
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): May 1, 2008

ENCORE CAPITAL GROUP, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

000-26489
(Commission File
Number)

48-1090909
(IRS Employer
Identification No.)

8875 Aero Drive, Suite 200, San Diego, California
(Address of Principal Executive Offices)

92123
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Disclosure of Results of Operations and Financial Condition.

On May 1, 2008, we issued a press release announcing our financial results for the first quarter ended March 31, 2008. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated May 1, 2008.

The information in this Current Report on Form 8-K, including the exhibit, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities under that Section, nor be deemed to be incorporated by reference into the filings of the Company under the Securities Act of 1933.

SIGNATURE

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 hereunto duly authorized.

ENCORE CAPITAL GROUP, INC.

Date: May 1, 2008

/s/ Paul Grinberg

Paul Grinberg

Executive Vice President and Chief Financial
Officer

EXHIBIT INDEX

**Exhibit
Number**

Description

99.1

Press release dated May 1, 2008.



For Immediate Release

Encore Capital Group Announces First Quarter 2008 Results

SAN DIEGO, May 1, 2008 /PRNewswire-FirstCall/ — Encore Capital Group, Inc. (Nasdaq: ECPG), a leading distressed consumer debt management company, today reported consolidated financial results for the first quarter ended March 31, 2008.

For the first quarter of 2008:

- Gross collections were \$104.4 million, a 15% increase over the \$90.5 million in the same period of the prior year.
- Investments in receivable portfolios were \$47.9 million, to purchase \$1.2 billion in face value of debt, compared to \$45.4 million, to purchase \$2.5 billion in face value of debt in the same period of the prior year.
- Revenues from receivable portfolios were \$64.1 million, a 3% increase over the \$62.2 million in the same period of the prior year. Revenue recognized on receivable portfolios, as a percentage of portfolio collections, excluding the effects of impairment provisions, was 67%, compared to 69% in the same period of the prior year.
- Revenues from bankruptcy servicing were \$3.4 million, compared to \$3.2 million in the same period of the prior year.
- Total operating expenses were \$51.1 million, a 3% increase over the \$49.8 million in the same period of the prior year. Operating expense (excluding stock-based compensation expense, bankruptcy servicing operating expenses and costs related to the consideration of strategic alternatives) per dollar collected decreased to 45.3% compared to 49.4% in the same period of the prior year.
- Adjusted EBITDA, defined as net income before interest, taxes, depreciation and amortization, stock-based compensation expense and portfolio amortization, was \$58.5 million, a 28% increase over the \$45.6 million in the same period of the prior year.
- Total interest expense was \$3.9 million, compared to \$6.2 million in the same period of the prior year.
- Net income was \$7.5 million or \$0.32 per fully diluted share, compared to net income of \$5.7 million or \$0.24 per fully diluted share in the same period of the prior year.

Additional information:

Certain events affected the comparability of 2008 versus 2007 quarterly results, as outlined below. For a more detailed comparison of 2008 versus 2007 results, refer to Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.

- In the first quarter of 2008, the Company recorded a net impairment provision of \$5.3 million, compared to an impairment reversal of \$0.2 million in the same period of the prior year.
- Effective January 1, 2008, the Company increased its collection forecasts from 72 months to 84 months. This resulted in an increase in the aggregate total estimated remaining collections for the receivable portfolios by \$67.3 million, or 7.5%, as of March 31, 2008. For the quarter ended March 31, 2008, the impact of the change resulted in an increase in revenue of \$0.1 million, a reduction in the net impairment provision of \$3.1 million, an increase in net income of \$1.9 million and an increase in fully diluted earnings per share of \$0.08.

Non-GAAP Financial Measures

The Company has included information concerning Adjusted EBITDA because management utilizes this information, which is materially similar to a financial measure contained in covenants used in the Company's credit agreement, in the evaluation of its operations and believes that this measure is a useful indicator of the Company's ability to generate cash collections in excess of operating expenses through the liquidation of its receivable portfolios. The Company has included information concerning total operating expenses excluding stock-based compensation expense, bankruptcy servicing operating expenses and costs related to the consideration of strategic alternatives in order to facilitate a comparison of approximate cash costs to cash collections for the debt purchasing business in the periods presented. These non-GAAP financial measures should not be considered as alternatives to, or more meaningful than, net income and total operating expenses as indicators of Encore Capital Group's operating performance. Neither Adjusted EBITDA nor operating expenses excluding stock-based compensation expense, bankruptcy servicing operating expenses and costs related to the consideration of strategic alternatives has been prepared in accordance with generally accepted accounting principles (GAAP). These non-GAAP financial measures, as presented by Encore Capital Group, may not be comparable to similarly titled measures reported by other companies. The Company has included a reconciliation of Adjusted EBITDA to reported earnings under GAAP, and a reconciliation of operating expenses excluding stock-based compensation expense, bankruptcy servicing operating expenses and costs related to the consideration of strategic alternatives to the GAAP measure total operating expenses in the attached financial tables.

About Encore Capital Group, Inc.

Encore Capital Group, Inc. is a systems-driven purchaser and manager of charged-off consumer receivables portfolios. More information on the company can be found at www.encorecapitalgroup.com.

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Encore Capital Group, Inc.

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or

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FINANCIAL TABLES FOLLOW

ENCORE CAPITAL GROUP, INC.
Condensed Consolidated Statements of Financial Condition
(In Thousands, Except Par Value Amounts)

	March 31, 2008	December 31, 2007(A)
	<u>Unaudited</u>	<u>2007(A)</u>
Assets		
Cash and cash equivalents	\$ 9,024	\$ 4,900
Restricted cash	3,713	3,776
Accounts receivable, net	3,238	4,136
Investment in receivable portfolios, net	398,207	392,209
Deferred court costs	23,439	20,533
Property and equipment, net	4,990	4,390
Prepaid income tax	5,544	10,346
Forward flow asset	12,937	15,863
Other assets	7,999	8,800
Goodwill	15,985	15,985
Identifiable intangible assets, net	2,352	2,557
Total assets	<u>\$487,428</u>	<u>\$ 483,495</u>
Liabilities and stockholders' equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 17,210	\$ 20,346
Deferred tax liabilities, net	13,091	13,669
Deferred revenue and purchased servicing obligation	4,083	3,898
Debt	270,168	272,420
Other liabilities	3,072	1,642
Total liabilities	<u>307,624</u>	<u>311,975</u>
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, \$.01 par value, 5,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$.01 par value, 50,000 shares authorized, 22,994 shares and 22,992 shares issued and outstanding as of March 31, 2008, and December 31, 2007, respectively	230	230
Additional paid-in capital	74,947	73,310
Accumulated earnings	106,475	98,975
Accumulated other comprehensive loss	(1,848)	(995)
Total stockholders' equity	<u>179,804</u>	<u>171,520</u>
Total liabilities and stockholders' equity	<u>\$487,428</u>	<u>\$ 483,495</u>

(A) Derived from the audited consolidated financial statements as of December 31, 2007.

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

	Three Months Ended March 31,	
	2008	2007
Revenues		
Revenue from receivable portfolios, net	\$64,068	\$62,153
Servicing fees and other related revenue	3,486	3,222
Total revenues	<u>67,554</u>	<u>65,375</u>
Operating expenses		
Salaries and employee benefits (excluding stock-based compensation expense)	14,851	17,186
Stock-based compensation expense	1,094	801
Cost of legal collections	20,306	17,621
Other operating expenses	5,651	5,744
Collection agency commissions	4,031	3,294
General and administrative expenses	4,460	4,271
Depreciation and amortization	722	869
Total operating expenses	<u>51,115</u>	<u>49,786</u>
Income before other (expense) income and income taxes	<u>16,439</u>	<u>15,589</u>
Other (expense) income		
Interest expense	(3,946)	(2,920)
Contingent interest expense	—	(3,235)
Other income	21	116
Total other expense	<u>(3,925)</u>	<u>(6,039)</u>
Income before income taxes	12,514	9,550
Provision for income taxes	(5,014)	(3,893)
Net income	<u>\$ 7,500</u>	<u>\$ 5,657</u>
Weighted average shares outstanding:		
Basic	22,992	22,783
Diluted	23,431	23,314
Earnings per share:		
Basic	\$ 0.33	\$ 0.25
Diluted	\$ 0.32	\$ 0.24

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

	Three Months Ended March 31,	
	2008	2007
Operating activities		
Gross collections	\$ 104,355	\$ 90,541
Amounts collected on behalf of third parties	(75)	(129)
Amounts applied to principal on receivable portfolios	(40,212)	(28,259)
Provision for impairment (reversal)	5,335	(217)
Servicing fees	44	31
Operating expenses	(49,868)	(50,896)
Interest payments	(4,172)	(3,391)
Contingent interest payments	—	(4,319)
Other income	21	116
Decrease in restricted cash	63	521
Income tax refund (payments)	407	(1,899)
Excess tax benefits from stock-based payment arrangements	(5)	(52)
Net cash provided by operating activities	15,893	2,047
Investing activities		
Purchases of receivable portfolios, net of forward flow allocation	(44,976)	(41,847)
Collections applied to investment in receivable portfolios	34,877	28,476
Proceeds from put-backs of receivable portfolios	1,692	953
Purchases of property and equipment	(1,117)	(552)
Net cash used in investing activities	(9,524)	(12,970)
Financing activities		
Proceeds from notes payable and other borrowings	9,000	7,000
Repayment of notes payable and other borrowings	(11,169)	—
Proceeds from exercise of stock options	2	14
Excess tax benefits from stock-based payment arrangements	5	52
Repayment of capital lease obligations	(83)	(61)
Net cash (used in) provided by financing activities	(2,245)	7,005
Net increase (decrease) in cash	4,124	(3,918)
Cash and cash equivalents, beginning of period	4,900	10,791
Cash and cash equivalents, end of period	\$ 9,024	\$ 6,873

ENCORE CAPITAL GROUP, INC.

Supplemental Financial Information

Reconciliation of Adjusted EBITDA to GAAP Net Income and Operating Expenses, Excluding Stock-based Compensation Expense, Bankruptcy Servicing Operating Expenses and Costs Related to the Consideration of Strategic Alternatives to GAAP Total Operating Expenses
(Unaudited, In Thousands)

	Three Months Ended	
	March 31,	
	2008	2007
GAAP net income, as reported	\$ 7,500	\$ 5,657
Interest expense	3,946	2,920
Contingent interest expense	—	3,235
Provision for income taxes	5,014	3,893
Depreciation and amortization	722	869
Amount applied to principal on receivable portfolios	40,212	28,259
Stock-based compensation expense	1,094	801
Adjusted EBITDA	\$58,488	\$45,634
GAAP total operating expenses, as reported	\$51,115	\$49,786
Stock-based compensation expense	(1,094)	(801)
Bankruptcy servicing operating expenses	(2,738)	(4,120)
Costs related to the consideration of strategic alternatives	—	(116)
Operating expenses, excluding stock-based compensation expense, bankruptcy servicing operating expenses and costs related to the consideration of strategic alternatives	\$47,283	\$44,749

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