



Encore Capital Group, Inc.

Q2 2013 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 the most recent reports on Forms 10-K, 10-Q and 8-K, each as it may be amended from time to time. The Company disclaims any intent or obligation to update these forward-looking statements.



ENCORE CONTINUED ITS STRONG PERFORMANCE ACROSS ALL KEY FINANCIAL METRICS

GAAP EPS	Adjusted EPS*	Collections	Adjusted EBITDA*	Cost to Collect**
\$0.44	\$0.85			
GAAP Income	Adjusted Income*	\$278 million	\$177 million	38.8%
\$11 million	\$21 million			

Estimated Remaining Collections of \$2.7 billion

* Please refer to Appendix for reconciliation of Adjusted EPS, Adjusted EBITDA, and Adjusted Income to GAAP

** Cost to Collect is Adjusted Operating Cost / Dollar collected. See Appendix for definition of Adjusted Operating Cost.

WE MADE SEVERAL IMPORTANT STRATEGIC MOVES



Asset Acceptance

- ▶ Largely satisfies our 2013 purchasing goals
- ▶ Better returns than we would have achieved in the market

Cabot Credit Management

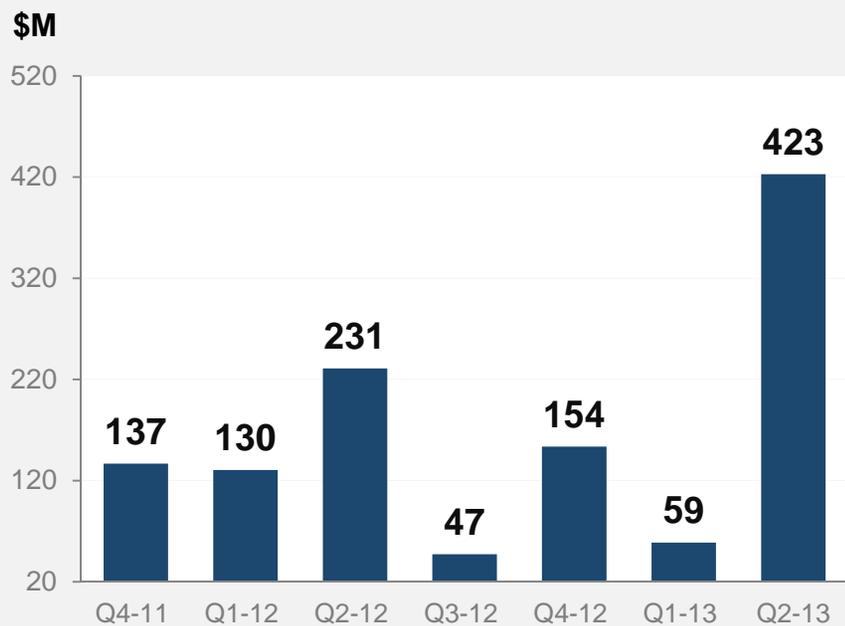
- ▶ Leading player in the UK debt recovery market
- ▶ Pent up supply expected to come to the market over the next 2-3 years
- ▶ Will leverage the use of our India call center

Placement of \$172.5M of 7-year convertible notes at 3%

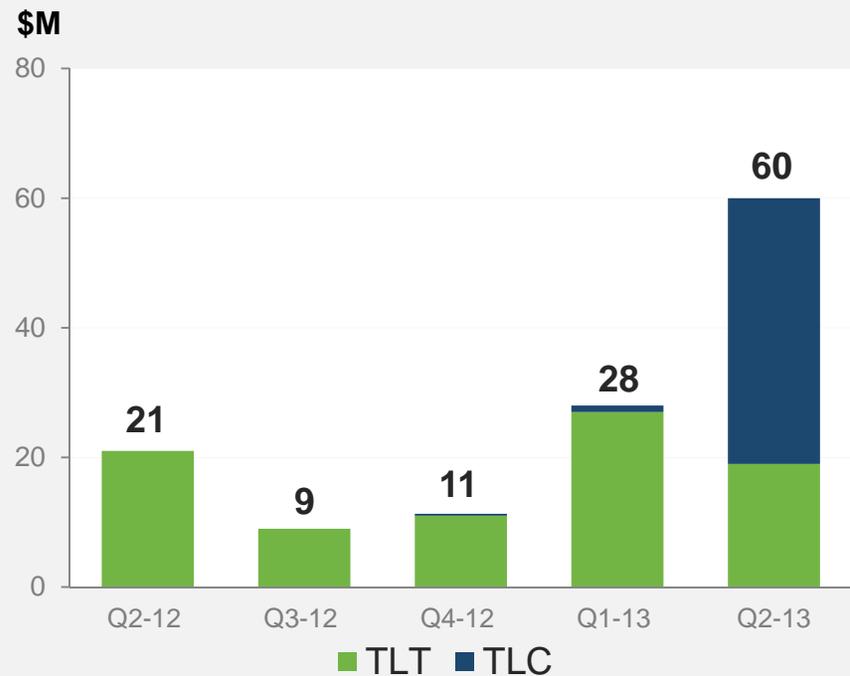
- ▶ Provides long-term financing at a favorable rate
- ▶ Includes an additional \$22.5 million of underwriters' overallotment, which was recently exercised

OUR CAPITAL DEPLOYMENT WAS VERY STRONG

CORE

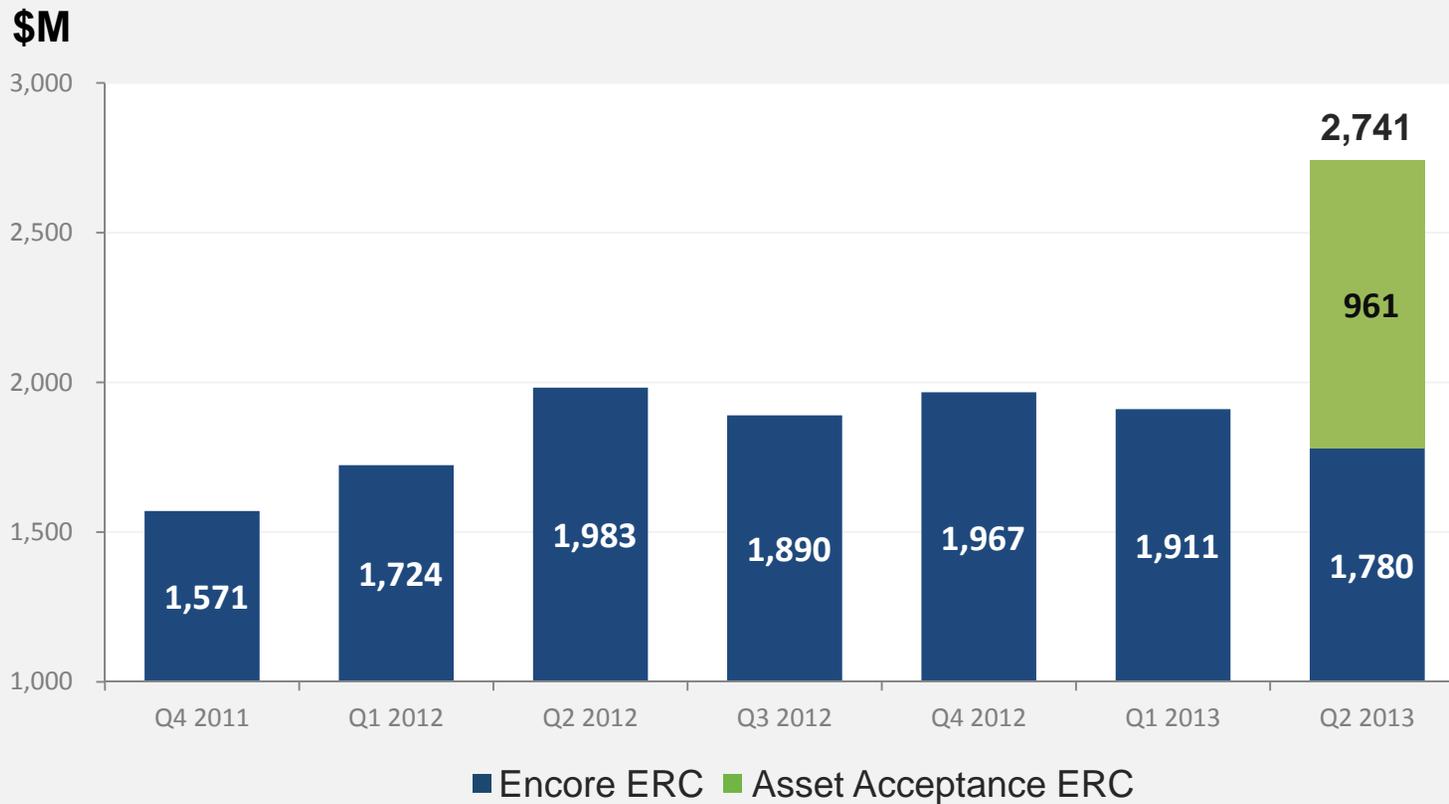


PROPEL

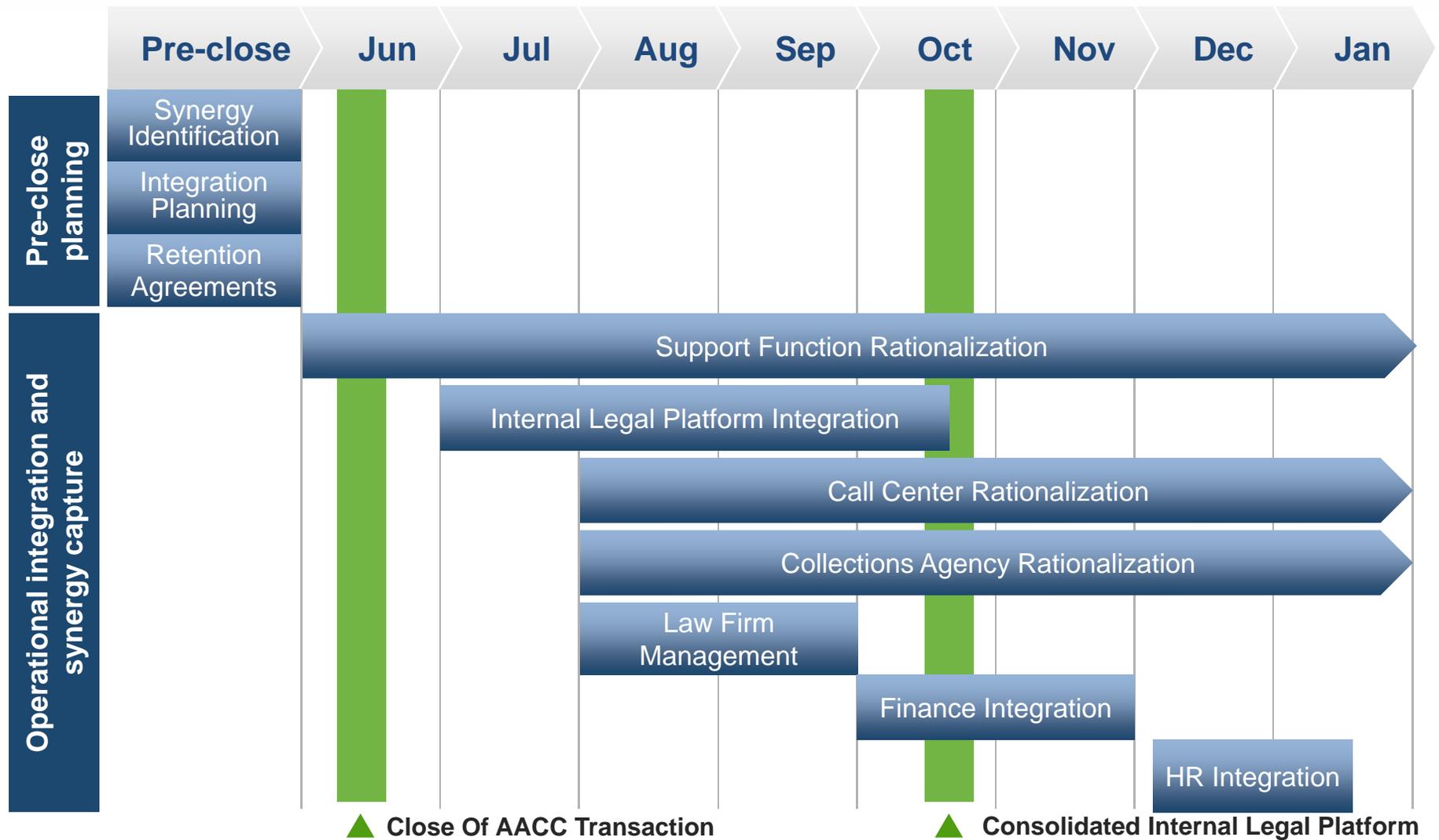


WHICH LED TO SIGNIFICANT GROWTH IN ERC

Estimated Remaining Collections in Core Receivables

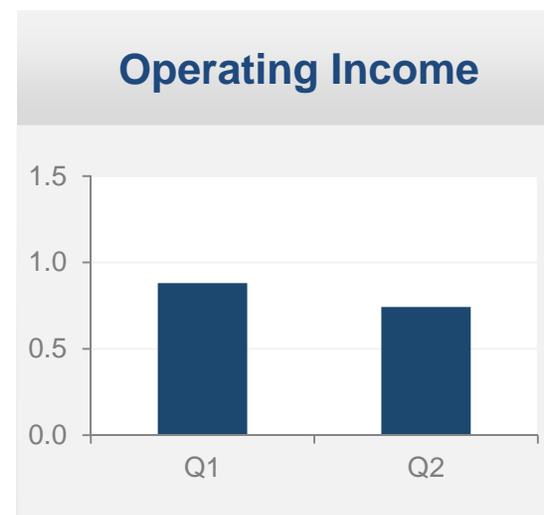
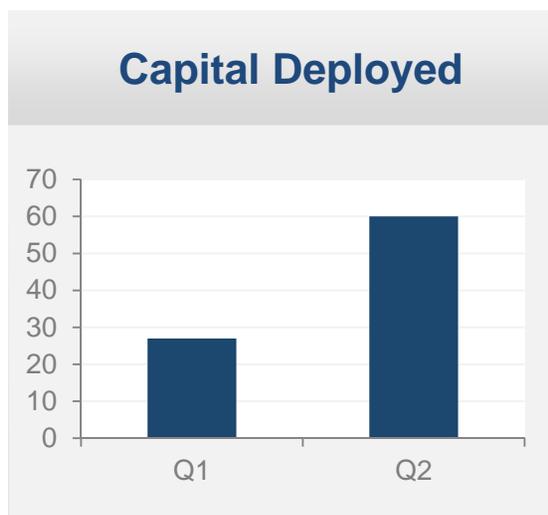


WE ARE EXECUTING ON OUR PLAN FOR A SEAMLESS INTEGRATION WITH AACC



PROPEL CONTINUES TO GROW AND CONTRIBUTE TO ENCORE

- ▶ \$60 million capital deployed
 - ▶ Q1 & Q2 - heavy marketing expenditures
 - ▶ Q3 & Q4 - growing operating income



ON JULY 1ST, WE CLOSED THE CABOT CREDIT MANAGEMENT TRANSACTION



- ▶ Pent up supply from issuers in the UK is expected to come to market over the next 2-3 years
- ▶ Expect to leverage Encore's expertise in secondary and tertiary collections
- ▶ Developing a plan to utilize Encore's India operational capacity during the day
- ▶ ERC has just surpassed £1 billion

THERE HAVE BEEN MANY DEVELOPMENTS ON THE REGULATORY FRONT



Office of the Comptroller of the Currency (OCC)

- ▶ Statement on Oversight of Debt Collection and Debt Sales



Consumer Financial Protection Bureau (CFPB)

- ▶ Oversight of original issuers
- ▶ Sample letters to assist consumers in collection process

ENCORE IS WELL POSITIONED TO MAINTAIN ITS MOMENTUM & CONTINUE DELIVERING TOP QUARTILE TSR

Top Quartile Total Shareholder Return

Growth, Margin Expansion, Free Cash Flow, PE Multiple Expansion

1	2	3	4
Superior Analytics <ul style="list-style-type: none"> ▶ Consumer intelligence ▶ Data driven, predictive modeling ▶ Portfolio valuation at consumer level ▶ Consumer Credit Research Institute 	Operational Scale & Cost Leadership <ul style="list-style-type: none"> ▶ Specialized call centers ▶ Efficient international operations ▶ Internal legal platform 	Strong Capital Stewardship <ul style="list-style-type: none"> ▶ Sustained success at raising capital <ul style="list-style-type: none"> • Low cost of debt • Sustainable borrowing capacity and cash flow generation ▶ Prudent capital deployment 	Extendable Business Model <ul style="list-style-type: none"> ▶ Uniquely scalable platform ▶ Strategic investment opportunities in near-in geographic and paper type adjacencies

Management Team • Learning Organization • Principled Intent

Detailed financial discussion

WE HAVE PRELIMINARILY COMPLETED THE PURCHASE PRICE ALLOCATION FOR AACC

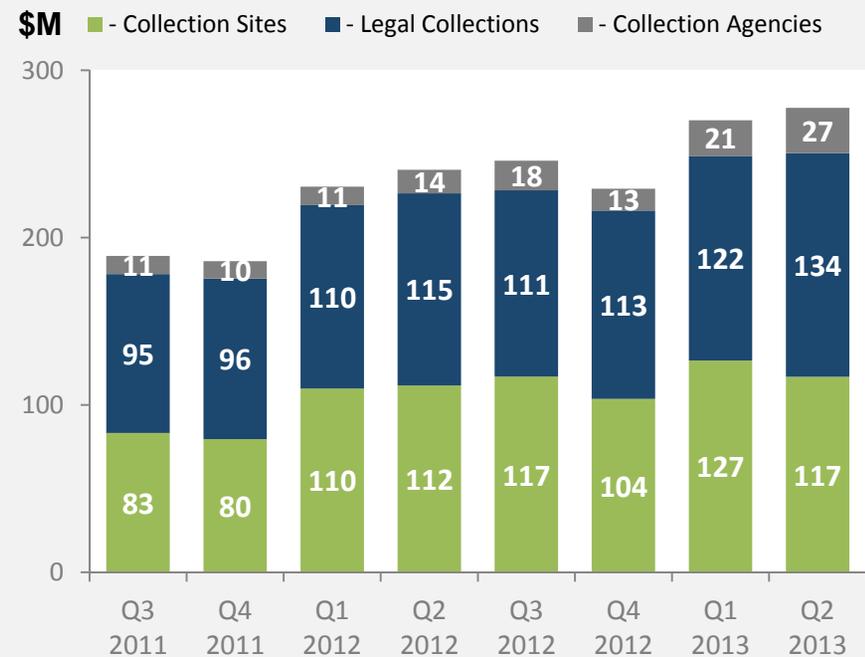
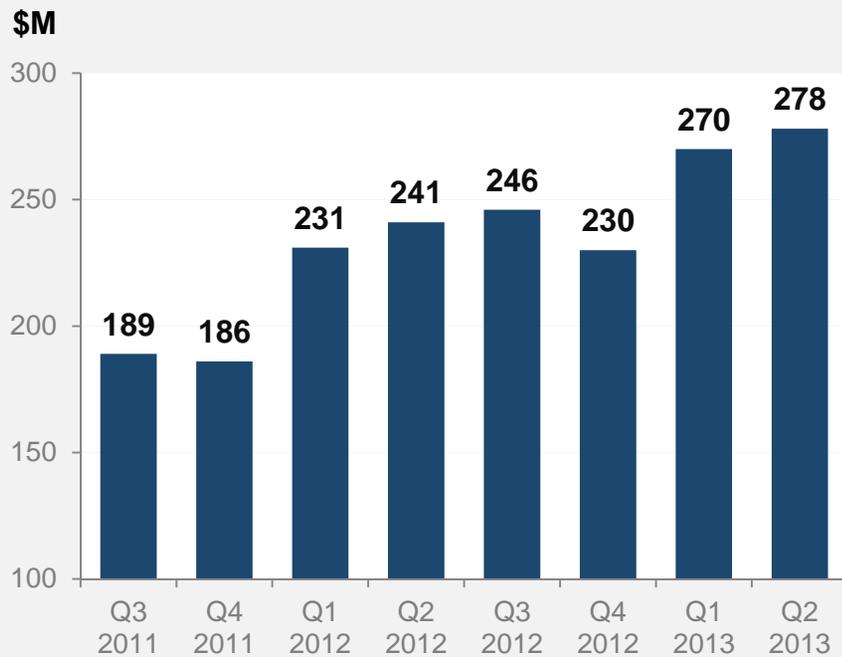
(Amounts in \$ thousands)

	Purchase Price
Cash	\$316,485
Stock	<u>62,352</u>
Total	<u>\$378,837</u>

	Allocation
Cash	\$23,156
Investment in receivable portfolios, net	381,233
Deferred court costs, net	6,141
Property plant and equipment, net	11,003
Other assets	19,629
Liabilities assumed	(132,166)
Identifiable intangible assets	1,490
Goodwill	<u>68,351</u>
Total net assets acquired	<u>\$378,837</u>

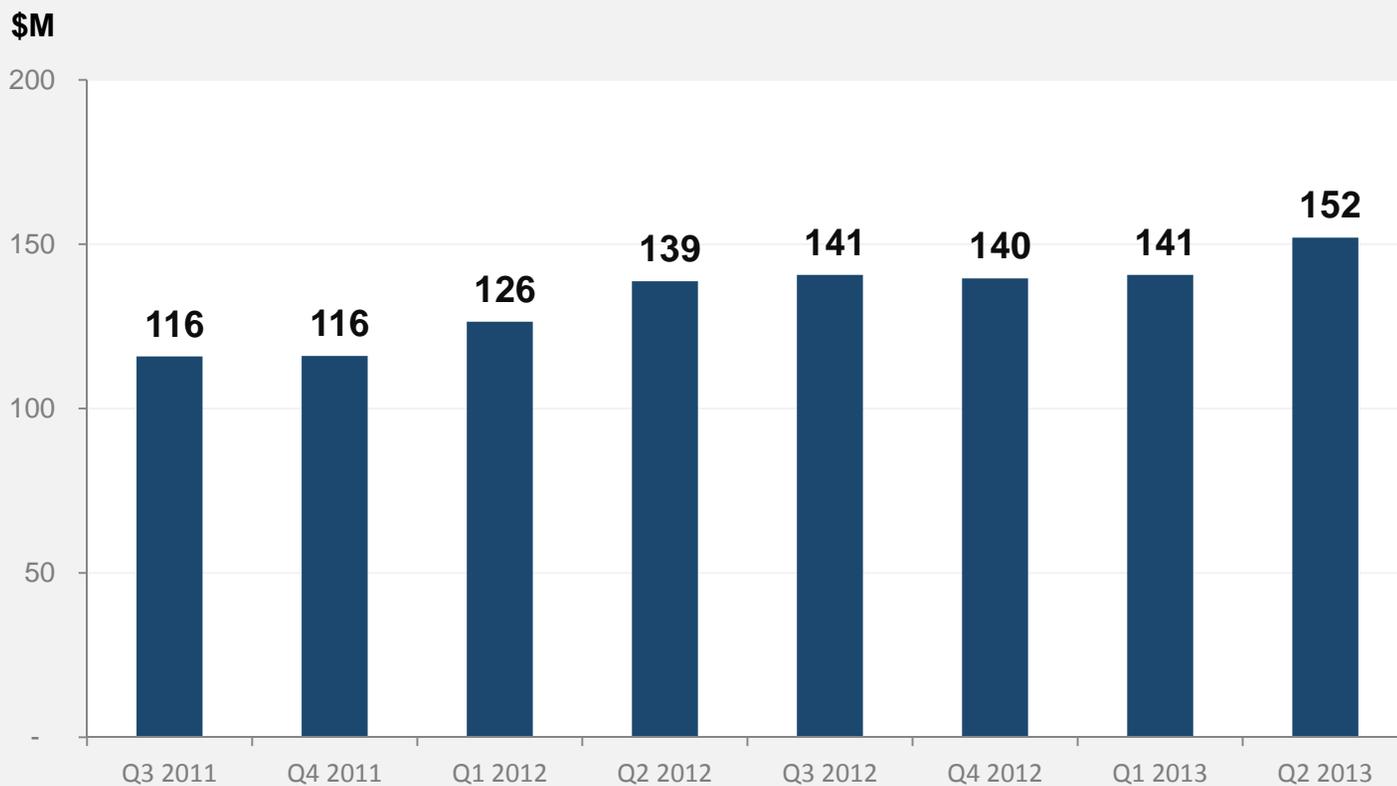
DESPITE LOW PURCHASING IN Q1 AND Q2, COLLECTIONS IN THE QUARTER WERE STRONG

Collections in Core Receivables



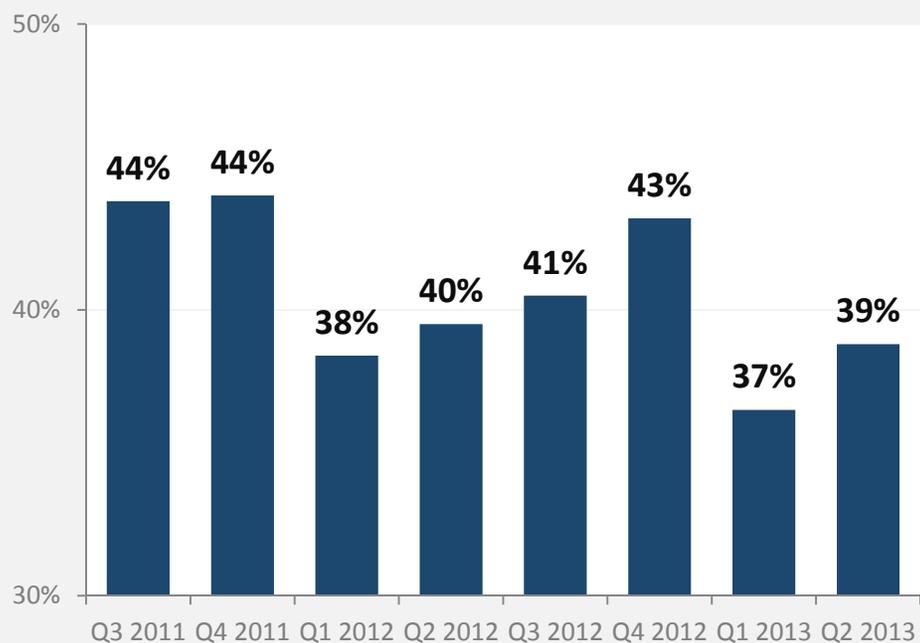
STRONG COLLECTIONS LED TO SOLID REVENUE GROWTH

Revenue From Core Collections



WE CONTINUE TO MAKE IMPROVEMENTS IN OUR COST TO COLLECT

Overall Cost to Collect*



Site CTC*



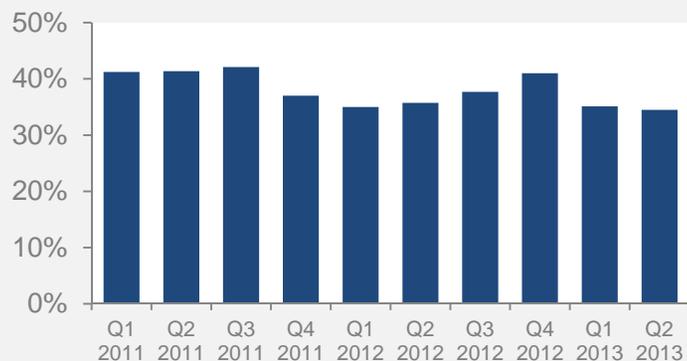
Legal CTC*



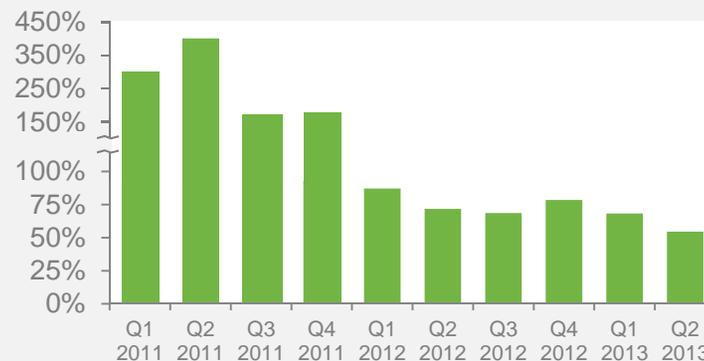
* Cost to Collect is Adjusted Operating Cost / Dollar collected. See Appendix for definition of Adjusted Operating Cost.

AFTER SEVERAL QUARTERS OF INVESTMENT, COST TO COLLECT IN INTERNAL LEGAL IS DECLINING

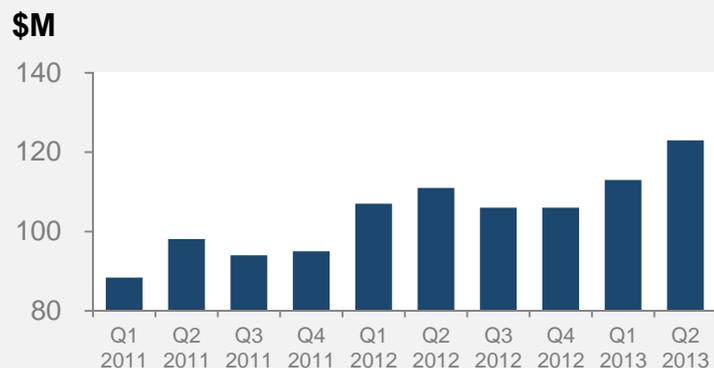
Legal Outsourcing Cost to Collect*



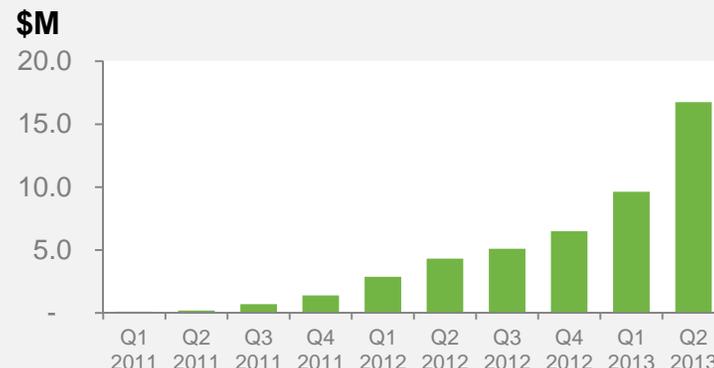
Internal Legal Cost to Collect*



Legal Outsourcing Collections



Internal Legal Collections



* Cost to Collect is Adjusted Operating Cost / Dollar collected. See Appendix for definition of Adjusted Operating Cost.

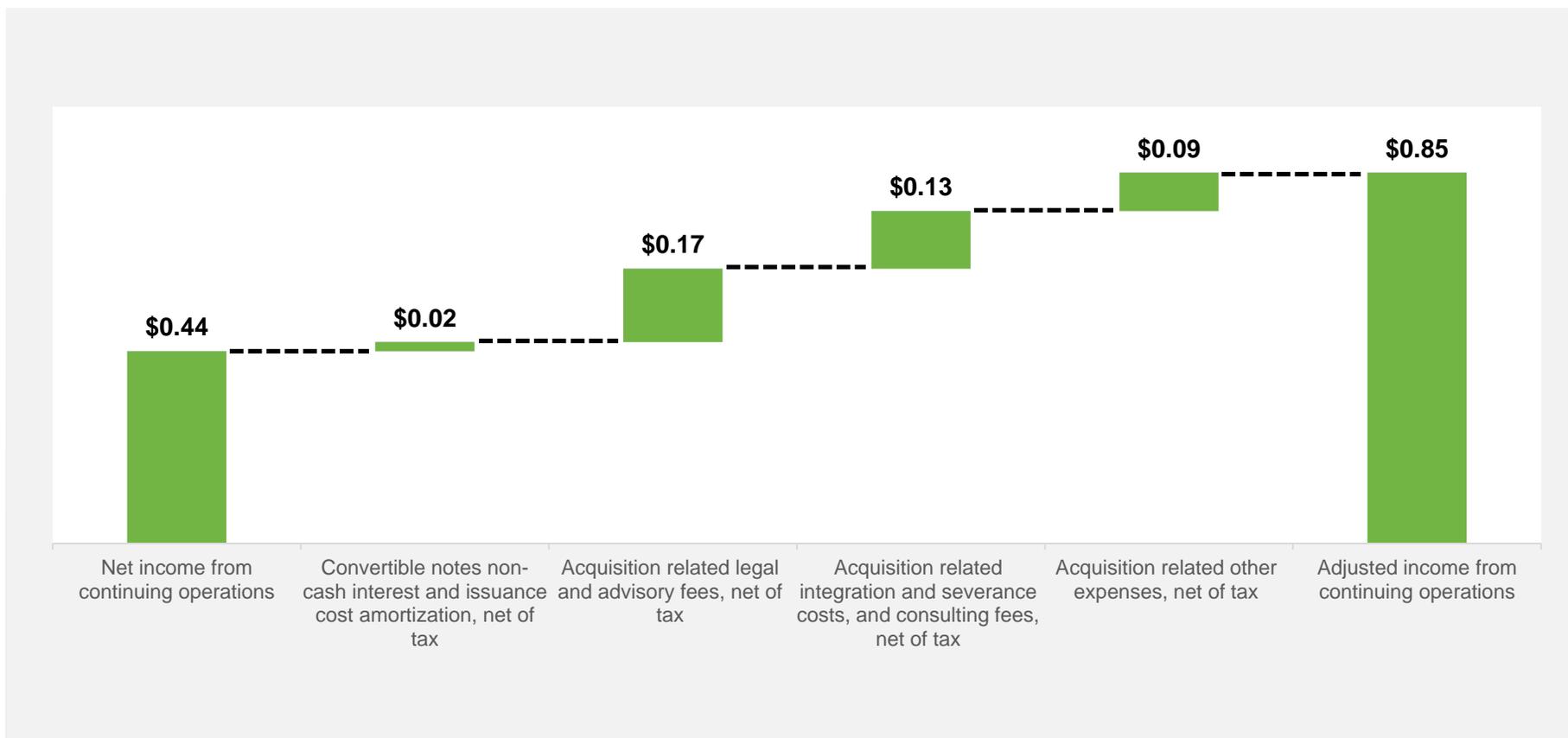
COLLECTIONS GROWTH AND COST IMPROVEMENT LED TO IMPROVED CASH FLOWS

Adjusted EBITDA*



* Please refer to Appendix for reconciliation of Adjusted EBITDA to GAAP

WITHOUT THESE ONE-TIME EXPENSES, EPS WAS STRONG

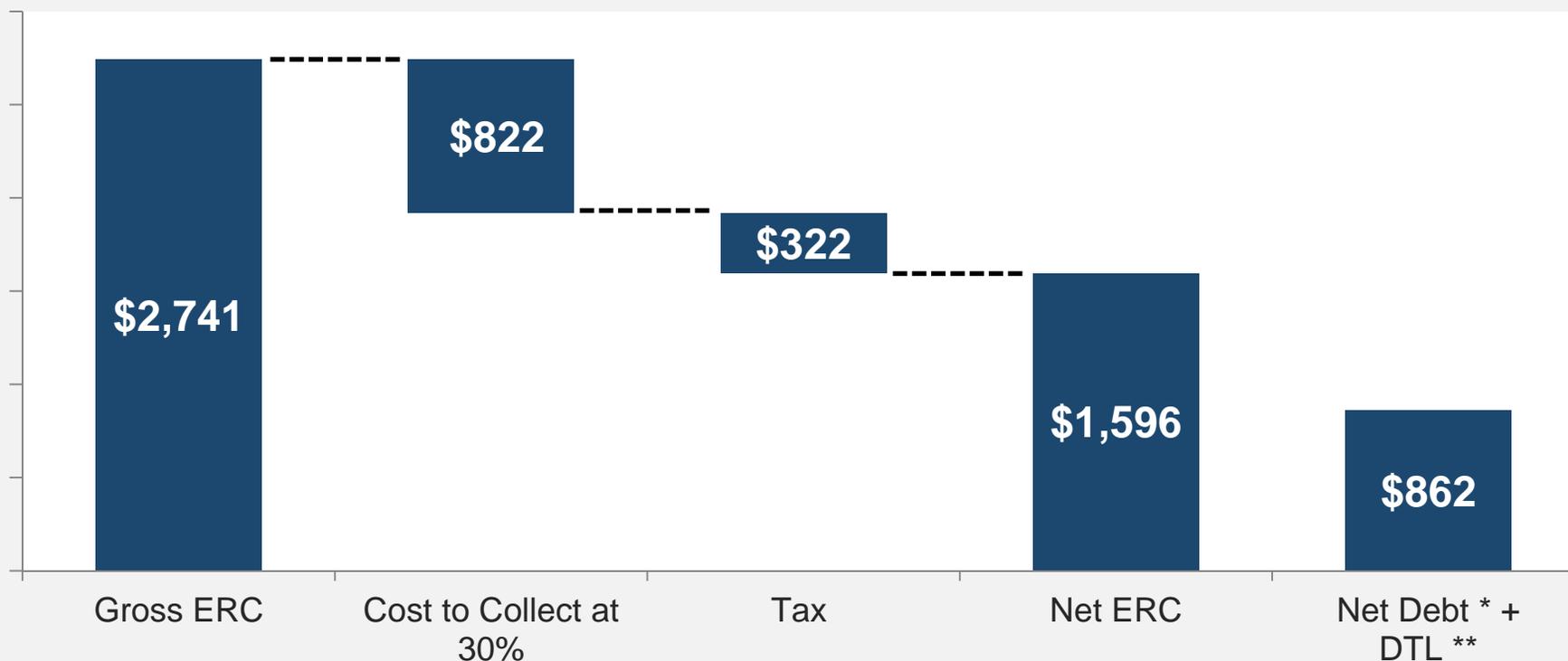


ON THE FINANCING FRONT, WE COMPLETED A CONVERTIBLE NOTE OFFERING ON FAVORABLE TERMS

Term	7 years
Coupon	3%
Convertible Terms	
Initial Offering Size	\$115.0 million
Additional market interest	\$35.0 million
Underwriters' Overallotment	<u>\$22.5 million</u>
Total offering	<u>\$172.5 million</u>
Conversion price	\$45.72
Capped calls strike price	\$61.55

WE CONTINUE TO BE SUBSTANTIALLY (1.9x) OVER COLLATERALLIZED ON OUR DEBT

Estimated Remaining Net Collections (\$M, Q2 2013)



* Net Debt = Total Debt (Excluding Propel Facilities plus convertible debt discount) minus Cash

** DTL = Deferred Tax Liability

WE CONTINUE TO EXPAND OUR CREDIT FACILITY TO SUPPORT OUR GROWTH

The May 9, 2013 amendment allowed for:

- ▶ Increased the total facility to \$975 million and replenished accordion, currently at \$162.5 million
- ▶ Included a basket to allow for investments in unrestricted subsidiaries to facilitate Propel growth
- ▶ Increased the subordinated debt basket to \$300.0 million to allow for our recent convertible debt issue

Covenant analysis	\$M
Q2 2013 Total Debt	1,107.7
Q2 TTM Pro Forma EBITDA with AACC	813.7
2.0x TTM EBITDA covenant	1,627.4
Available room	519.8

The May 29, 2013 amendment allowed for the Cabot Acquisition

ENCORE'S LONG-TERM PROSPECTS CONTINUE TO BE FAVORABLE

Operating Results & Deployment	Liquidity & Capital Access	Solid Cash Flows	Geographic & Asset Class Diversification
<p>Operating results and deployment continue to be strong</p>	<p>Strong liquidity and access to capital enhance our ability to take advantage of market opportunities</p>	<p>As we build ERC and continue to execute efficiently, we expect solid cash flows to continue</p>	<p>Our geographic and asset class diversification will position us for strong earnings growth going forward</p>

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, which is materially similar to a financial measure contained in covenants used in the Company's revolving credit facility, 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 from Continuing Operations per Share because management believes that investors regularly rely on this measure to assess operating performance, in order to highlight trends in the Company's business that may not otherwise be apparent when relying on financial measures calculated in accordance with GAAP. Adjusted EBITDA, Adjusted Operating Expenses and Adjusted Income from Continuing Operations per Share 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 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 EPS TO GAAP EPS

	Three Months Ended June 30,			
	2013		2012	
	\$	Per Diluted Share	\$	Per Diluted Share
Net income from continuing operations	11,012	\$0.44	18,988	\$0.74
Adjustments:				
Convertible notes non-cash interest and issuance cost amortization, net of tax	529	\$0.02		
Acquisition related legal and advisory fees, net of tax	4,205	\$0.17	2,251	\$0.09
Acquisition related integration and severance costs, and consulting fees, net of tax	3,304	\$0.13		
Acquisition related other expenses, net of tax	2,198	\$0.09		
Adjusted income from continuing operations	21,248	\$0.85	21,239	\$0.83

RECONCILIATION OF ADJUSTED EBITDA

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

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	3/31/11
GAAP net income, as reported	6,162	3,028	(2,095)	8,997	6,641	9,004	8,405	10,861	11,730	12,290	14,171	13,679
(Gain) loss from discontinued operations, net of tax	(89)	46	(483)	(457)	(365)	(410)	(901)	(687)	(684)	(315)	28	(397)
Interest expense	4,831	5,140	5,401	4,273	3,958	3,970	3,959	4,538	4,880	4,928	5,003	5,593
Provision for income taxes	4,161	2,429	(1,781)	5,670	3,936	5,676	4,078	6,080	6,356	6,474	9,057	8,349
Depreciation and amortization	482	396	391	410	402	443	516	522	591	650	789	904
Amount applied to principal on receivable portfolios	35,785	35,140	46,364	42,851	48,851	49,188	47,384	58,265	64,901	63,507	53,427	85,709
Stock-based compensation expense	1,288	860	382	1,080	994	1,261	1,049	1,761	1,446	1,549	1,254	1,765
Adjusted EBITDA	52,560	47,039	48,179	62,824	63,869	69,132	64,490	81,340	89,220	89,083	83,729	115,602

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	12/31/12	3/31/13	6/30/13
GAAP net income, as reported	14,775	15,310	17,134	11,406	16,598	21,308	20,167	19,448	11,012
(Gain) loss from discontinued operations, net of tax	(9)	(60)	101	6,702	2,392	-	-	-	-
Interest expense	5,369	5,175	4,979	5,515	6,497	7,012	6,540	6,854	7,482
Provision for income taxes	9,475	9,834	10,418	11,660	12,846	13,887	13,361	12,571	7,267
Depreciation and amortization	958	1,054	1,165	1,240	1,420	1,533	1,647	1,846	2,158
Amount applied to principal on receivable portfolios	83,939	73,187	69,462	104,603	101,813	105,283	90,895	129,487	131,044
Severance and Stock-based compensation expense	1,810	2,405	1,729	2,266	2,539	1,905	2,084	3,001	5,455
Acquisition related expense	-	-	-	489	3,774	-	-	1,276	12,757
Adjusted EBITDA	116,317	106,905	104,988	143,881	147,877	150,928	134,694	174,483	177,175

Note: The periods 3/31/08 through 12/31/08 have been adjusted to reflect the retrospective application of ASC 470-20. All periods have been adjusted to show discontinued ACG operations.

RECONCILIATION OF ADJUSTED OPERATING COST

Reconciliation of Adjusted Operating Cost to GAAP Operating Cost (Unaudited, In Thousands) Three Month Ended

	Three Months Ended June 30, 2013
GAAP total operating expenses, as reported	\$126,238
Adjustments:	
Stock-based compensation expense	(2,179)
Tax lien business segment operating expenses	(3,504)
Acquisition related legal and advisory fees	(6,948)
Acquisition related integration and severance costs, and consulting fees	(5,455)
Adjusted operating expenses	\$108,152