Slide #	Commentary
	Bruce Thomas
1	Thank you, Operator. Good afternoon and welcome to Encore Capital Group's second quarter 2020 earnings call. Joining me on the call today are Ashish Masih, our President and Chief Executive Officer, Jonathan Clark, Executive Vice President and Chief Financial Officer, Ryan Bell, President of Midland Credit Management, and Craig Buick, CEO of Cabot Credit Management. Ashish and Jon will make prepared remarks today, and then we will be happy to take your questions.
2 Safe Harbor	Unless otherwise noted, comparisons made on this conference call will be between the second quarter of 2020 and the second quarter of 2019. In addition, today's discussion will include forward-looking statements subject to risks and uncertainties. Actual results could differ materially from these forward-looking statements. Please refer to our SEC filings for a detailed discussion of potential risks and uncertainties. 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 earnings presentation, which was filed on Form 8-K earlier today. As a reminder, this conference call will also be made available for replay on the Investors section of our website, where we will also post our prepared remarks following the conclusion of this call. With that, let me turn the call over to Ashish Masih, our President and Chief Executive Officer.

	Ashish Masih
3 Introduction & Q2 Financial Highlights	Thanks, Bruce, and good afternoon everyone. Thank you for joining our earnings call. As the COVID-19 pandemic remains front and center in some countries, and begins to resolve itself in others, we hope that all of you listening to this call and your families are safe, healthy, and finding ways to regain increasing levels of normalcy. I am grateful that the steps we've taken as a company, which have placed the health and well-being of our people as our most important priority, have also allowed us to perform at or above the high level of productivity we exhibited before the pandemic. I am proud of the Encore employees around the globe who have grown closer as a unified team in 2020 even while being physically more distant from each other. In these challenging times in which financial hardship has become more prevalent, we are reminded that for years Encore has been helping people recover from financial difficulty and regain their personal economic freedom. It remains at the core of what we do. Despite the hardships caused by COVID-19, consumers are demonstrating resiliency through their efforts to resolve their debts. As a result, collections in our call center & digital channel have not been as negatively impacted by the coronavirus as we had originally modeled, when we revised our collections forecast during the early stages of the pandemic a quarter ago. In fact, inbound call volume has been quite strong, particularly for MCM. As a result of investing in our people and in technology over the past several years, we were well prepared for higher levels of call volume - as well as higher demand from consumers who prefer to reach us through our digital platform. In addition, our team has done an outstanding job in adapting our collections operations to the varying conditions caused by COVID-19.

3 Introduction & Q2 Financial Highlights (continued)	While we outperformed our Q2 expected collection curves, we also reduced expenses. In addition to our continued focus on expense management, during the quarter we had lower legal channel expenses as we significantly reduced our efforts to collect through the legal channel in many jurisdictions. I'll talk more about the legal channel in a few moments. We delivered strong results for the second quarter of 2020: • Global collections were $508 million dollars and came in better than expected for both MCM and Cabot. • Record global revenues of $426 million dollars were up 23% compared to the second quarter a year ago. • Our ERC of $8.4 billion dollars was up 13% compared to Q2 last year. • As a result of stronger than expected collections and reduced expenses in our legal channel, we delivered record quarterly GAAP net income of $130 million dollars, or $4.13 per share. This result was more than <u>two and a half times</u> as large as our previous record earnings in any quarter. • We also established a new record in Q2 for non-GAAP adjusted income of $137 million dollars, or $4.34 per share.
4 Strong Cash Generation	We continue to consistently generate significant cash as we collect on the portfolios we own. And as we continue to purchase portfolios at more attractive multiples, we enhance our ability to generate even higher levels of cash. In fact, in the second quarter, we again set a new record for adjusted EBITDA including collections applied to principal, which is the industry benchmark for cash generation. I would like to remind you that this metric is largely insulated from the implications of any accounting changes. Cash is cash. Even after subtracting cash taxes, cash interest and capex, it is clear that we are generating a substantial amount of cash.

5 MCM (U.S.) Business	Turning now to our business in the U.S., our MCM team delivered very strong results by leveraging a combination of social distancing and working from home, as we continued to adapt quickly to changing work environments. I'm pleased that MCM has remained fully operational throughout this period. MCM collections in Q2 were a record $386 million dollars, up 16% compared to the second quarter of last year, and exceeded our Q2 expected collection curves by 29%. Our improved collections performance over the past several quarters, including in Q2, has been driven by several key factors: • First, over the last few years, we have been laying the groundwork to direct a larger proportion of our collections toward the call center & digital channel. • Second, within that channel, we continue to see a steady expansion in the number of consumers who connect with us through digital means. • Third, we are seeing better productivity from our Account Managers due to our investments in training, process improvements and technology. • And finally, our consumer outreach strategy over the last few years continues to increase the proportion of inbound calls to outbound calls. As you would expect, the higher proportion of inbound calls improves the rate at which we convert our consumers into payers. We expect the combination of these factors will allow us to meaningfully scale our collections capacity when we need to, while only modestly increasing our Account Manager headcount. The resulting operating leverage is one of the reasons we are particularly excited about the prospects for increased supply in the future. MCM deployments totaled $125 million dollars at an attractive purchase price multiple of 2.5 times, reflecting our differentiated collections performance and slight improvements in market pricing.

5 MCM (U.S.) Business (continued)	As a result of the COVID impact, we reduced our planned expenses related to MCM's legal collections by approximately $27 million dollars in Q2. This action reduced our overall operating expenses, and helped reduce MCM's cost-to-collect to 32% in the quarter. Looking forward, court costs and other expenses related to legal collections cannot be reasonably spent in such a way that we quickly "catch-up" and spend the $27 million dollars that we did not spend in Q2. Instead, we expect legal collection expenses to return to a more normal level in Q3, and then for increases to be layered in gradually over the next year or more as activity levels in the courts return to normal. We succeeded in again reducing our cost-to-collect compared to the year ago period. Even if we had incurred <u>all</u> our originally planned expenses related to legal collections in Q2, MCM's cost-to-collect would have improved compared to the year ago quarter. This is a strong reflection of our continued focus on expense management and operating efficiency. Finally, MCM's collections trend in Q2 has continued into July.

6 Cabot (Europe) Business	Turning to Cabot, in the U.K. and in continental Europe, the COVID-19 pandemic has had a varying amount of impact from country to country. Cabot has adapted quickly to these varying conditions and is fully operational in each market. Cabot's collections in the second quarter were 17% higher than our Q2 expected collection curves. As the quarter progressed, we saw continued improvement in each of Cabot's markets. In the U.K., we continue to see no material change in payment plan breakage rates. Cabot's focus on cost management through these challenging times has enabled continued strong profitability. The purchasing environment in the U.K. remains subdued for the time being, and we expect this lower level of supply to persist throughout most of 2020. However, we do anticipate an increase in purchasing opportunities at attractive returns in 2021 and beyond, as charge-offs are expected to rise meaningfully. Finally, similar to what we're seeing at MCM, our collections trend at Cabot in Q2 has continued into July. I'd now like to hand over the call to Jon for a more detailed look at our second quarter financial results…

	Jonathan Clark
7 Detailed Financial Discussion	Thank you, Ashish. As a reminder - we will sometimes refer to our U.S. business by its brand name, Midland Credit Management, or more simply MCM. We may also refer to our European business as Cabot.
8 Q2 Deployments	Global deployments totaled $148 million dollars in the second quarter, compared to $243 million dollars in the second quarter of 2019. MCM deployed a total of $125 million dollars in the U.S. during Q2, down from $180 million dollars in the same period a year ago. European deployments totaled $23 million dollars during the second quarter, compared to $57 million dollars in the same quarter a year ago. European deployments decreased in Q2 primarily due to a limited supply of portfolios coming to market as a result of the COVID pandemic.
9 Q2 Collections	Global collections were $508 million dollars in the second quarter, down 1% compared to the same quarter a year ago, a period in which Baycorp, a business we sold in August of 2019, generated $11 million dollars of collections. In constant currency and after adjusting for the sale of Baycorp, global collections were 2% higher this year than in Q2 of 2019. MCM collections grew 16% in Q2, to a record $386 million dollars. Within that total, MCM's call center and digital collections grew 35% compared to Q2 of last year. Cabot's collections from our debt purchasing business in Europe in the second quarter were $116 million dollars, down 24% in constant currency.

10 Q2 Revenues	Global revenues in the second quarter were up 23% to a record $426 million dollars, compared to $347 million dollars in Q2 a year ago. In the U.S., revenues were $287 million dollars in the second quarter. In Europe, Q2 revenues were $135 million dollars. Significantly higher-than-expected collections drove an incremental $66 million dollars of revenue in the second quarter. This is reflected in our income statement under **Changes in expected current and future recoveries**. As Ashish mentioned earlier, when we revised our collections forecast at the end of Q1, we overestimated the near-term negative impact of the COVID pandemic on our collections. Since that time, our team has done an outstanding job in adapting our operations to the varying conditions caused by COVID and the attempts to contain it. Having said that, we believe the majority of our overperformance in Q2 reflected a pull forward of future collections…the very same collections that we pushed out in our Q1 revision. From my perspective, which I first shared last quarter, I suspect that each of the companies in our industry will continue to make curve adjustments as the COVID pandemic evolves, and I believe that all these charges will be self-correcting over the next few quarters. For Encore, in Q2 we have essentially pulled forward about half of the delays to our collections forecast that we made in Q1. As I also said last quarter, as we progress over time from projections to actuals, the true economic impact of the pandemic will be generally consistent across firms, within each asset class and region.

11 ERC	Our global ERC total was $8.4 billion dollars at the end of June, up $949 million dollars when compared to the end of Q2 last year. In constant currency terms, global ERC was up 14% compared to Q2 a year ago.
12 Q2 EPS Walk	In the second quarter, we reported record GAAP earnings of $4.13 per share, compared to $1.17 per share in Q2 of last year. After making non-cash and non-operating adjustments, and accounting for the tax effects of those adjustments, our non-GAAP Economic EPS was a record $4.34 per share in the second quarter. This compares to $1.28 per share of Economic EPS in Q2 of last year.

13 Balance Sheet Strength	By strengthening our balance sheet over the past two-plus years, we have put ourselves in the strongest liquidity position in the Company's history. During this time, we have reduced our debt to equity ratio from 5.9 times to 3.2 times. We have also reduced our ratio of net debt to adjusted EBITDA, including collections applied to principal, a measure common in our industry. Over the past two years, we have reduced this ratio from 3.2 times to 2.4 times, resulting in a level that is among the lowest in our peer group. Encore's de-levering has been driven by strong operating performance and focused capital deployment, which have driven higher levels of efficiency and cash flow. Available capacity under our combined revolving credit facilities was $618 million dollars at the end of the second quarter, and we concluded Q2 with $273 million dollars of non-client cash on the balance sheet, which together comprised the highest level of liquidity on record for Encore at that time. This allowed us to comfortably pay off the $89 million of convertible notes that matured on July 1st and still maintain healthy liquidity after that payment. The retirement of this issue reduced the size of our convertible debt complex by 13%. If you follow us closely, you will recall that we are in the midst of a concerted effort to reduce the proportion of convertible debt in our capital stack. Also in July, we amended and extended our revolving credit and term loan facilities in the U.S., increasing commitments by $268 million dollars and extending the maturity of the vast majority of commitments to July 2023, further improving our liquidity. With that, I'd like to turn it back over to Ashish.

	Ashish Masih
14	Thank you, Jon.
Our Strategic Priorities	We believe our three strategic priorities are instrumental in building shareholder value. As a result of our continued emphasis on these priorities, we remain well positioned for the unprecedented environment caused by the COVID-19 pandemic. Our focus on the U.S. and U.K markets has allowed us to concentrate our efforts on our highest risk-adjusted returns. In the U.S., our returns continue to rise, and particularly after hearing second quarter updates from the banks, we believe a significant increase in charge-offs is inevitable. In the U.K., we are expecting a meaningful increase in supply for both our purchasing and servicing businesses when delinquencies rise. Also, we closed the sale of our Brazilian portfolios in April, allowing us to further concentrate our efforts on our more valuable markets. Innovation and investments in technology, such as digital collections and speech analytics, have enhanced our competitive advantages in our core markets, and have also enabled us to keep our people safe while we quickly adapted to the varying operating conditions resulting from the pandemic. We believe these competitive advantages lead to better underwriting and improved liquidation capability, which ultimately are reflected in differentiated purchase price multiples and higher returns. Our heightened focus on strengthening our balance sheet over the past two-plus years has positioned us well for this period of uncertainty. In addition, our liquidity puts us in a strong position to capture the substantial purchasing opportunity which we believe is sure to follow.

15 Q2 Summary	In summary, Q2 was an exceptional quarter for Encore in which we delivered record revenues, profits and cash generation. Over the past several years we have made investments in our training, compliance and technology, which have enabled us to safely remain fully operational in each of our markets. Looking ahead, our strong balance sheet and liquidity have positioned us well to capture upcoming opportunities in our core markets, the U.S. and the U.K. These markets are poised, for what we believe will be a substantial increase in charged-off receivables coming to market in 2021 and beyond. In closing, our earnings year-to-date are a strong indicator of our continued earnings growth trajectory. I believe this trajectory demonstrates the progress we have made in building shareholder value. We are delivering superior returns and generating significant cash and are well positioned to capture the growing and increasingly attractive future opportunities. Now we'd be happy to answer any questions that you may have. Operator, please open up the lines for questions.
15 Closing	That concludes the call for today. Thanks for taking the time to join us and we look forward to providing our third quarter 2020 results in November.