UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2021 or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________to__________.

COMMISSION FILE NUMBER: 000-26489

ENCORE CAPITAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**48-1090909**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

350 Camino De La Reina, Suite 100
San Diego, California 92108
(Address of principal executive offices, including zip code)

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

(Not Applicable)
(Former name, former address and former fiscal year, if changed since last report)

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 28, 2021
Common Stock, $0.01 par value	29,271,730 shares

ENCORE CAPITAL GROUP, INC.
INDEX TO FORM 10-Q

PART I – FINANCIAL INFORMATION
Item 1— Consolidated Financial Statements (Unaudited)
ENCORE CAPITAL GROUP, INC.
Consolidated Statements of Financial Condition
(In Thousands, Except Par Value Amounts)
(Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 158,243	$ 189,184
Investment in receivable portfolios, net	3,083,271	3,291,918
Property and equipment, net	121,097	127,297
Other assets	291,840	349,162
Goodwill	895,515	906,962
Total assets	$ 4,549,966	$ 4,864,523
Liabilities and Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 214,486	$ 215,920
Borrowings	2,796,224	3,281,634
Other liabilities	140,436	146,893
Total liabilities	3,151,146	3,644,447
Commitments and Contingencies (Note 10)		
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, 29,598 and 31,345 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	296	313
Additional paid-in capital	105,326	230,440
Accumulated earnings	1,352,825	1,055,668
Accumulated other comprehensive loss	(59,627)	(68,813)
Total Encore Capital Group, Inc. stockholders' equity	1,398,820	1,217,608
Noncontrolling interest	—	2,468
Total equity	1,398,820	1,220,076
Total liabilities and equity	$ 4,549,966	$ 4,864,523

The following table presents certain assets and liabilities of consolidated variable interest entities ("VIEs") included in the consolidated statements of financial condition above. Most assets in the table below include those assets that can only be used to settle obligations of consolidated VIEs. The liabilities exclude amounts where creditors or beneficial interest holders have recourse to the general credit of the Company. See "Note 8: Variable Interest Entities" for additional information on the Company's VIEs.

	September 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 718	$ 2,223
Investment in receivable portfolios, net	500,304	553,621
Other assets	4,285	5,127
Liabilities		
Borrowings	471,570	478,131
Other liabilities	10	37

See accompanying notes to consolidated financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenues				
Revenue from receivable portfolios	$ 316,225	$ 342,489	$ 982,393	$ 1,035,141
Changes in recoveries	65,913	30,451	176,628	(2,203)
Total debt purchasing revenue	382,138	372,940	1,159,021	1,032,938
Servicing revenue	29,321	29,787	93,901	82,417
Other revenues	1,165	949	4,274	3,435
Total revenues	412,624	403,676	1,257,196	1,118,790
Operating expenses				
Salaries and employee benefits	94,662	95,979	288,892	279,944
Cost of legal collections	64,170	60,383	198,212	164,018
General and administrative expenses	35,819	53,459	102,790	113,954
Other operating expenses	25,226	28,088	81,895	83,527
Collection agency commissions	11,964	12,703	38,465	36,562
Depreciation and amortization	14,136	10,609	37,694	31,436
Total operating expenses	245,977	261,221	747,948	709,441
Income from operations	166,647	142,455	509,248	409,349
Other expense				
Interest expense	(40,874)	(52,974)	(131,559)	(157,963)
Loss on extinguishment of debt	—	(14,988)	(9,300)	(14,988)
Other (expense) income	(17,504)	361	(16,993)	(1,211)
Total other expense	(58,378)	(67,601)	(157,852)	(174,162)
Income before income taxes	108,269	74,854	351,396	235,187
Provision for income taxes	(24,703)	(19,747)	(76,278)	(59,875)
Net income	83,566	55,107	275,118	175,312
Net income attributable to noncontrolling interest	—	(457)	(419)	(784)
Net income attributable to Encore Capital Group, Inc. stockholders	$ 83,566	$ 54,650	$ 274,699	$ 174,528
Earnings per share attributable to Encore Capital Group, Inc.:				
Basic	$ 2.76	$ 1.74	$ 8.90	$ 5.56
Diluted	$ 2.66	$ 1.72	$ 8.71	$ 5.51
Weighted average shares outstanding:				
Basic	30,225	31,484	30,863	31,402
Diluted	31,362	31,826	31,531	31,672

See accompanying notes to consolidated financial statements

ENCORE CAPITAL GROUP, INC.
Consolidated Statements of Comprehensive Income
(Unaudited, In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income	$ 83,566	$ 55,107	$ 275,118	$ 175,312
Other comprehensive income, net of tax:				
Change in unrealized gain (loss) on derivative instruments:				
Unrealized gain (loss) on derivative instruments	3,297	118	7,113	(3,985)
Income tax effect	(753)	7	(1,633)	1,120
Unrealized gain (loss) on derivative instruments, net of tax	2,544	125	5,480	(2,865)
Change in foreign currency translation:				
Unrealized (loss) gain on foreign currency translation	(23,035)	30,982	(16,198)	(32,088)
Removal of other comprehensive loss in connection with divestiture	19,904	—	19,904	2,632
Unrealized (loss) gain on foreign currency translation, net of divestiture	(3,131)	30,982	3,706	(29,456)
Other comprehensive (loss) income, net of tax:	(587)	31,107	9,186	(32,321)
Comprehensive income	82,979	86,214	284,304	142,991
Comprehensive income attributable to noncontrolling interest:				
Net income attributable to noncontrolling interest	—	(457)	(419)	(784)
Unrealized loss on foreign currency translation	—	(15)	—	(11)
Comprehensive income attributable to noncontrolling interest:	—	(472)	(419)	(795)
Comprehensive income attributable to Encore Capital Group, Inc. stockholders	$ 82,979	$ 85,742	$ 283,885	$ 142,196

See accompanying notes to consolidated financial statements

ENCORE CAPITAL GROUP, INC.
Consolidated Statements of Equity
(Unaudited, In Thousands)

	Three Months Ended September 30, 2021						
	Common Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total Equity
	Shares	Par					
Balance as of June 30, 2021	30,413	$ 304	$ 143,827	$ 1,269,259	$ (59,040)	$ —	$ 1,354,350
Net income	—	—	—	83,566	—	—	83,566
Other comprehensive loss, net of tax	—	—	—	—	(20,491)	—	(20,491)
Exercise of stock options and issuance of share-based awards, net of shares withheld for employee taxes	39	—	(1,658)	—	—	—	(1,658)
Repurchase of common stock	(854)	(8)	(40,690)	—	—	—	(40,698)
Stock-based compensation	—	—	3,847	—	—	—	3,847
Removal of other comprehensive loss in connection with divestiture	—	—	—	—	19,904	—	19,904
Balance as of September 30, 2021	29,598	$ 296	$ 105,326	$ 1,352,825	$ (59,627)	$ —	$ 1,398,820

	Three Months Ended September 30, 2020						
	Common Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Equity
	Shares	Par					
Balance as of June 30, 2020	31,288	$ 313	$ 227,030	$ 963,698	$ (152,190)	$ 3,536	$ 1,042,387
Net income	—	—	—	54,650	—	457	55,107
Other comprehensive income, net of tax	—	—	—	—	31,092	15	31,107
Purchase of noncontrolling interest	—	—	(2,196)	—	—	(1,428)	(3,624)
Issuance of share-based awards, net of shares withheld for employee taxes	57	—	(1,605)	—	—	—	(1,605)
Stock-based compensation	—	—	3,884	—	—	—	3,884
Balance as of September 30, 2020	31,345	$ 313	$ 227,113	$ 1,018,348	$ (121,098)	$ 2,580	$ 1,127,256

	Nine Months Ended September 30, 2021						
	Common Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total Equity
	Shares	Par					
Balance as of December 31, 2020	31,345	$ 313	$ 230,440	$ 1,055,668	$ (68,813)	$ 2,468	$ 1,220,076
Cumulative adjustment	—	—	(40,372)	22,458	—	—	(17,914)
Net income	—	—	—	274,699	—	419	275,118
Other comprehensive loss, net of tax	—	—	—	—	(10,718)	—	(10,718)
Purchase of noncontrolling interest	—	—	(2,669)	—	—	(2,887)	(5,556)
Exercise of stock options and issuance of share-based awards, net of shares withheld for employee taxes	230	2	(6,876)	—	—	—	(6,874)
Repurchase of common stock	(1,977)	(19)	(88,100)	—	—	—	(88,119)
Stock-based compensation	—	—	12,903	—	—	—	12,903
Removal of other comprehensive loss in connection with divestiture	—	—	—	—	19,904	—	19,904
Balance as of September 30, 2021	29,598	$ 296	$ 105,326	$ 1,352,825	$ (59,627)	$ —	$ 1,398,820

	Nine Months Ended September 30, 2020						
	Common Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Equity
	Shares	Par					
Balance as of December 31, 2019	31,097	$ 311	$ 222,590	$ 888,058	$ (88,766)	$ 3,213	$ 1,025,406
Cumulative adjustment	—	—	—	(44,238)	—	—	(44,238)
Net income	—	—	—	174,528	—	784	175,312
Other comprehensive (loss) income, net of tax	—	—	—	—	(34,964)	11	(34,953)
Purchase of noncontrolling interest	—	—	(2,196)	—	—	(1,428)	(3,624)
Issuance of share-based awards, net of shares withheld for employee taxes	248	2	(6,470)	—	—	—	(6,468)
Stock-based compensation	—	—	13,189	—	—	—	13,189
Other	—	—	—	—	2,632	—	2,632
Balance as of September 30, 2020	31,345	$ 313	$ 227,113	$ 1,018,348	$ (121,098)	$ 2,580	$ 1,127,256

See accompanying notes to consolidated financial statements

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

	Nine Months Ended September 30,	
	2021	2020
Operating activities:		
Net income	$ 275,118	$ 175,312
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37,694	31,436
Expense related to financing	9,300	19,791
Other non-cash interest expense, net	13,677	22,725
Stock-based compensation expense	12,903	13,189
Deferred income taxes	(8,504)	(15,070)
Changes in recoveries	(176,628)	2,203
Other, net	18,003	24,469
Changes in operating assets and liabilities		
Other assets	13,320	14,267
Prepaid income tax and income taxes payable	40,590	(11,226)
Accounts payable, accrued liabilities and other liabilities	(23,483)	(27,114)
Net cash provided by operating activities	211,990	249,982
Investing activities:		
Purchases of receivable portfolios, net of put-backs	(473,013)	(517,959)
Collections applied to investment in receivable portfolios, net	803,185	540,101
Purchases of property and equipment	(24,163)	(22,658)
Other, net	6,799	8,091
Net cash provided by investing activities	312,808	7,575
Financing activities:		
Payment of loan and debt refinancing costs	(11,667)	(48,676)
Proceeds from credit facilities	418,941	1,695,914
Repayment of credit facilities	(713,958)	(2,051,764)
Proceeds from senior secured notes	353,747	410,820
Repayment of senior secured notes	(349,355)	(152,430)
Repayment of convertible senior notes	(161,000)	(89,355)
Repurchase of common stock	(88,119)	—
Other, net	(13,262)	(32,400)
Net cash used in financing activities	(564,673)	(267,891)
Net decrease in cash and cash equivalents	(39,875)	(10,334)
Effect of exchange rate changes on cash and cash equivalents	8,934	(12,018)
Cash and cash equivalents, beginning of period	189,184	192,335
Cash and cash equivalents, end of period	$ 158,243	$ 169,983
Supplemental disclosure of cash information:		
Cash paid for interest	$ 100,335	$ 148,059
Cash paid for taxes, net of refunds	42,815	87,154

See accompanying notes to consolidated financial statements

ENCORE CAPITAL GROUP, INC.
Notes to Consolidated Financial Statements (Unaudited)

Note 1: Ownership, Description of Business, and Summary of Significant Accounting Policies

Encore Capital Group, Inc. ("Encore"), through its subsidiaries (collectively with Encore, the "Company"), is an international specialty finance company providing debt recovery solutions and other related services for consumers across a broad range of financial assets. The Company purchases portfolios of defaulted consumer receivables at deep discounts to face value and manages them by working with individuals as they repay their obligations and work toward financial recovery. Defaulted receivables are consumers' unpaid financial obligations to credit originators, including banks, credit unions, consumer finance companies and commercial retailers. Defaulted receivables may also include receivables subject to bankruptcy proceedings. The Company also provides debt servicing and other portfolio management services to credit originators for non-performing loans.

Through Midland Credit Management, Inc. and its domestic affiliates (collectively, "MCM"), the Company is a market leader in portfolio purchasing and recovery in the United States. Through Cabot Credit Management Limited ("CCM") and its subsidiaries and European affiliates (collectively, "Cabot"), the Company is one of the largest credit management services providers in Europe and a market leader in the United Kingdom and Ireland. These are the Company's primary operations.

The Company also has investments and operations in Latin America and Asia-Pacific, which the Company refers to as "LAAP."

COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, which continues to spread throughout the United States and around the world. The COVID-19 outbreak and resulting containment measures implemented by governments around the world, as well as increased business uncertainty, have impacted the Company. The circumstances around the COVID-19 pandemic continue to rapidly evolve and will continue to impact the Company's business and its estimation of expected recoveries in future periods. The Company will continue to closely monitor the COVID-19 situation and update its assumptions accordingly.

Financial Statement Preparation and Presentation

The accompanying interim consolidated financial statements have been prepared by the Company, without audit, in accordance with the instructions to the Quarterly Report on Form 10-Q, and Rule 10-01 of Regulation S-X promulgated by the United States Securities and Exchange Commission (the "SEC") and, therefore, do not include all information and footnotes necessary for a fair presentation of its consolidated financial statements in accordance with accounting principles generally accepted in the United States ("GAAP").

In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments, consisting of only normal and recurring adjustments, necessary for a fair presentation of the Company's consolidated financial statements. These consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the Company's financial statements and the accompanying notes. The inputs into the judgments and estimates consider the economic implications of the COVID-19 pandemic on the Company's critical and significant accounting estimates. Actual results could materially differ from those estimates.

Basis of Consolidation

The consolidated financial statements have been prepared in conformity with GAAP and reflect the accounts and operations of the Company and those of its subsidiaries in which the Company has a controlling financial interest. The Company also consolidates variable interest entities for which it is the primary beneficiary. The primary beneficiary has both (a) the power to direct the activities of the VIE that most significantly affect the entity's economic performance, and (b) either the obligation to absorb losses or the right to receive benefits. Refer to "Note 8: Variable Interest Entities" for further details. All intercompany transactions and balances have been eliminated in consolidation.

Translation of Foreign Currencies

The financial statements of certain of the Company's foreign subsidiaries are measured using their local currency as the functional currency. Assets and liabilities of foreign operations are translated into U.S. dollars using period-end exchange rates, and revenues and expenses are translated into U.S. dollars using average exchange rates in effect during each period. The resulting translation adjustments are recorded as a component of other comprehensive income or loss. Equity accounts are translated at historical rates, except for the change in retained earnings during the year which is the result of the income statement translation process. Intercompany transaction gains or losses at each period end arising from subsequent measurement of balances for which settlement is not planned or anticipated in the foreseeable future are included as translation adjustments and recorded within other comprehensive income or loss. Translation gains or losses are the material components of accumulated other comprehensive income or loss and are reclassified to earnings upon the substantial sale or liquidation of investments in foreign operations.

Recently Adopted Accounting Guidance

On January 1, 2021, the Company adopted Accounting Standards Update ("ASU") No. 2020-06, Debt — Debt with Conversion and Other Options ("Subtopic 470-20") and Derivatives and Hedging — Contracts in Entity's Own Equity ("Subtopic 815-40"): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity ("ASU 2020-06"). The Company adopted ASU 2020-06 using the modified-retrospective approach, by recording a net cumulative-effect adjustment to equity of approximately $17.9 million.

The ASU simplifies the accounting for convertible instruments by removing certain models in Subtopic 470-20 and revises the guidance in Subtopic 815-40 to simplify the accounting for contracts in an entity's own equity. The ASU also amends the guidance to improve the consistency of earnings per share calculations, which requires the if-converted method be used for convertible instruments.

Under ASU 2020-06, the Company's convertible and exchangeable notes are no longer bifurcated to a debt component and an equity component, instead, they are carried as a single liability which reflects the principal amount of the convertible and exchangeable notes. The interest expense recognized on the convertible and exchangeable notes is based on coupon rates, rather than higher effective interest rates. As a result, the Company recognizes lower interest expense after the adoption. Additionally, effective January 1, 2021, the Company uses the if-converted method in calculating the dilutive effect of its convertible and exchangeable notes for earnings per share.

The Company has not adjusted prior period comparative information and will continue to disclose prior period financial information in accordance with the previous accounting guidance. The following table summarizes the cumulative effects of adopting the new guidance on the Company's consolidated statements of financial condition at January 1, 2021 (*in thousands*):

	Balance as of December 31, 2020	Adjustment	Opening Balance as of January 1, 2021
Liabilities			
Convertible notes and exchangeable notes	$ 583,500	$ —	$ 583,500
Debt discount	(19,364)	19,364	—
Other liabilities (for deferred tax liabilities)	146,893	(1,450)	145,443
Equity			
Additional paid-in capital	230,440	(40,372)	190,068
Accumulated earnings	1,055,668	22,458	1,078,126

With the exception of the updated standard discussed above, there have been no recent accounting pronouncements or changes in accounting pronouncements during the three and nine months ended September 30, 2021, as compared to the recent accounting pronouncements described in our Annual Report, that have significance, or potential significance, to the Company's consolidated financial statements.

Note 2: Earnings Per Share

Basic earnings per share is calculated by dividing net earnings attributable to Encore by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is calculated based on the weighted average number of shares of common stock plus the effect of dilutive potential common shares during the period. Dilutive potential common shares include outstanding stock options, non-vested share awards, and the dilutive effect of the convertible and exchangeable senior notes, if applicable.

The Company adopted ASU 2020-06 on January 1, 2021, using a modified retrospective approach. Effective January 1, 2021, the dilutive effect of the Company's convertible and exchangeable notes is calculated using the if-converted method. Prior to the adoption, the dilutive effect of the convertible and exchangeable notes was calculated using the treasury stock method. In September 2021, in accordance with the indenture for the convertible senior notes due in March 2022 (the "2022 Convertible Notes"), the Company irrevocably elected "combination settlement" with a specified dollar amount equal to $1,750 per $1,000 principal amount of the 2022 Convertible Notes for all conversions of the 2022 Convertible Notes that occur on or after September 15, 2021, the free conversion date, which effectively will result in an all cash settlement for the 2022 Convertible Notes so long as the stock price is less than $79.74 at the time of conversion. As a result, the 2022 Convertible Notes were only dilutive prior to September 15, 2021. All of the Company's other convertible and exchangeable notes require net share settlement, using the if-converted method results in a similar dilutive effect as using the treasury stock method under the previous accounting standard, due to the fact that only in-the-money shares are included in the dilutive effect. The Company had 0.7 million and 0.3 million shares of dilutive effect from its convertible and exchangeable notes during the three and nine months ended September 30, 2021.

On August 12, 2015, the Company's Board of Directors approved a $50.0 million share repurchase program. On May 5, 2021, the Company announced that the Board of Directors had approved an increase in the size of the repurchase program from $50.0 million to $300.0 million (an increase of $250.0 million). Repurchases under this program are expected to be made with cash on hand and may be made from time to time, subject to market conditions and other factors, in the open market, through private transactions, block transactions, or other methods as determined by the Company's management and Board of Directors, and in accordance with market conditions, other corporate considerations, and applicable regulatory requirements. The program does not obligate the Company to acquire any particular amount of common stock, and it may be modified or suspended at any time at the Company's discretion. During the three and nine months ended September 30, 2021, the Company repurchased 854,002 and 1,976,857 shares of our common stock for approximately $40.7 million and $88.1 million, respectively. The Company's practice is to retire the shares repurchased.

A reconciliation of shares used in calculating earnings per basic and diluted shares follows *(in thousands, except per share amounts)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income attributable to Encore Capital Group, Inc. stockholders	$ 83,566	$ 54,650	$ 274,699	$ 174,528
Total weighted-average basic shares outstanding	30,225	31,484	30,863	31,402
Dilutive effect of stock-based awards	404	342	358	270
Dilutive effect of convertible and exchangeable senior notes	733	—	310	—
Total weighted-average dilutive shares outstanding	31,362	31,826	31,531	31,672
Basic earnings per share	$ 2.76	$ 1.74	$ 8.90	$ 5.56
Diluted earnings per share	$ 2.66	$ 1.72	$ 8.71	$ 5.51

Anti-dilutive employee stock options outstanding were 0 and approximately 4,000 during the three and nine months ended September 30, 2021, respectively. Anti-dilutive employee stock options outstanding were approximately 13,000 and 64,000 during each of the three and nine months ended September 30, 2020, respectively.

Note 3: Fair Value Measurements

Fair value is defined as the price that would be received upon sale of an asset or the price paid to transfer a liability, in an orderly transaction between market participants at the measurement date (*i.e.*, the "exit price"). The Company uses a fair value hierarchy that prioritizes the inputs used in valuation techniques to measure fair value into three broad levels. The following is a brief description of each level:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

- Level 3: Unobservable inputs, including inputs that reflect the reporting entity’s own assumptions.

Financial Instruments Required To Be Carried At Fair Value

Financial assets and liabilities measured at fair value on a recurring basis are summarized below *(in thousands)*:

	Fair Value Measurements as of September 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Interest rate cap contracts	$ —	$ 788	$ —	$ 788
Liabilities				
Interest rate swap agreements	—	(1,155)	—	(1,155)
Cross-currency swap agreements	—	(11,640)	—	(11,640)
Contingent consideration	—	—	(5,211)	(5,211)

	Fair Value Measurements as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Cross-currency swap agreements	$ —	$ 11,578	$ —	$ 11,578
Interest rate cap contracts	—	659	—	659
Liabilities				
Interest rate swap agreements	—	(5,232)	—	(5,232)
Contingent consideration	—	—	(2,957)	(2,957)

Derivative Contracts:

The Company uses derivative instruments to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. Fair values of these derivative instruments are estimated using industry standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rate curves, foreign currency exchange rates, and forward and spot prices for currencies.

Contingent Consideration:

The Company carries certain contingent liabilities resulting from its mergers and acquisition activities. Certain sellers of the Company’s acquired entities could earn additional earn-out payments in cash based on the entities’ subsequent operating performance. The Company recorded the acquisition date fair values of these contingent liabilities, based on the likelihood of contingent earn-out payments, as part of the consideration transferred. The earn-out payments are subsequently remeasured to fair value at each reporting date based on actual and forecasted operating performance.

The following table provides a roll-forward of the fair value of contingent consideration for the nine months ended September 30, 2021 and year ended December 31, 2020 *(in thousands)*:

	Amount
Balance as of December 31, 2019	$ 66
Issuance of contingent consideration in connection with purchase of noncontrolling interest	2,848
Payment of contingent consideration	(88)
Effect of foreign currency translation	131
Balance as of December 31, 2020	2,957
Issuance of contingent consideration in connection with purchase of noncontrolling interest	2,913
Change in fair value of contingent consideration	(388)
Payment of contingent consideration	(167)
Effect of foreign currency translation	(104)
Balance as of September 30, 2021	$ 5,211

Non-Recurring Fair Value Measurement:

Certain assets are measured at fair value on a nonrecurring basis. These assets include real estate-owned assets classified as held for sale at the lower of their carrying value or fair value less cost to sell. The fair value of the assets held for sale and estimated selling expenses were determined at the time of initial recognition using Level 3 measurements. The fair value estimate of these assets was approximately $42.8 million and $42.2 million as of September 30, 2021 and December 31, 2020, respectively.

Financial Instruments Not Required To Be Carried At Fair Value

The table below summarizes fair value estimates for the Company's financial instruments that are not required to be carried at fair value. The total of the fair value calculations presented does not represent, and should not be construed to represent, the underlying value of the Company.

The carrying amounts in the following table are included in the consolidated statements of financial condition as of September 30, 2021 and December 31, 2020 *(in thousands)*:

	September 30, 2021		December 31, 2020	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets				
Investment in receivable portfolios, net	$ 3,083,271	$ 3,439,547	$ 3,291,918	$ 3,705,672
Financial Liabilities				
Convertible notes and exchangeable notes[(1)]	422,500	537,144	564,136	622,081
Senior secured notes[(2)]	1,619,110	1,680,277	1,642,058	1,684,729

(1) Prior to January 1, 2021, under the previous accounting standard, the convertible and exchangeable notes included a debt discount. The carrying amount as of December 31, 2020 represented the principal amount of the notes, net of the debt discount.

(2) Carrying amount represents historical cost, adjusted for any related debt discount or debt premium.

Investment in Receivable Portfolios:

The fair value of investment in receivable portfolios is measured using Level 3 inputs by discounting the estimated future cash flows generated by the Company’s proprietary forecasting models. The key inputs include the estimated future gross cash flow, average cost to collect, and discount rate. The determination of such inputs requires significant judgment, including assessing the assumed market participant’s cost structure, its determination of whether to include fixed costs in its valuation, its collection strategies, and determining the appropriate weighted average cost of capital. The Company evaluates the use of these key inputs on an ongoing basis and refines the data as it continues to obtain better information from market participants in the debt recovery and purchasing business.

Borrowings:

The Company's convertible notes, exchangeable notes and senior secured notes are carried at historical cost, adjusted for the debt discount. The fair value estimate for the convertible and exchangeable notes incorporates quoted market prices using Level 2 inputs. The fair value of the senior secured notes is estimated using widely accepted valuation techniques, including discounted cash flow analyses using available market information on discount and borrowing rates with similar terms, maturities, and credit ratings. Accordingly, the Company used Level 2 inputs for these debt instrument fair value estimates.

The carrying value of the Company's senior secured revolving credit facility agreement approximates fair value due to the short-term nature of the interest rate period. The Company's borrowings also include private placement notes, a securitisation senior facility and finance lease liabilities for which the carrying value approximates respective fair value.

Note 4: Derivatives and Hedging Instruments

The Company may periodically enter into derivative financial instruments to manage risks related to interest rates and foreign currency.

The following table summarizes the fair value of derivative instruments as included in the Company's consolidated statements of financial condition *(in thousands)*:

	September 30, 2021		December 31, 2020	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Derivatives designated as hedging instruments:				
Interest rate cap contracts	Other assets	$ 788	Other assets	$ 659
Interest rate swap agreements			Other liabilities	(5,232)
Cross-currency swap agreements	Other liabilities	(11,640)	Other assets	11,578

Derivatives Designated as Hedging Instruments

The Company has operations in foreign countries which expose the Company to foreign currency exchange rate fluctuations due to transactions denominated in foreign currencies. To mitigate a portion of this risk, the Company may enter into derivative financial instruments, principally foreign currency forward contracts with financial counterparties. The Company adjusts the level and use of derivatives as soon as practicable after learning that an exposure has changed and reviews all exposures and derivative positions on an ongoing basis.

The Company may periodically enter into interest rate swap agreements to reduce its exposure to fluctuations in interest rates on variable interest rate debt and their impact on earnings and cash flows. Under the swap agreements, the Company receives floating interest rate payments and makes interest payments based on fixed interest rates. The Company designates its interest rate swap instruments as cash flow hedges. Previously, the Company held four interest rate swap agreements that hedged the risk of USD-LIBOR interest rate fluctuations for the Encore revolving credit facility and term loan facility. As part of the financing transactions completed in September 2020, the Company settled two of the interest rate swap agreements. As of September 30, 2021, there were two interest rate swap agreements outstanding with a total notional amount of $181.1 million. On September 30, 2021, the Company ceased hedge accounting for its interest rate swap instruments due to the continued pay down of its USD-LIBOR denominated borrowings. As a result, the Company reclassed all the remaining unrealized loss in OCI of approximately $1.9 million into earnings. The two interest swap agreements will mature in December 2021.

The Company uses cross-currency swap agreements to manage foreign currency exchange risk by converting fixed-rate Euro-denominated borrowings including periodic interest payments and the payment of principal at maturity to fixed-rate USD debt. The cross-currency swap agreements are accounted for as cash flow hedges. As of September 30, 2021, there were four cross-currency swap agreements outstanding with a total notional amount of €350.0 million (approximately $405.4 million based on an exchange rate of $1.00 to €0.86, the exchange rate as of September 30, 2021). The Company expects to reclassify approximately $4.9 million of net derivative loss from OCI into earnings relating to cross-currency swaps within the next 12 months.

As of September 30, 2021, the Company held two interest rate cap contracts with a notional amount of approximately $934.8 million that are used to manage its risk related to interest rate fluctuations on the Company's variable interest rate bearing debt. The interest rate cap hedging the fluctuations in three-month EURIBOR floating rate debt ("2019 Cap") has a notional amount of €400.0 million (approximately $463.3 million based on an exchange rate of $1.00 to €0.86, the exchange rate as of September 30, 2021) and matures in 2024. The interest rate cap hedging the fluctuations in sterling overnight index average ("SONIA") bearing debt ("2020 Cap") has a notional amount of £350.0 million (approximately $471.6 million based on an exchange rate of $1.00 to £0.74, the exchange rate as of September 30, 2021) and matures in 2023. The Company expects the hedge relationships to be highly effective and designates the 2019 Cap and 2020 Cap as cash flow hedge instruments. The Company expects to reclassify approximately $0.7 million of net derivative loss from OCI into earnings relating to interest rate caps within the next 12 months.

The following tables summarize the effects of derivatives in cash flow hedging relationships designated as hedging instruments in the Company's consolidated financial statements *(in thousands)*:

	Gain (Loss) Recognized in OCI			Gain (Loss) Reclassified from OCI into Income (Loss)	
	Three Months Ended September 30,			Three Months Ended September 30,	
Derivatives Designated as Hedging Instruments	2021	2020	Location of Gain (Loss) Reclassified from OCI into Income (Loss)	2021	2020
Foreign currency exchange contracts	$ —	$ —	Salaries and employee benefits	$ —	$ —
Foreign currency exchange contracts	—	—	General and administrative expenses	—	—
Interest rate swap agreements	(20)	(140)	Interest expense / Other expense	(4,203)	(2,458)
Interest rate cap contracts	72	(624)	Interest expense	(109)	(103)
Cross-currency swap agreements	(12,030)	(6,779)	Interest expense / Other expense	(10,963)	(5,100)

	Gain (Loss) Recognized in OCI			Gain (Loss) Reclassified from OCI into Income (Loss)	
	Nine Months Ended September 30,			Nine Months Ended September 30,	
Derivatives Designated as Hedging Instruments	2021	2020	Location of Gain (Loss) Reclassified from OCI into Income (Loss)	2021	2020
Foreign currency exchange contracts	$ —	$ (341)	Salaries and employee benefits	$ —	$ 49
Foreign currency exchange contracts	—	(44)	General and administrative expenses	—	11
Interest rate swap agreements	(68)	(7,405)	Interest expense / Other expense	(8,742)	(5,558)
Interest rate cap contracts	140	(2,755)	Interest expense	(325)	(2,741)
Cross-currency swap agreements	(26,852)	(6,779)	Interest expense / Other expense	(24,826)	(5,100)

Derivatives Not Designated as Hedging Instruments

The Company enters into currency exchange forward contracts to reduce the effects of currency exchange rate fluctuations between the British Pound and Euro. These derivative contracts generally mature within one to three months and are not designated as hedge instruments for accounting purposes. The Company continues to monitor the level of exposure of the foreign currency exchange risk and may enter into additional short-term forward contracts on an ongoing basis. The gains or losses on these derivative contracts are recognized in other income or expense based on the changes in fair value. As of September 30, 2021, the Company had no outstanding currency exchange forward contracts that were not designated as cash flow hedging instruments.

As discussed in "Derivatives Designed as Hedging Instruments," on September 30, 2021, the Company ceased hedge accounting for its interest rate swap instruments due to the continued pay down of its USD-LIBOR denominated borrowings. The interest rate swap agreements had a liability balance of $1.2 million as of September 30, 2021 and will mature in December 2021.

The following table summarizes the effects of derivatives in cash flow hedging relationships not designated as hedging instruments in the Company's consolidated statements of operations *(in thousands)*:

		Amount of Gain (Loss) Recognized in Income (Loss)			
		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivatives Not Designated as Hedging Instruments	**Location of Gain (Loss) Recognized in Income on Derivative**	**2021**	**2020**	**2021**	**2020**
Foreign currency exchange contracts	Other (expense) income	$ (20)	$ (407)	$ (20)	$ 3,564

Note 5: Investment in Receivable Portfolios, Net

The Company's purchased portfolios of loans are grossed-up to their face value with an offsetting allowance and noncredit discount allocated to the individual receivables as the unit of account is at the individual loan level. Since each loan is deeply delinquent and deemed uncollectible at the individual loan level, the Company applies its charge-off policy and fully writes-off the amortized costs (*i.e.*, face value net of noncredit discount) of the individual receivables immediately after purchasing the portfolio. The Company then records a negative allowance that represents the present value of all expected future recoveries for pools of receivables that share similar risk characteristics using a discounted cash flow approach, which ultimately equals the amount paid for a portfolio purchase and presented as "Investment in receivable portfolios, net" in the Company's consolidated statements of financial condition. The discount rate is an effective interest rate (or "purchase EIR") based on the purchase price of the portfolio and the expected future cash flows at the time of purchase.

Receivable portfolio purchases are aggregated into pools based on similar risk characteristics. Examples of risk characteristics include financial asset type, collateral type, size, interest rate, date of origination, term, and geographic location. The Company's static pools are typically grouped into credit card, purchased consumer bankruptcy, and mortgage portfolios. The Company further groups these static pools by geographic location. Once a pool is established, the portfolios will remain in the designated pool unless the underlying risk characteristics change. The purchase EIR of a pool will not change over the life of the pool even if expected future cash flows change.

Revenue is recognized for each static pool over the economic life of the pool. Debt purchasing revenue includes two components:

(1) Revenue from receivable portfolios, which is the accretion of the discount on the negative allowance due to the passage of time (generally the portfolio balance multiplied by the EIR) and also includes all revenue from zero basis portfolio ("ZBA") collections, and

(2) Changes in recoveries, which includes

(a) Recoveries above or below forecast, which is the difference between (i) actual cash collected/recovered during the current period and (ii) expected cash recoveries for the current period, which generally represents over or under performance for the period; and

(b) Changes in expected future recoveries, which is the present value change of expected future recoveries, where such change generally results from (i) collections "pulled forward from" or "pushed out to" future periods (i.e. amounts either collected early or expected to be collected later) and (ii) magnitude and timing changes to estimates of expected future collections (which can be increases or decreases).

The Company measures expected future recoveries based on historical experience, current conditions, and reasonable and supportable forecasts. Factors that may change the expected future recoveries may include both internal as well as external factors. Internal factors include operational performance, such as capacity and the productivity of our collection staff. External factors that may have an impact on our collections include new laws or regulations, new interpretations of existing laws or regulations, and macroeconomic conditions.

The following table summarizes the changes in the balance of investment in receivable portfolios, net during the periods presented (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Balance, beginning of period	$ 3,154,001	$ 3,201,241	$ 3,291,918	$ 3,328,150
Purchases of receivable portfolios (1)	168,188	170,131	481,094	532,183
Collections applied to investment in receivable portfolios, net (2)	(250,465)	(197,259)	(803,185)	(540,101)
Changes in recoveries (3)	65,913	30,451	176,628	(2,203)
Put-backs and Recalls	(1,724)	(2,830)	(8,081)	(14,224)
Deconsolidation of receivable portfolios(4)	(7,335)	—	(7,335)	(2,822)
Disposals and transfers to assets held for sale	(1,816)	(3,560)	(6,128)	(6,273)
Foreign currency adjustments	(43,491)	67,818	(41,640)	(28,718)
Balance, end of period	$ 3,083,271	$ 3,265,992	$ 3,083,271	$ 3,265,992

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(1) The table below provides the detail on the establishment of negative allowance for expected recoveries of portfolios purchased during the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Purchase price	$ 168,188	$ 170,131	$ 481,094	$ 532,183
Allowance for credit losses	449,412	507,907	1,174,524	1,400,525
Amortized cost	617,600	678,038	1,655,618	1,932,708
Noncredit discount	786,194	1,104,695	2,228,664	2,858,922
Face value	1,403,794	1,782,733	3,884,282	4,791,630
Write-off of amortized cost	(617,600)	(678,038)	(1,655,618)	(1,932,708)
Write-off of noncredit discount	(786,194)	(1,104,695)	(2,228,664)	(2,858,922)
Negative allowance	168,188	170,131	481,094	532,183
Negative allowance for expected recoveries - current period purchases	$ 168,188	$ 170,131	$ 481,094	$ 532,183

(2) Collections applied to investment in receivable portfolios, net, is calculated as follows during the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cash Collections	$ 566,690	$ 539,748	$ 1,785,578	$ 1,575,242
Less - amounts classified to revenue from receivable portfolios	(316,225)	(342,489)	(982,393)	(1,035,141)
Collections applied to investment in receivable portfolios, net	$ 250,465	$ 197,259	$ 803,185	$ 540,101

(3) Changes in recoveries is calculated as follows during the periods presented, where recoveries include cash collections, put-backs and recalls, and other cash-based adjustments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Recoveries above forecast	$ 77,064	$ 78,268	$ 277,861	$ 197,155
Changes in expected future recoveries	(11,151)	(47,817)	(101,233)	(199,358)
Changes in recoveries	$ 65,913	$ 30,451	$ 176,628	$ (2,203)

(4) Deconsolidation of receivable portfolios as a result of the Company’s divestiture of its investments in Colombia and Peru in August 2021 and Brazil in April 2020.

Recoveries above or below forecast represent over and under-performance in the reporting period, respectively. Collections during the nine months ended September 30, 2021 significantly outperformed the projected cash flows. The Company believes the collection over-performance was a result of its sustained improvements in portfolio collections driven by change in consumer behavior during the COVID-19 pandemic and its liquidation improvement initiatives.

While the Company now has additional information with respect to the impact on collections of the COVID-19 pandemic, the future outlook remains uncertain, and will continue to evolve depending on future developments, including the duration and spread of the pandemic, as well as related actions taken by governments. When reassessing the future forecasts of expected lifetime recoveries during the three months ended September 30, 2021, management considered historical and current collection performance, and believes that for certain static pools collections over-performance resulted in increased total expected recoveries. Although management believes that the relevant macroeconomic conditions have improved and therefore no longer materially impact the Company's collections performance, uncertainty still remains in the geographies in which the Company operates. As a result of a combination of the above, the Company has updated its forecast, resulting in a net reduction of total estimated remaining collections which in turn, when discounted to present value, resulted in a negative change in expected future period recoveries of approximately $11.2 million and $101.2 million during the three and nine months ended September 30, 2021, respectively. During the three and nine months ended September 30, 2020, the Company recorded approximately $47.8 million and $199.4 million, respectively, in negative change in expected future period recoveries. The circumstances around this pandemic continue to rapidly evolve, and will continue to impact the Company's business and its estimation of expected recoveries in future periods. The Company will continue to closely monitor the COVID-19 situation and update its assumptions accordingly.

Note 6: Other Assets

Other assets consist of the following *(in thousands)*:

	September 30, 2021	December 31, 2020
Operating lease right-of-use assets	$ 71,962	$ 72,164
Real estate owned	42,800	42,173
Identifiable intangible assets, net	38,224	45,012
Deferred tax assets	34,473	33,202
Service fee receivables	23,898	26,539
Prepaid expenses	23,087	26,717
Equity method investments	17,286	10,155
Other financial receivables	5,921	12,238
Income tax deposits	—	35,853
Other	34,189	45,109
Total	$ 291,840	$ 349,162

Note 7: Borrowings

The Company is in compliance in all material respects with all covenants under its financing arrangements as of September 30, 2021. The components of the Company's consolidated borrowings were as follows *(in thousands)*:

	September 30, 2021	December 31, 2020
Global senior secured revolving credit facility	$ 186,188	$ 481,007
Encore private placement notes	117,290	146,550
Senior secured notes	1,627,019	1,651,619
Convertible notes and exchangeable notes	422,500	583,500
Cabot securitisation senior facility	471,570	478,131
Other	23,922	24,398
Finance lease liabilities	8,003	8,288
	2,856,492	3,373,493
Less: debt discount and issuance costs, net of amortization	(60,268)	(91,859)
Total	$ 2,796,224	$ 3,281,634

Encore is the parent of the restricted group for the Global Senior Facility, the Senior Secured Notes and the Private Placement Notes, each of which is guaranteed by the same group of material Encore subsidiaries and secured by the same collateral, which represents substantially all of the assets of those subsidiaries.

Global Senior Secured Revolving Credit Facility

In September 2020, the Company entered into a multi-currency senior secured revolving credit facility agreement (as amended and restated, the "Global Senior Facility"). In previous periods, the Company referred to this facility as the Cabot Credit Facility. On August 5, 2021, the Company amended and restated the Global Senior Facility to, among other things, (1) extend the termination date from September 2024 to September 2025; (2) reduce the LIBOR and EURIBOR floors from 0.75% to 0.00%; and (3) make certain other administrative changes. The amendment was accounted for as a debt modification. Fees incurred were capitalized as debt issuance costs.

The Global Senior Facility provides for a total committed facility of $1,050.0 million that matures in September 2025 and includes the following key provisions:

- Interest at LIBOR (or EURIBOR for any loan drawn in euro or a rate based on SONIA for any loan drawn in British Pound) plus 2.50% per annum, with a LIBOR (or EURIBOR or SONIA) floor of 0.00%;
- A restrictive covenant that limits the LTV Ratio (defined in the Global Senior Facility) to 0.75 in the event that the Global Senior Facility is more than 20% utilized;
- A restrictive covenant that limits the SSRCF LTV Ratio (defined in the Global Senior Facility) to 0.275;
- A restrictive covenant that requires the Company to maintain a Fixed Charge Coverage Ratio (as defined in the Global Senior Facility) of at least 2.0;
- Additional restrictions and covenants which limit, among other things, the payment of dividends and the incurrence of additional indebtedness and liens; and
- Standard events of default which, upon occurrence, may permit the lenders to terminate the Global Senior Facility and declare all amounts outstanding to be immediately due and payable.

The Global Senior Facility is secured by substantially all of the assets of the Company and the guarantors. Pursuant to the terms of an intercreditor agreement entered into with respect to the relative positions of (1) the Global Senior Facility, any super priority hedging liabilities and the Private Placement Notes (collectively, "Super Senior Liabilities") and (2) the Senior Secured Notes, Super Senior Liabilities that are secured by assets that also secure the Senior Secured Notes will receive priority with respect to any proceeds received upon any enforcement action over any such assets.

As of September 30, 2021, the outstanding borrowings under the Global Senior Facility were $186.2 million. The weighted average interest rate of the Global Senior Facility was 3.01% and 3.19% for the three and nine months ended September 30, 2021, respectively. The weighted average interest rate of the previous Cabot Credit Facility was 3.06% and 3.30% for the three and nine months ended September 30, 2020, respectively. The weighted average interest rate of the previous Encore revolving credit facility was 3.63% and 3.90% for the three and nine months ended September 30, 2020, respectively. Available capacity under the Global Senior Facility was approximately $863.8 million as of September 30, 2021.

Private Placement Notes

In August 2017, Encore entered into $325.0 million in senior secured notes with a group of insurance companies (the "Private Placement Notes"). As of September 30, 2021, $117.3 million of the Private Placement Notes remained outstanding. The Private Placement Notes bear an annual interest rate of 5.625%, mature in August 2024 and require quarterly principal payments of $9.8 million. The covenants and material terms for the Private Placement Notes are substantially similar to those for the Global Senior Facility.

Senior Secured Notes

The following table provides a summary of the Company's senior secured notes (the "Senior Secured Notes") *($ in thousands)*:

	September 30, 2021	December 31, 2020	Maturity Date	Interest Payment Dates	Interest Rate
Cabot 2023 Notes	$ —	$ 309,034	Oct 1, 2023	Apr 1, Oct 1	7.500 %
Encore 2025 Notes	405,350	426,752	Oct 15, 2025	Apr 15, Oct 15	4.875 %
Encore 2026 Notes	404,203	409,827	Feb 15, 2026	Feb 15, Aug 15	5.375 %
Encore 2028 Notes	336,836	—	Jun 1, 2028	Jun 1, Dec 1	4.250 %
Encore 2028 Floating Rate Notes	480,630	506,006	Jan 15, 2028	Jan 15, Apr 15, Jul 15, Oct 15	EURIBOR +4.250%[1]
	$ 1,627,019	$ 1,651,619			

(1) Interest rate is based on three-month EURIBOR (subject to a 0% floor) plus 4.250% per annum, resets quarterly.

On June 1, 2021, Encore issued £250.0 million (approximately $336.8 million based on an exchange rate of $1.00 to £0.74, the exchange rate as of September 30, 2021) aggregate principal amount of senior secured notes due 2028 (the "Encore 2028 Notes"). The Encore 2028 Notes accrue interest at a rate of 4.250% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2021. The Encore 2028 Notes will mature on June 1, 2028, unless earlier repurchased or redeemed by the Company. Encore used the proceeds from the offering to redeem in full the then outstanding £226.2 million (approximately $304.8 million based on an exchange rate of $1.00 to £0.74, the exchange rate as of September 30, 2021) aggregate principal amount of 7.500% senior secured notes due 2023 (the "Cabot 2023 Notes") at a redemption price of 101.875%, and to pay certain transaction fees and expenses incurred in connection with the offering.

The Senior Secured Notes are secured by the same collateral as the Global Senior Facility and the Private Placement Notes. The guarantees provided in respect of the Senior Secured Notes are pari passu with each such guarantee given in respect of the Global Senior Facility and Private Placement Notes. Subject to the intercreditor agreement described above under "Global Senior Secured Revolving Credit Facility," Super Senior Liabilities that are secured by assets that also secure the Senior Secured Notes will receive priority with respect to any proceeds received upon any enforcement action over any such assets.

Convertible Notes and Exchangeable Notes

The following table provides a summary of the principal balance, maturity date and interest rate for the Company's convertible and exchangeable senior notes (the "Convertible Notes" or "Exchangeable Notes," as applicable) *($ in thousands)*:

	September 30, 2021	December 31, 2020	Maturity Date	Interest Payment Dates	Interest Rate
2021 Convertible Notes[1]	$ —	$ 161,000	Mar 15, 2021	Mar 15, Sep 15	2.875 %
2022 Convertible Notes	150,000	150,000	Mar 15, 2022	Mar 15, Sep 15	3.250 %
2023 Exchangeable Notes	172,500	172,500	Sep 1, 2023	Mar 1, Sep 1	4.500 %
2025 Convertible Notes	100,000	100,000	Oct 1, 2025	Apr 1, Oct 1	3.250 %
	$ 422,500	$ 583,500			

(1) The 2021 Convertible Notes matured on March 15, 2021 and the Company repaid the outstanding principal in cash.

As discussed in "Note 1: Ownership, Description of Business, and Summary of Significant Accounting Policies," the Company adopted ASU 2020-06 on January 1, 2021 using a modified-retrospective approach. The Company's convertible and exchangeable notes are no longer bifurcated into a debt component and an equity component, instead, they are carried as a single liability, which reflects the principal amount of the convertible and exchangeable notes. The interest expense recognized on the convertible and exchangeable notes is based on coupon rates, rather than higher effective interest rates. The Company has not adjusted prior period comparative information and will continue to disclose prior period financial information in accordance with the previous accounting guidance.

The Exchangeable Notes were issued by Encore Capital Europe Finance Limited (“Encore Finance”), a 100% owned finance subsidiary of Encore, and are fully and unconditionally guaranteed by Encore. Unless otherwise indicated in connection with a particular offering of debt securities, Encore will fully and unconditionally guarantee any debt securities issued by Encore Finance. Amounts related to Encore Finance are included in the consolidated financial statements of Encore subsequent to April 30, 2018, the date of the incorporation of Encore Finance.

Prior to the close of business on the business day immediately preceding their respective free conversion or exchange date (listed below), holders may convert or exchange their Convertible Notes or Exchangeable Notes under certain circumstances set forth in the applicable indentures. On or after their respective free conversion or exchange dates until the close of business on the second scheduled trading day immediately preceding their respective maturity date, holders may convert or exchange their notes at any time. Certain key terms related to the convertible and exchangeable features as of September 30, 2021 are listed below:

	2022 Convertible Notes	2023 Exchangeable Notes	2025 Convertible Notes
Initial conversion or exchange price	$ 45.57	$ 44.62	$ 40.00
Closing stock price at date of issuance	$ 35.05	$ 36.45	$ 32.00
Closing stock price date	Feb 27, 2017	Jul 20, 2018	Sep 4, 2019
Conversion or exchange rate (shares per $1,000 principal amount)	21.9467	22.4090	25.0000
Free conversion or exchange date	Sep 15, 2021	Mar 1, 2023	Jul 1, 2025
Stated interest rate	3.250 %	4.500 %	3.250 %

In September 2021, in accordance with the indenture for the 2022 Convertible Notes, the Company irrevocably elected “combination settlement” with a specified dollar amount equal to $1,750 per $1,000 principal amount of the 2022 Convertible Notes for all conversions of the 2022 Convertible Notes that occur on or after September 15, 2021, the free conversion date, which effectively will result in an all cash settlement for the 2022 Convertible Notes so long as the stock price is less than $79.74 at the time of conversion. None of the 2022 Convertible Notes have been converted.

In the event of conversion or exchange, the 2025 Convertible Notes and the 2023 Exchangeable Notes are convertible or exchangeable into cash up to the aggregate principal amount of the notes and the excess conversion premium, if any, may be settled in cash or shares of the Company’s common stock at the Company’s election and subject to certain restrictions contained in each of the indentures governing the Convertible Notes and Exchangeable Notes.

Interest expense related to the Convertible Notes and Exchangeable Notes during the periods presented was as follows *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest expense—stated coupon rate	$ 3,972	$ 5,130	$ 12,867	$ 16,728
Interest expense—amortization of debt discount	—	2,382	—	8,521
Interest expense—Convertible Notes and Exchangeable Notes	$ 3,972	$ 7,512	$ 12,867	$ 25,249

Hedge Transactions

In order to reduce the risk related to the potential dilution and/or the potential cash payments the Company may be required to make in the event that the market price of the Company’s common stock becomes greater than the exchange price of the 2023 Exchangeable Notes, the Company maintains a hedge program that increases the effective exchange price for the 2023 Exchangeable Notes. The Company did not hedge the 2022 Convertible Notes or the 2025 Convertible Notes.

The details of the hedge program are listed below *(in thousands, except conversion or exchange price)*:

		2023 Exchangeable Notes
Cost of the hedge transaction(s)	$	17,785
Initial exchange price	$	44.62
Effective exchange price	$	62.48

Cabot Securitisation Senior Facility

Cabot Securitisation UK Ltd (“Cabot Securitisation”), an indirect subsidiary of Encore, has a senior facility for a committed amount of £350.0 million (as amended, the “Cabot Securitisation Senior Facility”). The Cabot Securitisation Senior Facility matures in March 2025. Funds drawn under the Cabot Securitisation Senior Facility bear interest at a rate per annum equal to SONIA plus a margin of 3.06% plus, for periods after March 15, 2023, a step-up margin ranging from zero to 1.00%.

As of September 30, 2021, the outstanding borrowings under the Cabot Securitisation Senior Facility were £350.0 million (approximately $471.6 million based on an exchange rate of $1.00 to £0.74, the exchange rate as of September 30, 2021). The obligations of Cabot Securitisation under the Cabot Securitisation Senior Facility are secured by first ranking security interests over all of Cabot Securitisation’s property, assets and rights (including receivables purchased from Cabot Financial UK from time to time), the book value of which was approximately £364.4 million (approximately $491.0 million based on an exchange rate of $1.00 to £0.74, the exchange rate as of September 30, 2021) as of September 30, 2021. The weighted average interest rate was 3.11% for both the three and nine months ended September 30, 2021 and 3.12% and 3.28% for the three and nine months ended September 30, 2020, respectively.

Cabot Securitisation is a securitized financing vehicle and is a VIE for consolidation purposes. Refer to “Note 8: Variable Interest Entities” for further details.

Note 8: Variable Interest Entities

A VIE is defined as a legal entity whose equity owners do not have sufficient equity at risk, or, as a group, the holders of the equity investment at risk lack any of the following three characteristics: decision-making rights, the obligation to absorb expected losses, or the right to receive expected residual returns of the entity. The primary beneficiary is identified as the variable interest holder that has both the power to direct the activities of the VIE that most significantly affect the entity’s economic performance and the obligation to absorb expected losses or the right to receive benefits from the entity that could potentially be significant to the VIE. The Company consolidates VIEs when it is the primary beneficiary.

As of September 30, 2021, the Company’s VIEs include certain securitized financing vehicles and other immaterial special purpose entities that were created to purchase receivable portfolios in certain geographies. The Company is the primary beneficiary of these VIEs. The Company has the power to direct the activities of the VIEs which includes but is not limited to the ability to exercise discretion in the servicing of the financial assets. The Company evaluates its relationships with its VIEs on an ongoing basis to ensure that it continues to be the primary beneficiary.

Most assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against the Company’s general assets. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims on the Company’s general assets; rather, they represent claims against the specific assets of the VIE.

Note 9: Income Taxes

The Company’s effective tax rate for the three and nine months ended September 30, 2021 was 22.8% and 21.7%, respectively. For the three and nine months ended September 30, 2020, the Company’s effective tax rate was 26.4% and 25.5%, respectively. The difference between the effective tax rate and the 21% federal statutory rate in 2021 was primarily due to the proportion of income earned in higher tax rate jurisdictions compared to lower tax rate jurisdictions. The difference between the effective tax rate and the 21% federal statutory rate in 2020 was primarily due to a change in valuation allowance recognized in the period under the discrete method. The Company utilized the discrete method for recording income taxes during 2020 due to uncertainty in estimating annual pre-tax earnings, primarily due to the COVID-19 pandemic. The Company returned to using the estimated annual effective tax rate method beginning January 1, 2021.

Each interim period is considered an integral part of the annual period and tax expense or benefit is measured using an estimated annual effective income tax rate. The estimated annual effective tax rate for the full year is applied to the respective interim period, taking into account year-to-date amounts and projected amounts for the year. Since the Company operates in foreign countries with varying tax rates, the Company's quarterly effective tax rate is dependent on the level of income or loss from international operations in the reporting period.

The Company's subsidiary in Costa Rica is operating under a 100% tax holiday through December 31, 2026. The impact of the tax holiday in Costa Rica for the three and nine months ended September 30, 2021 and 2020, was immaterial.

The Company is subject to income taxes in the U.S. and foreign jurisdictions. Significant judgement is required in evaluating uncertain tax positions and determining the provision for income taxes. There has been no material change to the Company's total gross unrecognized tax benefits from December 31, 2020.

Note 10: Commitments and Contingencies

Litigation and Regulatory

The Company is involved in disputes, legal actions, regulatory investigations, inquiries, and other actions from time to time in the ordinary course of business. The Company, along with others in its industry, is routinely subject to legal actions based on the Fair Debt Collection Practices Act ("FDCPA"), comparable state statutes, the Telephone Consumer Protection Act ("TCPA"), state and federal unfair competition statutes, and common law causes of action. The violations of law investigated or alleged in these actions often include claims that the Company lacks specified licenses to conduct its business, attempts to collect debts on which the statute of limitations has run, has made inaccurate or unsupported assertions of fact in support of its collection actions and/or has acted improperly in connection with its efforts to contact consumers. Such litigation and regulatory actions could involve potential compensatory or punitive damage claims, fines, sanctions, injunctive relief, or changes in business practices. Many continue on for some length of time and involve substantial investigation, litigation, negotiation, and other expense and effort before a result is achieved, and during the process the Company often cannot determine the substance or timing of any eventual outcome.

As of September 30, 2021, there were no material developments in any of the legal proceedings disclosed in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

In certain legal proceedings, the Company may have recourse to insurance or third-party contractual indemnities to cover all or portions of its litigation expenses, judgments, or settlements. The Company records loss contingencies in its financial statements only for matters in which losses are probable and can be reasonably estimated. Where a range of loss can be reasonably estimated with no best estimate in the range, the Company records the minimum estimated liability. The Company continuously assesses the potential liability related to its pending litigation and regulatory matters and revises its estimates when additional information becomes available. The Company's legal costs are recorded to expense as incurred. As of September 30, 2021, the Company has no material reserves for legal matters.

Purchase Commitments

In the normal course of business, the Company enters into forward flow purchase agreements. A forward flow purchase agreement is a commitment to purchase receivables over a duration that is typically three to twelve months, but can be longer, generally with a specifically defined volume range, frequency, and pricing. Typically, these forward flow contracts have provisions that allow for early termination or price re-negotiation should the underlying quality of the portfolio deteriorate over time or if any particular month's delivery is materially different than the original portfolio used to price the forward flow contract. Certain of these forward flow purchase agreements may also have termination clauses, whereby the agreements can be canceled by either party upon providing a certain specified amount of notice.

As of September 30, 2021, the Company had entered into forward flow purchase agreements for the purchase of nonperforming loans with an estimated minimum aggregate purchase price of approximately $238.0 million. The Company expects actual purchases under these forward flow purchase agreements to be significantly greater than the estimated minimum aggregate purchase price.

Note 11: Segment and Geographic Information

The Company conducts business through several operating segments that have similar economic and other qualitative characteristics and have been aggregated in accordance with authoritative guidance into one reportable segment, portfolio purchasing and recovery. Since the Company operates in one reportable segment, all required segment information can be found in the consolidated financial statements.

The Company has operations in the United States, Europe and other foreign countries. The following table presents the Company's total revenues by geographic area in which the Company operates *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Total revenues[1]:				
United States	$ 295,700	$ 256,212	$ 871,978	$ 751,197
International				
Europe[2]	113,987	142,495	372,880	353,950
Other geographies	2,937	4,969	12,338	13,643
	116,924	147,464	385,218	367,593
Total	$ 412,624	$ 403,676	$ 1,257,196	$ 1,118,790

(1) Total revenues are attributed to countries based on consumer location.

(2) Based on the financial information that is used to produce the general-purpose financial statements, providing further geographic information is impracticable.

Note 12: Goodwill and Identifiable Intangible Assets

The Company's goodwill is tested for impairment at the reporting unit level annually and in interim periods if certain events occur that indicate that the fair value of a reporting unit may be below its carrying value. Determining the number of reporting units and the fair value of a reporting unit requires the Company to make judgments and involves the use of significant estimates and assumptions.

The annual goodwill testing date for the reporting units that are included in the portfolio purchasing and recovery reportable segment is October 1st. There have been no events or circumstances during the three and nine months ended September 30, 2021 that have required the Company to perform an interim assessment of goodwill carried at these reporting units. Management continues to evaluate and monitor all key factors impacting the carrying value of the Company's recorded goodwill and long-lived assets. Adverse changes in the Company's actual or expected operating results, market capitalization, business climate, economic factors or other negative events that may be outside the control of management could result in a material non-cash impairment charge in the future.

The Company's goodwill is attributable to reporting units included in its portfolio purchasing and recovery segment. The following table summarizes the activity in the Company's goodwill balance *(in thousands):*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Balance, beginning of period	$ 915,067	$ 838,024	$ 906,962	$ 884,185
Effect of foreign currency translation	(19,552)	28,633	(11,447)	(17,528)
Balance, end of period	$ 895,515	$ 866,657	$ 895,515	$ 866,657

The Company's acquired intangible assets are summarized as follows *(in thousands)*:

	As of September 30, 2021			As of December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 66,975	$ (29,322)	$ 37,653	$ 66,796	$ (22,714)	$ 44,082
Developed technologies	2,646	(2,566)	80	5,048	(4,760)	288
Trade name and other	1,567	(1,076)	491	6,644	(6,002)	642
Total intangible assets	$ 71,188	$ (32,964)	$ 38,224	$ 78,488	$ (33,476)	$ 45,012

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains "forward-looking statements" relating to Encore Capital Group, Inc. ("Encore") and its subsidiaries (which we may collectively refer to as the "Company," "we," "our" or "us") within the meaning of the securities laws. The words "believe," "expect," "anticipate," "estimate," "project," "intend," "plan," "will," "may," and similar expressions often characterize forward-looking statements. These statements may include, but are not limited to, projections of collections, revenues, income or loss, estimates of capital expenditures, plans for future operations, products or services, financing needs or plans or the impacts of the COVID-19 pandemic, as well as assumptions relating to these matters. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we caution that these expectations or predictions may not prove to be correct or we may not achieve the financial results, savings, or other benefits anticipated in the forward-looking statements. These forward-looking statements are necessarily estimates reflecting the best judgment of our senior management and involve a number of risks and uncertainties, some of which may be beyond our control or cannot be predicted or quantified, that could cause actual results to differ materially from those suggested by the forward-looking statements. Many factors including, but not limited to, those set forth in our Annual Report on Form 10-K under "Part I, Item 1A—Risk Factors" and those set forth in "Part II, Item 1A, Risk Factors" of this Quarterly Report could cause our actual results, performance, achievements, or industry results to be very different from the results, performance, achievements or industry results expressed or implied by these forward-looking statements. Our business, financial condition, or results of operations could also be materially and adversely affected by other factors besides those listed. Forward-looking statements speak only as of the date the statements were made. We do not undertake any obligation to update or revise any forward-looking statements to reflect new information or future events, or for any other reason, even if experience or future events make it clear that any expected results expressed or implied by these forward-looking statements will not be realized. In addition, it is generally our policy not to make any specific projections as to future earnings, and we do not endorse projections regarding future performance that may be made by third parties.

Our Business

We are an international specialty finance company providing debt recovery solutions and other related services for consumers across a broad range of financial assets. We purchase portfolios of defaulted consumer receivables at deep discounts to face value and manage them by working with individuals as they repay their obligations and work toward financial recovery. Defaulted receivables are consumers' unpaid financial commitments to credit originators, including banks, credit unions, consumer finance companies and commercial retailers. Defaulted receivables may also include receivables subject to bankruptcy proceedings. We also provide debt servicing and other portfolio management services to credit originators for non-performing loans.

Encore Capital Group, Inc. ("Encore") has three primary business units: MCM, which consists of Midland Credit Management, Inc. and its subsidiaries and domestic affiliates; Cabot, which consists of Cabot Credit Management Limited ("CCM") and its subsidiaries and European affiliates, and LAAP, which is comprised of our investments and operations in Latin America and Asia-Pacific.

MCM (United States)

Through MCM we are a market leader in portfolio purchasing and recovery in the United States, including Puerto Rico.

Cabot (Europe)

Through Cabot we are one of the largest credit management services providers in Europe and a market leader in the United Kingdom. Cabot, in addition to its primary business of portfolio purchasing and recovery, also provides a range of debt servicing offerings such as early stage collections, business process outsourcing ("BPO"), and contingent collections, including through Wescot Credit Services Limited ("Wescot"), a leading U.K. contingency debt collection and BPO services company.

LAAP (Latin America and Asia-Pacific)

We have purchased non-performing loans in Mexico. Additionally, we have invested in Encore Asset Reconstruction Company ("EARC") in India. We previously owned non-performing loans in Colombia and Peru (sold in August 2021) and Brazil (sold in April 2020).

To date, operating results from LAAP have not been significant to our total consolidated operating results. Our long-term growth strategy is focused on continuing to invest in our core portfolio purchasing and recovery business in the United States and United Kingdom and strengthening and developing our business in the rest of Europe.

Recent Developments

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (“COVID-19”) a pandemic, which has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns (including court closures in certain jurisdictions). While we are unable to accurately predict the full impact that COVID-19 will have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, our compliance with these measures has impacted our day-to-day operations and could disrupt our business and operations for an indefinite period of time. Through a combination of work-from-home and social distancing, we remain fully operational in all the markets we serve. As a result of the COVID-19 pandemic and the resulting containment measures, we have observed, among other things, a decrease in supply in both US and Europe driven mainly by a decrease in charge off rates.

Government Regulation

MCM (United States)

As discussed in more detail under “Part I - Item 1 - Business - Government Regulation” contained in our Annual Report on Form 10-K, our U.S. debt purchasing business and collection activities are subject to federal, state and municipal statutes, rules, regulations and ordinances that establish specific guidelines and procedures that debt purchasers and collectors must follow when collecting consumer accounts, including among others, specific guidelines and procedures for communicating with consumers and prohibitions on unfair, deceptive or abusive debt collection practices.

On October 30, 2020, the CFPB issued final rules in the form of a new Regulation F to implement the Fair Debt Collection Practices Act, which rules restate and clarify prohibitions on harassment and abuse, false or misleading representations, and unfair practices by debt collectors when collecting consumer debt. The rules included provisions related to, among other things, the use of newer technologies (text, voicemail and email) to communicate with consumers and limits relating to telephonic communications. On December 18, 2020, the CFPB also issued an additional debt collection final rule focused on consumer disclosures. This final rule amends Regulation F to provide additional requirements regarding validation information and disclosures provided at the outset of debt collection communications, prohibit suits and threats of suits regarding time-barred debt, and identify actions that must be taken before a debt collector may report information about a debt to consumer reporting agencies. The rules will become effective on November 30, 2021. Based on our assessment of the rules, we believe that the new rules will not have a material incremental effect on our operations.

Cabot (Europe)

As discussed in more detail under “Part I - Item 1 - Business - Government Regulation” contained in our Annual Report on Form 10-K, our operations in Europe are affected by foreign statutes, rules and regulations regarding debt collection and debt purchase activities. These statutes, rules, regulations, ordinances, guidelines and procedures are modified from time to time by the relevant authorities charged with their administration, which could affect the way we conduct our business.

Portfolio Purchasing and Recovery

MCM (United States)

In the United States, the defaulted consumer receivable portfolios we purchase are primarily charged-off credit card debt portfolios. A small percentage of our capital deployment in the United States comprises of receivable portfolios subject to Chapter 13 and Chapter 7 bankruptcy proceedings.

We purchase receivables based on robust, account-level valuation methods and employ proprietary statistical and behavioral models across our U.S. operations. These methods and models allow us to value portfolios accurately (and limit the risk of overpaying), avoid buying portfolios that are incompatible with our methods or strategies and align the accounts we purchase with our business channels to maximize future collections. As a result, we have been able to realize significant returns from the receivables we acquire. We maintain strong relationships with many of the largest financial service providers in the United States.

Cabot (Europe)

In Europe, our purchased under-performing debt portfolios primarily consist of paying and non-paying consumer loan accounts. We also purchase: (1) portfolios that are in insolvency status, in particular, individual voluntary arrangements; and (2) non-performing secured mortgage portfolios and real estate assets previously securing mortgage portfolios. When we take possession of the underlying real estate assets or purchase real estate assets, we refer to those as real estate-owned assets, or REO assets.

We purchase paying and non-paying receivable portfolios using a proprietary pricing model that utilizes account-level statistical and behavioral data. This model allows us to value portfolios accurately and quantify portfolio performance in order to maximize future collections. As a result, we have been able to realize significant returns from the assets we have acquired. We maintain strong relationships with many of the largest financial services providers in the United Kingdom and continue to expand in the United Kingdom and the rest of Europe with our acquisitions of portfolios.

Purchases and Collections

Portfolio Pricing, Supply and Demand

MCM (United States)

Issuers have continued to sell predominantly fresh portfolios. Fresh portfolios are portfolios that are generally sold within six months of the consumer’s account being charged-off by the financial institution. Pricing in the third quarter remained in line with previous periods. Issuers continued to sell their volume in mostly forward flow arrangements that are often committed early in the calendar year. We are closely monitoring the impacts of the COVID-19 pandemic on pricing and supply. We have observed a decrease in supply as a result of the COVID-19 pandemic, but expect supply to ultimately increase.

We believe that smaller competitors continue to face difficulties in the portfolio purchasing market because of the high cost to operate due to regulatory pressure and because issuers are being more selective with buyers in the marketplace. We believe this favors larger participants, such as us, because the larger market participants are better able to adapt to these pressures and commit to larger forward flow agreements.

Cabot (Europe)

The U.K. market for charged-off portfolios has generally provided a relatively consistent pipeline of opportunities over the past few years, despite an ongoing historic low level of charge-off rates, as creditors have embedded debt sales as an integral part of their business models and consumer indebtedness has continued to grow since the financial crisis.

The Spanish debt market continues to be one of the largest in Europe with significant debt sales activity, and an expectation of a significant amount of debt to be sold and serviced in the future. Additionally, financial institutions continue to experience both market and regulatory pressure to dispose of non-performing loans, which should continue to provide debt purchasing opportunities in Spain.

Across all of our European markets, we are closely monitoring the impacts of the COVID-19 pandemic on pricing and supply of portfolios to purchase. Due to the COVID-19 pandemic, banks decreased portfolio sales during 2020 in order to focus on customers’ needs. While we have seen a resumption of sales activity across many of our European markets in 2021, underlying default rates are generally low by historic levels, and sales levels are expected to fluctuate from quarter to quarter as banks seek to re-establish a more stable debt sales strategy. In general, supply remains below pre-pandemic levels while portfolio pricing has become more competitive across our European footprint.

Purchases by Geographic Location

The following table summarizes the geographic locations of receivable portfolios purchased during the periods presented *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
MCM (United States)	$ 102,339	$ 141,066	$ 284,230	$ 451,141
Cabot (Europe)	65,849	29,065	196,864	81,042
Total purchases of receivable portfolios	$ 168,188	$ 170,131	$ 481,094	$ 532,183

During the three months ended September 30, 2021, we invested $168.2 million to acquire receivable portfolios, with face values aggregating $1.4 billion, for an average purchase price of 12.0% of face value. The amount invested in receivable portfolios decreased $1.9 million, or 1.1%, compared with the $170.1 million invested during the three months ended September 30, 2020, to acquire receivable portfolios with face values aggregating $1.8 billion, for an average purchase price of 9.5% of face value.

During the nine months ended September 30, 2021, we invested $481.1 million to acquire receivable portfolios, with face values aggregating $3.9 billion, for an average purchase price of 12.4% of face value. The amount invested in receivable portfolios decreased $51.1 million, or 9.6%, compared with the $532.2 million invested during the nine months ended September 30, 2020, to acquire receivable portfolios with face values aggregating $4.8 billion, for an average purchase price of 11.1% of face value.

In the United States, purchases of receivable portfolios decreased during the three and nine months ended September 30, 2021 as compared to the corresponding periods in the prior year. The majority of our purchases in the U.S. are in forward flow agreements, and the timing, contract duration, and volumes for each contract can fluctuate leading to variation when comparing to prior periods. The decrease in purchases in the U.S. is a result of a decrease in supply, which we believe is temporary.

In Europe, purchases of receivable portfolios increased during the three and nine months ended September 30, 2021 as compared to the corresponding periods in the prior year. The increases were primarily the result of a relatively limited supply of portfolios and a continuation of our selective purchasing process in conjunction with a plan to reduce European debt leverage during the three and nine months ended September 30, 2020. The increases were also attributable to the favorable impact from foreign currency translation, primarily by the weakening of the U.S. dollar against the British Pound.

The average purchase price, as a percentage of face value, varies from period to period depending on, among other factors, the quality of the accounts purchased and the length of time from charge-off to the time we purchase the portfolios.

During the three months ended September 30, 2021 and 2020, we invested $8.1 million and $0.2 million in REO assets, respectively. During the nine months ended September 30, 2021 and 2020, we invested $11.7 million and $1.5 million in REO assets, respectively.

Collections from Purchased Receivables by Channel and Geographic Location

We utilize three channels for the collection of our purchased receivables: call center and digital collections; legal collections; and collection agencies. The call center and digital collections channel consists of collections that result from our call centers, direct mail program and online collections. The legal collections channel consists of collections that result from our internal legal channel or from our network of retained law firms. The collection agencies channel consists of collections by third parties to whom we pay a fee or commission. We utilize this channel to supplement capacity in our internal call centers, to service accounts in regions where we do not have collections operations or for accounts purchased where we maintain the collection agency servicing relationship. The following table summarizes the total collections by collection channel and geographic area during the periods presented *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
MCM (United States):				
Call center and digital collections	$ 234,923	$ 246,689	$ 762,487	$ 709,780
Legal collections	170,538	139,473	510,285	431,096
Collection agencies	1,121	4,699	6,833	10,766
Subtotal	406,582	390,861	1,279,605	1,151,642
Cabot (Europe):				
Call center and digital collections	71,192	65,182	226,873	182,206
Legal collections	45,144	40,171	137,926	115,107
Collection agencies	39,053	36,120	121,545	104,634
Subtotal	155,389	141,473	486,344	401,947
Other geographies:				
Collection agencies	4,719	7,414	19,629	21,653
Subtotal	4,719	7,414	19,629	21,653
Total collections from purchased receivables	$ 566,690	$ 539,748	$ 1,785,578	$ 1,575,242

Gross collections from purchased receivables increased by $26.9 million, or 5.0%, to $566.7 million during the three months ended September 30, 2021, from $539.7 million during the three months ended September 30, 2020. Gross collections from purchased receivables increased by $210.3 million, or 13.4%, to $1,785.6 million during the nine months ended September 30, 2021, from $1,575.2 million during the nine months ended September 30, 2020.

The increase in collections from purchased receivables in the United States was primarily driven by changes in consumer behavior during the COVID-19 pandemic, an increase in legal channel collections and our continued effort in improving liquidation. We are frequently being called upon by our consumers to assist them with their financial recovery through inbound calls and online digital interaction. The large volume of consumer contact resulted in a significant increase in collections and improved our operating efficiency.

The increase in collections from purchased receivables in Europe was primarily due to reduced collections in the prior year resulting from the impacts of the COVID-19 pandemic and the favorable impact from foreign currency translation, primarily by the weakening of the U.S. dollar against the British Pound.

The COVID-19 pandemic and the resulting containment measures, including impacts to the legal collections process, negatively affected legal collections during the three and nine months ended September 30, 2020. We are closely monitoring the impacts of the COVID-19 pandemic on collections and cost-to-collect.

Results of Operations

Results of operations, in dollars and as a percentage of total revenues, adjusted by net allowances, were as follows *(in thousands, except percentages)*:

	Three Months Ended September 30,			
	2021		2020	
Revenues				
Revenue from receivable portfolios	$ 316,225	76.6 %	$ 342,489	84.8 %
Changes in recoveries	65,913	16.0 %	30,451	7.6 %
Total debt purchasing revenue	382,138	92.6 %	372,940	92.4 %
Servicing revenue	29,321	7.1 %	29,787	7.4 %
Other revenues	1,165	0.3 %	949	0.2 %
Total revenues	412,624	100.0 %	403,676	100.0 %
Operating expenses				
Salaries and employee benefits	94,662	22.9 %	95,979	23.8 %
Cost of legal collections	64,170	15.6 %	60,383	15.0 %
General and administrative expenses	35,819	8.7 %	53,459	13.2 %
Other operating expenses	25,226	6.1 %	28,088	7.0 %
Collection agency commissions	11,964	2.9 %	12,703	3.1 %
Depreciation and amortization	14,136	3.4 %	10,609	2.6 %
Total operating expenses	245,977	59.6 %	261,221	64.7 %
Income from operations	166,647	40.4 %	142,455	35.3 %
Other expense				
Interest expense	(40,874)	(9.9) %	(52,974)	(13.1) %
Loss on extinguishment of debt	—	— %	(14,988)	(3.7) %
Other (expense) income	(17,504)	(4.2) %	361	0.1 %
Total other expense	(58,378)	(14.1) %	(67,601)	(16.7) %
Income before income taxes	108,269	26.3 %	74,854	18.6 %
Provision for income taxes	(24,703)	(6.0) %	(19,747)	(4.9) %
Net income	83,566	20.3 %	55,107	13.7 %
Net income attributable to noncontrolling interest	—	— %	(457)	(0.1) %
Net income attributable to Encore Capital Group, Inc. stockholders	$ 83,566	20.3 %	$ 54,650	13.6 %

	Nine Months Ended September 30,			
	2021		2020	
Revenues				
Revenue from receivable portfolios	$ 982,393	78.1 %	$ 1,035,141	92.5 %
Changes in recoveries	176,628	14.1 %	(2,203)	(0.2)%
Total debt purchasing revenue	1,159,021	92.2 %	1,032,938	92.3 %
Servicing revenue	93,901	7.5 %	82,417	7.4 %
Other revenues	4,274	0.3 %	3,435	0.3 %
Total revenues	1,257,196	100.0 %	1,118,790	100.0 %
Operating expenses				
Salaries and employee benefits	288,892	23.0 %	279,944	25.0 %
Cost of legal collections	198,212	15.8 %	164,018	14.7 %
General and administrative expenses	102,790	8.1 %	113,954	10.2 %
Other operating expenses	81,895	6.5 %	83,527	7.5 %
Collection agency commissions	38,465	3.1 %	36,562	3.3 %
Depreciation and amortization	37,694	3.0 %	31,436	2.8 %
Total operating expenses	747,948	59.5 %	709,441	63.5 %
Income from operations	509,248	40.5 %	409,349	36.5 %
Other expense				
Interest expense	(131,559)	(10.5)%	(157,963)	(14.1)%
Loss on extinguishment of debt	(9,300)	(0.7)%	(14,988)	(1.4)%
Other expense	(16,993)	(1.4)%	(1,211)	(0.1)%
Total other expense	(157,852)	(12.6)%	(174,162)	(15.6)%
Income before income taxes	351,396	27.9 %	235,187	20.9 %
Provision for income taxes	(76,278)	(6.1)%	(59,875)	(5.4)%
Net income	275,118	21.8 %	175,312	15.5 %
Net income attributable to noncontrolling interest	(419)	0.0 %	(784)	(0.1)%
Net income attributable to Encore Capital Group, Inc. stockholders	$ 274,699	21.8 %	$ 174,528	15.4 %

Comparison of Results of Operations

Revenues

Our revenues primarily include revenue recognized from engaging in debt purchasing and recovery activities, our debt purchasing revenue. Effective January 1, 2020, we adopted the CECL accounting standard. Under CECL, we apply our charge-off policy and fully write-off the amortized costs (*i.e.*, face value net of noncredit discount) of the individual receivables we acquire immediately after purchasing the portfolio. We then record a negative allowance that represents the present value of all expected future recoveries for pools of receivables that share similar risk characteristics using a discounted cash flow approach, which is presented as “Investment in receivable portfolios, net” in our consolidated statements of financial condition. The discount rate is an effective interest rate (or “purchase EIR”) established based on the purchase price of the portfolio and the expected future cash flows at the time of purchase.

Debt purchasing revenue includes two components:

(1) *Revenue from receivable portfolios*, which is the accretion of the discount on the negative allowance due to the passage of time (generally the portfolio balance multiplied by the EIR), and

(2) C*hanges in recoveries*, which includes

(a) Recoveries above (below) forecast, which is the difference between (i) actual cash collected/recovered during the current period and (ii) expected cash recoveries for the current period, which generally represents over or under performance for the period; and

(b) Changes in expected future recoveries, which is the present value change of expected future recoveries, where such change generally results from (i) collections "pulled forward from" or "pushed out to" future periods (i.e. amounts either collected early or expected to be collected later) and (ii) magnitude and timing changes to estimates of expected future collections (which can be increases or decreases).

Certain pools already fully recovered their cost basis and became zero basis portfolios ("ZBA") prior to our adoption of CECL. We did not establish a negative allowance for these pools as we elected the Transition Resource Group for Credit Losses' practical expedient to retain the integrity of these legacy pools. Similar to how we treated ZBA collections prior to the adoption of CECL, all subsequent collections to the ZBA pools are recognized as ZBA revenue, which is included in revenue from receivable portfolios in our consolidated statements of operations.

Servicing revenue consists primarily of fee-based income earned on accounts collected on behalf of others, primarily credit originators. We earn fee-based income by providing debt servicing (such as early stage collections, BPO, contingent collections, trace services and litigation activities) to credit originators for non-performing loans.

Other revenues primarily include revenues recognized from the sale of real estate assets that are acquired as a result of our investments in non-performing secured residential mortgage portfolios in Europe and LAAP. Other revenues may include gains recognized on transfers of financial assets.

The following table summarizes revenues for the periods presented (*in thousands*, *except percentages*):

	Three Months Ended September 30,			
	2021	2020	$ Change	% Change
Revenue recognized from portfolio basis	$ 304,341	$ 329,106	$ (24,765)	(7.5)%
ZBA revenue	11,884	13,383	(1,499)	(11.2)%
Revenue from receivable portfolios	316,225	342,489	(26,264)	(7.7)%
Recoveries above forecast	77,064	78,268	(1,204)	(1.5)%
Changes in expected future recoveries	(11,151)	(47,817)	36,666	(76.7)%
Changes in recoveries	65,913	30,451	35,462	116.5 %
Debt purchasing revenue	382,138	372,940	9,198	2.5 %
Servicing revenue	29,321	29,787	(466)	(1.6)%
Other revenues	1,165	949	216	22.8 %
Total revenues	$ 412,624	$ 403,676	$ 8,948	2.2 %

	Nine Months Ended September 30,			
	2021	2020	$ Change	% Change
Revenue recognized from portfolio basis	$ 944,012	$ 991,614	$ (47,602)	(4.8)%
ZBA revenue	38,381	43,527	(5,146)	(11.8)%
Revenue from receivable portfolios	982,393	1,035,141	(52,748)	(5.1)%
Recoveries above forecast	277,861	197,155	80,706	40.9 %
Changes in expected future recoveries	(101,233)	(199,358)	98,125	(49.2)%
Changes in recoveries	176,628	(2,203)	178,831	(8117.6)%
Debt purchasing revenue	1,159,021	1,032,938	126,083	12.2 %
Servicing revenue	93,901	82,417	11,484	13.9 %
Other revenues	4,274	3,435	839	24.4 %
Total revenues	$ 1,257,196	$ 1,118,790	$ 138,406	12.4 %

Our operating results are impacted by foreign currency translation, which represents the effect of translating operating results where the functional currency is different than our U.S. dollar reporting currency. The strengthening of the U.S. dollar relative to other foreign currencies has an unfavorable impact on our international revenues, and the weakening of the U.S. dollar relative to other foreign currencies has a favorable impact on our international revenues. Our revenues were favorably impacted by foreign currency translation, primarily by the weakening of the U.S. dollar against the British Pound by 6.3% during the three months ended September 30, 2021 compared to the three months ended September 30, 2020 and by 8.3% for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

The decreases in revenue recognized from portfolio basis during the three and nine months ended September 30, 2021 as compared to the three and nine months ended September 30, 2020 were primarily due to lower portfolio basis driven by the negative changes in expected future period recoveries and a lower volume of purchases in recent quarters.

As discussed above, ZBA revenue represents collections from our legacy ZBA pools. We expect our ZBA revenue to continue to decline as we collect on these legacy pools.

Recoveries above or below forecast represent over and under-performance in the reporting period. Collections during the three and nine months ended September 30, 2021 significantly outperformed the projected cash flows. We believe the collection over-performance was a result of our sustained improvements in portfolio collections driven by change in consumer behavior during the COVID-19 pandemic and our liquidation improvement initiatives.

While we now have additional information with respect to the impact on collections of the COVID-19 pandemic, the future outlook remains uncertain, and will continue to evolve depending on future developments, including the duration and spread of the pandemic, as well as related actions taken by governments. When reassessing the future forecasts of expected lifetime recoveries during the three months ended September 30, 2021, management considered historical and current collection performance, and believes that for certain static pools collections over-performance resulted in increased total expected recoveries. Although management believes that the relevant macroeconomic conditions have improved and therefore no longer materially impact our collections performance, uncertainty still remains in the geographies in which we operate. As a result of a combination of the above, we have updated our forecast, resulting in a net reduction of total estimated remaining collections which in turn, when discounted to present value, resulted in a negative change in expected future period recoveries of approximately $11.2 million and $101.2 million during the three and nine months ended September 30, 2021, respectively. During the three and nine months ended September 30, 2020, we recorded approximately $47.8 million and $199.4 million, respectively, in negative change in expected future period recoveries. The circumstances around this pandemic continue to rapidly evolve, and will continue to impact our business and our estimation of expected recoveries in future periods. We will continue to closely monitor the COVID-19 situation and update our assumptions accordingly.

The following tables summarize collections from purchased receivables, revenue from receivable portfolios, end of period receivable balance and other related supplemental data, by year of purchase (*in thousands, except percentages*):

	Three Months Ended September 30, 2021			As of September 30, 2021	
	Collections	Revenue from Receivable Portfolios	Changes in Recoveries	Investment in Receivable Portfolios	Monthly EIR
United States:					
ZBA	$ 11,247	$ 11,247	$ —	$ —	— %
2011	6,343	4,442	1,815	1,604	88.6 %
2012	6,371	4,371	1,779	3,320	42.0 %
2013	14,535	11,842	2,377	9,658	40.5 %
2014	8,810	5,311	1,365	25,039	6.7 %
2015	9,872	4,829	2,524	39,618	3.9 %
2016	20,762	9,188	7,177	73,942	4.1 %
2017	33,102	16,798	8,297	101,034	5.3 %
2018	54,240	23,335	9,181	188,650	3.8 %
2019	95,390	40,104	22,558	331,071	3.8 %
2020	107,901	46,988	33,139	403,776	3.7 %
2021	38,009	26,023	757	264,786	4.0 %
Subtotal	406,582	204,478	90,969	1,442,498	4.4 %
Europe:					
ZBA	22	22	—	—	— %
2013	23,131	19,265	(4,703)	188,032	3.2 %
2014	20,522	15,195	(3,087)	158,709	3.0 %
2015	13,901	9,775	(2,984)	126,822	2.4 %
2016[1]	11,798	10,087	(7,791)	113,336	2.8 %
2017	19,984	13,325	(6,372)	222,894	1.9 %
2018	18,558	13,090	(6,856)	264,678	1.6 %
2019	20,231	12,403	(1,305)	213,600	1.8 %
2020	14,795	8,432	5,889	120,945	2.3 %
2021	12,447	8,512	796	186,080	1.9 %
Subtotal	155,389	110,106	(26,413)	1,595,096	2.2 %
Other geographies:[2]					
ZBA	615	615	—	—	— %
2013	—	—	138	—	— %
2014	869	190	414	38,441	— %
2015	741	220	322	2,265	— %
2016	352	110	457	—	— %
2017	1,222	294	—	4,971	— %
2018	885	201	15	—	— %
2019	35	11	11	—	— %
Subtotal	4,719	1,641	1,357	45,677	— %
Total	$ 566,690	$ 316,225	$ 65,913	$ 3,083,271	3.3 %

(1) Portfolio balance includes non-accrual pool groups. The EIR presented is only for pool groups that accrete portfolio revenue.

(2) All portfolios are on non-accrual basis subsequent to the sale of our investments in Colombia and Peru in August 2021.

	Three Months Ended September 30, 2020			As of September 30, 2020	
	Collections	Revenue from Receivable Portfolios	Changes in Recoveries	Investment in Receivable Portfolios	Monthly EIR
United States:					
ZBA	$ 12,145	$ 12,148	$ —	$ —	— %
2011	6,026	5,275	673	2,027	88.6 %
2012	6,245	5,894	196	4,552	42.0 %
2013	15,028	14,050	718	11,361	40.5 %
2014	11,368	8,334	(1,443)	37,728	6.7 %
2015	15,362	7,465	1,585	59,920	3.9 %
2016	27,343	13,517	2,270	109,636	3.9 %
2017	45,696	24,441	9,872	149,478	5.2 %
2018	73,473	36,907	2,871	297,062	3.8 %
2019	108,410	64,583	(9,618)	522,303	3.8 %
2020	69,765	37,347	18,752	422,572	3.6 %
Subtotal	390,861	229,961	25,876	1,616,639	4.3 %
Europe:					
ZBA	42	41	—	—	— %
2013	24,113	21,588	671	221,977	3.2 %
2014	21,414	17,301	1,189	191,851	3.1 %
2015	13,595	10,745	476	147,919	2.4 %
2016(1)	13,531	10,748	1,629	129,015	2.6 %
2017	21,729	14,891	(689)	259,394	1.8 %
2018	19,341	14,707	(1,577)	309,543	1.6 %
2019	20,682	13,569	(1,557)	239,346	1.8 %
2020	7,026	4,713	3,172	82,980	2.4 %
Subtotal	141,473	108,303	3,314	1,582,025	2.3 %
Other geographies:					
ZBA	1,182	1,194	—	—	— %
2014(1)	922	399	241	45,043	101.7 %
2015(1)	1,054	597	305	3,395	96.7 %
2016	608	390	109	1,626	7.1 %
2017(1)	1,993	925	336	10,933	6.2 %
2018	1,587	686	261	5,922	3.7 %
2019	68	34	9	409	4.6 %
Subtotal	7,414	4,225	1,261	67,328	7.9 %
Total	$ 539,748	$ 342,489	$ 30,451	$ 3,265,992	3.4 %

(1) Portfolio balance includes non-accrual pool groups. The EIR presented is only for pool groups that accrete portfolio revenue.

	Nine Months Ended September 30, 2021			As of September 30, 2021	
	Collections	Revenue from Receivable Portfolios	Changes in Recoveries	Investment in Receivable Portfolios	Monthly EIR
United States:					
ZBA	$ 35,418	$ 35,418	$ —	$ —	— %
2011	18,660	13,554	5,014	1,604	88.6 %
2012	19,425	13,930	4,786	3,320	42.0 %
2013	44,569	37,252	7,269	9,658	40.5 %
2014	27,714	17,896	936	25,039	6.7 %
2015	34,788	16,393	5,237	39,618	3.9 %
2016	71,702	30,703	17,073	73,942	4.1 %
2017	117,087	57,023	22,940	101,034	5.3 %
2018	184,002	79,230	27,475	188,650	3.8 %
2019	317,708	137,499	42,570	331,071	3.8 %
2020	335,862	151,098	93,395	403,776	3.7 %
2021	72,670	44,963	9,203	264,786	4.0 %
Subtotal	1,279,605	634,959	235,898	1,442,498	4.4 %
Europe:					
ZBA	82	82	—	—	— %
2013	72,423	62,806	(30,524)	188,032	3.2 %
2014	65,210	49,571	(20,137)	158,709	3.0 %
2015	44,723	31,013	(9,323)	126,822	2.4 %
2016[(1)]	39,204	31,081	(5,594)	113,336	2.8 %
2017	65,295	41,981	(9,409)	222,894	1.9 %
2018	61,584	41,292	(13,968)	264,678	1.6 %
2019	67,610	38,863	3,062	213,600	1.8 %
2020	46,174	25,853	18,272	120,945	2.3 %
2021	24,039	16,350	4,653	186,080	1.9 %
Subtotal	486,344	338,892	(62,968)	1,595,096	2.2 %
Other geographies:[(2)]					
ZBA	2,881	2,881	—	—	— %
2013	—	—	138	—	— %
2014	2,896	933	678	38,441	— %
2015	3,058	1,196	1,009	2,265	— %
2016	1,533	655	731	—	— %
2017	5,211	1,656	535	4,971	— %
2018	3,905	1,161	589	—	— %
2019	145	60	18	—	— %
Subtotal	19,629	8,542	3,698	45,677	— %
Total	$ 1,785,578	$ 982,393	$ 176,628	$ 3,083,271	3.3 %

(1) Portfolio balance includes non-accrual pool groups. The EIR presented is only for pool groups that accrete portfolio revenue.

(2) All portfolios are on non-accrual basis subsequent to the sale of our investments in Colombia and Peru in August 2021.

	Nine Months Ended September 30, 2020			As of September 30, 2020	
	Collections	Revenue from Receivable Portfolios	Changes in Recoveries	Investment in Receivable Portfolios	Monthly EIR
United States:					
ZBA	$ 40,202	$ 40,215	$ —	$ —	— %
2011	19,494	17,398	1,444	2,027	88.6 %
2012	21,377	19,518	338	4,552	42.0 %
2013	48,854	46,166	(986)	11,361	40.5 %
2014	37,795	27,302	(3,056)	37,728	6.7 %
2015	51,856	25,068	2,821	59,920	3.9 %
2016	93,103	45,161	4,786	109,636	3.9 %
2017	154,198	82,417	17,595	149,478	5.2 %
2018	243,439	124,467	(4,204)	297,062	3.8 %
2019	313,152	205,004	(2,749)	522,303	3.8 %
2020	128,172	69,143	32,567	422,572	3.6 %
Subtotal	1,151,642	701,859	48,556	1,616,639	4.3 %
Europe:					
ZBA	142	141	—	—	— %
2013	69,322	64,334	(6,317)	221,977	3.2 %
2014	62,882	51,799	(1,179)	191,851	3.1 %
2015	40,451	32,138	1,416	147,919	2.4 %
2016[1]	37,144	32,096	(7,235)	129,015	2.6 %
2017	64,225	45,071	(10,603)	259,394	1.8 %
2018	59,452	44,562	(24,395)	309,543	1.6 %
2019	57,277	41,017	(8,139)	239,346	1.8 %
2020	11,052	8,724	4,746	82,980	2.4 %
Subtotal	401,947	319,882	(51,706)	1,582,025	2.3 %
Other geographies:					
ZBA	3,162	3,171	—	—	— %
2014[1]	3,445	1,262	270	45,043	101.7 %
2015[1]	3,559	2,027	525	3,395	96.7 %
2016	2,025	1,474	(100)	1,626	7.1 %
2017[1]	5,082	3,008	52	10,933	6.2 %
2018	4,201	2,348	205	5,922	3.7 %
2019	179	110	(5)	409	4.6 %
Subtotal	21,653	13,400	947	67,328	3.4 %
Total	$ 1,575,242	$ 1,035,141	$ (2,203)	$ 3,265,992	3.4 %

(1) Portfolio balance includes non-accrual pool groups. The EIR presented is only for pool groups that accrete portfolio revenue.

Servicing revenues during the three months ended September 30, 2021 was relatively consistent as compared to servicing revenues during the three months ended September 30, 2020. Servicing revenues increased during the nine months ended September 30, 2021 as compared to the same period in the prior year, the increase was primarily attributable to increased fee-based income driven by growth in BPO operations in Cabot and the favorable impact of foreign currency translation, which was primarily the result of the weakening of the U.S. dollar against the British Pound.

Other revenues increased during the three and nine months ended September 30, 2021 as compared to the three and nine months ended September 30, 2020, primarily driven by the increased sale of real estate assets and the favorable impact of foreign currency translation, which was primarily the result of the weakening of the U.S. dollar against the British Pound.

Operating Expenses

The following table summarizes operating expenses for the periods presented (*in thousands, except percentages*):

	Three Months Ended September 30,			
	2021	2020	$ Change	% Change
Salaries and employee benefits	$ 94,662	$ 95,979	$ (1,317)	(1.4) %
Cost of legal collections	64,170	60,383	3,787	6.3 %
General and administrative expenses	35,819	53,459	(17,640)	(33.0) %
Other operating expenses	25,226	28,088	(2,862)	(10.2) %
Collection agency commissions	11,964	12,703	(739)	(5.8) %
Depreciation and amortization	14,136	10,609	3,527	33.2 %
Total operating expenses	$ 245,977	$ 261,221	$ (15,244)	(5.8) %

	Nine Months Ended September 30,			
	2021	2020	$ Change	% Change
Salaries and employee benefits	$ 288,892	$ 279,944	$ 8,948	3.2 %
Cost of legal collections	198,212	164,018	34,194	20.8 %
General and administrative expenses	102,790	113,954	(11,164)	(9.8)%
Other operating expenses	81,895	83,527	(1,632)	(2.0)%
Collection agency commissions	38,465	36,562	1,903	5.2 %
Depreciation and amortization	37,694	31,436	6,258	19.9 %
Total operating expenses	$ 747,948	$ 709,441	$ 38,507	5.4 %

Our operating results are impacted by foreign currency translation, which represents the effect of translating operating results where the functional currency is different than our U.S. dollar reporting currency. The strengthening of the U.S. dollar relative to other foreign currencies has a favorable impact on our international operating expenses, and the weakening of the U.S. dollar relative to other foreign currencies has an unfavorable impact on our international operating expenses. Our operating expenses were unfavorably impacted by foreign currency translation, primarily by the weakening of the U.S. dollar against the British Pound by approximately 6.3% for the three months ended September 30, 2021 as compared to the three months ended September 30, 2020, and by 8.3% for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020.

Operating expenses are explained in more detail as follows:

Salaries and Employee Benefits

The decrease in salaries and employee benefits during the three months ended September 30, 2021 as compared to the three months ended September 30, 2020 was primarily due to the following reasons:

- Slight decrease of headcount in the US and International locations;
- The decrease was partially offset by the unfavorable impact of foreign currency translation, primarily by the weakening of the U.S. dollar against the British Pound.

The increase in salaries and employee benefits during the nine months ended September 30, 2021 as compared to the nine months ended September 30, 2020 were primarily due to the following reasons:

- Increased salaries and benefits in our fee-based business in Cabot driven by growth in BPO operations;
- The unfavorable impact of foreign currency translation, primarily by the weakening of the U.S. dollar against the British Pound.

Cost of Legal Collections

Cost of legal collections primarily includes contingent fees paid to our external network of attorneys and the cost of litigation. We pursue legal collections using a network of attorneys that specialize in collection matters and through our internal legal channel. Under the agreements with our contracted attorneys, we advance certain out-of-pocket court costs. Cost of legal collections does not include internal legal channel employee costs, which are included in salaries and employee benefits in our consolidated statements of operations.

The following table summarizes our cost of legal collections during the periods presented (*in thousands, except percentages*):

	Three Months Ended September 30,			
	2021	2020	$ Change	% Change
Court costs	$ 37,970	$ 38,500	$ (530)	(1.4) %
Legal collection fees	26,200	21,883	4,317	19.7 %
Total cost of legal collections	$ 64,170	$ 60,383	$ 3,787	6.3 %

	Nine Months Ended September 30,			
	2021	2020	$ Change	% Change
Court costs	$ 119,366	$ 96,202	$ 23,164	24.1 %
Legal collection fees	78,846	67,816	11,030	16.3 %
Total cost of legal collections	$ 198,212	$ 164,018	$ 34,194	20.8 %

Cost of legal collections increased driven by increased legal channel collections. Beginning in late March of 2020, our legal collection channel spending reduced substantially due to court closures in certain jurisdictions as a result of the COVID-19 pandemic, the legal collection channel spending has gradually increased and are now back to historical levels.

General and Administrative Expenses

The decreases in general and administrative expense during the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020 were primarily due to the following reasons:

- A charge of $15.0 million relating to our settlement with the CFPB recognized in the three and nine months ended September 30, 2020;
- Certain third-party costs of approximately $6.9 million incurred relating to various financing transactions completed in September 2020;
- The unfavorable impact of foreign currency translation, primarily by the weakening of the U.S. dollar against the British Pound;
- The decreases were partially offset by increased information technology related expense.

Other Operating Expenses

Other operating expenses decreased during the three and nine months ended September 30, 2021 as compared to the three and nine months ended September 30, 2020, primarily due to reduced expenditures for temporary services and direct collection expenses. The decreases were partially offset by the unfavorable impact of foreign currency translation, primarily by the weakening of the U.S. dollar against the British Pound.

Collection Agency Commissions

Collection agency commissions are commissions paid to third-party collection agencies. Collections through the collections agencies channel are predominately in Europe and Latin America and vary from period to period depending on, among other things, the number of accounts placed with an agency versus accounts collected internally. Commission rates vary depending on, among other things, the amount of time that has passed since the charge-off of the accounts placed with an agency, the asset class, and the geographic location of the receivables. Generally, freshly charged-off accounts have a lower commission rate than accounts that have been charged off for a longer period of time, and commission rates for purchased bankruptcy portfolios are lower than the commission rates for charged-off credit card accounts.

Depreciation and Amortization

The increases in depreciation and amortization expense during the three and nine months ended September 30, 2021 as compared to the three and nine months ended September 30, 2020 were primarily due the write-off of certain computer software and equipment and the unfavorable impact of foreign currency translation, primarily by the weakening of the U.S. dollar against the British Pound.

Interest Expense

The following tables summarize our interest expense (*in thousands, except percentages):*

	Three Months Ended September 30,			
	2021	2020	$ Change	% Change
Stated interest on debt obligations	$ 36,600	$ 44,484	$ (7,884)	(17.7) %
Amortization of debt issuance costs	3,917	6,000	(2,083)	(34.7) %
Amortization of debt discount	357	2,490	(2,133)	(85.7) %
Total interest expense	$ 40,874	$ 52,974	$ (12,100)	(22.8) %

	Nine Months Ended September 30,			
	2021	2020	$ Change	% Change
Stated interest on debt obligations	$ 117,881	$ 137,366	$ (19,485)	(14.2)%
Amortization of debt issuance costs	12,469	11,795	674	5.7 %
Amortization of debt discount	1,209	8,802	(7,593)	(86.3)%
Total interest expense	$ 131,559	$ 157,963	$ (26,404)	(16.7)%

In September 2020, we entered into various transactions, agreements and amendments related to our borrowings and completed the implementation of our new global funding structure. In November and December 2020, we completed two offerings of senior secured notes, partially redeemed our Cabot senior secured notes due 2023 and fully redeemed our Cabot floating rate notes due 2024. In June 2021, we completed an offering of senior secured notes due 2028 and fully redeemed the remaining outstanding portion of our Cabot senior secured notes due 2023. These refinancing transactions successfully reduced the interest rates on our outstanding borrowings.

The decreases in interest expense during the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020 were primarily due to the following reasons:

- Lower average debt balances;
- Decreased interest rates as a result of various refinancing transactions;
- Effective January 1, 2021, we adopted a new accounting standard for our convertible and exchangeable notes and now recognize interest expense at the stated coupon rate of interest, rather than the higher effective interest rate;
- Partially offset by the unfavorable impact of foreign currency translation, primarily by the weakening of the U.S. dollar against the British Pound and increased amortization of loan fees and other loan costs as a result of higher capitalized debt issuance costs.

Loss on Extinguishment of Debt

During the nine months ended September 30, 2021, we recorded $9.3 million of loss on extinguishment of debt in connection with the redemption of our Cabot senior secured notes due 2023. During the three and nine months ended September 30, 2020, we recorded $15.0 million of loss on extinguishment of debt in connection with various financing transactions. Refer to “Note 7: Borrowings” in the notes to our consolidated financial statements for details of our financing activities.

Other (Expense) Income

Other income or expense consists primarily of foreign currency exchange gains or losses, interest income, and gains or losses recognized on certain transactions outside of our normal course of business. Other expense was $17.5 million and other income was $0.4 million during the three months ended September 30, 2021 and 2020, respectively. Other expense was $17.0 million during the nine months ended September 30, 2021 and other expense was $1.2 million during the nine months ended September 30, 2020.

Other expense recognized during the three and nine months ended September 30, 2021 primarily included the loss on the sale of our investment in Colombia and Peru of $17.4 million. Other expense recognized during the nine months ended September 30, 2020 primarily included a loss of $4.8 million as a result of the divestiture of our investment in Brazil. This loss was partially offset by other income from fair value changes for currency exchange forward contracts which were not designated as hedge instruments for accounting purposes.

Provision for Income Taxes

Provision for income taxes and effective tax rate are as follows for the periods presented (*$ in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Provision for income taxes	$ 24,703	$ 19,747	$ 76,278	$ 59,875
Effective tax rate	22.8 %	26.4 %	21.7 %	25.5 %

For the three and nine months ended September 30, 2021, the difference between our effective tax rate and the federal statutory rate was primarily due to the proportion of income earned in higher tax rate jurisdictions compared to lower tax rate jurisdictions. In 2020, the difference between our effective tax rate and the federal statutory rate was primarily due to a change in valuation allowance recognized in the period under the discrete method. We utilized the discrete method for recording income taxes during 2020 due to uncertainty in estimating annual pre-tax earnings primarily due to the COVID-19 pandemic. We returned to using the estimated annual effective tax rate beginning January 1, 2021.

Non-GAAP Disclosure

In addition to the financial information prepared in conformity with Generally Accepted Accounting Principles (“GAAP”), we provide historical non-GAAP financial information. Management believes that the presentation of such non-GAAP financial information is meaningful and useful in understanding the activities and business metrics of our operations. Management believes that these non-GAAP financial measures reflect an additional way of viewing aspects of our business that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business.

Management believes that the presentation of these measures provides investors with greater transparency and facilitates comparison of operating results across a broad spectrum of companies with varying capital structures, compensation strategies, and derivative instruments, which provide a more complete understanding of our financial performance, competitive position, and prospects for the future. Readers should consider the information in addition to, but not instead of, our financial statements prepared in accordance with GAAP. This non-GAAP financial information may be determined or calculated differently by other companies, limiting the usefulness of these measures for comparative purposes.

Adjusted EBITDA. Management utilizes adjusted EBITDA (defined as net income before interest income and expense, taxes, depreciation and amortization, stock-based compensation expenses, acquisition, integration and restructuring related expenses, and other charges or gains that are not indicative of ongoing operations), in the evaluation of our operating performance. Adjusted EBITDA for the periods presented is as follows *(in thousands):*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
GAAP net income, as reported	83,566	55,107	275,118	175,312
Adjustments:				
Interest expense	40,874	52,974	131,559	157,963
Interest income	(270)	(394)	(1,170)	(1,953)
Provision for income taxes	24,703	19,747	76,278	59,875
Depreciation and amortization	14,136	10,609	37,694	31,436
CFPB settlement fees[1]	—	15,009	—	15,009
Stock-based compensation expense	3,847	3,884	12,903	13,189
Acquisition, integration and restructuring related expenses[2]	17,950	(23)	17,950	4,940
Loss on extinguishment of debt	—	14,988	9,300	14,988
Adjusted EBITDA	184,806	171,901	559,632	470,759
Collections applied to principal balance[3]	188,181	172,406	641,765	547,902

(1) Amount represents a charge resulting from the Stipulated Judgment with the CFPB. We have adjusted for this amount because we believe it is not indicative of ongoing operations; therefore, adjusting for it enhances comparability to prior periods, anticipated future periods, and our competitors' results.

(2) Amount represents acquisition, integration and restructuring related expenses, including the loss recognized on the sale of our investment in Colombia and Peru of $17.4 million during the three and nine months ended September 30, 2021 and the loss on sale of our investment in Brazil of $4.8 million during the nine months ended September 30, 2020. 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) Collections applied to principal balance is calculated in the table below. For consistency with our debt covenant reporting, for periods subsequent to June 30, 2020, the collections applied to principal balance also includes proceeds applied to basis from sales of REO assets and related activities; prior period amounts have not been adjusted to reflect this change as such amounts were immaterial.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Collections applied to investment in receivable portfolios, net	$ 250,465	197,259	803,185	540,101
Less: Changes in recoveries	(65,913)	(30,451)	(176,628)	2,203
REO proceeds applied to basis	3,629	5,598	15,208	5,598
Collections applied to principal balance	$ 188,181	172,406	641,765	547,902

Adjusted Operating Expenses. Management utilizes adjusted operating expenses in order to facilitate a comparison of approximate costs to cash collections for our portfolio purchasing and recovery business. Adjusted operating expenses for our portfolio purchasing and recovery business are calculated by starting with GAAP total operating expenses and backing out operating expenses related to non-portfolio purchasing and recovery business, acquisition, integration and restructuring related operating expenses, stock-based compensation expense, settlement fees and related administrative expenses and other charges or gains that are not indicative of ongoing operations. Adjusted operating expenses related to our portfolio purchasing and recovery business for the periods presented are as follows *(in thousands):*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
GAAP total operating expenses, as reported	$ 245,977	$ 261,221	$ 747,948	$ 709,441
Adjustments:				
Operating expenses related to non-portfolio purchasing and recovery business[1]	(47,088)	(54,001)	(133,008)	(137,876)
CFPB settlement fees[2]	—	(15,009)	—	(15,009)
Stock-based compensation expense	(3,847)	(3,884)	(12,903)	(13,189)
Acquisition, integration and restructuring related operating expenses[3]	—	23	—	(132)
Adjusted operating expenses related to portfolio purchasing and recovery business	$ 195,042	$ 188,350	$ 602,037	$ 543,235

(1) Operating expenses related to non-portfolio purchasing and recovery business include operating expenses from other operating segments that primarily engage in fee-based business, as well as corporate overhead not related to our portfolio purchasing and recovery business.

(2) Amount represents a charge resulting from the Stipulated Judgment with the CFPB. We have adjusted for this amount because we believe it is not indicative of ongoing operations; therefore, adjusting for it enhances comparability to prior periods, anticipated future periods, and our competitors' results.

(3) Amount represents acquisition, integration and restructuring related operating expenses. We adjust for this amount because we believe these operating expenses are not indicative of ongoing operations; therefore, adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.

Cost per Dollar Collected

We utilize adjusted operating expenses in order to facilitate a comparison of approximate costs to cash collections from purchased receivables for our portfolio purchasing and recovery business. The following table summarizes our cost per dollar collected (defined as adjusted operating expenses as a percentage of collections from purchased receivables) by geographic location during the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
United States	35.4 %	36.9 %	34.5 %	36.1 %
Europe	31.0 %	28.1 %	30.7 %	28.7 %
Other geographies	58.7 %	55.6 %	55.4 %	55.5 %
Overall cost per dollar collected	34.4 %	34.9 %	33.7 %	34.5 %

Cost-to-collect decreased during the periods presented, primarily attributable to decreased cost-to-collect in the U.S., driven by continued improvement in operational efficiencies in the collection process.

Cost-to-collect in Europe increased due to increased spend in legal collection channel. Our European legal collection channel spending reduced substantially in 2020 as a result of the COVID-19 pandemic, the legal collection channel spending increased substantially in the third quarter of 2021 as compared to the same period in the prior year and drove the higher overall cost-to-collect in Europe.

Collections from other geographies continue to decline as we continue to focus on the U.S. and European markets. Cost-to-collect in LAAP is expected to stay at an elevated level and will continue to fluctuate over time.

Over time, we expect our cost-to-collect to remain competitive, but also to fluctuate from quarter to quarter based on seasonality, product mix, acquisitions, foreign exchange rates, the cost of new operating initiatives, and the changing regulatory and legislative environment.

Supplemental Performance Data

The tables included in this supplemental performance data section include detail for purchases, collections and ERC by year of purchase.

Our collection expectations are based on account characteristics and economic variables. Additional adjustments are made to account for qualitative factors that may affect the payment behavior of our consumers and servicing related adjustments to ensure our collection expectations are aligned with our operations. We continue to refine our process of forecasting collections both domestically and internationally with a focus on operational enhancements. Our collection expectations vary between types of portfolio and geographic location. For example, in the U.K., due to the higher concentration of payment plans, as compared to the U.S. and other locations in Europe, we expect to receive streams of collections over longer periods of time. As a result, past performance of pools in certain geographic locations or of certain types of portfolio are not necessarily a suitable indicator of future results in other locations or for other types of portfolio.

The supplemental performance data presented in this section is impacted by foreign currency translation, which represents the effect of translating financial results where the functional currency of our foreign subsidiary is different than our U.S. dollar reporting currency. For example, the strengthening of the U.S. dollar relative to other foreign currencies has an unfavorable reporting impact on our international purchases, collections, and ERC, and the weakening of the U.S. dollar relative to other foreign currencies has a favorable impact on our international purchases, collections, and ERC.

We utilize proprietary forecasting models to continuously evaluate the economic life of each pool.

Cumulative Collections from Purchased Receivables to Purchase Price Multiple

The following table summarizes our receivable purchases and related gross collections by year of purchase *(in thousands, except multiples)*:

Year of Purchase	Purchase Price(1)	Cumulative Collections through September 30, 2021								
		<2012	2012	2013	2014	2015	2016	2017	2018	
United States:										
<2012	$ 2,143,750	$ 3,983,166	$ 760,285	$ 554,597	$ 391,737	$ 293,528	$ 206,933	$ 155,456	$ 121,545	$
2012	548,803	—	187,721	350,134	259,252	176,914	113,067	74,507	48,832	
2013	551,866	—	—	230,051	397,646	298,068	203,386	147,503	107,399	
2014	517,651	—	—	—	144,178	307,814	216,357	142,147	94,929	
2015	499,075	—	—	—	—	105,610	231,102	186,391	125,673	
2016	553,170	—	—	—	—	—	110,875	283,035	234,690	
2017	528,087	—	—	—	—	—	—	111,902	315,853	
2018	630,553	—	—	—	—	—	—	—	175,042	
2019	676,937	—	—	—	—	—	—	—	—	
2020	539,131	—	—	—	—	—	—	—	—	
2021	283,288	—	—	—	—	—	—	—	—	
Subtotal	7,472,311	3,983,166	948,006	1,134,782	1,192,813	1,181,934	1,081,720	1,100,941	1,223,963	
Europe:										
2013	619,079	—	—	134,259	249,307	212,129	165,610	146,993	132,663	
2014	623,129	—	—	—	135,549	198,127	156,665	137,806	129,033	
2015	419,941	—	—	—	—	65,870	127,084	103,823	88,065	
2016	258,218	—	—	—	—	—	44,641	97,587	83,107	
2017	461,571	—	—	—	—	—	—	68,111	152,926	
2018	433,302	—	—	—	—	—	—	—	49,383	
2019	273,354	—	—	—	—	—	—	—	—	
2020	116,899	—	—	—	—	—	—	—	—	
2021	196,864	—	—	—	—	—	—	—	—	
Subtotal	3,402,357	—	—	134,259	384,856	476,126	494,000	554,320	635,177	
Other geographies:										
2012	6,721	—	—	3,848	2,561	1,208	542	551	422	
2013	29,465	—	—	6,617	17,615	10,334	4,606	3,339	2,468	
2014	85,418	—	—	—	9,652	16,062	18,403	9,813	7,991	
2015	81,232	—	—	—	—	15,061	57,064	43,499	32,622	
2016	61,595	—	—	—	—	—	29,269	39,710	28,992	
2017	49,670	—	—	—	—	—	—	15,471	23,075	
2018	25,731	—	—	—	—	—	—	—	12,910	
2019	2,468	—	—	—	—	—	—	—	—	
Subtotal	342,300	—	—	10,465	29,828	42,665	109,884	112,383	108,480	
Total	$ 11,216,968	$ 3,983,166	$ 948,006	$ 1,279,506	$ 1,607,497	$ 1,700,725	$ 1,685,604	$ 1,767,644	$ 1,967,620	$

(1) Adjusted for Put-Backs and Recalls. Put-Backs (“Put-Backs”) and recalls (“Recalls”) represent ineligible accounts that are returned by us or recalled by the seller pursuant to specific guidelines as set forth in the respective purchase agreement.

(2) Cumulative collections from inception through September 30, 2021, excluding collections on behalf of others.

(3) Cumulative Collections Multiple (“Multiple”) through September 30, 2021 refers to collections as a multiple of purchase price.

Total Estimated Collections from Purchased Receivables to Purchase Price Multiple

The following table summarizes our purchases, resulting historical gross collections, and estimated remaining gross collections from purchased receivables, by year of purchase *(in thousands, except multiples)*:

	Purchase Price[(1)]	Historical Collections[(2)]	Estimated Remaining Collections	Total Estimated Gross Collections	Total Estimated Gross Collections to Purchase Price
United States:					
<2011	$ 1,759,963	$ 5,523,904	$ 87,587	$ 5,611,491	3.2
2011	383,787	1,172,610	50,965	1,223,575	3.2
2012	548,803	1,295,115	51,217	1,346,332	2.5
2013[(3)]	551,866	1,578,796	139,113	1,717,909	3.1
2014[(3)]	517,651	1,049,826	81,461	1,131,287	2.2
2015	499,075	832,739	90,200	922,939	1.8
2016	553,170	976,033	168,721	1,144,754	2.1
2017	528,087	993,218	281,518	1,274,736	2.4
2018	630,553	1,019,042	410,059	1,429,101	2.3
2019	676,937	908,716	736,161	1,644,877	2.4
2020	539,131	549,312	866,983	1,416,295	2.6
2021	283,288	72,670	622,332	695,002	2.5
Subtotal	7,472,311	15,971,981	3,586,317	19,558,298	2.6
Europe:					
2013[(3)]	619,079	1,319,815	749,120	2,068,935	3.3
2014[(3)]	623,129	1,011,982	549,610	1,561,592	2.5
2015[(3)]	419,941	557,156	359,332	916,488	2.2
2016	258,218	379,375	300,482	679,857	2.6
2017	461,571	492,675	492,610	985,285	2.1
2018	433,302	308,079	546,999	855,078	2.0
2019	273,354	192,230	454,661	646,891	2.4
2020	116,899	68,895	285,049	353,944	3.0
2021	196,864	24,039	420,688	444,727	2.3
Subtotal	3,402,357	4,354,246	4,158,551	8,512,797	2.5
Other geographies:					
2012	6,721	10,015	—	10,015	1.5
2013	29,465	48,302	—	48,302	1.6
2014	85,418	75,897	43,032	118,929	1.4
2015	81,232	173,491	8,713	182,204	2.2
2016	61,595	122,444	—	122,444	2.0
2017	49,670	66,443	18,372	84,815	1.7
2018	25,731	37,715	—	37,715	1.5
2019	2,468	3,588	—	3,588	1.5
Subtotal	342,300	537,895	70,117	608,012	1.8
Total	$ 11,216,968	$ 20,864,122	$ 7,814,985	$ 28,679,107	2.6

(1) Purchase price refers to the cash paid to a seller to acquire a portfolio less Put-backs, Recalls, and other adjustments. Put-Backs and Recalls represent ineligible accounts that are returned by us or recalled by the seller pursuant to specific guidelines as set forth in the respective purchase agreement.

(2) Cumulative collections from inception through September 30, 2021, excluding collections on behalf of others.

(3) Includes portfolios acquired in connection with certain business combinations.

Estimated Remaining Gross Collections by Year of Purchase

The following table summarizes our estimated remaining gross collections from purchased receivable portfolios and estimated future cash flows from real estate-owned assets by year of purchase *(in thousands)*:

	Estimated Remaining Gross Collections by Year of Purchase[1]										
	2021[3]	2022	2023	2024	2025	2026	2027	2028	2029	>2029	Total[2]
United States:											
<2011	$ 8,163	$ 26,306	$ 18,251	$ 12,631	$ 8,595	$ 5,815	$ 3,846	$ 2,374	$ 1,221	$ 385	$ 87,587
2011	4,224	14,326	10,122	7,106	4,993	3,511	2,473	1,744	1,233	1,233	50,965
2012	4,263	14,238	10,097	7,064	4,964	3,492	2,459	1,735	1,227	1,678	51,217
2013[4]	12,543	38,277	26,397	18,705	13,264	9,408	6,674	4,737	3,363	5,745	139,113
2014[4]	6,876	22,954	15,764	10,755	7,580	5,364	3,801	2,696	1,916	3,755	81,461
2015	7,838	26,045	17,718	12,070	8,048	5,578	3,935	2,786	1,977	4,205	90,200
2016	15,720	50,154	33,272	22,245	15,002	9,910	6,788	4,770	3,375	7,485	168,721
2017	25,052	80,723	52,589	37,768	25,771	18,021	12,424	8,833	6,254	14,083	281,518
2018	39,157	123,594	82,906	55,370	36,686	24,444	16,246	10,558	7,198	13,900	410,059
2019	69,662	209,416	140,462	99,741	67,544	46,306	31,966	22,256	15,288	33,520	736,161
2020	77,996	265,217	165,362	113,679	77,896	52,503	35,916	25,042	17,506	35,866	866,983
2021	42,573	175,202	144,756	84,334	54,499	37,777	25,627	17,916	12,643	27,005	622,332
Subtotal	314,067	1,046,452	717,696	481,468	324,842	222,129	152,155	105,447	73,201	148,860	3,586,317
Europe:											
2013[4]	21,579	83,496	77,549	70,589	65,365	59,671	54,055	49,522	45,689	221,605	749,120
2014[4]	18,058	68,075	61,742	54,979	49,564	43,928	38,357	34,947	31,261	148,699	549,610
2015[4]	12,661	47,050	41,672	37,045	33,006	29,192	25,089	22,323	19,879	91,415	359,332
2016	13,636	47,744	42,403	35,051	30,149	25,566	20,491	17,246	14,291	53,905	300,482
2017	21,184	76,732	65,552	55,338	46,490	38,930	33,538	28,306	24,451	102,089	492,610
2018	20,441	76,964	70,419	61,516	53,214	46,010	38,916	33,593	28,522	117,404	546,999
2019	20,499	73,974	63,270	53,923	45,296	37,549	29,880	24,897	21,167	84,206	454,661
2020	12,604	46,701	42,463	34,385	27,902	24,548	19,793	16,193	13,261	47,199	285,049
2021	13,972	64,070	59,243	48,965	41,491	35,532	31,164	26,798	22,480	76,973	420,688
Subtotal	154,634	584,806	524,313	451,791	392,477	340,926	291,283	253,825	221,001	943,495	4,158,551
Other geographies:											
2012	—	—	—	—	—	—	—	—	—	—	—
2013	—	—	—	—	—	—	—	—	—	—	—
2014	2,095	7,022	6,502	5,814	4,758	2,796	1,591	1,448	1,448	9,558	43,032
2015	296	1,001	1,217	1,131	1,044	754	631	529	445	1,665	8,713
2016	—	—	—	—	—	—	—	—	—	—	—
2017	711	2,621	2,385	2,101	1,894	1,428	822	745	745	4,920	18,372
2018	—	—	—	—	—	—	—	—	—	—	—
2019	—	—	—	—	—	—	—	—	—	—	—
Subtotal	3,102	10,644	10,104	9,046	7,696	4,978	3,044	2,722	2,638	16,143	70,117
Portfolio ERC	471,803	1,641,902	1,252,113	942,305	725,015	568,033	446,482	361,994	296,840	1,108,498	7,814,985
REO ERC[5]	10,393	21,264	17,499	9,377	3,471	1,596	269	218	281	—	64,368
Total ERC	$ 482,196	$ 1,663,166	$ 1,269,612	$ 951,682	$ 728,486	$ 569,629	$ 446,751	$ 362,212	$ 297,121	$ 1,108,498	$ 7,879,353

(1) As of September 30, 2021, ERC for Zero Basis Portfolios include approximately $87.6 million for purchased consumer and bankruptcy receivables in the United States. ERC for Zero Basis Portfolios in Europe and other geographies was immaterial. ERC also includes approximately $70.1 million from cost recovery portfolios, primarily in other geographies.

(2) Represents the expected remaining gross cash collections over a 180-month period. As of September 30, 2021, ERC for 84-month and 120-month periods were:

		84-Month ERC		120-Month ERC
United States	$	3,341,255	$	3,515,672
Europe		2,932,487		3,537,275
Other geographies		50,659		58,434
Portfolio ERC		6,324,401		7,111,381
REO ERC		63,872		64,368
Total ERC	$	6,388,273	$	7,175,749

(3) Amount for 2021 consists of three months data from October 1, 2021 to December 31, 2021.

(4) Includes portfolios acquired in connection with certain business combinations.

(5) Real estate-owned assets ERC includes approximately $62.7 million and $1.7 million of estimated future cash flows for Europe and Other Geographies, respectively.

Estimated Future Collections Applied to Investment in Receivable Portfolios

As of September 30, 2021, we had $3.1 billion in investment in receivable portfolios. The estimated future collections applied to the investment in receivable portfolios net balance is as follows *(in thousands):*

Years Ending December 31,	United States	Europe	Other Geographies	Total
2021[(1)]	$ 120,224	$ 54,385	$ 3,074	$ 177,683
2022	422,620	195,574	10,644	628,838
2023	295,722	185,481	9,111	490,314
2024	194,942	158,762	5,814	359,518
2025	129,002	138,140	4,758	271,900
2026	87,199	121,473	2,796	211,468
2027	58,767	101,652	1,591	162,010
2028	40,550	89,193	1,448	131,191
2029	28,225	78,677	1,448	108,350
2030	19,696	70,113	1,448	91,257
2031	14,002	66,216	1,448	81,666
2032	10,159	63,471	1,448	75,078
2033	7,694	65,008	649	73,351
2034	6,006	67,741	—	73,747
2035	4,928	75,380	—	80,308
2036	2,762	63,830	—	66,592
Total	$ 1,442,498	$ 1,595,096	$ 45,677	$ 3,083,271

(1) Amount for 2021 consists of three months data from October 1, 2021 to December 31, 2021.

Purchases by Quarter

The following table summarizes the receivable portfolios we purchased by quarter, and the respective purchase prices and fair value *(in thousands)*:

Quarter	# of Accounts	Face Value	Purchase Price
Q1 2019	854	$ 1,732,977	$ 262,335
Q2 2019	778	2,307,711	242,697
Q3 2019	1,255	5,313,092	259,910
Q4 2019	803	2,241,628	234,916
Q1 2020	943	1,703,022	214,113
Q2 2020	754	1,305,875	147,939
Q3 2020	735	1,782,733	170,131
Q4 2020	558	1,036,332	127,689
Q1 2021	749	1,328,865	170,178
Q2 2021	612	1,151,623	142,728
Q3 2021	767	1,403,794	168,188

Liquidity and Capital Resources

Liquidity

The following table summarizes our cash flow activities for the periods presented *(in thousands)*:

	Nine Months Ended September 30,	
	2021	2020
	(Unaudited)	
Net cash provided by operating activities	$ 211,990	$ 249,982
Net cash provided by investing activities	312,808	7,575
Net cash used in financing activities	(564,673)	(267,891)

Operating Cash Flows

Cash flows from operating activities represent the cash receipts and disbursements related to all of our activities other than investing and financing activities.

Net cash provided by operating activities was $212.0 million and $250.0 million during the nine months ended September 30, 2021 and 2020, respectively. Operating cash flows are derived by adjusting net income for non-cash operating items such as depreciation and amortization, changes in recoveries, stock-based compensation charges, and changes in operating assets and liabilities which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in results of operations.

Investing Cash Flows

Cash flows relating to investing activities is primarily affected by receivable portfolio purchases offset by collection proceeds applied to the principal of our receivable portfolios.

Net cash provided by investing activities was $312.8 million and $7.6 million during the nine months ended September 30, 2021 and 2020, respectively. Receivable portfolio purchases, net of put-backs, were $473.0 million and $518.0 million during the nine months ended September 30, 2021 and 2020, respectively. Collection proceeds applied to the investment in receivable portfolios, net, were $803.2 million and $540.1 million during the nine months ended September 30, 2021 and 2020, respectively.

Financing Cash Flows

Financing cash flows are generally affected by borrowings under our credit facilities and proceeds from various debt offerings, offset by repayments of amounts outstanding under our credit facilities and repayments of various notes.

Net cash used in financing activities was $564.7 million and $267.9 million during the nine months ended September 30, 2021 and 2020, respectively. Borrowings under our credit facilities were $418.9 million and $1,695.9 million during the nine months ended September 30, 2021 and 2020, respectively. Repayments of amounts outstanding under our credit facilities were $714.0 million and $2,051.8 million during the nine months ended September 30, 2021 and 2020, respectively. Proceeds from the issuance of senior secured notes were $353.7 million and $410.8 million during the nine months ended September 30, 2021 and 2020, respectively. Repayments of senior secured notes were $349.4 million and $152.4 million during the nine months ended September 30, 2021 and 2020, respectively. We paid $161.0 million of convertible senior notes that matured on March 15, 2021 and $89.4 million of convertible senior notes using cash on hand during the nine months ended September 30, 2021 and 2020, respectively.

Capital Resources

Historically, we have met our cash requirements by utilizing our cash flows from operations, cash collections from our investment in receivable portfolios, bank borrowings, debt offerings, and equity offerings. Depending on the capital markets, we consider additional financings to fund our operations and acquisitions. From time to time, we may repurchase outstanding debt or equity and/or restructure or refinance debt obligations. Our primary cash requirements have included the purchase of receivable portfolios, entity acquisitions, operating expenses, the payment of interest and principal on borrowings, and the payment of income taxes.

Currently, all of our portfolio purchases are funded with cash from operations, cash collections from our investment in receivable portfolios, and our bank borrowings.

We are in material compliance with all covenants under our financing arrangements. See “Note 7: Borrowings” in the notes to our consolidated financial statements for a further discussion of our debt.

On August 12, 2015, our Board of Directors approved a $50.0 million share repurchase program. On May 5, 2021, we announced that the Board of Directors had approved an increase in the size of the repurchase program from $50.0 million to $300.0 million (an increase of $250.0 million). Repurchases under this program are expected to be made with cash on hand and may be made from time to time, subject to market conditions and other factors, in the open market, through private transactions, block transactions, or other methods as determined by our management and Board of Directors, and in accordance with market conditions, other corporate considerations, and applicable regulatory requirements. The program does not obligate us to acquire any particular amount of common stock, and it may be modified or suspended at any time at our discretion. During the three and nine months ended September 30, 2021, we repurchased 854,002 and 1,976,857 shares of our common stock for approximately $40.7 million and $88.1 million, respectively. Our practice is to retire the shares repurchased.

On November 3, 2021, we announced our intent to launch a tender offer on November 4, 2021 to purchase with cash up to $300.0 million of shares of our common stock. We expect to fund the purchase of shares pursuant to the tender offer, together with all related fees and expenses, with cash and cash equivalents. We may also make a drawing from our Global Senior Facility. We will retire the shares purchased from the tender offer.

In May 2021, we terminated our at-the-market equity offering program (the “ATM Program”) pursuant to which we could issue and sell shares of Encore’s common stock having an aggregate offering price of $50.0 million.

Our cash and cash equivalents as of September 30, 2021 consisted of $20.7 million held by U.S.-based entities and $137.5 million held by foreign entities. Most of our cash and cash equivalents held by foreign entities is indefinitely reinvested and may be subject to material tax effects if repatriated. However, we believe that our U.S. sources of cash and liquidity are sufficient to meet our business needs in the United States and do not expect that we will need to repatriate the funds.

Included in cash and cash equivalents is cash that was collected on behalf of, and remains payable to, third-party clients. The balance of cash held for clients was $28.3 million as of September 30, 2021.

Cash from operations could also be affected by various risks and uncertainties, including, but not limited to, the effects of the COVID-19 pandemic, including timing of cash collections from our consumers, and other risks detailed in our Risk Factors. However, we believe that we have sufficient liquidity to fund our operations for at least the next twelve months, given our expectation of continued positive cash flows from operations, cash collections from our investment in receivable portfolios, our cash and cash equivalents, our access to capital markets, and availability under our credit facilities. Our future cash needs will depend on our acquisitions of portfolios and businesses.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rates. As of September 30, 2021, there had not been a material change in any of the foreign currency risk information disclosed in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Interest Rates. As of September 30, 2021, there had not been a material change in the interest rate risk information disclosed in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Item 4 – Controls and Procedures

Attached as exhibits to this Form 10-Q are the certifications required by Rule 13a-14 of the Securities Exchange Act of 1934, as amended. This section includes information concerning the controls and controls evaluation referred to in the certifications.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC") and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and accordingly, management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on their most recent evaluation, as of the end of the period covered by this Quarterly Report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act are effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

Except as noted below there were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We have not experienced any material impact to our internal controls over financial reporting due to the COVID-19 pandemic even though many of our employees are working remotely. We are continually monitoring and assessing the impact of the COVID-19 pandemic on our internal controls to minimize the impact on their design and operating effectiveness.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

Information with respect to this item may be found in “Note 10: Commitments and Contingencies,” to the consolidated financial statements.

Item 1A – Risk Factors

There is no material change in the information reported under “Part I-Item 1A-Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Repurchases of Equity Securities

During the three months ended September 30, 2021, the Company repurchased 854,002 shares of our common stock for approximately $40.7 million. The following table presents information with respect to purchases of common stock of the Company during the three months ended September 30, 2021, by the Company or an “affiliated purchaser” of the Company, as defined in Rule 10b-18(a)(3) under the Exchange Act:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)(2)	Maximum Number of Shares (or Approximate Dollar Value) That May Yet Be Purchased Under the Publicly Announced Plans or Programs(1)
July 1, 2021 to July 31, 2021	211,176	$ 46.74	211,176	$ 242,710,103
August 1, 2021 to August 31, 2021	337,983	$ 47.64	337,983	$ 226,608,593
September 1, 2021 to September 30, 2021	304,843	$ 48.31	304,843	$ 211,881,627
Total	854,002	$ 47.66	854,002	$ 211,881,627

(1) On August 12, 2015, we publicly announced that our Board of Directors had authorized a stock repurchase program for the Company to purchase $50.0 million of our Company’s common stock. On May 5, 2021, we publicly announced that our Board of Directors had authorized a $250.0 million increase to the stock repurchase program, which increased the size of the program from $50.0 million to $300.0 million.

(2) This column discloses the number of shares purchased pursuant to the program during the indicated time periods.

Item 6 – Exhibits

Number	Description
3.1.1	Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Company's Registration Statement on Form S-1/A filed on June 14, 1999, File No. 333-77483)
3.1.2	Certificate of Amendment to the Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 4, 2002, File No. 000-26489)
3.1.3	Second Certificate of Amendment to the Certificate of Incorporation (incorporated by reference to Exhibit 3.1.3 to the Company's Quarterly Report on Form 10-Q filed on August 7, 2019)
3.3	Bylaws, as amended through February 8, 2011 (incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K filed on February 14, 2011)
10.1	Amended and Restated Senior Facilities Agreement, dated August 5, 2021, by and among Encore Capital Group, Inc., the several guarantors, banks and other financial institutions and lenders from time to time party thereto and Truist Bank as Agent and Security Agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 11, 2021)
10.2	Amendment No. 1 to Fourth Amended and Restated Senior Secured Note Purchase Agreement, dated August 17, 2021, by and among Encore Capital Group, Inc. and the purchasers named therein (filed herewith)
31.1	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because XBRL tags are embedded within the inline XBRL document. (filed herewith)
101.SCH	XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101

SIGNATURES

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 thereunto duly authorized.

ENCORE CAPITAL GROUP, INC.

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

/s/ Peter Reck
Peter Reck
Vice President,
Chief Accounting Officer

Date: November 3, 2021

AMENDMENT NO. 1

Dated as of August 17, 2021

to

FOURTH AMENDED AND RESTATED SENIOR SECURED NOTE PURCHASE AGREEMENT

Dated as of September 1, 2020

THIS AMENDMENT NO. 1 ("Amendment") is made as of August 17, 2021 by and among Encore Capital Group, Inc. (the "Company") and the undersigned holders of Notes (the "Noteholders"). Reference is made to that certain Fourth Amended and Restated Senior Secured Note Purchase Agreement, dated as of September 1, 2020, between the Company, on the one hand, and the Purchasers named therein, on the other hand (the "Note Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Note Agreement.

WHEREAS, the Company has requested certain amendments to the Note Agreement as set forth herein, and the Company and the undersigned Noteholders have agreed to such amendments, subject to the terms and conditions of this Amendment; and

WHEREAS, the Credit Agreement is being amended by an amendment thereto (the "Credit Agreement Amendment").

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Noteholders party hereto have agreed to enter into this Amendment.

1. Amendments to Note Agreement. Subject to the terms and conditions hereof, on the Effective Date (as defined below) the Note Agreement is hereby amended, as follows:

(a) Section 7.02(a) (*Provision and Contents of Compliance Certificates*) of the Note Agreement is hereby amended and restated, as follows:

"(a) The Parent shall supply a Compliance Certificate to each holder of Notes that is an Institutional Investor (i) with each set of its audited consolidated Annual Financial Statements and each set of its consolidated Quarterly Financial Statements (other than its consolidated Quarterly Financial Statements for the fourth Financial Quarter of each Financial Year) and as otherwise required pursuant to this Agreement, and (ii) for purpose of the SSRCF LTV Ratio if the applicable Test Date is the last day of a Month that is not a Quarter Date, within 45 days after the last day of each such Month."

(b) The definition of "Fixed Charge Coverage Ratio" set forth in Section 10.1.2 (*Financial Definitions*) of the Note Agreement is hereby amended and restated, as follows:

""**Fixed Charge Coverage Ratio**" is defined in Part II of Schedule 4 (*Restrictive Covenants*)."

(c) Part II of Schedule 4 (*Restrictive Covenants*) is modified to delete the definitions of "Existing 2021 Encore Convertible Notes" and "Existing 2021 Encore Convertible Notes Indenture."

(d) Part II of Schedule 4 (*Restrictive Covenants*) is modified to amend and restate the definitions of the following existing defined terms as follows:

""**Existing 2022 Encore Convertible Notes Indenture**" means the indenture dated March 3, 2017, as amended, supplemented or modified from time to time, between the Parent, Midland Credit Management, Inc. and Truist Bank as successor trustee.

"**Existing 2023 Encore Exchangeable Notes Indenture**" means the base indenture dated July 20, 2018, as amended, supplemented or modified from time to time, between Encore Capital Europe Finance Limited, the Parent and Truist Bank as successor trustee.

"**Existing 2025 Encore Convertible Notes Indenture**" means the indenture dated September 9, 2019, as amended, supplemented or modified from time to time, between the Parent, Midland Credit Management, Inc. and Truist Bank as successor trustee.

"**Existing Encore Convertible Notes**" means the Existing 2022 Encore Convertible Notes and the Existing 2025 Encore Convertible Notes.

"**Existing Encore Notes**" means the Existing Encore Convertible Notes, the Existing 2023 Encore Exchangeable Notes and the Existing Encore Secured Notes.

"**Existing Encore Notes Indentures**" means the Existing Encore Convertible Notes Indentures, the Existing Encore Secured Notes Indentures and the Existing 2023 Encore Exchangeable Notes Indenture."

(e) Part II of Schedule 4 (*Restrictive Covenants*) is modified to add definitions for the following new defined terms in their proper alphabetical order as follows:

""**Existing 2025 Encore Fixed Rate Notes**" means the €350.0 million aggregate principal amount of 4.875% senior secured notes due 2025 issued by the Parent pursuant to the Existing 2025 Encore Fixed Rate Notes Indenture that remain outstanding.

"**Existing 2025 Encore Fixed Rate Notes Indenture**" means the indenture dated September 24, 2020, as amended, supplemented or modified from time to time, between the Parent, Citibank, N.A., London Branch, as trustee, principal paying agent and transfer agent, Citigroup Global Markets Europe AG, as registrar, Truist Bank, as security agent, and the guarantors parties thereto.

"**Existing 2026 Encore Fixed Rate Notes**" means the £300.0 million aggregate principal amount of 5.375% senior secured notes due 2026 issued by the Parent pursuant to the Existing 2026 Encore Fixed Rate Notes Indenture that remain outstanding.

"**Existing 2026 Encore Fixed Rate Notes Indenture**" means the indenture dated November 23, 2020, as amended, supplemented or modified from time to time, between the Parent, Citibank, N.A., London Branch, as trustee, principal paying agent and transfer agent, Citigroup Global Markets Europe AG, as registrar, Truist Bank, as security agent, and the guarantors parties thereto.

"**Existing 2028 Encore Floating Rate Notes**" means the €415.0 million aggregate principal amount of senior secured notes due 2028 issued by the Parent pursuant to the Existing 2028 Encore Floating Rate Notes Indenture that remain outstanding.

"**Existing 2028 Encore Floating Rate Notes Indenture**" means the indenture dated December 21, 2020, as amended, supplemented or modified from time to time, between the Parent, Citibank, N.A., London Branch, as trustee, principal paying agent, calculation agent and transfer agent, Citigroup Global Markets Europe AG, as registrar, Truist Bank, as security agent, and the guarantors parties thereto.

"**Existing 2028 Encore Fixed Rate Notes**" means the £250.0 million aggregate principal amount of 4.250% senior secured notes due 2028 issued by the Parent pursuant to the Existing 2028 Encore Fixed Rate Notes Indenture that remain outstanding.

"**Existing 2028 Encore Fixed Rate Notes Indenture**" means the indenture dated June 1, 2021, as amended, supplemented or modified from time to time, between the Parent, GLAS Trust Company LLC, as trustee, principal paying agent, transfer agent and registrar, Truist Bank, as security agent, and the guarantors parties thereto.

"**Existing Encore Convertible Notes Indentures**" means the Existing 2022 Encore Convertible Notes Indenture and the Existing 2025 Encore Convertible Notes Indenture.

"**Existing Encore Secured Notes**" means the Existing 2025 Encore Fixed Rate Notes, the Existing 2026 Encore Fixed Rate Notes, the Existing 2028 Encore Fixed Rate Notes and the Existing 2028 Encore Floating Rate Notes.

"**Existing Encore Secured Notes Indentures**" means the Existing 2025 Encore Fixed Rate Notes Indenture, the Existing 2026 Encore Fixed Rate Notes Indenture, the Existing 2028 Encore Fixed Rate Notes Indenture and the Existing 2028 Encore Floating Rate Notes Indenture."

2. [Intentionally Omitted].

3. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the following conditions precedent (the date on which each of which has been satisfied or waived in writing being referred to in this Amendment as the "**Effective Date**"): (a) the Noteholders shall have received (i) counterparts of this Amendment, duly executed by the Company and the Required Holders, and the Consent and Reaffirmation attached hereto duly

executed by the Guarantors, (ii) a fully executed copy of the Credit Agreement Amendment, which shall be in form and substance reasonably satisfactory to the Required Holders, and (iii) such other instruments and documents as are reasonably requested by the Noteholders on or prior to the date of this Amendment in connection with this Amendment; and (b) the Company shall have paid, to the extent invoiced on or prior to the date of this Amendment, all fees and expenses of the Noteholders (including attorneys' fees and expenses) in connection with this Amendment and the other Finance Documents.

4. Representations and Warranties of the Company. The Company hereby represents and warrants as follows:

(a) The execution, delivery and performance by each Obligor of this Amendment are within such Obligor's organizational powers and have been duly authorized by all necessary organizational, and if required, shareholder, partner or member, action. This Amendment has been duly executed and delivered by each Obligor. This Amendment and the Note Agreement as amended hereby constitute legal, valid and binding obligations of the Company and are enforceable against the Company in accordance with their terms.

(b) As of the date hereof and giving effect to the terms of this Amendment, (i) there exists no Default or Event of Default and (ii) the representations and warranties contained in Section 5 of the Note Agreement are true and correct, except for representations and warranties made with reference solely to an earlier date, which are true and correct as of such earlier date.

(c) The execution and delivery of this Amendment by the Obligors, and performance by the Company of this Amendment and the Note Agreement, as amended hereby (i) do not require any consent or approval of, registration or filing with, or any action by, any Governmental Authority, except those as have been obtained or made and are in full force and effect, (ii) will not violate any organizational documents of, or any law applicable to, any Obligor or any judgment, order or ruling of any Governmental Authority, (iii) will not violate or result in a default under the Note Agreement, the Credit Agreement, any other material agreement or other material instrument binding on any Obligor or any of their assets, or give rise to a right under any of the foregoing agreements (other than the Credit Agreement) to require any payment to be made by any Obligor, (iv) will not result in the creation or imposition of any Lien on any asset of any Obligor, except Liens (if any) created under the Finance Documents and (v) will not result in a material limitation on any licenses, permits or other governmental approvals applicable to the business, operations or properties of the Obligors.

(d) No fee or other remuneration is required to be paid to or for the benefit of any party to the Credit Agreement as consideration for the Credit Agreement Amendment except as consideration for the extension of the scheduled final maturity thereof.

5. Reference to and Effect on the Note Agreement.

(a) Upon the effectiveness hereof, each reference to the Note Agreement in the Note Agreement or any other Finance Document shall mean and be a reference to the Note Agreement as amended hereby.

(b) Except as specifically amended above, the Note Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) Other than as expressly set forth herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Noteholders, nor constitute a waiver of any provision of the Note Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

(d) This Amendment shall constitute a "Finance Document."

6. Release of Claims. In consideration of the amendments contained herein, each of the Obligors hereby waives and releases each of the Noteholders from any and all claims and defenses, known or unknown, existing as of the date hereof with respect to the Note Agreement and the other Finance Documents and the transactions contemplated hereby and thereby. It is the intention of each of the Company and the Guarantors in providing this release that the same shall be effective as a bar to each and every claim, demand and cause of action specified, and in furtherance of this intention it waives and relinquishes all rights and benefits under Section 1542 of the Civil Code of the State of California (or any comparable provision of any other applicable law), which provides:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

7. Governing Law. This Amendment shall be governed by and construed in accordance with the internal laws of the State of New York, excluding choice-of-law principles of the law of such state that would permit the application of the laws of a jurisdiction other than such state.

8. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

9. Counterparts; Electronic Signatures. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. The parties hereto agree to electronic contracting and signatures with respect to this Amendment. Delivery of an electronic signature to, or a signed copy of, this Amendment by facsimile, email or other electronic transmission shall be fully binding on the parties to the same extent as the delivery of the signed originals and shall be admissible into evidence for all purposes.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

ENCORE CAPITAL GROUP, INC.

By: /s/ Jonathan Clark
Jonathan Clark, Executive Vice President and Chief Financial Officer

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: PGIM, Inc., as investment manager

By: /s/ T. J. Flanagan III
Vice President

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

By: PGIM, Inc., as investment manager

By: /s/ T. J. Flanagan III
Vice President

PAR U HARTFORD LIFE & ANNUITY COMFORT TRUST

By: Prudential Arizona Reinsurance Universal Company, as Grantor

By: PGIM, Inc., as Investment Manager

By: /s/ T. J. Flanagan III
Vice President

PICA HARTFORD LIFE & ANNUITY COMFORT TRUST

By: The Prudential Insurance Company of America, as Grantor

By: PGIM, Inc., as investment manager

By: /s/ T. J. Flanagan III
Vice President

PRUDENTIAL ARIZONA REINSURANCE TERM COMPANY

By: PGIM, Inc., as investment manager

By: /s/ T. J. Flanagan III
Vice President

PRUDENTIAL LEGACY INSURANCE COMPANY OF NEW JERSEY

By: PGIM, Inc., as investment manager

By: /s/ T. J. Flanagan III
Vice President

PRUCO LIFE INSURANCE COMPANY

By: PGIM, Inc., as investment manager

By: /s/ T. J. Flanagan III
Vice President

MIDLAND NATIONAL LIFE INSURANCE COMPANY

By: Guggenheim Partners Investment Management, LLC as Investment Manager

By:____________
Name: Kevin M. Robinson
Title: Attorney-in-Fact

GUARANTY INCOME LIFE INSURANCE COMPANY

By: Guggenheim Partners Investment Management, LLC, as Manager

By:____________
Name: Kevin M. Robinson
Title: Attorney-in-Fact

HORACE MANN LIFE INSURANCE COMPANY

By: Guggenheim Partners Investment Management, LLC as Advisor

By:____________
Name: Kevin M. Robinson
Title: Attorney-in-Fact

NORTH AMERICA COMPANY FOR LIFE AND HEALTH INSURANCE

By: Guggenheim Partners Investment Management, LLC, as Investment Manager

By:____________
Name: Kevin M. Robinson
Title: Attorney-in-Fact

WILTON REASSURANCE LIFE COMPANY OF NEW YORK

By: Guggenheim Partners Investment Management, LLC, as Advisor

By:____________
Name: Kevin M. Robinson
Title: Attorney-in-Fact

TEXAS LIFE INSURANCE COMPANY

By: Guggenheim Partners Investment Management, LLC, as Advisor

By:____________
Name: Kevin M. Robinson
Title: Attorney-in-Fact

WILTON REASSURANCE COMPANY

By: Guggenheim Partners Investment Management, LLC, as Advisor

By:____________
Name: Kevin M. Robinson
Title: Attorney-in-Fact

ATHENE ANNUITY & LIFE ASSURANCE COMPANY

By: Apollo Insurance Solutions Group LP, its investment adviser

By: Apollo Capital Management, L.P., its sub adviser

By: Apollo Capital Management GP, LLC, its General Partner

By: /s/ Joseph D. Glatt
Name: Joseph D. Glatt
Title: Vice President

ATHENE ANNUITY AND LIFE COMPANY

By: Apollo Insurance Solutions Group LP, its investment adviser

By: Apollo Capital Management, L.P., its sub adviser

By: Apollo Capital Management GP, LLC, its General Partner

By: /s/ Joseph D. Glatt
Name: Joseph D. Glatt
Title: Vice President

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 1 to the Fourth Amended and Restated Senior Secured Note Purchase Agreement dated as of September 1, 2020 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Note Agreement") by and between Encore Capital Group, Inc. (the "Company") and the holders of Notes party thereto (the "Noteholders"), which Amendment No. 1 is dated as of August 17, 2021 (the "Amendment"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Note Agreement. Without in any way establishing a course of dealing by any Noteholder, each of the undersigned consents to the Amendment and reaffirms the terms and conditions of the Multiparty Guaranty and any other Finance Document executed by it and acknowledges and agrees that such agreement and each and every such Finance Document executed by the undersigned in connection with the Note Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed.

All references to the Note Agreement contained in the above-referenced documents shall be a reference to the Note Agreement as modified by the Amendment and as each of the same may from time to time hereafter be amended, modified or restated.

Dated: August 17, 2021

[Signature Page Follows]

MIDLAND FUNDING LLC, as Guarantor

By: /s/ Ryan Bell
Ryan Bell, President

MIDLAND PORTFOLIO SERVICES, INC., as Guarantor

By: /s/ Ryan Bell
Ryan Bell, President

MIDLAND CREDIT MANAGEMENT, INC., as Guarantor

By: /s/ Ryan Bell
Ryan Bell, President

ASSET ACCEPTANCE, LLC, as Guarantor

By: /s/ Ryan Bell
Ryan Bell, President

ASSET ACCEPTANCE CAPITAL CORP., as Guarantor

By: /s/ Ryan Bell
Ryan Bell, President

CABOT HOLDINGS S.à.R.L., as Guarantor

By: /s/ Gregory Call
Gregory Call, Class A Manager

JANUS HOLDINGS LUXEMBOURG S.à.R.L., as Guarantor

By: /s/ Gregory Call
Gregory Call, Class E Manager

ENCORE CAPITAL GROUP UK LIMITED, as Guarantor

By: /s/ Ashish Masih
Ashish Masih, Director

ENCORE HOLDINGS LUXEMBOURG S.à.R.L., as Guarantor

By: /s/ Gregory Call
Gregory Call, Class A Manager

CABOT UK HOLDCO LIMITED, as Guarantor

By: /s/ Craig Buick
Craig Buick, Director

CABOT FINANCIAL LIMITED, as Guarantor

By: /s/ Craig Buick
Craig Buick, Director

CABOT CREDIT MANAGEMENT GROUP LIMITED, as Guarantor

By: /s/ Craig Buick
Craig Buick, Director

CABOT CREDIT MANAGEMENT LIMITED, as Guarantor

By: /s/ Craig Buick
Craig Buick, Director

CABOT FINANCIAL HOLDINGS GROUP LIMITED, as Guarantor

By: /s/ Craig Buick
Craig Buick, Director

CABOT FINANCIAL (LUXEMBOURG) S.A., as Guarantor

By: /s/ Konstantin Burger
Konstantin Burger, Director

CABOT FINANCIAL (LUXEMBOURG) II S.A., as Guarantor

By: /s/ Konstantin Burger
Konstantin Burger, Director

CABOT FINANCIAL DEBT RECOVERY SERVICES LIMITED, as Guarantor

By: /s/ Craig Buick
Craig Buick, Director

CABOT FINANCIAL (UK) LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

CABOT FINANCIAL (EUROPE) LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

FINANCIAL INVESTIGATIONS AND RECOVERIES (EUROPE) LIMITED, as Guarantor

By: /s/ Craig Buick
Craig Buick, Director

APEX CREDIT MANAGEMENT LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

MARLIN FINANCIAL GROUP LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

MARLIN FINANCIAL INTERMEDIATE LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

MARLIN FINANCIAL INTERMEDIATE II LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

MARLIN MIDWAY LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

BLACK TIP CAPITAL HOLDINGS LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

MARLIN SENIOR HOLDINGS LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

MARLIN PORTFOLIO HOLDINGS LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

MARLIN LEGAL SERVICES LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

CABOT FINANCIAL (IRELAND) LIMITED, as Guarantor

By: /s/ Sean Webb
Sean Webb, Director

CABOT ASSET PURCHASES (IRELAND) LIMITED, as Guarantor

By: /s/ Sean Webb
Sean Webb, Director

CABOT SECURITISATION EUROPE LIMITED, as Guarantor

By: /s/ Sean Webb
Sean Webb, Director

MARLIN INTERMEDIATE HOLDINGS LIMITED, as Guarantor

By: /s/ Paul Jenkins
Paul Jenkins, Director

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Ashish Masih, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Encore Capital Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /S/ ASHISH MASIH

Ashish Masih
President and Chief Executive Officer

Date: November 3, 2021

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jonathan C. Clark, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Encore Capital Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /S/ JONATHAN C. CLARK

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

Date: November 3, 2021

Exhibit 32.1

ENCORE CAPITAL GROUP, INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Encore Capital Group, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company.

/s/ ASHISH MASIH
Ashish Masih
President and Chief Executive Officer

November 3, 2021

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

November 3, 2021

This certification accompanies the above described Report and is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall be not be deemed filed as part of the Report.