Net Debt	**$ 3,304**	**$ 3,144**	**$ 3,209**	**$ 3,205**

	03/31/19	06/30/19	09/30/19	12/31/19
GAAP Borrowings, as reported	**$ 3,593**	**$ 3,530**	**$ 3,429**	**$ 3,513**
Debt issuance costs and debt discounts	79	73	75	73
Cash & cash equivalents	(167)	(169)	(187)	(192)
Client cash[1]	25	24	22	25
Net Debt	**$ 3,530**	**$ 3,459**	**$ 3,340**	**$ 3,419**

	03/31/18	06/30/18	09/30/18	12/31/18
GAAP Borrowings, as reported	**$ 3,607**	**$ 3,530**	**$ 3,561**	**$ 3,491**
Debt issuance costs and debt discounts	77	70	89	85
Cash & cash equivalents	(217)	(182)	(205)	(157)
Client cash[1]	26	23	26	22
Net Debt	**$ 3,493**	**$ 3,442**	**$ 3,472**	**$ 3,440**

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

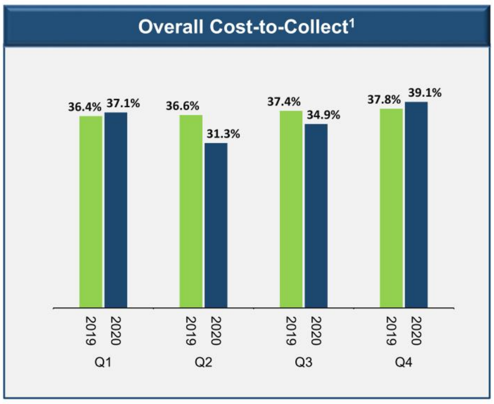
RECONCILIATION OF ADJUSTED OPERATING EXPENSES RELATED TO PORTFOLIO PURCHASING AND RECOVERY BUSINESS

(Unaudited, in $ thousands) Three Months Ended

	03/31/19	06/30/19	09/30/19	12/31/19	03/31/20	06/30/20	09/30/20	12/31/20
GAAP total operating expenses, as reported	**$ 236,019**	**$ 233,142**	**$ 247,591**	**$ 234,584**	**$ 241,879**	**$ 206,341**	**$ 261,221**	**$ 258,397**
Operating expenses related to non-portfolio purchasing and recovery business[1]	(46,082)	(42,232)	(42,503)	(42,373)	(41,489)	(42,386)	(54,001)	(45,054)
CFPB settlement fees[2]	---	---	---	---	---	---	(15,009)	---
Stock-based compensation expense	(1,826)	(3,581)	(4,005)	(3,145)	(4,527)	(4,778)	(3,884)	(3,371)
Gain on fair value adjustments to contingent considerations[3]	---	2,199	101	---	---	---	---	---
Goodwill impairment[4]	---	---	(10,718)	---	---	---	---	---
Acquisition, integration and restructuring related expenses[5]	(1,208)	(1,318)	(3,819)	(704)	(187)	32	23	(22)
Adjusted operating expenses related to portfolio purchasing and recovery business	**$ 186,903**	**$ 188,210**	**$ 186,647**	**$ 188,362**	**$ 195,676**	**$ 159,209**	**$ 188,350**	**$ 209,950**

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 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 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.
4) The sale of Baycorp resulted in a goodwill impairment charge of $10.7 million that is included in operating expenses during the year ended December 31, 2019. We believe the goodwill impairment charge is not indicative of ongoing operations, therefore, adjusting for the expense enhances comparability to prior periods, anticipated future periods, and our competitors' results.
5) 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.

BEGINNING IN Q1 2020, COST-TO-COLLECT INCLUDES 100% OF COURT COSTS, BRINGING ENCORE INTO ALIGNMENT WITH THE INDUSTRY



Location	Q4 2019 CTC	Q4 2020 CTC
United States	42.6%	41.2%
Europe	27.5%	33.1%
Other	52.3%	57.0%
Encore total	37.8%	39.1%

Location	FY2019 CTC	FY2020 CTC
United States	40.3%	37.4%
Europe	28.2%	29.9%
Other	54.3%	55.9%
Encore total	37.0%	35.7%

1) Cost-to-Collect = Adjusted operating expenses / collections. See appendix for reconciliation of Adjusted operating expenses to GAAP.

IMPACT OF FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES

(Unaudited, in $ millions, except per share amounts)

Three Months Ended 12/31/20	As Reported	Constant Currency
Revenues	$383	$379
Operating expenses	$258	$256
Net income[1]	$37	$37
Adjusted net income[1]	$41	$41
GAAP EPS[1]	$1.17	$1.17
Economic EPS[1]	$1.30	$1.29
Collections	$537	$533
ERC[2]	$8,526	$8,349
Debt[2]	$3,282	$3,167

Twelve Months Ended 12/31/20	As Reported	Constant Currency
Revenues	$1,501	$1,499
Operating expenses	$968	$968
Net income[1]	$212	$210
Adjusted net income[1]	$246	$244
GAAP EPS[1]	$6.68	$6.62
Economic EPS[1]	$7.75	$7.71
Collections	$2,112	$2,111
ERC[2]	$8,526	$8,349
Debt[2]	$3,282	$3,167

Note: Constant Currency figures are calculated by employing Q4 2019 foreign currency exchange rates to recalculate Q4 2020 results and FY2019 foreign currency exchange rates to recalculate FY2020 results. All constant currency values are calculated based on the average exchange rates during the respective periods, except for ERC and debt, which are calculated using the changes in the period-ending exchange rates. Management refers to operating results on a constant currency basis so that the operating results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of the company's operating performance. Constant currency financial results are calculated by translating current period financial results in local currency using the prior period's respective currency conversion rate. Certain foreign subsidiaries' local currency financial results in our calculation include the translation effect from their foreign operating results.

1. Attributable to Encore.
2. At December 31, 2020.