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 March 31, 2023 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 April 27, 2023
Common Stock, $0.01 par value	23,481,868 shares

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

	March 31, 2023	December 31, 2022
Assets		
Cash and cash equivalents	$ 158,774	$ 143,912
Investment in receivable portfolios, net	3,214,792	3,088,261
Property and equipment, net	110,184	113,900
Other assets	368,041	341,073
Goodwill	834,174	821,214
Total assets	$ 4,685,965	$ 4,508,360
Liabilities and Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 179,971	$ 198,217
Borrowings	3,081,786	2,898,821
Other liabilities	240,052	231,695
Total liabilities	3,501,809	3,328,733
Commitments and Contingencies (Note 11)		
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, 23,482 and 23,323 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	235	233
Additional paid-in capital	—	—
Accumulated earnings	1,274,289	1,278,210
Accumulated other comprehensive loss	(90,368)	(98,816)
Total stockholders’ equity	1,184,156	1,179,627
Total liabilities and stockholders’ equity	$ 4,685,965	$ 4,508,360

The following table presents certain assets and liabilities of consolidated variable interest entities (“VIEs”) included in the condensed 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.

	March 31, 2023	December 31, 2022
Assets		
Cash and cash equivalents	$ 1,642	$ 1,344
Investment in receivable portfolios, net	459,974	431,350
Other assets	3,813	3,627
Liabilities		
Accounts payable and accrued liabilities	496	150
Borrowings	431,919	423,522
Other liabilities	105	105

See accompanying notes

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

	Three Months Ended March 31,	
	2023	2022
Revenues		
Revenue from receivable portfolios	$ 295,674	$ 304,105
Changes in recoveries	(9,501)	167,223
Total debt purchasing revenue	286,173	471,328
Servicing revenue	22,585	26,146
Other revenues	3,872	2,208
Total revenues	312,630	499,682
Operating expenses		
Salaries and employee benefits	103,850	96,956
Cost of legal collections	54,101	55,717
General and administrative expenses	37,965	33,534
Other operating expenses	27,556	27,027
Collection agency commissions	8,150	9,605
Depreciation and amortization	10,870	11,829
Total operating expenses	242,492	234,668
Income from operations	70,138	265,014
Other expense		
Interest expense	(46,835)	(34,633)
Other income, net	1,732	392
Total other expense	(45,103)	(34,241)
Income before income taxes	25,035	230,773
Provision for income taxes	(6,409)	(55,024)
Net income	$ 18,626	$ 175,749
Earnings per share:		
Basic	$ 0.79	$ 7.11
Diluted	$ 0.75	$ 6.40
Weighted average shares outstanding:		
Basic	23,548	24,722
Diluted	24,942	27,482

See accompanying notes

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

	Three Months Ended March 31,	
	2023	2022
Net income	$ 18,626	$ 175,749
Other comprehensive income (loss), net of tax:		
Change in unrealized (loss) gain on derivative instruments:		
Unrealized (loss) gain on derivative instruments	(8,053)	15,592
Income tax effect	876	(3,698)
Unrealized (loss) gain on derivative instruments, net of tax	(7,177)	11,894
Change in foreign currency translation:		
Unrealized gain (loss) on foreign currency translation	16,008	(22,254)
Income tax effect	(383)	—
Unrealized gain (loss) on foreign currency translation	15,625	(22,254)
Other comprehensive income (loss), net of tax:	8,448	(10,360)
Total comprehensive income	$ 27,074	$ 165,389

See accompanying notes

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

	Three Months Ended March 31, 2023					
	Common Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive (Loss) Income	Total Equity
	Shares	Par				
Balance as of December 31, 2022	23,323	$ 233	$ —	$ 1,278,210	$ (98,816)	$ 1,179,627
Net income	—	—	—	18,626	—	18,626
Other comprehensive income, net of tax	—	—	—	—	8,448	8,448
Exercise of stock options and issuance of share-based awards, net of shares withheld for employee taxes	159	2	(6,355)	—	—	(6,353)
Stock-based compensation	—	—	4,052	—	—	4,052
Purchase of capped call options, net of tax effect	—	—	(13,865)	—	—	(13,865)
Unwind of the existing capped call options	—	—	28,542	—	—	28,542
Settlement of convertible notes	—	—	(12,374)	(22,547)	—	(34,921)
Balance as of March 31, 2023	23,482	$ 235	$ —	$ 1,274,289	$ (90,368)	$ 1,184,156

	Three Months Ended March 31, 2022					
	Common Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Total Equity
	Shares	Par				
Balance as of December 31, 2021	24,541	$ 245	$ —	$ 1,238,564	$ (53,548)	$ 1,185,261
Net income	—	—	—	175,749	—	175,749
Other comprehensive loss, net of tax	—	—	—	—	(10,360)	(10,360)
Exercise of stock options and issuance of share-based awards, net of shares withheld for employee taxes	220	3	(3,921)	(7,434)	—	(11,352)
Repurchase and retirement of common stock	(400)	(4)	—	(25,688)	—	(25,692)
Stock-based compensation	—	—	3,921	—	—	3,921
Settlement of convertible notes	—	—	—	(71,152)	—	(71,152)
Balance as of March 31, 2022	24,361	$ 244	$ —	$ 1,310,039	$ (63,908)	$ 1,246,375

See accompanying notes

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

	Three Months Ended March 31,	
	2023	2022
Operating activities:		
Net income	$ 18,626	$ 175,749
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,870	11,829
Other non-cash interest expense, net	4,594	4,196
Stock-based compensation expense	4,052	3,921
Deferred income taxes	1,369	2,806
Changes in recoveries	9,501	(167,223)
Other, net	(1,843)	4,787
Changes in operating assets and liabilities		
Other assets	(3,139)	27,299
Accounts payable, accrued liabilities and other liabilities	(8,117)	(8,834)
Net cash provided by operating activities	35,913	54,530
Investing activities:		
Purchases of receivable portfolios, net of put-backs	(274,625)	(166,298)
Collections applied to investment in receivable portfolios	166,682	215,309
Purchases of asset held for sale	(22,596)	(12,388)
Purchases of property and equipment	(4,885)	(7,079)
Other, net	4,709	7,684
Net cash (used in) provided by investing activities	(130,715)	37,228
Financing activities:		
Payment of loan and debt refinancing costs	(5,850)	(1,455)
Proceeds from credit facilities	229,128	328,273
Repayment of credit facilities	(140,043)	(180,614)
Repayment of senior secured notes	(9,770)	(9,770)
Proceeds from issuance of convertible senior notes	230,000	—
Repayment of convertible and exchangeable senior notes	(192,457)	(221,152)
Proceeds from convertible hedge instruments, net	10,050	—
Repurchase and retirement of common stock	—	(25,692)
Other, net	(10,684)	(7,606)
Net cash provided by (used in) financing activities	110,374	(118,016)
Net increase (decrease) in cash and cash equivalents	15,572	(26,258)
Effect of exchange rate changes on cash and cash equivalents	(710)	(3,170)
Cash and cash equivalents, beginning of period	143,912	189,645
Cash and cash equivalents, end of period	$ 158,774	$ 160,217
Supplemental disclosure of cash information:		
Cash paid for interest	$ 38,072	$ 31,771
Cash paid for taxes, net of refunds	908	949

See accompanying notes

ENCORE CAPITAL GROUP, INC.
Notes to Condensed 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 in Europe.

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 the United Kingdom. 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.”

Financial Statement Preparation and Presentation

The accompanying interim condensed 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 condensed 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 statement of the Company’s condensed consolidated financial statements. These condensed 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, 2022. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

The preparation of condensed 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 condensed financial statements and the accompanying notes. Actual results could materially differ from those estimates.

Basis of Consolidation

The condensed 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 (“VIEs”) 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 condensed 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

There have been no recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2023, as compared to the recent accounting pronouncements described in our Annual Report, that have significance, or potential significance, to the Company's condensed 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 outstanding during the period. Dilutive potential common shares include outstanding stock-based awards, and the dilutive effect of the convertible and exchangeable senior notes, if applicable.

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 months ended March 31, 2023, the Company did not make any repurchases under the share repurchase program. During the three months ended March 31, 2022, the Company repurchased 399,522 shares of its common stock for approximately $25.6 million. 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 March 31,	
	2023	2022
Net income	$ 18,626	$ 175,749
Total weighted-average basic shares outstanding	23,548	24,722
Dilutive effect of stock-based awards	291	540
Dilutive effect of convertible and exchangeable senior notes	1,103	2,220
Total weighted-average dilutive shares outstanding	24,942	27,482
Basic earnings per share	$ 0.79	$ 7.11
Diluted earnings per share	$ 0.75	$ 6.40

There were no anti-dilutive employee stock options outstanding during the three months ended March 31, 2023 and 2022.

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 March 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Interest rate cap contracts	$ —	$ 30,672	$ —	$ 30,672
Liabilities				
Cross-currency swap agreements	—	(33,344)	—	(33,344)

	Fair Value Measurements as of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Interest rate cap contracts	$ —	$ 36,807	$ —	$ 36,807
Liabilities				
Cross-currency swap agreements	—	(36,918)	—	(36,918)

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.

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 and in each reporting period using Level 3 measurements based on appraised values using market comparables. The fair value estimate of the assets held for sale was approximately $86.8 million and $68.2 million as of March 31, 2023 and December 31, 2022, 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 condensed consolidated statements of financial condition as of March 31, 2023 and December 31, 2022 *(in thousands)*:

	March 31, 2023		December 31, 2022	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial Assets				
Investment in receivable portfolios, net	$ 3,214,792	$ 3,333,265	$ 3,088,261	$ 3,242,506
Financial Liabilities				
Global senior secured revolving credit facility	752,107	752,107	661,738	661,738
Encore private placement notes	58,620	57,599	68,390	66,947
Senior secured notes[(1)]	1,505,060	1,353,671	1,480,258	1,334,686
Exchangeable senior notes due September 2023	17,655	21,185	172,500	205,227
Convertible senior notes due October 2025	100,000	134,336	100,000	130,556
Convertible senior notes due March 2029	230,000	232,463	—	—
Cabot securitisation senior facility	431,919	431,919	423,522	423,522

(1) 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, senior secured notes and private placement notes are carried at historical cost, adjusted for the applicable 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 and private placement 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 and securitisation senior facility approximates fair value due to the use of current market rates that are repriced frequently.

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. Certain of the Company's derivative financial instruments qualify for hedge accounting treatment.

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

	March 31, 2023		December 31, 2022	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Derivatives designated as hedging instruments:				
Interest rate cap contracts	Other assets	$ 30,672	Other assets	$ 36,807
Cross-currency swap agreements	Other liabilities	(33,344)	Other liabilities	(36,918)

Derivatives Designated as Hedging Instruments

The Company uses interest rate cap contracts to manage its risk related to the interest rate fluctuations in its variable interest rate bearing debt. As of March 31, 2023, the Company held two interest rate cap contracts with a notional amount of approximately $866.8 million. 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 $434.9 million based on an exchange rate of $1.00 to €0.92, the exchange rate as of March 31, 2023) and matures in June 2024. The interest rate cap hedging the fluctuations in sterling overnight index average ("SONIA") bearing debt ("2021 Cap") has a notional amount of £350.0 million (approximately $431.9 million based on an exchange rate of $1.00 to £0.81, the exchange rate as of March 31, 2023) and matures in September 2024. The Company expects the hedge relationships to be highly effective and designates the 2019 Cap and 2021 Cap as cash flow hedge instruments. The Company expects to reclassify approximately $22.1 million of net derivative gain from OCI into earnings relating to interest rate caps within the next 12 months.

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 March 31, 2023, there were four cross-currency swap agreements outstanding with a total notional amount of €350.0 million (approximately $380.5 million based on an exchange rate of $1.00 to €0.92, the exchange rate as of March 31, 2023). The cross-currency swaps expire in October 2023. The Company expects to reclassify approximately $1.6 million of net derivative loss from OCI into earnings relating to cross-currency swaps within their remaining term.

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

	Gain (Loss) Recognized in OCI			Gain (Loss) Reclassified from OCI into Income (Loss)	
	Three Months Ended March 31,			Three Months Ended March 31,	
Derivatives Designated as Hedging Instruments	**2023**	**2022**	**Location of Gain (Loss) Reclassified from OCI into Income (Loss)**	**2023**	**2022**
Interest rate cap contracts	$ (6,924)	$ 9,763	Interest expense	$ (450)	$ (170)
Cross-currency swap agreements	2,066	(6,404)	Interest expense	(1,508)	(1,587)
			Other income (expense)	5,153	(10,476)

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 condensed 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, which is not expected due to the delinquent nature of the individual loans. 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, reasonable and supportable forecasts, and other quantitative and qualitative factors. 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 the Company's collection staff. External factors include new laws or regulations, new interpretations of existing laws or regulations, and macroeconomic conditions. The Company continues to reassess its expected future recoveries in each reporting period.

Investment in receivable portfolios, net consists of the following as of the dates presented (*in thousands*):

	March 31, 2023	March 31, 2022
Amortized cost	$ —	$ —
Negative allowance for expected recoveries	3,214,792	3,137,386
Balance, end of period	$ 3,214,792	$ 3,137,386

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Balance, beginning of period	$ 3,088,261	$ 3,065,553
Negative allowance for expected recoveries - current period purchases[1]	276,431	169,505
Collections applied to investment in receivable portfolios, net [2]	(166,682)	(215,309)
Changes in recoveries [3]	(9,501)	167,223
Put-backs and Recalls	(1,806)	(3,207)
Disposals and transfers to real estate owned	(1,105)	(1,976)
Foreign currency translation adjustments	29,194	(44,403)
Balance, end of period	$ 3,214,792	$ 3,137,386

(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 March 31, 2023	Three Months Ended March 31, 2022
Purchase price	$ 276,431	$ 169,505
Allowance for credit losses	659,644	350,186
Amortized cost	936,075	519,691
Noncredit discount	1,005,221	657,058
Face value	1,941,296	1,176,749
Write-off of amortized cost	(936,075)	(519,691)
Write-off of noncredit discount	(1,005,221)	(657,058)
Negative allowance	276,431	169,505
Negative allowance for expected recoveries - current period purchases	$ 276,431	$ 169,505

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash Collections	$ 462,356	$ 519,414
Less - amounts classified to revenue from receivable portfolios	(295,674)	(304,105)
Collections applied to investment in receivable portfolios, net	$ 166,682	$ 215,309

(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 March 31,	
	2023	2022
Recoveries (below) above forecast	$ (15,358)	$ 46,352
Changes in expected future recoveries	5,857	120,871
Changes in recoveries	$ (9,501)	$ 167,223

Recoveries above or below forecast represent over and under-performance in the reporting period, respectively. Collections during the three months ended March 31, 2023, under-performed the forecasted collections by approximately $15.4 million. The under-performance was primarily attributable to shifts in the timing of collections for recent U.S. vintages as consumers transitioned back to more normalized payment behavior. The under-performance was also partly due to court closures in Spain resulting from labor unrest in the court system.

When reassessing the forecasts of expected lifetime recoveries during the three months ended March 31, 2023, management considered, among other factors, historical and current collection performance, changes in consumer behavior, and the macroeconomic environment and believes that forecasted collections for certain static pools resulted in increased total expected recoveries. As a result, the Company has updated its forecast, resulting in changes in the timing and amount of total estimated remaining collections which in turn, when discounted to present value, resulted in a net positive change in expected future recoveries of approximately $5.9 million for the three months ended March 31, 2023. For the three months ended March 31, 2022, the Company recorded approximately $120.9 million in net positive change in expected future recoveries.

Note 6: Other Assets

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

	March 31, 2023	December 31, 2022
Real estate owned	$ 86,844	$ 68,242
Operating lease right-of-use assets	71,413	70,074
Prepaid expenses	33,425	30,376
Derivative instruments	30,672	36,807
Identifiable intangible assets, net	21,369	22,112
Income tax deposits	20,188	18,259
Deferred tax assets	16,487	18,069
Service fee receivables	16,126	16,094
Other	71,517	61,040
Total	$ 368,041	$ 341,073

Note 7: Borrowings

The Company is in compliance in all material respects with all covenants under its financing arrangements as of March 31, 2023. The components of the Company's consolidated borrowings were as follows *(in thousands)*:

	March 31, 2023	December 31, 2022
Global senior secured revolving credit facility	$ 752,107	$ 661,738
Encore private placement notes	58,620	68,390
Senior secured notes	1,510,416	1,485,888
Convertible notes and exchangeable notes	347,655	272,500
Cabot securitisation senior facility	431,919	423,522
Other	20,206	23,512
Finance lease liabilities	4,716	5,675
	3,125,639	2,941,225
Less: debt discount and issuance costs, net of amortization	(43,853)	(42,404)
Total	$ 3,081,786	$ 2,898,821

Encore is the parent of the restricted group for the Global Senior Facility, the Senior Secured Notes and the Encore 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"). On March 29, 2022, the Company amended and restated the Global Senior Facility to, among other things (1) upsize the facility by $90.0 million to $1.14 billion, (2) extend the termination date of the facility from September 2025 to September 2026, and (3) transition from LIBOR to Term SOFR for U.S. dollar borrowings. As of March 31, 2023, the Global Senior Facility provided for a total committed facility of $1.14 billion that matures in September 2026 and includes the following key provisions:

- Interest at Term SOFR (or EURIBOR for any loan drawn in Euro or a rate based on SONIA for any loan drawn in British Pound), with a Term SOFR (or EURIBOR or SONIA) floor of 0.00%, plus a margin of 2.50%, plus in the case of Term SOFR borrowings, a credit adjustment spread of 0.10%;
- An unused commitment fee of 0.40% per annum, payable quarterly in arrears;
- 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 Encore 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 March 31, 2023, the outstanding borrowings under the Global Senior Facility were $752.1 million. The weighted average interest rate of the Global Senior Facility was 7.06% and 2.73% for the three months ended March 31, 2023 and 2022, respectively. Available capacity under the Global Senior Facility, after taking into account applicable debt covenants, was approximately $387.9 million as of March 31, 2023.

Encore Private Placement Notes

In August 2017, Encore entered into $325.0 million in senior secured notes with a group of insurance companies (the "Encore Private Placement Notes"). As of March 31, 2023, $58.6 million of the Encore Private Placement Notes remained outstanding. The Encore 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 Encore 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)*:

	March 31, 2023	December 31, 2022	Issue Currency	Maturity Date	Interest Payment Dates	Interest Rate
Encore 2025 Notes	$ 380,510	$ 375,325	EUR	Oct 15, 2025	Apr 15, Oct 15	4.875 %
Encore 2026 Notes	370,216	363,019	GBP	Feb 15, 2026	Feb 15, Aug 15	5.375 %
Encore 2028 Notes	308,514	302,516	GBP	Jun 1, 2028	Jun 1, Dec 1	4.250 %
Encore 2028 Floating Rate Notes	451,176	445,028	EUR	Jan 15, 2028	Jan 15, Apr 15, Jul 15, Oct 15	EURIBOR +4.250%[1]
	$ 1,510,416	$ 1,485,888				

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

The Senior Secured Notes are secured by the same collateral as the Global Senior Facility and the Encore 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 Encore Private Placement Notes. Subject to the intercreditor agreement described above under the section "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)*:

	March 31, 2023	December 31, 2022	Maturity Date	Interest Payment Dates	Interest Rate
2023 Exchangeable Notes	$ 17,655	$ 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 %
2029 Convertible Notes	230,000	—	Mar 15, 2029	Mar 15, Sep 15	4.000 %
	$ 347,655	$ 272,500			

In March 2023, Encore issued $230.0 million aggregate principal amount of 4.00% convertible senior notes that mature on March 15, 2029 in a private placement transaction (the "2029 Convertible Notes"). Interest on the 2029 Convertible Notes is payable semi-annually.

The Company used a portion of the net proceeds from the issuance of the 2029 Convertible Notes to repurchase, in separate privately negotiated transactions, approximately $154.8 million aggregate principal amount of its 2023 Exchangeable Notes for approximately $192.5 million. The repurchase met the criteria for an induced conversion and accordingly, the Company recognized expense of $2.7 million, representing the fair value of the consideration paid to certain holders of the 2023 Exchangeable Notes in excess of the fair value to which they were entitled to receive pursuant to the original conversion terms on the respective settlement dates. The amount is included in Other income, net, in the Company's condensed consolidated statements of income during the three months ended March 31, 2023. The remaining excess above the principal amount of the repurchased 2023 Exchangeable Notes was recognized in the Company's stockholder's equity.

Additionally, the Company received proceeds of approximately $28.5 million from the unwind of the capped call options associated with the repurchased portion of the 2023 Exchangeable Notes. Since the capped call options were determined to be equity instruments, the partial unwind of the capped call options was recorded as an increase in stockholder's equity in the condensed consolidated statements of financial condition as of March 31, 2023. In addition, the Company recognized approximately $0.7 million of interest expense in the condensed consolidated statements of income during the three months ended March 31, 2023 to record the write-off of unamortized debt issuance costs associated with the 2023 Exchangeable Notes repurchased.

The 2023 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 incorporation of Encore Finance.

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 conversion or exchange prices of the Convertible Notes and the Exchangeable Notes, the Company may enter into hedge programs that increase the effective conversion or exchange price for the Convertible Notes and the Exchangeable Notes. In connection with the issuance of the 2029 Convertible Notes, the Company entered into privately negotiated capped call transactions that effectively raised the conversion price of the 2029 Convertible Notes from $65.89 to $82.69. The cost of the capped call transactions was approximately $18.5 million. This cost, net of tax effect, was recorded as a reduction to stockholder's equity in the condensed consolidated statements of financial condition as of March 31, 2023. As of March 31, 2023, the Company had two hedge programs that increase the effective exchange price for the 2029 Convertible Notes and the 2023 Exchangeable Notes. The hedge instruments have been determined to be indexed to the Company's own stock and meet the criteria for equity classification. The Company recorded the cost of the hedge instruments as a reduction in stockholder's equity, and does not recognize subsequent changes in fair value of these financial instruments in its consolidated financial statements. The Company did not hedge the 2025 Convertible Notes.

Certain key terms related to the convertible and exchangeable features as of March 31, 2023 are listed below *($ in thousands, except conversion or exchange price)*:

	2023 Exchangeable Notes	2025 Convertible Notes	2029 Convertible Notes
Initial conversion or exchange price	$ 44.62	$ 40.00	$ 65.89
Closing stock price at date of issuance	$ 36.45	$ 32.00	$ 51.68
Closing stock price date	Jul 20, 2018	Sep 4, 2019	Feb 28, 2023
Initial conversion or exchange rate (shares per $1,000 principal amount)	22.4090	25.0000	15.1763
Adjusted conversion or exchange rate (shares per $1,000 principal amount)(1)	22.5264	25.1310	15.1763
Adjusted conversion or exchange price(1)	$ 44.39	$ 39.79	$ 65.89
Adjusted effective conversion or exchange price(2)	$ 62.13	$ 39.79	$ 82.69
Excess of if-converted value compared to principal(3)	$ 2,409	$ 26,786	$ —
Conversion or exchange date	Mar 1, 2023	Jul 1, 2025	Dec 15, 2028

(1) Pursuant to the indentures for the Company's 2025 Convertible Notes and 2023 Exchangeable Notes, the conversion and exchange rates were adjusted upon the completion of the Company's tender offer in December 2021.

(2) As discussed above, the Company maintains a hedge program that increases the effective exchange price for the 2023 Exchangeable Notes to $62.13 and the 2029 Convertible Notes to $82.69.

(3) Represents the premium the Company would have to pay assuming the Convertible Notes and Exchangeable Notes were converted or exchanged on March 31, 2023 using a hypothetical share price based on the closing stock price on March 31, 2023. The premium of the 2023 Exchangeable Notes would have been reduced to zero with the existing hedge program.

In February 2023, in accordance with the indenture for the 2023 Exchangeable Notes, Encore Finance irrevocably elected "combination settlement" with a specified dollar amount equal to $1,800 per $1,000 principal amount of the 2023 Exchangeable Notes for all exchanges of the 2023 Exchangeable Notes that occur on or after March 1, 2023, the free exchange date, which effectively will result in an all cash settlement for the 2023 Exchangeable Notes so long as the stock price does not exceed $79.91 at the time of exchange. None of the 2023 Exchangeable Notes have been exchanged.

In the event of conversion, the Convertible Notes are convertible 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.

Interest expense related to the Convertible Notes and Exchangeable Notes was $2.9 million and $3.7 million during the three months ended March 31, 2023 and 2022, respectively.

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 September 2026. Funds drawn under the Cabot Securitisation Senior Facility bear interest at a rate per annum equal to SONIA plus a margin of 3.00% plus, for periods after September 18, 2024, a step-up margin ranging from zero to 1.00%.

As of March 31, 2023, the outstanding borrowings under the Cabot Securitisation Senior Facility were £350.0 million (approximately $431.9 million based on an exchange rate of $1.00 to £0.81, the exchange rate as of March 31, 2023). 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 £366.5 million (approximately $452.3 million based on an exchange rate of $1.00 to £0.81, the exchange rate as of March 31, 2023) as of March 31, 2023. The weighted average interest rate was 5.25% and 3.45% for the three months ended March 31, 2023 and 2022, 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 residual returns from the entity that could potentially be significant to the VIE. The Company consolidates VIEs when it is the primary beneficiary.

As of March 31, 2023, 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 including the ability to exercise discretion in the servicing of the financial assets and has the right to receive residual returns that could potentially be significant to the VIEs. The Company's exposure to loss is limited to the total of the carrying value of the VIEs. 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: Accumulated Other Comprehensive Loss

A summary of the Company's changes in accumulated other comprehensive loss by component is presented below *(in thousands):*

	Three Months Ended March 31, 2023		
	Derivatives	Currency Translation Adjustments	Accumulated Other Comprehensive Loss
Balance at beginning of period	$ 36,494	$ (135,310)	$ (98,816)
Other comprehensive (loss) income before reclassification	(4,858)	16,008	11,150
Reclassification	(3,195)	—	(3,195)
Tax effect	876	(383)	493
Balance at end of period	$ 29,317	$ (119,685)	$ (90,368)

	Three Months Ended March 31, 2022		
	Derivatives	Currency Translation Adjustments	Accumulated Other Comprehensive Loss
Balance at beginning of period	$ 516	$ (54,064)	$ (53,548)
Other comprehensive income (loss) before reclassification	3,359	(22,254)	(18,895)
Reclassification	12,233	—	12,233
Tax effect	(3,698)	—	(3,698)
Balance at end of period	$ 12,410	$ (76,318)	$ (63,908)

Note 10: Income Taxes

The Company’s effective tax rate for the three months ended March 31, 2023 was 25.6%. For the three months ended March 31, 2022, the Company’s effective tax rate was 23.8%. For the three months ended March 31, 2023, the difference between the effective tax rate and the federal statutory rate was primarily due to the provision for state income taxes offset by other foreign adjustments. For the three months ended March 31, 2022 the difference between the effective tax rate and the federal statutory rate was primarily due to the provision of state income taxes and the proportion of income earned in higher tax rate jurisdictions compared to lower tax rate jurisdictions.

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 months ended March 31, 2023 and 2022, 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. During the three months ended March 31, 2023, the Company accrued $2.5 million related to state tax filing positions.

Note 11: 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 asserting various claims, including those based on the Fair Debt Collection Practices Act (“FDCPA”), the Fair Credit Reporting Act (“FCRA”), the Telephone Consumer Protection Act (“TCPA”), comparable state statutes, 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 March 31, 2023, 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, 2022 or any new material legal proceedings during the three months ended March 31, 2023.

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 March 31, 2023, 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 March 31, 2023, the Company had entered into forward flow purchase agreements for the purchase of nonperforming loans with an estimated minimum aggregate purchase price of approximately $439.1 million. The Company expects actual purchases under these forward flow purchase agreements to be significantly greater than the estimated minimum aggregate purchase price.

Note 12: Segment and Geographic Information

The Company conducts business through several operating segments. The Company's Chief Operating Decision Maker relies on internal management reporting processes that provide segment revenue, segment operating income, and segment asset information in order to make financial decisions and allocate resources. The Company determined its operating segments meet the aggregation criteria, and therefore, it has one reportable segment, portfolio purchasing and recovery, based on similarities among the operating units including economic characteristics, the nature of the services, the nature of the production process, customer types for their services, the methods used to provide their services and the nature of the regulatory environment.

The following table presents information about geographic areas in which the Company operates *(in thousands)*:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Total revenues:		
United States	$ 200,218	$ 373,574
Europe		
United Kingdom	77,985	90,221
Other European countries[1]	34,238	35,811
Total Europe	112,223	126,032
Other geographies[1]	189	76
Total	$ 312,630	$ 499,682

(1) None of these countries comprise greater than 10% of the Company's consolidated revenues.

Note 13: 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 months ended March 31, 2023, 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 intangible 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 March 31,	
	2023	2022
Balance as of beginning of period:	$ 821,214	$ 897,795
Effect of foreign currency translation	12,960	(21,254)
Balance as of end of period:	$ 834,174	$ 876,541

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

	As of March 31, 2023			As of December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 46,401	$ (25,134)	$ 21,267	$ 45,498	$ (23,507)	$ 21,991
Trade name and other	912	(810)	102	909	(788)	121
Total intangible assets	$ 47,313	$ (25,944)	$ 21,369	$ 46,407	$ (24,295)	$ 22,112

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, and financing needs or plans, 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" 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 in Europe.

Encore Capital Group, Inc. ("Encore") has three 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.

Cabot (Europe)

Through Cabot, we are one of the largest credit management services providers in Europe and 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 UK 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.

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.

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 operations in the United States 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.

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 is comprised 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 (limiting 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.

Purchases and Collections

Portfolio Pricing, Supply and Demand

MCM (United States)

With lending surpassing pre-pandemic levels and with rising delinquency rates, we have seen an increase in supply. 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 first quarter continued to improve as a result of increased supply. Issuers continue to sell their volume in mostly forward flow arrangements that are often committed early in the calendar year. We believe continued growth in lending and/or rising delinquency rates or charge-off rates will drive continued growth in supply.

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 increasing cost of capital. We believe this favors larger participants, like MCM, because the larger market participants are better able to adapt to these pressures and commit to larger forward flow agreements and fluctuating volumes.

Cabot (Europe)

The UK market for charged-off portfolios prior to the COVID-19 pandemic generally provided a relatively consistent pipeline of opportunities, despite a historically 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. An increasing amount of volume is sold in multi-year forward flow arrangements.

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.

Banks decreased portfolio sales at the beginning of the COVID-19 pandemic in order to focus on customers' needs. While we have seen a resumption of sales activity across many of our European markets, underlying default rates are generally low by historic levels, and sales levels are expected to fluctuate from quarter to quarter. In general, supply remains below pre-pandemic levels while portfolio pricing remains competitive across our European footprint.

Purchases by Geographic Location

The following table summarizes purchases of receivable portfolios by geographic location during the periods presented *(in thousands):*

	Three Months Ended March 31,	
	2023	**2022**
MCM (United States)	$ 213,452	$ 94,309
Cabot (Europe)	62,979	75,196
Total purchases of receivable portfolios	$ 276,431	$ 169,505

In the United States, capital deployment increased significantly during the three months ended March 31, 2023, as compared to the corresponding period in the prior year. The majority of our deployments in the U.S. come from forward flow agreements, and the timing, contract duration, and volumes for each contract can fluctuate leading to variation when comparing to prior periods. Portfolio purchases in the U.S. were robust as supply increased and pricing improved.

In Europe, capital deployment decreased during the three months ended March 31, 2023, as compared to the corresponding period in the prior year. The decrease was primarily due to the unfavorable impact from foreign currency translation driven by the strengthening of the U.S. dollar against the British Pound. Pricing remains competitive in Europe and as a result purchases were limited.

During the three months ended March 31, 2023 and 2022, we also invested $22.6 million and $12.4 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 from third-party collections agencies 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 March 31,	
	2023	2022
MCM (United States):		
Call center and digital collections	$ 191,105	$ 215,624
Legal collections	137,511	154,500
Collection agencies	54	488
Subtotal	328,670	370,612
Cabot (Europe):		
Call center and digital collections	56,998	54,453
Legal collections	43,709	52,513
Collection agencies	32,081	40,880
Subtotal	132,788	147,846
Other geographies:	898	956
Total collections from purchased receivables	$ 462,356	$ 519,414

Gross collections from purchased receivables decreased by $57.1 million, or 11.0%, to $462.4 million during the three months ended March 31, 2023, as compared to $519.4 million during the three months ended March 31, 2022. The decrease in collections in the United States was primarily a result of lower purchasing volumes in recent periods due to the COVID-19 pandemic. The decrease was also a result of a high level of collections in the year ago period resulting from changes in consumer behavior during the COVID-19 pandemic, which we believe have now normalized. The decrease in collections from purchased receivables in Europe was primarily due to the unfavorable impact from foreign currency translation, driven by the strengthening of the U.S. dollar against the British Pound. Court closures in Spain resulting from labor unrest also had an impact on collections for the quarter.

Results of Operations

Results of operations, in dollars and as a percentage of total revenues, were as follows for the periods presented *(in thousands, except percentages)*:

	Three Months Ended March 31,			
	2023		2022	
Revenues				
Revenue from receivable portfolios	$ 295,674	94.6 %	$ 304,105	60.8 %
Changes in recoveries	(9,501)	(3.1)%	167,223	33.5 %
Total debt purchasing revenue	286,173	91.5 %	471,328	94.3 %
Servicing revenue	22,585	7.2 %	26,146	5.2 %
Other revenues	3,872	1.3 %	2,208	0.5 %
Total revenues	312,630	100.0 %	499,682	100.0 %
Operating expenses				
Salaries and employee benefits	103,850	33.2 %	96,956	19.4 %
Cost of legal collections	54,101	17.4 %	55,717	11.2 %
General and administrative expenses	37,965	12.1 %	33,534	6.7 %
Other operating expenses	27,556	8.8 %	27,027	5.4 %
Collection agency commissions	8,150	2.6 %	9,605	1.9 %
Depreciation and amortization	10,870	3.5 %	11,829	2.4 %
Total operating expenses	242,492	77.6 %	234,668	47.0 %
Income from operations	70,138	22.4 %	265,014	53.0 %
Other expense				
Interest expense	(46,835)	(15.0)%	(34,633)	(6.9)%
Other income, net	1,732	0.6 %	392	0.1 %
Total other expense	(45,103)	(14.4)%	(34,241)	(6.8)%
Income before income taxes	25,035	8.0 %	230,773	46.2 %
Provision for income taxes	(6,409)	(2.0)%	(55,024)	(11.0)%
Net income	$ 18,626	6.0 %	$ 175,749	35.2 %

Comparison of Results of Operations

Revenues

Our revenues primarily include debt purchasing revenue, which is revenue recognized from engaging in debt purchasing and recovery activities. 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 condensed 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 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).

Certain pools already fully recovered their cost basis and became zero basis portfolios ("ZBA") prior to our adoption of the accounting standard for Financial Instruments - Credit Losses ("CECL") in January 2020. 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 condensed consolidated statements of income.

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 in Europe.

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 and real estate assets in Europe and LAAP.

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

	Three Months Ended March 31,			
	2023	**2022**	**$ Change**	**% Increase (decrease)**
Revenue recognized from portfolio basis	$ 288,390	$ 295,121	$ (6,731)	(2.3)%
ZBA revenue	7,284	8,984	(1,700)	(18.9)%
Revenue from receivable portfolios	295,674	304,105	(8,431)	(2.8)%
Recoveries (below) above forecast	(15,358)	46,352	(61,710)	(133.1)%
Changes in expected future recoveries	5,857	120,871	(115,014)	(95.2)%
Changes in recoveries	(9,501)	167,223	(176,724)	(105.7)%
Debt purchasing revenue	286,173	471,328	(185,155)	(39.3)%
Servicing revenue	22,585	26,146	(3,561)	(13.6)%
Other revenues	3,872	2,208	1,664	75.4 %
Total revenues	$ 312,630	$ 499,682	$ (187,052)	(37.4)%

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 unfavorably impacted by foreign currency translation, primarily as a result of the strengthening of the U.S. dollar against the British Pound by 10.4% during the three months ended March 31, 2023, compared to the three months ended March 31, 2022.

The decrease in revenue recognized from portfolio basis during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, other than resulting from the unfavorable impact from foreign currency translation discussed above, was primarily due to a lower portfolio basis (i.e., a lower investment in receivable balance) driven by a lower volume of purchases in recent periods.

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. We do not expect to have new ZBA pools in the future.

Recoveries above or below forecast represent over and under-performance in the reporting period, respectively. Collections during the three months ended March 31, 2023, under-performed the forecasted collections by approximately $15.4 million. The under-performance was primarily attributable to shifts in the timing of collections for recent U.S. vintages as consumers transitioned back to more normalized payment behavior. The under-performance was also partly due to court closures in Spain resulting from labor unrest in the court system.

When reassessing the forecasts of expected lifetime recoveries during the three months ended March 31, 2023, management considered, among other factors, historical and current collection performance, changes in consumer behavior, and the macroeconomic environment and believes that forecasted collections for certain static pools resulted in increased total expected recoveries. As a result, we have updated our forecast, resulting in changes in timing and amount of total estimated remaining collections which in turn, when discounted to present value, resulted in a net positive change in expected future recoveries of approximately $5.9 million during the three months ended March 31, 2023. During the three months ended March 31, 2022, the Company recorded approximately $120.9 million in net positive change in expected future period recoveries as a result of reforecasting its expected future recoveries based on the pandemic-related consumer behavior observed at that time.

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 March 31, 2023			As of March 31, 2023	
	Collections	**Revenue from Receivable Portfolios**	**Changes in Recoveries**	**Investment in Receivable Portfolios**	**Monthly EIR**
United States:					
ZBA	$ 7,282	$ 7,282	$ —	$ —	— %
2011	3,369	3,456	(270)	1,142	88.6 %
2012	4,268	3,788	236	2,846	42.0 %
2013	9,091	8,958	(232)	7,036	40.5 %
2014	5,068	3,807	223	18,309	6.7 %
2015	5,391	3,019	307	24,302	3.9 %
2016	9,909	5,628	388	42,713	4.1 %
2017	17,050	10,094	1,523	57,095	5.5 %
2018	26,778	14,792	(1,590)	115,323	4.0 %
2019	49,207	26,266	1,932	215,788	3.8 %
2020	58,497	30,246	1,290	254,268	3.7 %
2021	54,488	31,920	(3,395)	254,059	3.9 %
2022	70,880	49,136	(8,799)	510,213	3.1 %
2023	7,392	6,182	4,031	216,193	2.9 %
Subtotal	328,670	204,574	(4,356)	1,719,287	3.9 %
Europe:					
ZBA	2	2	—	—	— %
2013	15,407	13,229	(896)	136,996	3.2 %
2014	13,830	11,400	(430)	127,413	3.0 %
2015	8,701	6,980	(721)	94,781	2.5 %
2016[(1)]	9,347	6,548	(314)	79,759	2.8 %
2017	13,114	7,757	(693)	134,957	1.9 %
2018	11,960	8,320	(2,564)	176,504	1.6 %
2019	13,885	8,258	(1,317)	144,718	1.9 %
2020	10,359	6,215	272	91,109	2.2 %
2021	16,079	10,495	(344)	186,092	1.9 %
2022	17,432	10,582	621	225,140	1.6 %
2023	2,672	1,314	1,241	64,047	1.2 %
Subtotal	132,788	91,100	(5,145)	1,461,516	2.1 %
Other geographies:[(2)]					
All vintages	898	—	—	33,989	— %
Subtotal	898	—	—	33,989	— %
Total	$ 462,356	$ 295,674	$ (9,501)	$ 3,214,792	3.0 %

(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. Annual pool groups for other geographies have been aggregated for disclosure purposes.

	Three Months Ended March 31, 2022			As of March 31, 2022	
	Collections	Revenue from Receivable Portfolios	Changes in Recoveries	Investment in Receivable Portfolios	Monthly EIR
United States:					
ZBA	$ 8,971	$ 8,971	$ —	$ —	— %
2011	5,327	3,901	1,535	1,628	88.6 %
2012	5,407	3,812	2,121	3,574	42.0 %
2013	12,639	12,072	518	9,902	40.5 %
2014	7,064	4,508	1,077	21,441	6.7 %
2015	7,347	4,180	(2,322)	31,052	3.9 %
2016	15,549	7,987	2,898	61,928	4.1 %
2017	26,169	14,503	9,174	89,641	5.5 %
2018	44,029	19,070	33,676	178,972	3.9 %
2019	76,960	33,420	62,112	319,745	3.8 %
2020	91,638	38,893	61,930	369,878	3.7 %
2021	65,474	44,241	(929)	358,537	3.9 %
2022	4,038	3,682	2,534	96,431	3.6 %
Subtotal	370,612	199,240	174,324	1,542,729	4.4 %
Europe:					
ZBA	13	13	—	—	— %
2013	19,465	16,971	(1,938)	167,707	3.2 %
2014	18,277	13,861	(1,267)	147,268	3.0 %
2015	11,770	8,567	(1,350)	113,730	2.4 %
2016[1]	10,800	8,561	(1,473)	100,499	2.8 %
2017	17,214	11,379	(2,332)	193,534	1.9 %
2018	17,478	11,289	(1,308)	232,240	1.6 %
2019	18,580	10,721	590	185,357	1.8 %
2020	13,224	7,882	2,600	112,863	2.3 %
2021	18,057	13,195	(1,353)	228,117	1.9 %
2022	2,968	2,426	730	73,854	1.9 %
Subtotal	147,846	104,865	(7,101)	1,555,169	2.2 %
Other geographies:[2]					
All vintages	956	—	—	39,488	— %
Subtotal	956	—	—	39,488	— %
Total	$ 519,414	$ 304,105	$ 167,223	$ 3,137,386	3.3 %

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

(2) Annual pool groups for other geographies have been aggregated for disclosure purposes.

Servicing revenues during the three months ended March 31, 2023 decreased as compared to servicing revenues during the three months ended March 31, 2022. The decrease was primarily attributable to the unfavorable impact of foreign currency translation of $2.4 million, which was primarily the result of the strengthening of the U.S. dollar against the British Pound and reduced service demand from BPO clients of approximately $0.8 million.

Other revenues increased during the three months ended March 31, 2023 as compared to the three months ended March 31, 2022, primarily driven by the increased sale of real estate assets of $1.8 million, the increase was partially offset by the unfavorable impact of foreign currency translation of $0.2 million, which was driven by the strengthening of the U.S. dollar against the British Pound and Euro.

Operating Expenses

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

	Three Months Ended March 31,			
	2023	2022	$ Change	% Change
Salaries and employee benefits	$ 103,850	$ 96,956	$ 6,894	7.1 %
Cost of legal collections	54,101	55,717	(1,616)	(2.9)%
General and administrative expenses	37,965	33,534	4,431	13.2 %
Other operating expenses	27,556	27,027	529	2.0 %
Collection agency commissions	8,150	9,605	(1,455)	(15.1)%
Depreciation and amortization	10,870	11,829	(959)	(8.1)%
Total operating expenses	$ 242,492	$ 234,668	$ 7,824	3.3 %

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 favorably impacted by foreign currency translation, primarily as a result of the strengthening of the U.S. dollar against the British Pound by approximately 10.4% for the three months ended March 31, 2023, as compared to the three months ended March 31, 2022.

Operating expenses are explained in more detail as follows:

Salaries and Employee Benefits

The increase in salaries and employee benefits during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, was primarily due to the following reasons:

- Increase in overall headcount;
- Costs relating to headcount reductions in Europe of approximately $6.1 million; and
- The increase was partially offset by favorable impact of foreign currency translation of $5.1 million, primarily by the strengthening of the U.S. dollar against the British Pound;

Cost of Legal Collections

Cost of legal collections is primarily 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 condensed consolidated statements of income.

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

	Three Months Ended March 31,			
	2023	2022	$ Change	% Change
Court costs	$ 30,017	$ 30,836	$ (819)	(2.7)%
Legal collection fees	24,084	24,881	(797)	(3.2)%
Total cost of legal collections	$ 54,101	$ 55,717	$ (1,616)	(2.9)%

The decrease of cost of legal collections during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, was primarily due to favorable impact of foreign currency translation of approximately $1.1 million, driven by the strengthening of the U.S. dollar against the British Pound.

General and Administrative Expenses

The increase in general and administrative expense during the three months ended March 31, 2023, compared to the three months ended March 31, 2022, was primarily due to increased costs associated with consulting fees and legal fees of approximately $4.0 million. The increase was partially offset by the favorable impact of foreign currency translation of approximately $1.2 million, driven by the strengthening of the U.S. dollar against the British Pound.

Other Operating Expenses

Other operating expenses remained relatively consistent during the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. There has been a small favorable impact of foreign currency translation of approximately $0.6 million to other operating expenses during the three months ended March 31, 2023, driven by the strengthening 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 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 decrease in depreciation and amortization expense during the three months ended March 31, 2023, as compared to the three months ended March 31, 2022, was primarily due to the favorable impact of foreign currency translation of approximately $0.5 million, driven by the strengthening of the U.S. dollar against the British Pound.

Interest Expense

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

	Three Months Ended March 31,			
	2023	2022	$ Change	% Change
Stated interest on debt obligations	$ 42,241	$ 30,437	$ 11,804	38.8 %
Amortization of debt issuance costs	4,244	3,851	393	10.2 %
Amortization of debt discount	350	345	5	1.4 %
Total interest expense	$ 46,835	$ 34,633	$ 12,202	35.2 %

The increase in interest expense during the three months ended March 31, 2023, compared to the three months ended March 31, 2022, were primarily due to the following reasons:

- The effect resulting from rising interest rates of approximately $9.8 million;
- The effect resulting from increased average debt balance of approximately $1.0 million;
- The increase was partially offset by the favorable impact of foreign currency translation of approximately $1.9 million, primarily by the strengthening of the U.S. dollar against the British Pound and Euro.

Other Income, net of Other Expense

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 income was $1.7 million and $0.4 million during the three months ended March 31, 2023 and 2022, respectively.

Provision for Income Taxes

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

	Three Months Ended March 31,	
	2023	2022
Provision for income taxes	$ 6,409	$ 55,024
Effective tax rate	25.6 %	23.8 %

For the three months ended March 31, 2023, the difference between our effective tax rate and the federal statutory rate was primarily due to the provision for state income taxes offset by other foreign adjustments. For the three months ended March 31, 2022, the difference between our effective tax rate and the federal statutory rate was primarily due to the provision for state income taxes and the proportion of income earned in higher tax rate jurisdictions compared to lower tax rate jurisdictions.

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, derivative instruments, and amortization methods, 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 March 31,	
	2023	**2022**
GAAP net income, as reported	$ 18,626	$ 175,749
Adjustments:		
Interest expense	46,835	34,633
Interest income	(944)	(437)
Provision for income taxes	6,409	55,024
Depreciation and amortization	10,870	11,829
Stock-based compensation expense	4,052	3,921
Acquisition, integration and restructuring related expenses(1)	5,526	679
Adjusted EBITDA	$ 91,374	$ 281,398
Collections applied to principal balance(2)	$ 182,981	$ 53,567

(1) Amount represents acquisition, integration and restructuring related expenses. 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. For the three months ended March 31, 2023 amount represents costs related to headcount reductions in Europe. The remainder of the costs relating to the headcount reductions in Europe are included in stock-based compensation expense.

(2) Collections applied to principal balance is calculated in the table below:

	Three Months Ended March 31,	
	2023	**2022**
Collections applied to investment in receivable portfolios, net	$ 166,682	$ 215,309
Less: Changes in recoveries	9,501	(167,223)
REO proceeds applied to basis	6,798	5,481
Collections applied to principal balance	$ 182,981	$ 53,567

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 Money Multiple - Cumulative Collections from Purchased Receivables to Purchase Price Multiple

The following table summarizes our receivable purchases, related gross collections, and cumulative collections money multiples *(in thousands, except multiples)*:

Year of Purchase	Purchase Price[(1)]	Cumulative Collections through March 31, 2023												
		<2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total[(2)]	CCMM[(3)]
United States:														
<2014	$ 3,244,415	$ 6,065,954	$ 1,048,635	$ 768,510	$ 523,386	$ 377,466	$ 277,776	$ 221,292	$ 169,334	$ 152,031	$ 115,602	$ 24,010	$ 9,743,996	3.0
2014	517,646	—	144,178	307,814	216,357	142,147	94,929	69,059	47,628	34,896	25,212	5,068	1,087,288	2.1
2015	499,049	—	—	105,610	231,102	186,391	125,673	85,042	64,133	42,774	25,655	5,391	871,771	1.7
2016	553,060	—	—	—	110,875	283,035	234,690	159,279	116,452	87,717	51,650	9,909	1,053,607	1.9
2017	527,708	—	—	—		111,902	315,853	255,048	193,328	144,243	85,348	17,050	1,122,772	2.1
2018	629,638	—	—	—	—	—	175,042	351,696	308,302	228,919	144,566	26,778	1,235,303	2.0
2019	675,761	—	—	—	—	—	—	174,693	416,315	400,250	256,444	49,207	1,296,909	1.9
2020	538,314	—	—	—	—	—	—	—	213,450	430,514	311,573	58,497	1,014,034	1.9
2021	404,579	—	—	—	—	—	—	—	—	120,354	240,605	54,488	415,447	1.0
2022	551,948	—	—	—	—	—	—	—	—	—	98,277	70,880	169,157	0.3
2023	213,385	—	—	—	—	—	—	—	—	—	—	7,392	7,392	—
Subtotal	8,355,503	6,065,954	1,192,813	1,181,934	1,081,720	1,100,941	1,223,963	1,316,109	1,528,942	1,641,698	1,354,932	328,670	18,017,676	2.2
Europe:														
<2014	619,079	134,259	249,307	212,129	165,610	146,993	132,663	113,228	93,203	93,907	68,938	15,407	1,425,644	2.3
2014	623,129	—	135,549	198,127	156,665	137,806	129,033	105,337	84,255	84,169	65,156	13,830	1,109,927	1.8
2015	419,941	—	—	65,870	127,084	103,823	88,065	72,277	55,261	57,817	42,660	8,702	621,559	1.5
2016	258,218	—	—	—	44,641	97,587	83,107	63,198	51,609	51,017	40,214	9,348	440,721	1.7
2017	461,571	—	—	—	—	68,111	152,926	118,794	87,549	86,107	61,762	13,114	588,363	1.3
2018	433,302	—	—	—	—	—	49,383	118,266	78,846	80,629	61,691	11,960	400,775	0.9
2019	273,354	—	—	—	—	—	—	44,118	80,502	88,448	63,607	13,885	290,560	1.1
2020	116,899	—	—	—	—	—	—	—	22,721	59,803	45,757	10,359	138,640	1.2
2021	255,788	—	—	—	—	—	—	—	—	43,082	66,529	16,079	125,690	0.5
2022	244,508	—	—	—	—	—	—	—	—	—	36,957	17,432	54,389	0.2
2023	62,979	—	—	—	—	—	—	—	—	—	—	2,672	2,672	—
Subtotal	3,768,768	134,259	384,856	476,126	494,000	554,320	635,177	635,218	553,946	644,979	553,271	132,788	5,198,940	1.4
Other geographies[(4)]:														
All vintages	340,283	10,465	29,828	42,665	109,884	112,383	108,480	75,601	28,960	20,682	3,334	898	543,180	1.6
Subtotal	340,283	10,465	29,828	42,665	109,884	112,383	108,480	75,601	28,960	20,682	3,334	898	543,180	1.6
Total	$12,464,554	$6,210,678	$1,607,497	$1,700,725	$1,685,604	$1,767,644	$1,967,620	$2,026,928	$2,111,848	$2,307,359	$1,911,537	$462,356	$23,759,796	1.9

(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 March 31, 2023, excluding collections on behalf of others.

(3) Cumulative Collections Money Multiple (“CCMM”) through March 31, 2023 refers to cumulative collections as a multiple of purchase price.

(4) Annual pool groups for other geographies have been aggregated for disclosure purposes.

Purchase Price Multiple - Total Estimated Collections from Purchased Receivables to Purchase Price Multiple

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

	Purchase Price(1)	Historical Collections(2)	Estimated Remaining Collections	Total Estimated Gross Collections	Purchase Price Multiple(3)
United States:					
<2014(4)	$ 3,244,415	$ 9,743,996	$ 243,223	$ 9,987,219	3.1
2014(4)	517,646	1,087,288	58,732	1,146,020	2.2
2015	499,049	871,771	54,525	926,296	1.9
2016	553,060	1,053,607	98,044	1,151,651	2.1
2017	527,708	1,122,772	156,995	1,279,767	2.4
2018	629,638	1,235,303	260,716	1,496,019	2.4
2019	675,761	1,296,909	470,947	1,767,856	2.6
2020	538,314	1,014,034	548,772	1,562,806	2.9
2021	404,579	415,447	551,045	966,492	2.4
2022	551,948	169,157	1,021,346	1,190,503	2.2
2023	213,385	7,392	464,100	471,492	2.2
Subtotal	8,355,503	18,017,676	3,928,445	21,946,121	2.6
Europe:					
<2014(4)	619,079	1,425,644	546,090	1,971,734	3.2
2014(4)	623,129	1,109,927	445,911	1,555,838	2.5
2015(4)	419,941	621,559	280,189	901,748	2.1
2016	258,218	440,721	234,520	675,241	2.6
2017	461,571	588,363	307,080	895,443	1.9
2018	433,302	400,775	364,505	765,280	1.8
2019	273,354	290,560	319,056	609,616	2.2
2020	116,899	138,640	207,624	346,264	3.0
2021	255,788	125,690	409,055	534,745	2.1
2022	244,508	54,389	429,471	483,860	2.0
2023	62,979	2,672	106,604	109,276	1.7
Subtotal	3,768,768	5,198,940	3,650,105	8,849,045	2.3
Other geographies(5):					
All vintages	340,283	543,180	51,760	594,940	1.7
Subtotal	340,283	543,180	51,760	594,940	1.7
Total	$ 12,464,554	$ 23,759,796	$ 7,630,310	$ 31,390,106	2.5

(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 March 31, 2023, excluding collections on behalf of others.

(3) Purchase Price Multiple represents total estimated gross collections divided by the purchase price.

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

(5) Annual pool groups for other geographies have been aggregated for disclosure purposes.

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 *(in thousands)*:

	Estimated Remaining Gross Collections by Year of Purchase[1]										
	2023[3]	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**>2031**	**Total[2]**
United States:											
<2014[4]	$ 60,168	$ 59,026	$ 41,325	$ 28,724	$ 19,911	$ 13,568	$ 8,987	$ 5,732	$ 3,406	$ 2,376	$ 243,223
2014[4]	14,394	13,574	9,389	6,619	4,668	3,293	2,324	1,641	1,159	1,671	58,732
2015	13,926	12,949	8,527	5,839	4,107	2,894	2,043	1,444	1,023	1,773	54,525
2016	25,236	23,448	15,727	10,404	7,099	4,990	3,515	2,481	1,754	3,390	98,044
2017	39,768	37,300	25,265	17,199	11,473	7,887	5,560	3,930	2,786	5,827	156,995
2018	66,202	62,102	42,297	28,659	19,491	12,879	8,861	6,255	4,429	9,541	260,716
2019	119,773	115,297	76,509	51,101	34,580	23,524	15,628	10,805	7,611	16,119	470,947
2020	139,091	131,513	90,520	60,156	40,792	27,819	18,919	12,651	8,799	18,512	548,772
2021	149,778	132,751	85,506	58,436	39,012	26,749	18,583	12,990	8,985	18,255	551,045
2022	220,348	281,831	168,896	108,646	75,134	51,039	35,632	25,207	17,910	36,703	1,021,346
2023	71,467	103,208	114,540	61,200	36,251	24,379	16,286	11,363	8,102	17,304	464,100
Subtotal	920,151	972,999	678,501	436,983	292,518	199,021	136,338	94,499	65,964	131,471	3,928,445
Europe:											
<2014[4]	47,566	58,223	53,242	49,119	45,124	41,055	38,101	34,568	31,896	147,196	546,090
2014[4]	43,554	51,381	45,790	41,448	36,920	34,306	30,832	27,991	25,079	108,610	445,911
2015[4]	28,396	32,525	29,357	26,375	23,891	21,146	19,503	17,245	15,445	66,306	280,189
2016	27,179	33,265	28,028	24,713	21,030	17,186	14,637	12,463	11,021	44,998	234,520
2017	36,869	41,843	35,744	30,878	27,164	22,757	19,837	17,287	15,024	59,677	307,080
2018	41,600	49,360	42,903	36,953	32,319	27,852	23,953	20,527	17,967	71,071	364,505
2019	39,729	47,072	41,054	32,755	26,669	22,483	19,138	16,673	14,549	58,934	319,056
2020	28,767	34,201	29,001	24,435	18,088	13,738	10,805	8,883	7,639	32,067	207,624
2021	47,287	59,659	51,623	45,820	39,184	32,468	26,693	21,341	18,402	66,578	409,055
2022	53,866	68,882	57,898	48,476	40,585	34,111	28,437	22,965	18,380	55,871	429,471
2023	13,305	19,034	15,496	12,464	10,037	8,023	6,352	5,090	4,113	12,690	106,604
Subtotal	408,118	495,445	430,136	373,436	321,011	275,125	238,288	205,033	179,515	723,998	3,650,105
Other geographies[5]:											
All vintages	6,682	7,574	6,315	5,397	4,656	3,991	3,471	3,069	2,594	8,011	51,760
Subtotal	6,682	7,574	6,315	5,397	4,656	3,991	3,471	3,069	2,594	8,011	51,760
Portfolio ERC	1,334,951	1,476,018	1,114,952	815,816	618,185	478,137	378,097	302,601	248,073	863,480	7,630,310
REO ERC[6]	25,460	51,422	49,278	17,803	6,974	6,587	2,146	—	—	—	159,670
Total ERC	$ 1,360,411	$ 1,527,440	$ 1,164,230	$ 833,619	$ 625,159	$ 484,724	$ 380,243	$ 302,601	$ 248,073	$ 863,480	$ 7,789,980

(1) As of March 31, 2023, ERC for Zero Basis Portfolios include approximately $60.1 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 $58.1 million from cost recovery portfolios, primarily in other geographies.

(2) Represents the expected remaining gross cash collections over a 180-month period. As of March 31, 2023, ERC for 84-month and 120-month periods were:

	84-Month ERC	120-Month ERC
United States	$ 3,663,414	$ 3,852,160
Europe	2,595,917	3,120,402
Other geographies	38,893	46,365
Portfolio ERC	6,298,224	7,018,927
REO ERC	159,670	159,670
Total ERC	$ 6,457,894	$ 7,178,597

(3) Amount for 2023 consists of nine months data from April 1, 2023 to December 31, 2023.

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

(5) Annual pool groups for other geographies have been aggregated for disclosure purposes.

(6) Real estate-owned assets ERC includes approximately $158.4 million and $1.3 million of estimated future cash flows for Europe and Other Geographies, respectively.

Estimated Future Collections Applied to Investment in Receivable Portfolios

As of March 31, 2023, we had $3.2 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
2023[(1)]	$ 367,657	$ 144,534	$ 6,287	$ 518,478
2024	433,313	185,258	5,752	624,323
2025	316,858	160,776	4,777	482,411
2026	195,672	138,697	4,065	338,434
2027	127,731	118,576	3,428	249,735
2028	85,499	100,993	2,910	189,402
2029	57,823	87,745	2,500	148,068
2030	40,026	75,046	2,200	117,272
2031	28,375	67,299	1,851	97,525
2032	20,345	62,057	219	82,621
2033	14,945	58,409	—	73,354
2034	10,994	57,031	—	68,025
2035	8,428	57,684	—	66,112
2036	6,900	61,855	—	68,755
2037	4,191	67,302	—	71,493
2038	530	18,254	—	18,784
Total	$ 1,719,287	$ 1,461,516	$ 33,989	$ 3,214,792

(1) Amount for 2023 consists of nine months data from April 1, 2023 to December 31, 2023.

Liquidity and Capital Resources

Liquidity

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

	Three Months Ended March 31,	
	2023	2022
	(Unaudited)	
Net cash provided by operating activities	$ 35,913	$ 54,530
Net cash (used in) provided by investing activities	(130,715)	37,228
Net cash provided by (used in) financing activities	110,374	(118,016)

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 $35.9 million and $54.5 million during the three months ended March 31, 2023 and 2022, 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 investment in receivable portfolios.

Net cash used in investing activities was $130.7 million during the three months ended March 31, 2023 and net cash provided by investing activities was $37.2 million during the three months ended March 31, 2022. Receivable portfolio purchases, net of put-backs, were $274.6 million and $166.3 million during the three months ended March 31, 2023 and 2022, respectively. Collection proceeds applied to the investment in receivable portfolios, were $166.7 million and $215.3 million during the three months ended March 31, 2023 and 2022, 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 provided by financing activities was $110.4 million during the three months ended March 31, 2023 and net cash used in financing activities was $118.0 million during the three months ended March 31, 2022. Borrowings under our credit facilities were $229.1 million and $328.3 million during the three months ended March 31, 2023 and 2022, respectively. Repayments of amounts outstanding under our credit facilities were $140.0 million and $180.6 million during the three months ended March 31, 2023 and 2022, respectively. During the three months ended March 31, 2023, we issued $230.0 million 4.00% convertible senior notes that mature in 2029, and used $192.5 million of the proceeds from the convertible senior notes to partially repurchase our exchangeable senior notes due 2023. During the three months ended March 31, 2022, we paid $221.2 million to settle our convertible senior notes due 2022 using cash on hand and drawings under our Global Senior Facility.

Capital Resources

Our primary sources of capital are 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 any potential acquisitions. From time to time, we may repurchase outstanding debt or equity and/or restructure or refinance debt obligations. Our primary cash requirements include funding the purchase of receivable portfolios, operating expenses, the payment of interest and principal on borrowings, the payment of income taxes, funding any entity acquisitions and share repurchases.

We are in material compliance with all covenants under our financing arrangements. See “Note 7: Borrowings” in the notes to our condensed consolidated financial statements for a further discussion of our debt. Available capacity under our Global Senior Facility, was $387.9 million as of March 31, 2023.

Our Board of Directors has approved a $300.0 million share repurchase program. Repurchases under this program are expected to be made from cash on hand and/or a drawing from our Global Senior Facility 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 our discretion. During the three months ended March 31, 2023, we did not make any repurchases under the share repurchase program. During the three months ended March 31, 2022, we repurchased 399,522 shares of our common stock for approximately $25.6 million. Our practice is to retire the shares repurchased.

Our cash and cash equivalents as of March 31, 2023, consisted of $15.9 million held by U.S.-based entities and $142.9 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 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 $18.8 million as of March 31, 2023.

Cash from operations could also be affected by various risks and uncertainties, including, but not limited to, 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, 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.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions based on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Our actual results could differ from these estimates under different assumptions or conditions. Refer to “Critical Accounting Policies and Estimates” contained in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022, for a complete discussion of our critical accounting policies and estimates. Other than the ongoing reassessment of expected future recoveries of our investment in receivable portfolios during each reporting period under our CECL accounting policy as discussed in “Note 5: Investment in Receivable Portfolios, Net” to our condensed consolidated financial statements, there have been no material changes to our critical accounting policies and estimates since our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Rates. As of March 31, 2023, 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, 2022.

Interest Rates. As of March 31, 2023, 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, 2022.

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

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

Information with respect to this item may be found in “Note 11: Commitments and Contingencies,” to the condensed 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, 2022.

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

None.

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)
3.2	Amended and Restated Bylaws, as amended through December 13, 2022 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 16, 2022)
4.1	Indenture (including form of note), dated March 3, 2023, by and among Encore Capital Group, Inc. and Truist Bank, as trustee, for 2029 Convertible Notes (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on March 3, 2023)
10.1	Form of Capped Call Confirmations for 2029 Convertible Notes (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 3, 2023)
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	Inline 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	Inline XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	Inline 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
(Principal Financial and Accounting Officer)

Date: May 3, 2023

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: May 3, 2023

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: May 3, 2023

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 March 31, 2023 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

May 3, 2023

/s/ JONATHAN C. CLARK

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

May 3, 2023

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.