

Encore Capital Group, Inc.
 Third Quarter 2025 Conference Call Prepared Remarks
 05-Nov-2025



Slide #	Commentary
	Bruce Thomas
1	<p>Thank you, Operator. Good afternoon and welcome to Encore Capital Group's third quarter 2025 earnings call. Joining me on the call today are Ashish Masih, our President and Chief Executive Officer, Tomas Hernanz, Executive Vice President and Chief Financial Officer, Ryan Bell, President of Midland Credit Management and John Yung, President of Cabot Credit Management. Ashish and Tomas will make prepared remarks today, and then we'll be happy to take your questions.</p>
2 Safe Harbor	<p>Unless otherwise noted, comparisons on this conference call will be made between the third quarter of 2025 and the third quarter of 2024. In addition, today's discussion will include forward-looking statements that are based on current expectations and assumptions and are subject to risks and uncertainties. Actual results could differ materially from our expectations. Please refer to our SEC filings for a detailed discussion of potential risks and uncertainties. We undertake no obligation to update any forward-looking statement.</p> <p>During this call, we will use rounding and abbreviations for the sake of brevity. We will also be discussing non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are included in our investor presentation, which is available on the Investors section of our website.</p> <p>As a reminder, following the conclusion of this call a replay of this conference call, along with our prepared remarks, will also be available on the Investors section of our website.</p> <p>With that, let me turn the call over to Ashish Masih, our President and Chief Executive Officer.</p>

Encore Capital Group, Inc.
Third Quarter 2025 Conference Call Prepared Remarks
05-Nov-2025



	Ashish Masih
<p>3</p> <p>Q3 2025 Highlights</p>	<p>Thanks, Bruce, and good afternoon, everyone. Thank you for joining us.</p> <p>Encore delivered another strong performance in the third quarter as our industry leadership and operational execution become increasingly evident in our results. Portfolio purchases in Q3 of \$346 million dollars were up 23% compared to the third quarter last year. Collections increased 20% to a record \$663 million dollars. Average receivable portfolios increased 16% to \$4.2 billion dollars.</p> <p>Estimated remaining collections, or ERC, increased 10% to a record \$9.5 billion dollars. Our record collections performance helped earnings increase sharply, with Q3 earnings per share of \$3.17, up more than 150% compared to the third quarter a year ago.</p> <p>Our leverage improved to 2.5 times at the end of Q3, compared to 2.7 times a year ago and 2.6 times in Q2 2025, even with continued significant portfolio purchases in the third quarter.</p> <p>Encore’s strong operating and financial results are primarily driven by the exceptional performance of our MCM business in the U.S. across all dimensions of purchasing, collections and efficiency. I will provide more details on MCM’s results later in the presentation.</p> <p>In addition to delivering strong results in Q3, we repurchased \$10 million dollars of Encore shares in the third quarter, consistent with the framework we’ve laid out in the past. We also repurchased nearly \$25 million dollars of our shares so far in Q4, bringing our total to approximately \$60 million dollars year-to-date, reflecting our confidence in Encore’s future prospects. In support of our ongoing commitment to return capital to shareholders, our board also recently authorized an additional \$300 million dollars under our share repurchase program.</p>

<p>4</p> <p>Our Strategy and Market Presence</p>	<p>Before I continue our recap of the quarter, I believe it's helpful to remind investors of the critical role we play in the consumer credit ecosystem by assisting in the resolution of unpaid debts. These unpaid debts are an expected outcome of the lending business model. Our Mission is to create pathways to economic freedom for the consumers we serve, by helping them resolve their past-due debts. We achieve this by engaging consumers in honest, empathetic and respectful conversations.</p> <p>Our business is to purchase portfolios of non-performing loans at attractive returns while minimizing funding costs. For each portfolio that we own, we strive to exceed our collection expectations, while both maintaining an efficient cost structure and ensuring the highest level of compliance and consumer focus.</p> <p>We achieve these objectives through our three-pillar strategy of participating in the largest and most valuable markets, developing and sustaining a competitive advantage in these markets, and maintaining a strong balance sheet. We employ our strategy across our two main businesses: Midland Credit Management – or MCM - in the U.S. and Cabot Credit Management in select European markets.</p>
--	--

Encore Capital Group, Inc.
Third Quarter 2025 Conference Call Prepared Remarks
05-Nov-2025



<p>5</p> <p>Portfolio Purchases</p>	<p>I would now like to highlight Encore’s third quarter performance in terms of several key metrics, starting with portfolio purchasing:</p> <p>Encore’s global portfolio purchases for the third quarter were \$346 million dollars, an increase of 23% compared to Q3 2024. This increased level of purchasing will help drive Encore’s continued collections growth for the rest of this year and well into the future.</p> <p>Our concentration of portfolio purchases in the U.S., where we allocated 75% of our deployed capital in the third quarter, is a reminder that the flexibility of our global funding structure allows us to direct our capital toward markets with the highest returns.</p>
<p>6</p> <p>Collections</p>	<p>Global collections in Q3 were up 20% to a record \$663 million dollars. The past few years of higher portfolio purchases at strong returns, particularly in the U.S., have led to meaningful growth in collections, which we expect to continue.</p> <p>Our global collections performance year-to-date through the third quarter compared to our ERC at the end of 2024 was 108%.</p>
<p>7</p> <p>Cash Generation</p>	<p>We believe that our ability to generate significant cash provides us with an important competitive advantage, which is also a key component of our three-pillar strategy.</p> <p>Similar to the dynamic I mentioned earlier, higher portfolio purchases at strong returns over the past few years have also led to meaningful growth in cash generation. Our cash generation for the third quarter on a trailing twelve-month basis was up 23% compared to the same period a year ago and we expect it to continue to grow.</p>

Encore Capital Group, Inc.
Third Quarter 2025 Conference Call Prepared Remarks
05-Nov-2025



<p>8</p> <p>U.S. Outstandings and Charge Off Rate</p>	<p>Let's now take a look at our two largest markets, beginning with the U.S.</p> <p>The U.S. Federal Reserve reports that revolving credit in the U.S. remains near record levels.</p> <p>At the same time, since bottoming out in late 2021, the credit card charge-off rate in the U.S. increased to its highest level in more than 10 years in 2024 and still remains at an elevated level.</p> <p>The combination of strong lending and elevated charge off rates continues to drive robust portfolio supply in the U.S. Let me illustrate this impact by highlighting the annualized amount of net dollar charge-offs, which can be estimated by multiplying outstandings by the net charge-off rate. Using Q2 2025 data, the most recent quarter reported by the Federal Reserve, annualized net charge-off volume was \$55 billion dollars, which is over three times the \$17 billion dollars in annualized net charge-off volume in Q4 2021 at the bottom of the current cycle.</p>
<p>9</p> <p>U.S. Bankcard Delinquency Rates</p>	<p>Similarly, U.S. consumer credit card delinquencies, which are a leading indicator of future charge offs, also remain near multi-year highs. With both lending and the charge off rate at elevated levels, purchasing conditions in the U.S. market remain highly favorable. We are observing continued strong U.S. market supply and attractive pricing as well. Third quarter delinquency data supports our expectation that the portfolio purchasing environment for our MCM business in the U.S. is expected to remain favorable for the foreseeable future.</p>

<p>10</p> <p>MCM (U.S.) Business</p>	<p>MCM continues to capture significant portions of this U.S. market supply opportunity, deploying \$261 million dollars in Q3 at very strong returns. This was a 13% increase in portfolio purchases compared to Q3 a year ago. For the full year in 2025, we expect MCM to well exceed its 2024 purchases of \$999 million dollars.</p> <p>In addition to its solid portfolio purchases in Q3, our MCM business continues to excel operationally. Although third quarter collections in the U.S. are typically lower than second quarter collections due to seasonality, MCM collections increased in the third quarter to a record \$502 million dollars, which was an increase of 25% compared to Q3 last year.</p> <p>The collections over-performance in the U.S. was driven by the deployment of new technologies, enhanced digital capabilities and continued operational innovation, which enabled us to reach more consumers, leading to more payments as well as a larger payer book. These initiatives had a greater impact on the early stages of a portfolio’s lifecycle, leading to over-performance of our recent vintages. We expect that our collections forecasts will gradually adjust to reflect the positive impact of these initiatives.</p> <p>Our outstanding results not only reflect the improvements we’ve made in our collections operation and the overall effectiveness of our collection platforms, but also the strength of the consumer. Despite some of the negative news and macro uncertainty in the U.S. our consumers’ payment behavior remains stable. We continue to monitor for any signs of change.</p>
--	--

Encore Capital Group, Inc.
Third Quarter 2025 Conference Call Prepared Remarks
05-Nov-2025



<p>11</p> <p>Cabot (U.K. and Europe) Business</p>	<p>Turning to our business in Europe, Cabot delivered another quarter of solid performance in Q3.</p> <p>Cabot’s portfolio purchases in the third quarter were \$85 million dollars, which was higher than their historical trend due to attractive spot market portfolio purchases.</p> <p>We continue to be selective with Cabot’s deployments as the U.K. market remains impacted by subdued consumer lending and low delinquencies, in addition to continued robust competition.</p> <p>Cabot collections in the third quarter were \$160 million dollars, up 8% compared to Q3 last year. We continue to be focused on operational excellence and cost management, including leveraging relevant best practices from our MCM business. This is particularly relevant in the U.K., where banks are increasingly selling fresh portfolios in forward flows. Our operational focus and initiatives have enabled Cabot to deliver stable collections performance.</p> <p>I’d now like to hand over the call to Tomas for a more detailed look at our financial results...</p>
	<p>Tomas Hernanz</p>
<p>12</p> <p>Detailed Financial Discussion</p>	<p>Thank you, Ashish.</p>

<p>13</p> <p>Summary Earnings Statement and Key Financial Measures</p>	<p>Moving to the financial results slide:</p> <p>In the third quarter, we delivered strong growth in collections and portfolio revenue of 20% and 13%, respectively.</p> <p>Strong collections performance was supported by the high levels of U.S. portfolio purchases in recent quarters, our focus on operational execution, operational improvements and stable consumer behavior. Collections yield was 62.7% in Q3, an improvement of 2.5 percentage points compared to last year.</p> <p>Portfolio revenue increased by 13% to \$370 million dollars supported by 16% growth in average receivable portfolios and a portfolio yield of 35.0%.</p> <p>As a reminder, “changes in recoveries”, is the sum of two numbers: First, “recoveries above or below forecast” is the amount we collected above or below our ERC expectation for the quarter and is also known as “cash overs” or “cash unders”. Second, “changes in expected future recoveries” is the net present value of changes in the ERC forecast beyond the current quarter.</p> <p>Changes in recoveries were \$63.6 million dollars for the quarter. Of that total, the vast majority - \$61.5 million dollars - were recoveries above forecast. Changes in expected future recoveries were \$2.2 million dollars. Both of our businesses - MCM in the U.S. and Cabot in Europe – were once again net positive contributors to changes in recoveries.</p> <p>Put differently, we collected \$61.5 million dollars more than we forecasted in our ERC, which is incremental cashflow. The collections over-performance in the U.S. was driven by the deployment of new technologies, enhanced digital capabilities and continued operational innovation, which enabled us to reach more consumers, leading to more payments as well as a larger payer book. These initiatives had a greater impact on the early stages of a portfolio’s lifecycle, leading to over-performance for our recent vintages. We expect that our collections forecasts will gradually adjust to reflect the positive impact of these initiatives.</p>
--	--

Encore Capital Group, Inc.
Third Quarter 2025 Conference Call Prepared Remarks
05-Nov-2025



<p>13</p> <p>Summary Earnings Statement and Key Financial Measures (continued)</p>	<p>Debt purchasing revenue increased by 27% to \$434 million dollars and the resulting debt purchasing yield was 41.0%. Approximately 6.0% was the impact of changes in recoveries. Servicing and other revenues were \$27 million dollars, bringing total revenue to \$460 million dollars, reflecting growth of 25%.</p> <p>Operating expenses increased only 10% to \$287 million dollars, compared to 20% growth in collections, reflecting significant operating leverage in the business.</p> <p>Cash efficiency margin for the quarter improved by 3.6 percentage points to 58.4% compared to 54.8% in Q3 last year. We expect cash efficiency margin of approximately 58% for 2025.</p> <p>Interest expense and other income increased by 12% to \$73 million dollars, reflecting higher debt balances. We now expect interest expense of approximately \$295 million dollars in 2025. Our tax provision of \$25 million dollars implies a corporate tax rate of approximately 25%, which is in line with our previous guidance.</p> <p>Finally, net income increased by 144% to \$75 million dollars resulting in earnings per share for the quarter of \$3.17 compared to \$1.26 in Q3 last year.</p>
---	---

Encore Capital Group, Inc.
Third Quarter 2025 Conference Call Prepared Remarks
05-Nov-2025



<p>14</p> <p>Balance Sheet Strength</p>	<p>We believe our balance sheet provides us very competitive funding costs when compared to our peers. Our funding structure also provides us financial flexibility and diversified funding sources to compete effectively in this growing supply environment.</p> <p>Leverage closed at 2.5x, a 0.2x improvement versus last year and lower than a quarter ago.</p> <p>During Q3, we increased the size of our US facility by \$150 million dollars, to \$450 million dollars, and extended its maturity to 2028, leaving us with no material maturities until 2028.</p> <p>In October, we issued \$500 million dollars of Senior Secured High Yield Notes due 2031 at an attractive coupon of 6.625%. Also in October, we settled the \$100 million dollars of 2025 Convertible Notes entirely in cash.</p> <p>The combination of these three transactions improved our liquidity by up to \$550 million dollars, giving us strong liquidity to continue to grow our US business during the remainder of this year and beyond.</p> <p>With that, I'd like to turn it back over to Ashish.</p>
---	---

	Ashish Masih
<p>15</p> <p>Our Financial Objectives and Priorities</p>	<p>Thanks, Tomas.</p> <p>Now I would like to remind everyone of our key financial objectives and priorities.</p> <p>Maintaining a strong and flexible balance sheet, including a strong BB debt rating, as well as operating within our target leverage range of two to three times, remain critical objectives.</p> <p>With regard to our capital allocation priorities, buying portfolios, particularly in today's attractive U.S. market, offers the best opportunity to create long-term shareholder value by deploying capital at attractive returns. This is indeed what we are doing as highlighted by our recent purchasing history.</p> <p>Next on our capital allocation priority list are share repurchases. As I mentioned earlier, as of today, we repurchased approximately \$60 million dollars of Encore shares year-to-date, consistent with the framework we've laid out in the past, and as a reflection of our confidence in Encore's future. And in support of our ongoing commitment to return capital to shareholders, our board also recently authorized an additional \$300 million dollars under our share repurchase program.</p>

Encore Capital Group, Inc.
Third Quarter 2025 Conference Call Prepared Remarks
05-Nov-2025



<p>16</p> <p>Updating Guidance</p>	<p>As a result of our strong performance so far this year and our positive outlook for the remainder of 2025, we are providing the following guidance on key metrics:</p> <p>As we originally guided, we anticipate global portfolio purchasing in 2025 to exceed the \$1.35 billion dollars of purchases we made in 2024, as MCM is poised to surpass their record level of purchasing of a year ago.</p> <p>In addition, we are again raising our guidance on global collections. We now expect collections to grow by approximately 18%, to \$2.55 billion dollars. This is an increase of \$50 million dollars from our growth expectation from a quarter ago.</p> <p>We expect interest expense of approximately \$295 million dollars for the year, and we continue to expect our effective tax rate for the year to be in the mid-20's on a percentage basis.</p> <p>Now we'd be happy to answer any questions that you may have. Operator, please open up the lines for questions.</p>
<p>Q&A Session</p>	
<p>16</p> <p>Closing</p>	<p>Thanks for taking the time to join us today and we look forward to providing our fourth quarter and full year 2025 results in February.</p>