Encore Capital Group, Inc.
Third Quarter 2026 Conference Call Prepared Remarks
04-Nov-2026

Slide #	Commentary
	Bruce Thomas
1	Thank you, Operator. Good afternoon and welcome to Encore Capital Group's third quarter 2026 earnings call. Joining me on the call today are Ashish Masih, our President and Chief Executive Officer, Tomas Hernanz, Executive Vice President and Chief Financial Officer, Ryan Bell, President of Midland Credit Management and John Yung, President of Cabot Credit Management. Ashish and Tomas will make prepared remarks today, and then we'll be happy to take your questions.
2 Safe Harbor	Unless otherwise noted, comparisons on this conference call will be made between the third quarter of 2026 and the third quarter of 2025. In addition, today's discussion will include forward-looking statements that are based on current expectations and assumptions and are subject to risks and uncertainties. Actual results could differ materially from our expectations. Please refer to our SEC filings for a detailed discussion of potential risks and uncertainties. We undertake no obligation to update any forward-looking statement. During this call, we will use rounding and abbreviations for the sake of brevity. We will also be discussing non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are included in our investor presentation, which is available on the Investors section of our website. As a reminder, following the conclusion of this conference call a replay, along with our prepared remarks, will also be available on the Investors section of our website. With that, let me turn the call over to Ashish Masih, our President and Chief Executive Officer.

	Ashish Masih
3 Q3 2026 Highlights	Thanks Bruce, and good afternoon, everyone. Thank you for joining us. Encore delivered very strong financial and operational performance in the third quarter highlighted by strong portfolio purchasing and record global collections. Third quarter global portfolio purchases of $390 million dollars included $310 million dollars in the U.S. and global collections were $754 million dollars, which were up 14% compared to a year ago. Average receivable portfolios also increased 11% to $4.69 billion dollars. Our record collections performance helped drive GAAP net income in the third quarter of $124 million dollars or $5.57 per share. Our leverage improved to 2.3 times at the end of Q3, compared to 2.5 times a year ago, even with continued significant portfolio purchases in the third quarter.

4 Our Strategy and Market Presence	Before I continue, I believe it's helpful to remind investors of the critical role we play in the consumer credit ecosystem by assisting in the resolution of unpaid debts. These unpaid debts are an expected outcome of the lending business model. Our Mission is to create pathways to economic freedom for the consumers we serve, by helping them resolve their past-due debts. We achieve this by engaging consumers in honest, empathetic and respectful conversations. We pursue our business objectives through our three-pillar strategy of participating in the largest and most valuable markets, developing and sustaining a competitive advantage in these markets, and maintaining a strong balance sheet. We employ our strategy across our two main businesses: Midland Credit Management – or MCM - in the U.S. and Cabot Credit Management in select European markets.

5 Our Value Engine	We believe value is created in the consumer debt buying industry through optimal execution of three critical drivers: buying, collecting and funding. When these drivers are executed well within attractive markets, leveraging the resources we possess and our strong balance sheet, we believe they enable high, consistent returns and profitability. The cycle begins with our commitment to purchase portfolios of charged-off receivables at attractive returns, which is the "**buy well"** component of our value engine. Our disciplined portfolio purchasing is underpinned by superior data and analytics capabilities, which when applied to our very large data sets stemming from our scale and history, optimize portfolio valuation through account-level underwriting. As a result, we win more portfolios at strong returns enabled by our superior collections as reflected in our industry-leading portfolio yield and collections yield. The cycle continues with our commitment to "**collect efficiently"** – maximizing net collections to realize strong yields. Our operational excellence, advanced analytics and our consumer-centric approach produce industry-leading yields while still exhibiting a solid cash efficiency margin. As a result, our very effective, personalized engagement with consumers leads to payments with predictable, consistent cash flow. This cash flow helps to complete the cycle as it contributes to our commitment to "**fund competitively"** – based on low-cost funding and a strong balance sheet. Importantly, our balance sheet strength enables access to capital at competitive costs through the credit cycle. In summary, Encore's Value Engine is the critical enabler of our competitive advantage that allows us to execute our proven three-pillar strategy to drive shareholder value.

6 Portfolio Purchases	I would now like to highlight Encore's third quarter performance in terms of several key metrics, starting with portfolio purchasing: In Q3 we delivered strong purchases across all our markets as global portfolio purchases for the third quarter were $390 million dollars. As a result of the attractive market conditions, we continued our trend of strong portfolio purchasing in the United States leading to 80% of our portfolio purchasing dollars being spent in the U.S. during the third quarter.
7 Collections	Global collections in Q3 were up 14% to a record $754 million dollars. This collections performance is the result of strong execution and continued significant portfolio purchasing as well as the deployment of new technologies, enhanced digital capabilities and continued operational innovation, especially in the U.S. Our cumulative global collections performance through the first three quarters of 2026 compared to our ERC at the end of 2025 was 109%.
8 Cash Generation	We believe that our ability to generate significant cash provides us with an important competitive advantage, which is also a key component of our three-pillar strategy. Similar to the collections dynamic I mentioned earlier, strong execution, higher portfolio purchases at strong returns over the past few years as well as operational improvements have also led to meaningful growth in cash generation. Our cash generation in the third quarter was up 18% compared to Q3 last year and we expect it to continue to grow.

9 U.S. Outstandings and Charge Off Rate	Let's now take a look at our two largest markets, beginning with the U.S.: The U.S. Federal Reserve reports that revolving credit in the U.S. remains near record levels. At the same time, since bottoming out in late 2021, the credit card charge-off rate in the U.S. increased to its highest level in more than 10 years in 2024 and still remains at a level that is higher than its 10-year average. The combination of strong lending and elevated charge off rates continues to drive robust portfolio supply in the U.S. Let me illustrate this impact by highlighting the annualized amount of net dollar charge-offs, which can be estimated by multiplying revolving credit outstandings by the net charge-off rate. Using Q2 2026 data, the most recent quarter reported by the Federal Reserve, annualized net charge-off volume was more than $50 billion dollars.
10 U.S. Bankcard Delinquency Rates	Similarly, U.S. consumer credit card delinquencies, which are a leading indicator of future charge offs, also remain near multi-year highs. With revolving consumer credit at an elevated level and the charge off rate near 4%, purchasing conditions in the U.S. market remain favorable. We are observing continued strong U.S. market supply and favorable pricing as well. Third quarter delinquency data supports our expectation that the portfolio purchasing environment in the U.S. is expected to remain robust for the foreseeable future.

11 MCM (U.S.) Business	MCM continues to capture a significant share of this robust U.S. market supply opportunity with portfolio purchases in Q3 of $310 million dollars. MCM collections increased to a record $589 million dollars, which was an increase of 17% compared to Q3 last year. The collections over-performance in the U.S. was driven by the deployment of new technologies, enhanced digital capabilities and continued operational innovation, which enabled us to reach more consumers, leading to more payments as well as a large and growing payer book. In fact, as I first mentioned over a year ago, these initiatives are having a greater impact on the early stages of a portfolio's lifecycle, leading to over-performance of our recent vintages. We do expect that our collections forecasts will continue to gradually adjust to reflect the positive impact of these initiatives. Our outstanding results reflect our substantial portfolio purchasing over the last few years at strong returns as well as the improvements we've made in our collections operation. In fact, we have been able to offset slightly higher portfolio pricing recently in the U.S. with improved collections efficiencies, allowing our returns to remain strong. As a reminder, returns are a function of market driven portfolio pricing, as well as our ability to maximize lifetime collections and optimize cash efficiency margin. Also vital to our success is our ability to connect with our consumers. Despite some of the negative news and macro uncertainty in the U.S. our consumers' payment behavior remains stable. This is in line with what many of the banks and credit card issuers are saying in their recent earnings calls. We of course continue to monitor for any signs of change.

12 Cabot (U.K. and Europe) Business	Turning to our business in Europe, Cabot delivered another quarter of solid performance in Q3. Cabot's portfolio purchases were $80 million dollars in the third quarter. We continue to be selective with Cabot's deployments as the U.K. market remains stable, anchored by growing consumer lending. Competition in Cabot's markets remains robust. Cabot collections in the third quarter were $164 million dollars, up 2% when compared to Q3 last year. We continue to focus on Cabot's operational excellence and cost management, including leveraging best practices from our MCM business. This is particularly relevant in the U.K., where banks are increasingly selling fresh portfolios in forward flows. Our operational focus and initiatives within the Cabot business continue to drive cash efficiency margin improvement. I'd now like to hand over the call to Tomas for a more detailed look at our financial results…

	Tomas Hernanz
13 Detailed Financial Discussion	Thank you, Ashish.
14 Summary Earnings Statement and Key Financial Measures	Moving to the financial results slide: In the third quarter, we delivered strong growth in collections and portfolio revenue of 14% and 12%, respectively. Strong collections performance was supported by the high levels of U.S. portfolio purchases in recent quarters, our focus on execution, operational improvements and stable consumer behavior. Collections yield was 64.3% in Q3, an improvement of 1.6 percentage points compared to last year. Portfolio revenue increased by 12% to $414 million dollars supported by 11% growth in average receivable portfolios and a portfolio yield of 35.4%. As a reminder, “changes in recoveries” is the sum of two numbers: First, “recoveries above or below forecast” is the amount we collected above or below our ERC expectation for the quarter. Second, “changes in expected future recoveries” is the net present value of changes in the ERC forecast beyond the current quarter. Changes in recoveries were $111 million dollars for the quarter. Of that total, $52 million dollars were recoveries above forecast. {continued on next page}

14 Summary Earnings Statement and Key Financial Measures (continued)	Put differently, we collected $52 million dollars more than we forecasted in our ERC, which is incremental cashflow. As we have mentioned over the past several quarters, the collections over-performance in the U.S. is being driven by the deployment of new technologies, enhanced digital capabilities and continued operational innovation, which enabled us to reach more consumers, leading to more payments as well as a large and growing payer book. Changes in expected future recoveries were $59 million dollars as we raised the collection forecasts to reflect the improved collection outlook derived from operational improvements. The combined impact of these initiatives is having a greater impact on the early stages of a portfolio's lifecycle, leading to over-performance and improved collection outlook for our recent 2023, 2024 and 2025 U.S. vintages. These 3 U.S. vintages contributed $88 million dollars or approximately 80% of total changes in recoveries of $111 million dollars as we continue to deliver strong performance. We expect that our collections forecasts will continue to gradually adjust to reflect the positive impact of these initiatives. Over the next several quarters, we expect collections overperformance to transition eventually into portfolio revenues. Debt purchasing revenue increased by 21% to $525 million dollars and the resulting debt purchasing yield was 44.9%. Approximately 9.5 percentage points of the 44.9% debt purchasing yield was the impact of changes in recoveries. Servicing and other revenues were $19 million dollars, bringing total revenue to $545 million dollars, reflecting growth of 18%. {continued on next page}

14 Summary Earnings Statement and Key Financial Measures (continued)	Operating expenses increased only 9% to $314 million dollars, compared to 14% growth in collections, reflecting significant operating leverage in the business. We accelerated some expenses in the quarter, notably related to legal collection strategies. Cash efficiency margin for the quarter improved by 1.2 percentage points to 59.6% compared to 58.4% in Q3 last year. We continue to expect cash efficiency margin for the full year to exceed 58% in 2026. In this quarter we accelerated some expenses, as we re-invested margin expansion to support future growth. Interest expense and other income increased to $70 million dollars. Our tax provision of $37 million dollars implies a corporate tax rate of approximately 23%, which is in line with our previous guidance. Separately, as we continue to evaluate our tax position in foreign jurisdictions, in the fourth quarter it is reasonably possible that we will recognize a discrete, non-cash tax benefit of approximately $15 to $20 million dollars. This is equivalent to a positive EPS impact of $0.65 to $0.90 for the year. Finally, net income increased by 66% to $124 million dollars resulting in earnings per share for the quarter of $5.57, up 76% compared to $3.17 in Q3 last year.

15 Balance Sheet Strength	We believe our balance sheet provides us very competitive funding costs and access to capital when compared to our peers. Our funding structure also provides us financial flexibility and diversified funding sources to compete effectively in this favorable supply environment. Leverage closed at 2.3x, a 0.2x improvement versus last year. In August we extended the maturity of the U.S. Facility by one year to October 2029. In September we settled in cash the $230M convertible notes due 2029. We also terminated the associated capped call transactions. We have no significant maturities until 2028 and ample liquidity to continue to grow our business well into the future. With that, I'd like to turn it back over to Ashish.

	Ashish Masih
16 Our Financial Objectives and Priorities	Thanks, Tomas. Now I would like to remind everyone of our key financial objectives and priorities. Maintaining a strong and flexible balance sheet, including a strong “double-B” debt rating, as well as operating within our target leverage range of two to three times, remain critical objectives. With regard to our capital allocation priorities, buying portfolios, particularly in today’s attractive U.S. market, offers the best opportunity to create long-term shareholder value by deploying capital at attractive returns. This is indeed what we are doing as highlighted by our track record of purchasing receivable portfolios at strong returns. Next on our capital allocation priority list are share repurchases. We repurchased approximately $27 million dollars of Encore shares in the third quarter, bringing our total through the first three quarters of 2026 to approximately $73 million dollars. And finally, we remain committed to delivering strong return on invested capital throughout the credit cycle. Our ROIC increased to 15.7% in the third quarter on a trailing twelve-months basis, up from 10.2% in Q3 last year.

17 Revised Guidance	In summary, Encore's third quarter results are a reminder that we continue to execute at a high level in each of the three disciplines within our industry that are most important in building shareholder value: we are buying portfolios well, collecting efficiently and funding our business competitively. I am truly excited about how Encore is performing and about our future prospects. Here is why I feel this way: • To begin, through our MCM business in the U.S., we are the largest debt buyer in the largest and most valuable consumer credit market in the world. U.S. market conditions continue to be very favorable for us, driven by growth in consumer lending and charge-off rates that remain well above the 10-year average. Within this environment, we are leveraging our scale and extremely effective collections operation to purchase record amounts of portfolio in the U.S. at strong returns. • In Europe, Cabot is delivering stable collections performance and remains focused on operational excellence and cost management. • Finally, we have adequate liquidity to continue to grow the business as our strong, flexible balance sheet provides us the capacity to capitalize on any opportunities that come up in the market. As a result of this continuing strong performance, we are providing the following updated guidance on key metrics: We now anticipate global portfolio purchases in 2026 to be in a range between $1.50 and $1.55 billion dollars. We are also raising our collections guidance and now expect global collections in 2026 to be in a range between $2.90 and $2.95 billion dollars. {continued on next page}

17 Revised Guidance (continued)	As our strong performance in 2026 continues, driven by productivity enhancements, strong operational execution and a highly successful billion-dollar refinancing, we believe the business is demonstrating meaningfully improved earnings power. Accordingly, we expect 2026 EPS to be in a range between $15.50 and $16.00 dollars per share. This expectation does not include the potential positive impact of the discrete, non-cash tax benefit that Tomas mentioned may be recognized in Q4. Our strong performance and momentum supports our EPS guidance for 2026 and provides us the confidence for continued earnings growth in 2027. We continue to expect interest expense in 2026 to be $295 million dollars. And we continue to expect our effective tax rate for the year to be in the mid-20's on a percentage basis, although if we do recognize a tax benefit in Q4, our effective rate for the year would be impacted accordingly. Now we'd be happy to answer any questions that you may have. Operator, please open up the lines for questions.
Q&A Session	
17 Closing	Thanks for taking the time to join us today and we look forward to providing our fourth quarter 2026 results in February.