



Encore Capital Group, Inc.

Q2 2018 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, and growth. 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.



ENCORE HIGHLIGHTS



In Q2 2018 we set records for portfolio purchases, collections, revenues, and ERC

We completed the Cabot acquisition, transforming Encore into a clear leader in the U.S. and the U.K., the world's two largest markets for our industry

ENCORE'S SECOND QUARTER 2018 PERFORMANCE SET SEVERAL NEW COMPANY RECORDS

Deployments

\$360M

Up 46%
from Q2 2017

Record level of
purchasing

Debt
Purchasing
Collections

\$496M

Up 11%
from Q2 2017

2nd consecutive
quarter of record
collections

Revenues

\$350M

Up 20%
from Q2 2017

5th consecutive
quarter of record
revenues

Estimated
Remaining
Collections

\$7.2B

Up 15%
from Q2 2017

Record level of
ERC

ENCORE'S SECOND QUARTER 2018 GAAP EPS WAS \$1.00

| GAAP EPS ¹ | GAAP Net Income ¹ | Economic EPS ² | Adjusted Income ² |
|-----------------------|------------------------------|---------------------------|------------------------------|
| \$1.00 | \$26.3M | \$1.33 | \$35.1M |

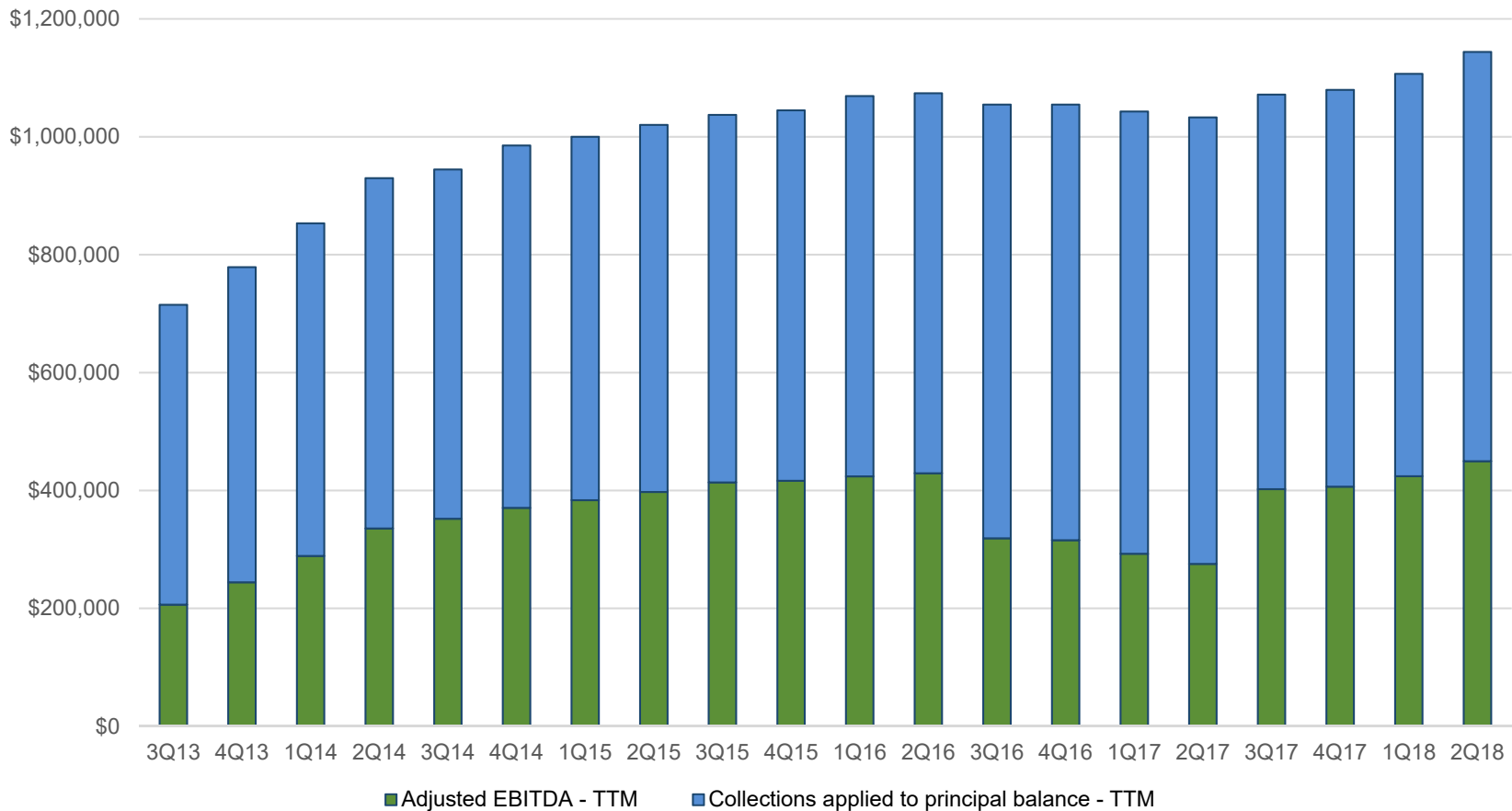
1) From continuing operations attributable to Encore

2) Please refer to Appendix for reconciliation of Economic EPS and Adjusted Income to GAAP

OUR ADJUSTED EBITDA OVER THE LAST 12 MONTHS HAS ACHIEVED A NEW RECORD LEVEL, AN INDICATION OF OUR STRONG CASH GENERATION

(in \$000's)

Adjusted EBITDA + Collections applied to principal balance Trailing 12-Months



Note: See appendix for reconciliation of Adjusted EBITDA to GAAP net income.

CABOT IS A MARKET LEADER AND STRONG PERFORMER WITH CONSIDERABLE GROWTH POTENTIAL



- ▶ 2500+ people
- ▶ Owns more than 9M accounts
- ▶ 20 years of operating experience
- ▶ Largest Credit Management Servicing Business in the U.K.

Compelling Geographic Footprint

- ▶ Cabot is the industry leader in the U.K. and Ireland, with operations in Spain, Portugal and France and further growth opportunities in Europe

Diverse Product and Servicing Expertise

- ▶ Consumer unsecured, mortgages, REO, SME/corporate debt, telco, utilities debt, and auto
- ▶ Meaningful capital-light servicing revenue post-Wescot acquisition

Operational Excellence

- ▶ Operational and litigation expertise, combined with use of data analytics and behavioral science, leading to best-in-class performance

Profitable Growth

- ▶ Cash collections CAGR of 20% from 2012 to 2017

Attractive Back Book

- ▶ Seasoned back book, resilient to macro economic effects with 72% of U.K. collections from affordable payment plans in 2017

Market-Leading Reputation

- ▶ A consumer-centric operator and trusted partner of banks and other credit providers who place a high value on their reputation
- ▶ First large debt buyer to be licensed by the FCA

THE COMPLETION OF THE CABOT ACQUISITION IS A TRANSFORMATIONAL EVENT, SOLIDIFYING OUR GLOBAL STRATEGIC POSITION

Strategically Aligned

- ▶ Strengthens our position in the growing, attractive European market with a clear opportunity to further expand
- ▶ Provides continued benefits from diversification across geographies and products
- ▶ Allows complete sharing of best practices regarding product expertise, decision science, analytics, operational excellence, digital collections and call strategies

Financially Attractive

- ▶ Accretive to earnings – 2018 EPS growth expected to be at least 20%
- ▶ Simplifies Encore financials and company structure

Low-Risk

- ▶ Shareholders and partners of Cabot for ~5 years

U.S. MARKET FOR DEBT PURCHASING REMAINS STRONG

U.S. Market

- ▶ Supply in the U.S. on track for continued growth in 2018 and beyond
- ▶ Federal Reserve reports revolving credit in the U.S. reached another all-time high in May 2018
- ▶ Pricing environment remains favorable

Encore's U.S. Business

- ▶ Q2 was a record quarter of purchasing from issuers as Encore deployed \$203M
- ▶ We continue to nearly exclusively purchase fresh paper, which will comprise more than 80% of the available market in 2018
- ▶ Operational innovation continues to drive better collections

We are on track to deploy more capital in the U.S. in 2018 than in any prior year in our history

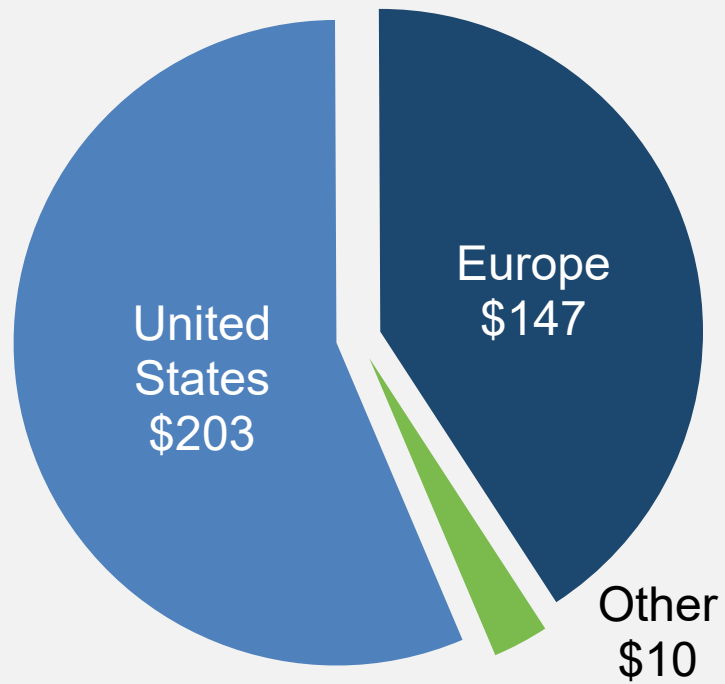


Detailed Financial Discussion

WORLDWIDE DEPLOYMENTS IN Q2 WERE UP 46% COMPARED TO Q2 2017, A NEW RECORD IN A NON-ACQUISITION QUARTER

Q2 2018 Deployments

\$M

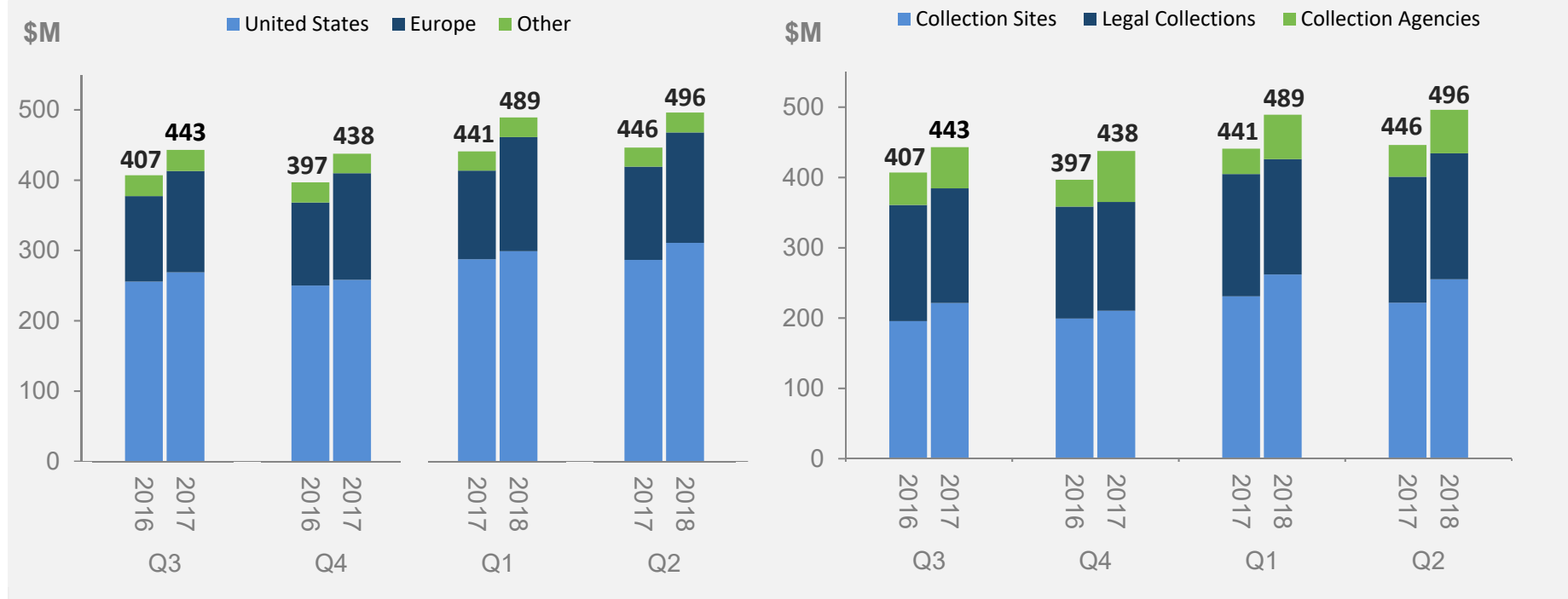


Total \$360

RECORD COLLECTIONS IN THE SECOND QUARTER WERE UP 11%, REFLECTING GROWTH IN THE U.S. AND EUROPE

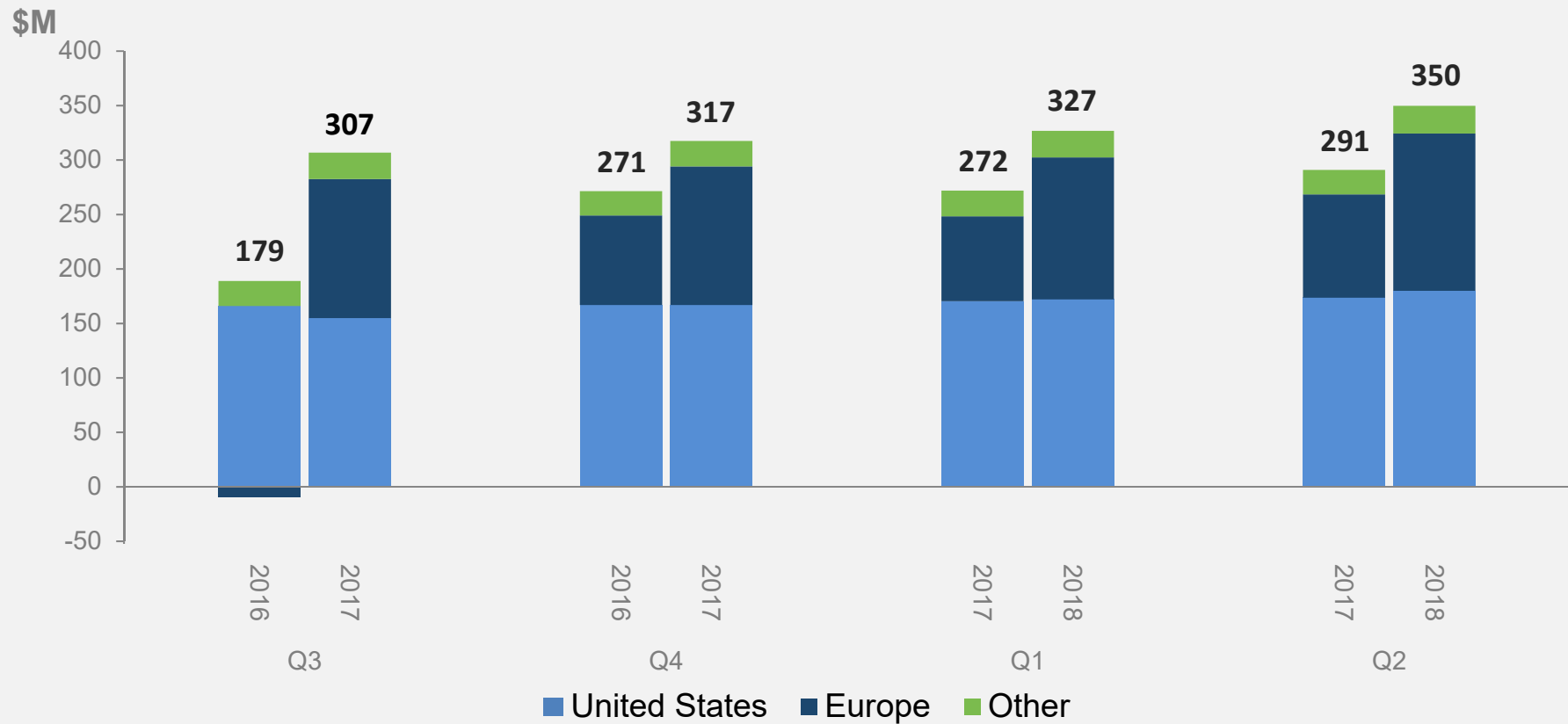
Collections by Geography

Collections by Channel



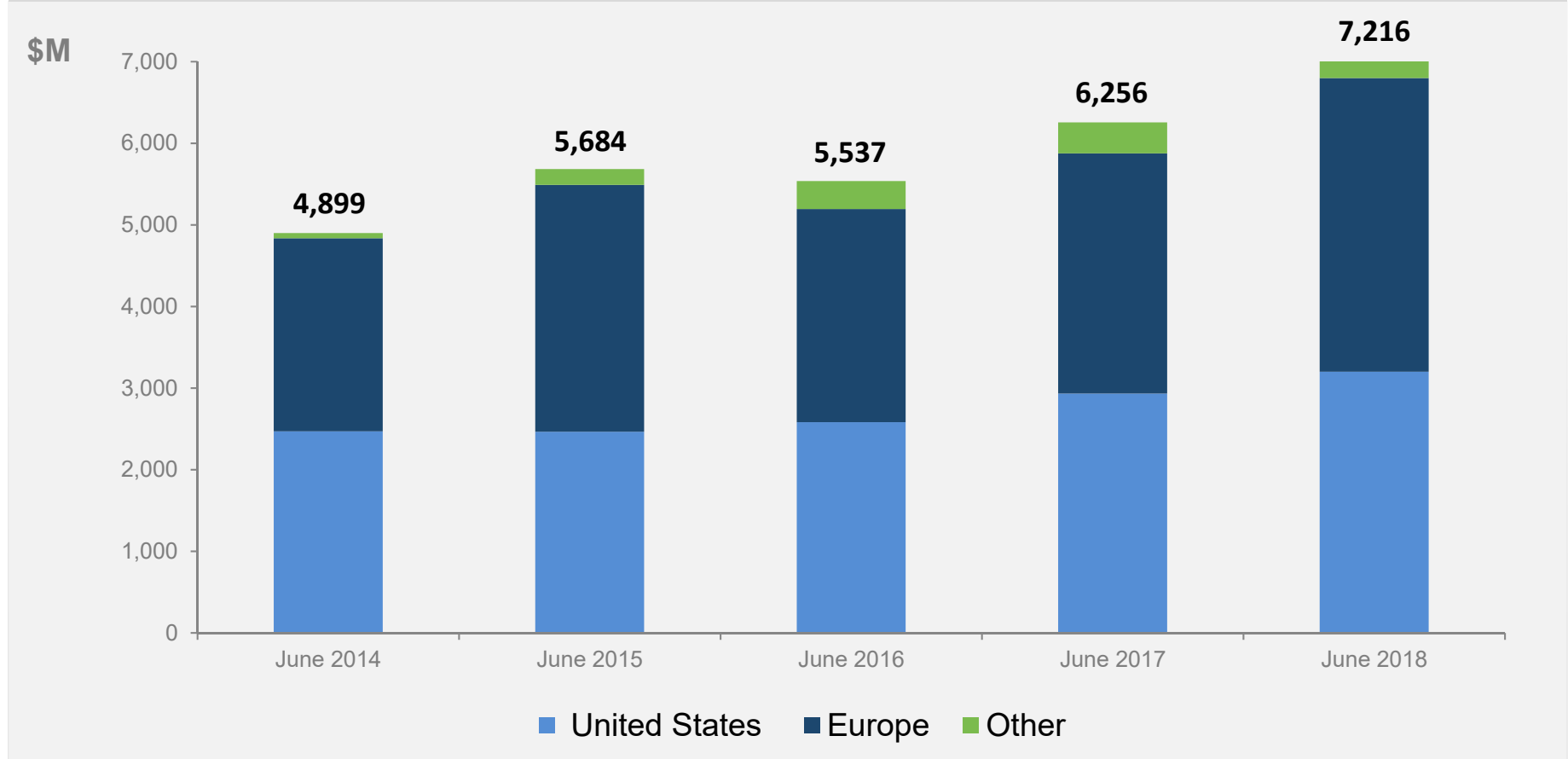
Q2 REVENUE GROWTH OF 20% REFLECTS IMPROVED COLLECTIONS AND ADDITIONAL SERVICING REVENUE

Revenue by Geography

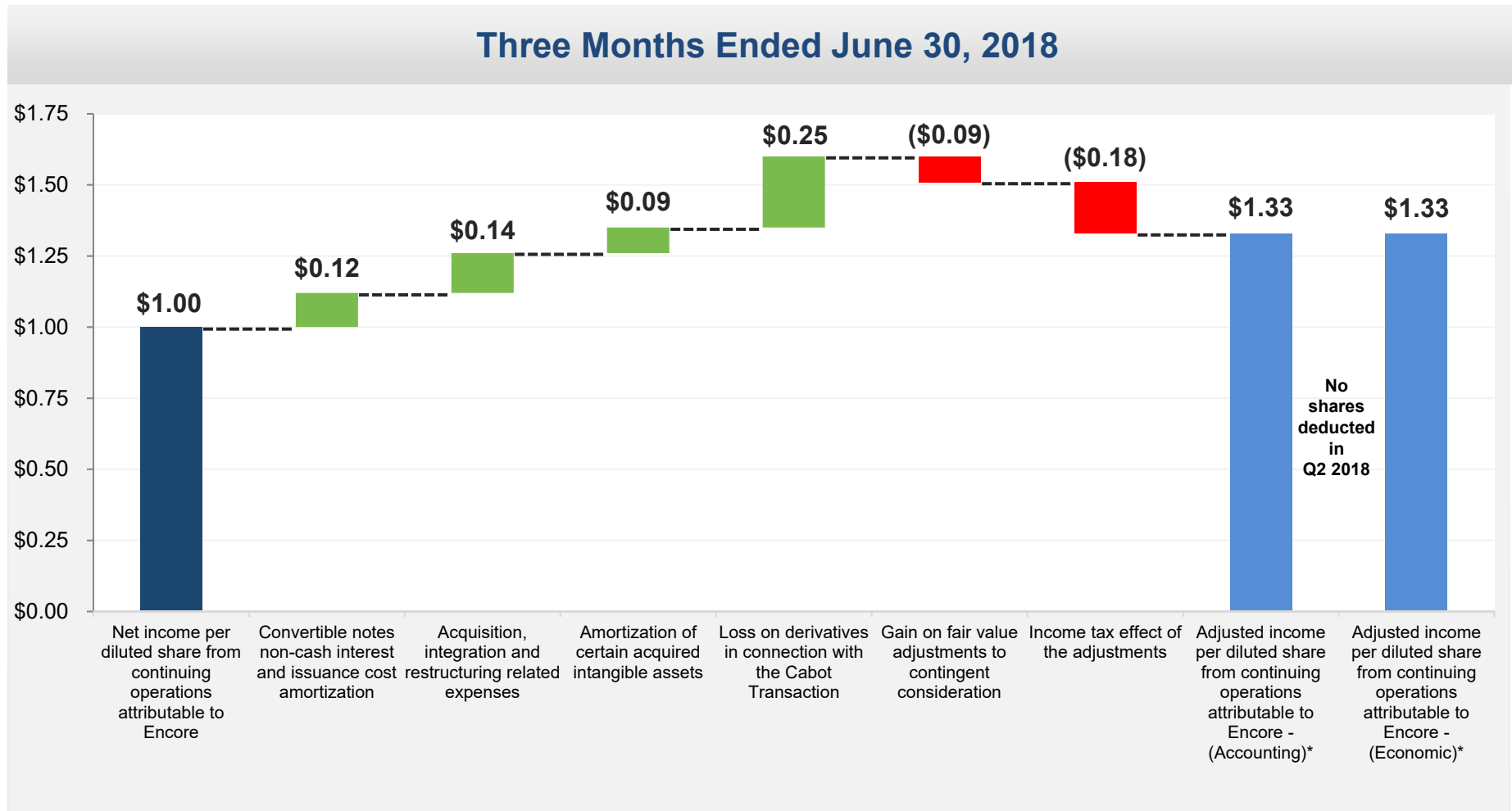


ESTIMATED REMAINING COLLECTIONS GREW \$960 MILLION IN THE LAST 12 MONTHS, TO A RECORD \$7.2 BILLION

Total Estimated Remaining Collections



ENCORE DELIVERED GAAP EPS OF \$1.00 AND ECONOMIC EPS OF \$1.33 IN THE SECOND QUARTER OF 2018



• Please refer to Appendix for reconciliation of Adjusted EPS / Economic EPS measurements to GAAP.

SUMMARY AND 2018 EXPECTATIONS

- ▶ Encore's Q2 2018 results include records for portfolio purchases, collections, revenues, and ERC
- ▶ We completed the acquisition of Cabot, transforming Encore into a clear leader in the U.S. and the U.K., the world's two largest markets for our industry
- ▶ U.S. market for debt purchasing remains strong
- ▶ Encore's 2018 EPS growth expected to be at least 20%

Encore has solidified its position as a global leader in our industry



Q&A



Appendix

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 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 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, 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 / ADJUSTED EPS

Reconciliation of Adjusted Income and Economic / Adjusted EPS to GAAP EPS (Unaudited, In Thousands, except per share amounts), Three Months Ended

| | June 30, | | | | | |
|---|------------------|--------------------------------|------------------------------|------------------|--------------------------------|------------------------------|
| | 2018 | | | 2017 | | |
| | \$ | Per Diluted Share – Accounting | Per Diluted Share – Economic | \$ | Per Diluted Share – Accounting | Per Diluted Share – Economic |
| GAAP net income from continuing operations attributable to Encore, as reported | \$ 26,298 | \$ 1.00 | \$ 1.00 | \$ 20,255 | \$ 0.77 | \$ 0.77 |
| Adjustments: | | | | | | |
| Convertible notes non-cash interest and issuance cost amortization | 3,070 | 0.12 | 0.12 | 3,078 | 0.12 | 0.12 |
| Acquisition, integration and restructuring related expenses ¹ | 3,655 | 0.14 | 0.14 | 3,520 | 0.13 | 0.14 |
| Gain on fair value adjustments to contingent consideration ² | (2,378) | (0.09) | (0.09) | (2,773) | (0.10) | (0.10) |
| Amortization of certain acquired intangible assets ³ | 2,436 | 0.09 | 0.09 | 588 | 0.02 | 0.02 |
| Loss on derivatives in connection with the Cabot Transaction ⁴ | 6,578 | 0.25 | 0.25 | --- | --- | --- |
| Income tax effect of the adjustments ⁵ | (4,618) | (0.18) | (0.18) | (943) | (0.04) | (0.04) |
| Adjustments attributable to noncontrolling interest ⁶ | 10 | --- | --- | (812) | (0.03) | (0.03) |
| Adjusted income from continuing operations attributable to Encore | \$ 35,051 | \$ 1.33 | \$ 1.33 | \$ 22,913 | \$ 0.87 | \$ 0.88 |

- 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 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.
- 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 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.
- 5) 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.
- 6) 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.

RECONCILIATION OF ADJUSTED EBITDA

Reconciliation of Adjusted EBITDA to GAAP Net Income (Unaudited, In \$ Thousands) Three Months Ended

| | 12/31/12 | 03/31/13 | 06/30/13 | 09/30/13 | 12/31/13 | 03/31/14 | 06/30/14 | 09/30/14 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| GAAP net income (loss), as reported | \$ 20,167 | \$ 19,448 | \$ 11,012 | \$ 21,064 | \$ 22,216 | \$ 18,830 | \$ 21,353 | \$ 30,138 |
| (Income) loss from discontinued operations, net of tax | (1,337) | (388) | (323) | (836) | 463 | (967) | (1,212) | (2,068) |
| Interest expense | 6,540 | 6,854 | 7,482 | 29,186 | 29,747 | 37,962 | 43,218 | 43,498 |
| Interest income ¹ | - | - | - | - | - | (168) | (238) | (258) |
| Provision (Benefit) for income taxes | 12,627 | 12,191 | 6,950 | 9,707 | 14,805 | 11,275 | 13,100 | 8,636 |
| Depreciation and amortization | 1,523 | 1,732 | 2,057 | 4,395 | 4,873 | 5,897 | 6,619 | 6,725 |
| Stock-based compensation expense | 2,084 | 3,001 | 2,179 | 3,983 | 3,486 | 4,836 | 4,715 | 4,009 |
| Acquisition, integration and restructuring related expenses ² | - | 1,162 | 16,148 | 7,703 | 4,003 | 10,943 | 4,616 | 1,000 |
| Settlement fees and related administrative expenses | - | - | - | - | - | - | - | - |
| Gain on fair value adjustments to contingent considerations ³ | - | - | - | - | - | - | - | - |
| Expenses related to Cabot IPO ⁴ | - | - | - | - | - | - | - | - |
| Loss on derivatives in connection with Cabot Transaction ⁵ | - | - | - | - | - | - | - | - |
| Adjusted EBITDA | \$ 41,604 | \$ 44,000 | \$ 45,505 | \$ 75,202 | \$ 79,593 | \$ 88,608 | \$ 92,171 | \$ 91,680 |
| Collections applied to principal balance ⁶ | 90,895 | 129,487 | 131,044 | 157,262 | 116,861 | 159,106 | 161,048 | 155,435 |

- 1) In the fourth quarter of 2016, we made a change to our presentation of adjusted EBITDA to adjust for interest income. In previous years we did not include interest income as an adjustment because it was immaterial. We have updated prior periods for comparability.
- 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) Amounts represent the 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 these amounts because we do not believe these are indicative of ongoing operations. Refer to Note 3 "Fair Value Measurement - Contingent Consideration" in the notes to our condensed consolidated financial statements for further details.
- 4) Amount in Q1 2018 represents expenses related to our previous consideration of a potential initial public offering by our subsidiary 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.
- 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) Collections applied to principal balance represents (a) gross collections from receivable portfolios less (b) revenue from receivable portfolios, net, and (c) allowance charges or allowance reversals on receivable portfolios.

RECONCILIATION OF ADJUSTED EBITDA (continued)

| Reconciliation of Adjusted EBITDA to GAAP Net Income (Unaudited, In \$ Thousands) Three Months Ended | | | | | | | | |
|---|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | 12/31/14 | 03/31/15 | 06/30/15 | 09/30/15 | 12/31/15 | 03/31/16 | 06/30/16 | 09/30/16 |
| GAAP net income (loss), as reported | \$ 27,957 | \$ 29,967 | \$ 25,185 | \$ (9,364) | \$ 1,596 | \$ 26,607 | \$ 30,833 | \$ (51,946) |
| (Income) loss from discontinued operations, net of tax | (958) | (1,880) | (1,661) | (2,286) | 29,214 | 3,182 | - | - |
| Interest expense | 42,264 | 42,303 | 46,250 | 47,816 | 50,187 | 50,691 | 50,597 | 48,632 |
| Interest income ¹ | (298) | (414) | (370) | (407) | (473) | (499) | (620) | (694) |
| Provision (Benefit) for income taxes | 15,558 | 14,614 | 14,921 | (6,361) | 3,988 | 10,148 | 13,451 | (13,768) |
| Depreciation and amortization | 7,860 | 8,137 | 7,878 | 8,043 | 9,102 | 9,861 | 8,235 | 8,032 |
| Stock-based compensation expense | 3,621 | 5,905 | 6,198 | 5,156 | 4,749 | 3,718 | 5,151 | 633 |
| Acquisition, integration and restructuring related expenses ² | 2,212 | 2,766 | 7,892 | 2,235 | 2,635 | 2,141 | 3,271 | 3,843 |
| Settlement fees and related administrative expenses | - | - | - | 63,019 | - | 2,988 | 698 | 2,613 |
| Gain on fair value adjustments to contingent considerations ³ | - | - | - | - | - | - | - | - |
| Expenses related to Cabot IPO ⁴ | - | - | - | - | - | - | - | - |
| Loss on derivatives in connection with Cabot Transaction ⁵ | - | - | - | - | - | - | - | - |
| Adjusted EBITDA | \$ 98,216 | \$ 101,398 | \$ 106,293 | \$ 107,851 | \$ 100,998 | \$ 108,837 | \$ 111,616 | \$ (2,655) |
| Collections applied to principal balance ⁶ | 139,076 | 160,961 | 167,024 | 156,229 | 144,075 | 177,711 | 166,648 | 247,427 |

- 1) In the fourth quarter of 2016, we made a change to our presentation of adjusted EBITDA to adjust for interest income. In previous years we did not include interest income as an adjustment because it was immaterial. We have updated prior periods for comparability.
- 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) Amounts represent the 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 these amounts because we do not believe these are indicative of ongoing operations. Refer to Note 3 "Fair Value Measurement - Contingent Consideration" in the notes to our condensed consolidated financial statements for further details.
- 4) Amount in Q1 2018 represents expenses related to our previous consideration of a potential initial public offering by our subsidiary 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.
- 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) Collections applied to principal balance represents (a) gross collections from receivable portfolios less (b) revenue from receivable portfolios, net, and (c) allowance charges or allowance reversals on receivable portfolios.

RECONCILIATION OF ADJUSTED EBITDA (continued)

Reconciliation of Adjusted EBITDA to GAAP Net Income (Unaudited, In \$ Thousands) Three Months Ended

| | 12/31/16 | 03/31/17 | 06/30/17 | 09/30/17 | 12/31/17 | 03/31/18 | 06/30/18 |
|--|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| GAAP net income (loss), as reported | \$ 11,323 | \$ 14,979 | \$ 19,076 | \$ 42,144 | \$ 2,779 | \$ 23,713 | \$ 26,974 |
| (Income) loss from discontinued operations, net of tax | (829) | 199 | - | - | - | - | - |
| Interest expense | 48,447 | 49,198 | 50,516 | 52,755 | 51,692 | 57,462 | 60,536 |
| Interest income ¹ | (725) | (779) | (919) | (943) | (994) | (1,017) | (1,082) |
| Provision (Benefit) for income taxes | 28,374 | 12,067 | 13,531 | 17,844 | 8,607 | 9,470 | 11,308 |
| Depreciation and amortization | 8,740 | 8,625 | 8,672 | 8,522 | 14,158 | 10,436 | 10,923 |
| Stock-based compensation expense | 3,125 | 750 | 2,760 | 3,531 | 3,358 | 2,276 | 3,169 |
| Acquisition, integration and restructuring related expenses ² | 7,457 | 855 | 3,520 | 342 | 7,245 | 572 | 3,655 |
| Settlement fees and related administrative expenses | - | - | - | - | - | - | - |
| Gain on fair value adjustments to contingent considerations ³ | (8,111) | - | (2,773) | - | (49) | (2,274) | (2,378) |
| Expenses related to Cabot IPO ⁴ | - | - | - | - | 15,339 | 2,984 | - |
| Loss on derivatives in connection with Cabot Transaction ⁵ | - | - | - | - | - | - | 6,578 |
| Adjusted EBITDA | \$ 97,801 | \$ 85,894 | \$ 94,383 | \$ 124,195 | \$ 102,135 | \$ 103,622 | \$ 119,683 |
| Collections applied to principal balance ⁶ | 147,203 | 188,893 | 173,946 | 159,408 | 150,788 | 198,282 | 185,799 |

- 1) In the fourth quarter of 2016, we made a change to our presentation of adjusted EBITDA to adjust for interest income. In previous years we did not include interest income as an adjustment because it was immaterial. We have updated prior periods for comparability.
- 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) Amounts represent the 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 these amounts because we do not believe these are indicative of ongoing operations. Refer to Note 3 "Fair Value Measurement - Contingent Consideration" in the notes to our condensed consolidated financial statements for further details.
- 4) Amount in Q1 2018 represents expenses related to our previous consideration of a potential initial public offering by our subsidiary 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.
- 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) Collections applied to principal balance represents (a) gross collections from receivable portfolios less (b) revenue from receivable portfolios, net, and (c) allowance charges or allowance reversals on receivable portfolios.

RECONCILIATION OF ADJUSTED OPERATING EXPENSES

Reconciliation of Adjusted Operating Expenses to GAAP Operating Expenses (Unaudited, In \$ Thousands) Three Months Ended

| | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| GAAP total operating expenses, as reported | \$ 200,597 | \$ 183,939 | \$ 196,100 | \$ 210,323 | \$ 202,829 | \$ 253,246 | \$ 238,336 | \$ 246,314 |
| Adjustments: | | | | | | | | |
| Operating expenses related to non-portfolio purchasing and recovery business ¹ | (26,446) | (29,291) | (27,946) | (26,984) | (28,934) | (41,164) | (46,614) | (56,052) |
| Acquisition, integration and restructuring related expenses ² | (3,843) | (7,457) | (855) | (3,520) | (342) | (11,911) | (572) | (3,655) |
| Stock-based compensation expense | (633) | (3,125) | (750) | (2,760) | (3,531) | (3,358) | (2,276) | (3,169) |
| Gain on fair value adjustments to contingent consideration ³ | --- | 8,111 | --- | 2,773 | --- | 49 | 2,274 | 2,378 |
| Settlement fees and related administrative expenses ⁴ | (2,613) | --- | --- | --- | --- | --- | --- | --- |
| Expenses related to Cabot IPO ⁵ | --- | --- | --- | --- | --- | (15,339) | (2,984) | --- |
| Adjusted operating expenses related to portfolio purchasing and recovery business | \$ 167,062 | \$ 152,177 | \$ 166,549 | \$ 179,832 | \$ 170,022 | \$ 181,523 | \$ 188,164 | \$ 185,816 |

- 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 the 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) 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.
- 5) Amount in Q1 2018 represents expenses related to our previous consideration of a potential initial public offering by our subsidiary Cabot. Amount in Q4 2017 represents expenses related to the preparation of an initial public offering by our subsidiary Cabot that was withdrawn in November 2017. We adjust for these amounts 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.

IMPACT OF FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES

(Unaudited, In Millions, except per share amounts)

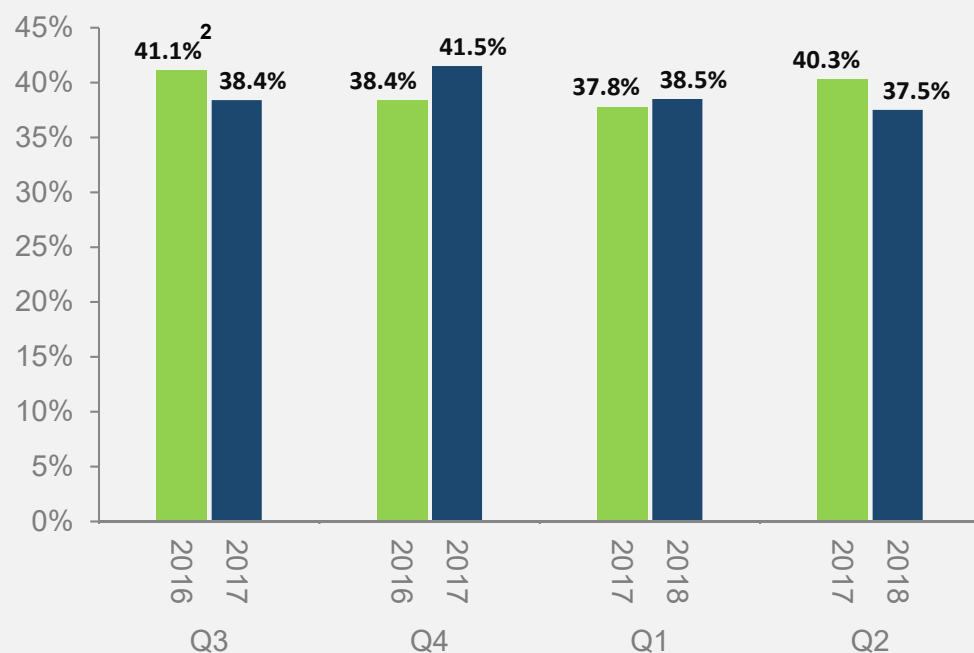
| Three Months Ended 6/30/18 | As Reported | Constant Currency |
|-------------------------------------|-------------|-------------------|
| Revenue, adjusted by net allowances | \$ 350 | \$ 341 |
| Operating expenses | \$ 246 | \$ 241 |
| Net income* | \$ 26 | \$ 26 |
| Adjusted net income* | \$ 35 | \$ 34 |
| GAAP EPS* | \$ 1.00 | \$ 0.97 |
| Economic EPS* | \$ 1.33 | \$ 1.30 |
| Collections | \$ 496 | \$ 486 |
| ERC | \$ 7,216 | \$ 7,180 |

* from continuing operations attributable to Encore.

Note: Constant Currency figures are calculated by employing Q2 2017 foreign currency exchange rates to recalculate Q2 2018 results. All constant currency values are calculated based on the average exchange rates during the respective periods, except for ERC, which is 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.

ENCORE'S Q2 2018 COST-TO-COLLECT WAS 37.5% COMPARED TO 40.3% IN Q2 2017

Overall Cost-to-Collect¹



| Location | Q2 2018 CTC | Q2 2017 CTC |
|---------------|-------------|-------------|
| United States | 40.8% | 44.5% |
| Europe | 29.1% | 29.7% |
| Other | 46.7% | 48.1% |
| Encore total | 37.5% | 40.3% |

1. Cost-to-Collect = Adjusted operating expenses / collections. See appendix for reconciliation of Adjusted operating expenses to GAAP.
2. Cost-to-Collect in Q3 2016 includes the impact of \$11 million adjustment to deferred court cost receivable in Europe.