

Encore Capital Group, Inc.
 Fourth Quarter 2025 Conference Call Prepared Remarks
 25-Feb-2026



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

	Ashish Masih
3 Today's Call	<p>Thanks, Bruce, and good afternoon, everyone. Thank you for joining us.</p> <p>On today's call, I will start with a high-level recap of 2025.</p> <p>Then I'll review our strategy and market position as well as our view on how we create value for our shareholders. This will be followed by a few key measures that are important indicators of the state of our business and a 2025 recap of our MCM and Cabot businesses.</p> <p>Then Tomas will review our financial results, after which I'll touch on our financial objectives and priorities and provide guidance on several key metrics for 2026.</p> <p>At the conclusion of today's call, we will also post to our website our annual report, which includes our 10-K and my letter to shareholders.</p> <p>We will begin with a look-back over the past year...</p>

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4 2025 Highlights	<p>With the momentum of our largest business, MCM, leading the way in the U.S., Encore delivered very strong results in 2025. For the full year, we grew portfolio purchases by 4% to a record \$1.4 billion dollars and increased collections by 20% to a record \$2.6 billion dollars. Average receivable portfolios increased 12% to \$4.1 billion dollars, and estimated remaining collections, or ERC, rose 14% to a record \$9.7 billion dollars.</p> <p>These results clearly demonstrate Encore's leadership in the consumer debt purchasing industry and reflect the strengthening of our operating model through exceptional execution and investments in innovation. I'll provide more detail on both MCM's results and Cabot's performance later in the presentation.</p> <p>Our leverage improved to 2.4 times at the end of the year compared to 2.6 times a year ago. Importantly, we continue to improve and de-lever our balance sheet even with continued significant portfolio purchases as well as the resumption of our share repurchase program early in the year. We repurchased approximately 9% of our outstanding shares in 2025 for approximately \$90 million dollars, reflecting our confidence in Encore's future performance.</p> <p>Our record collections performance in 2025 led to \$257 million dollars of net income for the year, or earnings per share of \$10.91.</p>
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<p>5</p> <p>Our Strategy and Market Presence</p>	<p>Before I continue, I believe it's helpful to remind investors of the critical role we play in the consumer credit ecosystem by assisting in the resolution of unpaid debts. These unpaid debts are an expected outcome of the lending business model. Our Mission is to create pathways to economic freedom for the consumers we serve, by helping them resolve their past-due debts. We achieve this by engaging consumers in honest, empathetic and respectful conversations.</p> <p>We pursue our business objectives through our three-pillar strategy of participating in the largest and most valuable markets, developing and sustaining a competitive advantage in these markets, and maintaining a strong balance sheet. We employ our strategy across our two main businesses: Midland Credit Management – or MCM - in the U.S. and Cabot Credit Management in select European markets.</p>
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<p>6</p> <p>Our Value Engine</p>	<p>We believe value is created in the consumer debt buying industry through optimal execution of three critical drivers: buying, collecting and funding. When these drivers are executed well within attractive markets, leveraging the resources we possess and our strong balance sheet, we believe they enable high, consistent returns and profitability. I'll take a moment to describe each of these three critical drivers of our value engine which form the virtuous cycle of buying well, collecting efficiently and funding competitively.</p> <p>The cycle begins with our commitment to purchase portfolios of charged-off receivables at attractive returns, which is the “buy well” component of our value engine. Over the many years of our industry leadership, we have built a trusted reputation with the sellers of portfolios, the largest credit card issuers, which provides us access to bid on the opportunities we seek. Our disciplined portfolio purchasing is underpinned by superior data and analytics capabilities, which when applied to our very large data sets stemming from our scale and history, optimize portfolio valuation through account-level underwriting. As a result, we win more portfolios at strong returns enabled by our superior collections as reflected in our industry-leading portfolio yield and collections yield.</p> <p>The cycle continues with our commitment to “collect efficiently” – maximizing net collections to realize strong yields. Our operational excellence, advanced analytics and our consumer-centric approach produce industry-leading yields while still exhibiting a solid cash efficiency margin. Because of our large scale, we have a broader reach within the portfolios we buy than our competitors, as we often see consumers we have come to know in previously purchased portfolios. As a result, our very effective, personalized engagement with consumers leads to payments with predictable, consistent cash flow.</p> <p>{continued on next page}</p>
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<p>6</p> <p>Our Value Engine</p> <p>(continued)</p>	<p>This cash flow helps to complete the cycle as it contributes to our commitment to “fund competitively” – based on low-cost funding and a strong balance sheet. Importantly, our balance sheet strength enables access to capital at competitive costs through the credit cycle.</p> <p>In summary, Encore’s Value Engine is the critical enabler of our competitive advantage that allows us to execute our proven three-pillar strategy to drive shareholder value.</p>
<p>7</p> <p>Portfolio Purchases</p>	<p>I would now like to highlight Encore’s performance for the year in terms of several key metrics, starting with portfolio purchasing:</p> <p>Encore’s global portfolio purchases for 2025 were a record \$1.4 billion dollars, an increase of 4% compared to 2024. Keep in mind that the comparison to the prior year purchase level is impacted by the outsized \$200 million dollars of portfolio purchasing by Cabot in the fourth quarter of 2024.</p> <p>As a result of the attractive market conditions and higher returns available in the United States, 83% of our portfolio purchasing dollars were spent in the U.S. in 2025.</p>

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8 Collections	<p>Global collections in 2025 were up 20% to a record \$2.6 billion dollars. This exceptional collections performance is the result of strong execution and continued significant portfolio purchasing as well as the deployment of new technologies, enhanced digital capabilities and continued operational innovation, especially in the U.S. Our global collections performance in 2025 compared to our ERC at the end of 2024 was 109%.</p>
9 Cash Generation	<p>We believe that our ability to generate significant cash provides us with an important competitive advantage, which is also a key component of our three-pillar strategy.</p> <p>Similar to the collections dynamic I mentioned earlier, strong execution, higher portfolio purchases at strong returns over the past few years as well as operational improvements have also led to meaningful growth in cash generation. Our cash generation in 2025 was up 22% compared to the prior year and we expect it to continue to grow.</p>

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<p>10</p> <p>U.S. Outstandings and Charge Off Rate</p>	<p>Let's now take a look at our two largest markets, beginning with the U.S.:</p> <p>The U.S. Federal Reserve reports that revolving credit in the U.S. remains near record levels.</p> <p>At the same time, since bottoming out in late 2021, the credit card charge-off rate in the U.S. increased to its highest level in more than 10 years in 2024 and still remains at an elevated level.</p> <p>The combination of strong lending and elevated charge off rates continues to drive robust portfolio supply in the U.S. Let me illustrate this impact by highlighting the annualized amount of net dollar charge-offs, which can be estimated by multiplying revolving credit outstandings by the net charge-off rate. Using Q3 2025 data, the most recent quarter reported by the Federal Reserve, annualized net charge-off volume was more than \$54 billion dollars.</p>
<p>11</p> <p>U.S. Bankcard Delinquency Rates</p>	<p>Similarly, U.S. consumer credit card delinquencies, which are a leading indicator of future charge offs, also remain near multi-year highs. With revolving consumer credit at an elevated level and the charge off rate above 4%, purchasing conditions in the U.S. market remain favorable. We are observing continued strong U.S. market supply and favorable pricing as well. Fourth quarter delinquency data supports our expectation that the portfolio purchasing environment in the U.S. is expected to remain robust for the foreseeable future.</p>

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<p>12</p> <p>MCM (U.S.) Portfolio Purchasing</p>	<p>With portfolio supply in the U.S. market growing to its highest level ever in 2025, we purchased significantly more portfolio than we ever have in the U.S. MCM leaned into this opportunity by finishing the year with a record \$1.17 billion dollars of portfolio purchases, up 18% compared to the previous record high in 2024. That's an increase of \$175 million dollars on a year over year basis.</p>
<p>13</p> <p>MCM (U.S.) Business</p>	<p>In addition to its solid portfolio purchases in 2025, our MCM business continues to excel operationally. MCM collections increased in 2025 to a record \$1.95 billion dollars, which was an increase of 24% compared to 2024. Our collections momentum continued throughout 2025 with Q4 collections of \$503 million dollars, the highest collections quarter ever for our U.S. business.</p> <p>The collections over-performance in the U.S. was driven by the deployment of new technologies, enhanced digital capabilities and continued operational innovation, which enabled us to reach more consumers, leading to more payments as well as a large and growing payer book. These initiatives had a greater impact on the early stages of a portfolio's lifecycle, leading to over-performance of our recent vintages. We expect that our collections forecasts will gradually adjust to reflect the positive impact of these initiatives.</p> <p>Our outstanding results not only reflect the improvements we've made in our collections operation and the overall effectiveness of our collection platforms, but also the strength of the U.S. consumer. Despite some of the negative news and macro uncertainty in the U.S. our consumers' payment behavior remains stable. This is in line with what many of the banks and credit card issuers are saying in their recent earnings calls. We, of course, continue to monitor for any signs of change.</p>

<p>14</p> <p>Cabot (U.K. and Europe) Business</p>	<p>Turning to our business in Europe, Cabot delivered a solid year of performance in 2025.</p> <p>Cabot collections in 2025 were \$641 million dollars, up 9% compared to 2024. We continue to be focused on Cabot's operational excellence and cost management, including leveraging relevant best practices from our MCM business. This is particularly relevant in the U.K., where banks are increasingly selling fresh portfolios in forward flows. Our operational focus and initiatives have enabled Cabot to continue to deliver stable collections performance.</p> <p>Cabot's portfolio purchases in 2025 were \$234 million dollars, which was in line with their historical trend but lower than in 2024 due to the exceptional Q4 2024 purchases of \$200 million dollars that included large, attractive spot market portfolio purchases.</p> <p>We continue to be selective with Cabot's deployments as the U.K. market remains impacted by subdued consumer lending and low delinquencies, in addition to continued robust competition.</p> <p>I'd now like to hand over the call to Tomas for a more detailed look at our financial results...</p>
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	Tomas Hernanz
15 Detailed Financial Discussion	Thank you, Ashish.
16 Summary Earnings Statement and Key Financial Measures	<p>Moving to the financial results slide:</p> <p>For the year 2025, we delivered strong growth in collections and portfolio revenue of 20% and 12%, respectively.</p> <p>Strong collections performance was supported by the high levels of U.S. portfolio purchases in recent quarters, our focus on execution, operational improvements and stable consumer behavior. Collections yield for the year was 63.6%, an improvement of 3.9 percentage points compared to the prior year.</p> <p>Portfolio revenue in 2025 increased by 12% to \$1.46 billion dollars supported by 12% growth in average receivable portfolios and a portfolio yield of 35.7%.</p> <p>As a reminder, “changes in recoveries”, is the sum of two numbers: First, “recoveries above or below forecast” is the amount we collected above or below our ERC expectation for the quarter and is also known as “cash overs” or “cash unders”. Second, “changes in expected future recoveries” is the net present value of changes in the ERC forecast beyond the current quarter.</p> <p>Changes in recoveries were \$209 million dollars for the year. Of that total, the vast majority - \$198 million dollars - were recoveries above forecast. Changes in expected future recoveries were \$11 million dollars.</p> <p>{continued on next page}</p>

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<p>16</p> <p>Summary Earnings Statement and Key Financial Measures</p> <p>(continued)</p>	<p>For the fourth quarter, changes in recoveries were \$68 million dollars. Of that total, \$57 million dollars were recoveries above forecast. Changes in expected future recoveries in the fourth quarter were \$11 million dollars.</p> <p>Both of our businesses - MCM in the U.S. and Cabot in Europe – were net positive contributors to changes in recoveries for the fourth quarter and for the full year.</p> <p>Put differently, during 2025 we collected \$198 million dollars more than we forecasted in our ERC, which is incremental cashflow. The collections over-performance in the U.S. was driven by the deployment of new technologies, enhanced digital capabilities and continued operational innovation, which enabled us to reach more consumers, leading to more payments as well as a large and growing payer book. These initiatives had a greater impact on the early stages of a portfolio’s lifecycle, leading to over-performance of our recent vintages. We expect that our collections forecasts will gradually adjust to reflect the positive impact of these initiatives. As this takes place in the next few quarters, we expect any future “cash overs” to migrate eventually into portfolio revenues.</p> <p>Debt purchasing revenue in 2025 increased by 37% to \$1.66 billion dollars and the resulting debt purchasing yield was 40.8%. Approximately 5.1% was the impact of changes in recoveries. Other revenues in 2025 were \$104 million dollars, bringing total revenue to \$1.77 billion dollars, reflecting growth of 34%.</p> <p>Operating expenses in 2025 decreased by 1% to \$1.14 billion dollars as reported. However, operating expenses for the year, adjusted for one-time items, were up 11% compared to 20% growth in collections, reflecting significant operating leverage in the business.</p> <p>{continued on next page}</p>
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<p>16</p> <p>Summary Earnings Statement and Key Financial Measures</p> <p>(continued)</p>	<p>Cash efficiency margin for the year improved by 3.2 percentage points to 57.8% compared to 54.6% in 2024. We expect cash efficiency margin for the year to exceed 58% in 2026.</p> <p>Interest expense and other income for the year increased by 15% to \$291 million dollars, reflecting higher debt balances. Our tax provision of \$79 million dollars in 2025 implies a corporate tax rate of approximately 24%, which is in line with our previous guidance.</p> <p>Finally, net income in 2025 was \$257 million dollars resulting in earnings per share for the year of \$10.91.</p>
<p>17</p> <p>Balance Sheet Strength</p>	<p>We believe our balance sheet provides us very competitive funding costs when compared to our peers. Our funding structure also provides us financial flexibility and diversified funding sources to compete effectively in this favorable supply environment.</p> <p>Leverage closed for the year at 2.4x, a 0.2x improvement versus last year and lower than a quarter ago.</p> <p>In October, we issued \$500 million dollars of Senior Secured High Yield Notes due 2031 at an attractive coupon of 6.625%. Also in October, we settled \$100 million dollars of 2025 Convertible Notes entirely in cash.</p> <p>In November, we repaid 100 million euros of the principal outstanding under our 2028 floating rate notes.</p> <p>The combination of these transactions improved our balance sheet, leaves us with no material maturities until 2028, and provides strong liquidity to continue to grow our business well into the future.</p> <p>With that, I'd like to turn it back over to Ashish.</p>

	Ashish Masih
<p>18</p> <p>Our Financial Objectives and Priorities</p>	<p>Thanks, Tomas.</p> <p>Now I would like to remind everyone of our key financial objectives and priorities.</p> <p>Maintaining a strong and flexible balance sheet, including a strong BB debt rating, as well as operating within our target leverage range of two to three times, remain critical objectives.</p> <p>With regard to our capital allocation priorities, buying portfolios, particularly in today's attractive U.S. market, offers the best opportunity to create long-term shareholder value by deploying capital at attractive returns. This is indeed what we are doing as highlighted by our track record of purchasing receivable portfolios at strong returns.</p> <p>Next on our capital allocation priority list are share repurchases. As I mentioned earlier, we repurchased approximately 9% of our outstanding shares in 2025 for approximately \$90 million dollars, reflecting our confidence in Encore's future performance.</p> <p>And finally, we remain committed to delivering strong return on invested capital throughout the credit cycle. Our ROIC improved to 13.7% in 2025, up from 7.5% in the prior year, and at the highest level in the last four years.</p>

19 Guidance	<p>As a result of our strong performance in 2025, the business momentum we're carrying into the new year and our positive outlook for 2026, we are providing the following guidance on key metrics:</p> <p>We anticipate global portfolio purchases in 2026 to be within a range from \$1.4 billion to \$1.5 billion dollars.</p> <p>We expect global collections in 2026 to increase by 5% to \$2.7 billion dollars.</p> <p>In addition, after a strong year in 2025 in which productivity enhancements and strong execution across the business contributed to a new level of earnings power, we expect our EPS in 2026 to increase by 10% to \$12.00 per share.</p> <p>We expect the combination of interest expense and other income to be approximately \$300 million dollars for the year, and we expect our effective tax rate for the year to be in the mid-20's on a percentage basis.</p> <p>In closing, as I look ahead at this year and beyond, I am truly excited about how Encore is performing and our future prospects. Let me state three reasons why I feel this way:</p> <ul style="list-style-type: none">• First, we are buying record amounts of portfolio at strong returns. Through our MCM business in the U.S., we are the largest debt buyer in the largest and most valuable consumer credit market in the world. The U.S. market continues to be very favorable driven by growth in consumer lending and charge-off rates that are at their highest level in 10 years. Given our superior collections capabilities, we are able to purchase record amounts in the U.S. at strong returns. <p>{continued on next page}</p>
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<p>19</p> <p>Guidance</p> <p>(continued)</p>	<ul style="list-style-type: none"> • Second, our collections operations are performing very effectively. At the same time our teams are continuing to enhance our collections capabilities through innovation in areas such as omni-channel and digital collections. And our collections effectiveness is also enabling us to reduce leverage while growing portfolio purchasing. • The third and final reason is our funding. We have adequate liquidity to continue to grow the business as our strong, flexible balance sheet provides us the capacity to capitalize on any opportunities that come up in the market. <p>Now we'd be happy to answer any questions that you may have. Operator, please open up the lines for questions.</p>
<p>Q&A Session</p>	
<p>19</p> <p>Closing</p>	<p>Thanks for taking the time to join us today and we look forward to providing our first quarter 2026 results in May.</p>