

**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

August 7, 2024

Date of report (Date of earliest event reported)

ENCORE CAPITAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

000-26489
(Commission File Number)

48-1090909
(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 August 7, 2024, Encore Capital Group, Inc. (“Encore”) issued a press release announcing its financial results for the quarter ended June 30, 2024. 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 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On August 7, 2024, Jonathan Clark, Executive Vice President, Chief Financial Officer and Treasurer, notified Encore of his decision to retire from Encore, effective March 31, 2025.

The Company intends to appoint Mr. Tomas Hernanz as the Executive Vice President, Chief Financial Officer and Treasurer of Encore upon Mr. Clark’s retirement.

Mr. Hernanz, 45, joined Cabot Credit Management (“Cabot”), the Company’s European operating unit, in July 2016 and has served in positions of increasing responsibility most recently as Chief Financial Officer of Cabot since October 2022. Mr. Hernanz has also served in positions of increasing responsibility in the treasury, finance and investor relations functions at Encore, most recently as Senior Vice President, Corporate Finance & Investment Risk Management. From 2009 to 2016, Mr. Hernanz held various positions at Ondra Partners, a financial advisory firm, most recently as a partner. Prior to 2016, Mr. Hernanz served in various positions at Goldman Sachs and Citigroup. Mr. Hernanz received his bachelor’s degree in International Business Administration from Universidad Pontificia Comillas, Spain.

Item 7.01. Regulation FD Disclosure.

On August 7, 2024, Encore issued a press release announcing Mr. Clark’s retirement. The text of the press release is furnished herewith as Exhibit 99.1 and is incorporated by reference herein.

The information in Item 7.01 of this Current Report on Form 8-K, including the information contained in Exhibit 99.2, is being furnished to the Securities and Exchange Commission pursuant to Item 7.01, and shall not be deemed to be “filed” for the purposes of Section 18 of 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 August 7, 2024 |
| 99.2 | Press release dated August 7, 2024 |
| 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: August 7, 2024

/s/ Jonathan C. Clark

Jonathan C. Clark

Executive Vice President, Chief Financial Officer and
Treasurer

EXHIBIT INDEX

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| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

Encore Capital Group Announces Second Quarter 2024 Financial Results

- *Highly favorable purchasing conditions continue in U.S. market*
- *Global portfolio purchases of \$279 million including record \$237 million in the U.S.*
- *Global collections of \$547 million up 15% compared to Q2 2023*
- *GAAP EPS of \$1.34*

SAN DIEGO, August 7, 2024 -- Encore Capital Group, Inc. (NASDAQ: ECPG), an international specialty finance company, today reported consolidated financial results for the second quarter ended June 30, 2024.

“Encore’s second quarter results are a continuation of our strong performance trajectory,” said Ashish Masih, President and Chief Executive Officer. “Our year-to-date growth in portfolio purchasing, collections and cash generation reinforces our belief that 2024 will be a turning point in Encore’s operational and financial results.”

“In the U.S., the market for charged-off receivable portfolios continues to grow to record levels, driven by growth in credit card lending and rising charge off rates. Amid these favorable purchasing conditions, we deployed a record \$237 million in the U.S. at strong returns.”

“In Europe, the portfolio purchasing market is showing continued signs of improvement but remains competitive. Although we continue to see examples of improved pricing, we believe European market pricing still does not consistently reflect the higher cost of capital caused by higher interest rates. As a result, we are maintaining discipline and are continuing our selective approach to purchasing portfolios in the region.”

“Our second quarter global collections of \$547 million were up 15% compared to a year ago, reflecting the influence of our strong portfolio purchasing in the U.S. over the past two years as well as the stable collections environment in our key markets.”

“Due to the strength of our position in the favorable U.S. market for portfolio purchasing and the continued execution of our strategy, we are raising our 2024 guidance provided in February. We now anticipate our global portfolio purchasing this year will exceed \$1,150 million and we expect our year-over-year collections growth to be approximately 11% to over \$2,075 million. We also remain committed to the critical role we play in the consumer credit ecosystem and to helping consumers restore their financial health,” said Masih.

Financial Highlights for the Second Quarter of 2024:

| (in thousands, except percentages and earnings per share) | Three Months Ended June 30, | | |
|---|-----------------------------|--------------|--------|
| | 2024 | 2023 | Change |
| Portfolio purchases ⁽¹⁾ | \$ 278,692 | \$ 274,325 | 2% |
| Estimated Remaining Collections (ERC) | \$ 8,396,696 | \$ 7,979,353 | 5% |
| Collections | \$ 546,728 | \$ 476,522 | 15% |
| Revenues | \$ 355,285 | \$ 323,044 | 10% |
| Operating expenses | \$ 253,446 | \$ 234,972 | 8% |
| GAAP net income | \$ 32,181 | \$ 26,305 | 22% |
| GAAP earnings per share | \$ 1.34 | \$ 1.08 | 24% |

(1) Includes U.S. purchases of \$236.8 million and \$213.4 million, and Europe purchases of \$41.9 million and \$61.0 million in Q2 2024 and Q2 2023, respectively.

Conference Call and Webcast

Encore will host a conference call and slide presentation today, August 7, 2024, at 2:00 p.m. Pacific / 5:00 p.m. Eastern time, to present and discuss second quarter results.

Members of the public are invited to access the live webcast via the Internet by logging in on the Investor Relations page of Encore's website at encorecapital.com. To access the live conference call by telephone, please pre-register using this link. Registrants will receive confirmation with dial-in details.

For those who cannot listen to the live broadcast, a replay of the webcast will be available on the Company's website shortly after the call concludes.

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 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. Adjusted EBITDA has not been prepared in accordance with GAAP and should not be considered as an alternative to, or more meaningful than, net income and net income per share as indicators of the Company's operating performance. Further, this non-GAAP financial measure, as presented by the Company, may not be comparable to similarly titled measures reported by other companies. A reconciliation of Adjusted EBITDA to its most directly comparable GAAP financial measure is below.

About Encore Capital Group, Inc.

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

Encore partners with individuals as they repay their debt 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, Encore 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 the company can be found at <http://www.encorecapital.com>.

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 (including purchases and collections), performance, supply and pricing, liquidity, 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, each as it may be amended from time to time. The Company disclaims any intent or obligation to update these forward-looking statements.

Contact:

Bruce Thomas
Encore Capital Group, Inc.
Vice President, Global Investor Relations
(858) 309-6442
bruce.thomas@encorecapital.com

SOURCE: Encore Capital Group, Inc.

FINANCIAL TABLES FOLLOW

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

| | June 30, 2024 | December 31, 2023 |
|---|---------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 250,621 | \$ 158,364 |
| Investment in receivable portfolios, net | 3,583,322 | 3,468,432 |
| Property and equipment, net | 102,291 | 103,959 |
| Other assets | 277,799 | 293,256 |
| Goodwill | 602,811 | 606,475 |
| Total assets | <u>\$ 4,816,844</u> | <u>\$ 4,630,486</u> |
| Liabilities and Equity | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 197,555 | \$ 189,928 |
| Borrowings | 3,455,130 | 3,318,031 |
| Other liabilities | 176,032 | 185,989 |
| Total liabilities | <u>3,828,717</u> | <u>3,693,948</u> |
| Commitments and Contingencies | | |
| Equity: | | |
| Convertible preferred stock, \$0.01 par value, 5,000 shares authorized, no shares issued and outstanding | — | — |
| Common stock, \$0.01 par value, 75,000 shares authorized, 23,691 and 23,545 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively | 237 | 235 |
| Additional paid-in capital | 13,257 | 11,052 |
| Accumulated earnings | 1,104,591 | 1,049,171 |
| Accumulated other comprehensive loss | (129,958) | (123,920) |
| Total stockholders' equity | <u>988,127</u> | <u>936,538</u> |
| Total liabilities and stockholders' equity | <u>\$ 4,816,844</u> | <u>\$ 4,630,486</u> |

The following table presents certain assets and liabilities of consolidated variable interest entities ("VIEs") included in the condensed consolidated statements of financial condition above. The liabilities in the table below can only be settled from assets in the respective VIEs. Creditors of the VIEs do not have recourse to the general credit of the Company.

| | June 30, 2024 | December 31, 2023 |
|--|------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 26,714 | \$ 24,472 |
| Investment in receivable portfolios, net | 774,104 | 717,556 |
| Other assets | 9,294 | 19,358 |
| Liabilities | | |
| Accounts payable and accrued liabilities | 2,266 | 1,854 |
| Borrowings | 466,267 | 494,925 |
| Other liabilities | 7 | 2,452 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenues | | | | |
| Revenue from receivable portfolios | \$ 321,930 | \$ 301,184 | \$ 637,782 | \$ 596,858 |
| Changes in recoveries | 5,754 | (3,486) | (6,655) | (12,987) |
| Total debt purchasing revenue | 327,684 | 297,698 | 631,127 | 583,871 |
| Servicing revenue | 21,107 | 21,008 | 41,486 | 43,593 |
| Other revenues | 6,494 | 4,338 | 11,058 | 8,210 |
| Total revenues | 355,285 | 323,044 | 683,671 | 635,674 |
| Operating expenses | | | | |
| Salaries and employee benefits | 106,608 | 95,855 | 210,792 | 199,705 |
| Cost of legal collections | 64,249 | 57,150 | 122,970 | 111,251 |
| General and administrative expenses | 36,779 | 34,529 | 73,020 | 72,494 |
| Other operating expenses | 30,845 | 26,349 | 61,212 | 53,905 |
| Collection agency commissions | 7,504 | 10,387 | 14,938 | 18,537 |
| Depreciation and amortization | 7,461 | 10,702 | 15,309 | 21,572 |
| Total operating expenses | 253,446 | 234,972 | 498,241 | 477,464 |
| Income from operations | 101,839 | 88,072 | 185,430 | 158,210 |
| Other expense | | | | |
| Interest expense | (61,376) | (49,983) | (117,141) | (96,818) |
| Other income (expense), net | 2,047 | (1,755) | 4,713 | (23) |
| Total other expense | (59,329) | (51,738) | (112,428) | (96,841) |
| Income before income taxes | 42,510 | 36,334 | 73,002 | 61,369 |
| Provision for income taxes | (10,329) | (10,029) | (17,582) | (16,438) |
| Net income | \$ 32,181 | \$ 26,305 | \$ 55,420 | \$ 44,931 |
| Earnings per share: | | | | |
| Basic | \$ 1.35 | \$ 1.11 | \$ 2.33 | \$ 1.90 |
| Diluted | \$ 1.34 | \$ 1.08 | \$ 2.28 | \$ 1.83 |
| Weighted average shares outstanding: | | | | |
| Basic | 23,883 | 23,670 | 23,834 | 23,610 |
| Diluted | 24,097 | 24,280 | 24,282 | 24,611 |

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

| | Six Months Ended June 30, | |
|---|---------------------------|------------|
| | 2024 | 2023 |
| Operating activities: | | |
| Net income | \$ 55,420 | \$ 44,931 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 15,309 | 21,572 |
| Other non-cash interest expense, net | 7,941 | 8,660 |
| Stock-based compensation expense | 7,994 | 7,925 |
| Deferred income taxes | (810) | 2,785 |
| Changes in recoveries | 6,655 | 12,987 |
| Other, net | 3,357 | 985 |
| Changes in operating assets and liabilities | | |
| Other assets | (25,896) | (35,730) |
| Accounts payable, accrued liabilities and other liabilities | 16,727 | (1,492) |
| Net cash provided by operating activities | 86,697 | 62,623 |
| Investing activities: | | |
| Purchases of receivable portfolios, net of put-backs | (566,960) | (544,721) |
| Collections applied to investment in receivable portfolios | 419,833 | 342,020 |
| Purchases of asset held for sale | (212) | (24,645) |
| Purchases of property and equipment | (14,251) | (9,503) |
| Other, net | 29,704 | 22,603 |
| Net cash used in investing activities | (131,886) | (214,246) |
| Financing activities: | | |
| Payment of loan and debt refinancing costs | (17,201) | (8,151) |
| Proceeds from credit facilities | 393,455 | 444,805 |
| Repayment of credit facilities | (1,234,189) | (259,843) |
| Proceeds from senior secured notes | 1,000,000 | — |
| Repayment of senior secured notes | (19,540) | (19,540) |
| Proceeds from issuance of convertible senior notes | — | 230,000 |
| Repayment of exchangeable senior notes | — | (192,457) |
| Proceeds from convertible hedge instruments, net | — | 10,050 |
| Other, net | 16,967 | (14,238) |
| Net cash provided by financing activities | 139,492 | 190,626 |
| Net increase in cash and cash equivalents | 94,303 | 39,003 |
| Effect of exchange rate changes on cash and cash equivalents | (2,046) | 1,956 |
| Cash and cash equivalents, beginning of period | 158,364 | 143,912 |
| Cash and cash equivalents, end of period | \$ 250,621 | \$ 184,871 |
| Supplemental disclosure of cash information: | | |
| Cash paid for interest | \$ 80,945 | \$ 79,167 |
| Cash paid for taxes, net of refunds | 42,365 | 36,822 |
| Supplemental schedule of non-cash investing activities: | | |
| Investment in receivable portfolios transferred to real estate owned | \$ 3,098 | \$ 6,244 |

ENCORE CAPITAL GROUP, INC.
Supplemental Financial Information
Reconciliation of Non-GAAP Metrics

Adjusted EBITDA

| (in thousands, unaudited) | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|------------|------------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| GAAP net income, as reported | \$ 32,181 | \$ 26,305 | \$ 55,420 | \$ 44,931 |
| Adjustments: | | | | |
| Interest expense | 61,376 | 49,983 | 117,141 | 96,818 |
| Interest income | (1,760) | (1,123) | (3,128) | (2,067) |
| Provision for income taxes | 10,329 | 10,029 | 17,582 | 16,438 |
| Depreciation and amortization | 7,461 | 10,702 | 15,309 | 21,572 |
| Net gain on derivative instruments ⁽¹⁾ | (78) | — | (273) | — |
| Stock-based compensation expense | 4,637 | 3,873 | 7,994 | 7,925 |
| Acquisition, integration and restructuring related expenses ⁽²⁾ | 1,883 | 454 | 4,202 | 5,980 |
| Adjusted EBITDA | \$ 116,029 | \$ 100,223 | \$ 214,247 | \$ 191,597 |
| Collections applied to principal balance ⁽³⁾ | \$ 228,923 | \$ 190,658 | \$ 443,474 | \$ 373,639 |

(1) Amount represents gain or loss recognized on derivative instruments that are not designated as hedging instruments or gain or loss recognized on derivative instruments upon dedesignation of hedge relationships. We adjust for this amount because we believe the gain or loss on derivative contracts is not indicative of ongoing operations.

(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) Amount represents (a) gross collections from receivable portfolios less (b) debt purchasing revenue, plus (c) proceeds applied to basis from sales of real estate owned ("REO") assets and other receivable portfolios. A reconciliation of "collections applied to investment in receivable portfolios, net" to "collections applied to principal balance" is available in the Form 10-Q for the period ending June 30, 2024.



Encore Capital Group Announces CFO Transition: Tomas Hernanz to Assume Role in 2025 Upon Jonathan Clark's Retirement

San Diego, CA – August 7, 2024 - Encore Capital Group, Inc. (NASDAQ: ECPG), a leading international specialty finance company, today announced that Jonathan C. Clark, Executive Vice President and Chief Financial Officer, will retire at the end of March 2025. Clark has been with the company since 2014 and has been instrumental in shaping Encore's financial strategy and performance during his time with the organization.

Tomas Hernanz, the current CFO of Cabot Credit Management (a subsidiary of Encore Capital Group), will succeed Clark as CFO next April. Hernanz brings extensive experience in financial management and has been a key contributor to Encore's success since joining in 2016. In his current and previous roles with the organization, Hernanz has worked closely with Clark and senior leadership to implement Encore's global funding structure in 2020, implement new asset-backed financing facilities, and issue corporate bonds in various global markets. Prior to joining the organization, Hernanz served in senior investment and financial roles with several global firms, including Goldman Sachs and Citigroup.

"Jonathan has been an invaluable member of our leadership team, and we extend our heartfelt gratitude for his dedicated service to Encore and its investors, consumers and colleagues for more than a decade," said Ashish Masih, President and CEO of Encore Capital Group. "So much of what makes Encore a respected industry leader today has been directly influenced by Jonathan's vision and guidance. I wish him the very best in his well-deserved retirement."

"I am confident that Tomas Hernanz, with his proven track record and substantial industry knowledge, will seamlessly transition into the Encore CFO role and continue to drive our disciplined strategy and financial excellence," Masih added. "His deep understanding of and considerable relationships across U.S., U.K. and European financial markets have been and continue to be great assets, and I look forward to working with Tomas more closely in his new role."

Together, Clark and Hernanz will begin an orderly transition period until Clark's retirement next March. Hernanz will join Encore's Executive Leadership Team and will relocate from London to Encore's headquarters in San Diego.

About Encore Capital Group, Inc.

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Contact:

Bruce Thomas

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SOURCE: Encore Capital Group, Inc.