Slide #	Commentary
	Bruce Thomas
1	Thank you, Operator. Good afternoon and welcome to Encore Capital Group's first quarter 2017 earnings call. With me on the call today are Ken Vecchione, our President and Chief Executive Officer, Jonathan Clark, Executive Vice President and Chief Financial Officer, Ashish Masih, President of Midland Credit Management, and Paul Grinberg, International Group Executive. Ken and Jon will make prepared remarks today, and then we will be happy to take your questions.
2 (Safe Harbor)	Before we begin, we have a few housekeeping items. Unless otherwise noted, all comparisons made on this conference call will be between the first quarter of 2017 and the first quarter of 2016. Today's discussion will include forward-looking statements subject to risks and uncertainties. Actual results could differ materially from these forward-looking statements. Please refer to our SEC filings

2 (Safe Harbor) continued	for a detailed discussion of potential risks and uncertainties. During this call, we will use rounding and abbreviations for the sake of brevity. We will also be discussing non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are included in our earnings presentation, which was filed on Form 8-K earlier today. As a reminder, this conference call will also be made available for replay on the Investors section of our website, where we will also post our prepared remarks following the conclusion of this call. With that, let me turn the call over to Ken Vecchione, our President and Chief Executive Officer.

	Ken Vecchione
3 (Intro/ Encore Update)	Good afternoon and welcome to our first quarter earnings call. Before I discuss our earnings, I would like to draw your attention to the press release announcing my departure from Encore as President and CEO and re-joining Western Alliance Bancorp as President. The decision to leave Encore was an extremely difficult one. I have truly enjoyed leading this company, working with an outstanding management team and a highly supportive board. However, I was presented with an opportunity I could not turn down. To rejoin the company I worked at from 2010 – 2013 and served as a board member for the last ten years. I leave Encore knowing the business is well positioned for success on a clear strategic path and knowing the company is better positioned today to take advantage of favorable market dynamics than it was four years ago.

3 (Intro/ Encore Update) continued	I also leave the company knowing Ashish Masih is the right person to lead this company. As Ashish steps into the role as CEO, he will lead an accomplished management team, one he has worked with for 8 years. Ashish's background and level of accomplishments make him the perfect choice to be appointed CEO. Paul Grinberg, who many of you know, will be appointed as President of our International Group. Both Paul and Ashish have a wonderful working relationship and have the granular industry and operational knowledge to continue to drive the company forward and build upon our strong first quarter results. I would like to begin today's call by discussing the major themes that are driving our first quarter results and 2017 outlook. I want to provide my viewpoints on changes I see happening in the industry and their impact upon the quarter.

3 (Intro/ Encore Update) continued	To start, we had a solid quarter of financial and operational performance. We are off to a good start. U.S. investment returns remain elevated, pricing continues to fall, and credit card debt continues to rise. Our collections both in the U.S. and Europe exceeded our expectations and our total collections were above last year in constant currency. In the first quarter, defaulted debt rose and is likely to continue to grow as domestic charge-off volume in the U.S. rises. This trend leads us to believe the defaulted credit volume to be sold in the U.S. will grow 15 percent again in 2017, similar to last year's 15 percent rise. Higher defaulted volume will regulate pricing and should continue to keep pricing below last year. We are optimistic regarding industry returns.

3 (Intro/ Encore Update) continued	Pricing continues to move in our favor as we maintain our disciplined approach to capital allocation. However, some industry participants have been less disciplined than others. We believe as more supply becomes available, the market will follow our approach, increasing our ability to sustain our improved returns. To be clear, we are not chasing volume at the expense of lower returns. Let's now turn to a review of Encore's domestic business…

4 (U.S. Market)	Our core U.S. first quarter money multiple reached 2.0 times for the first time since 2013. The prior three years' first quarter money multiples averaged 1.7 times. 2016 saw pricing decline approximately 15 percent. First quarter pricing has declined another 15 percent to begin 2017 and we are hopeful that our competition will not be satisfied offering last year's pricing to this year's volume. Our pricing strategy is generating higher levels of ERC per dollar spent and improved earnings over time. Capital availability is paramount to capturing higher returns – along with operational capacity – which we continue to expand. We are off to a good start early in the year, having secured more than $350 million of commitments for 2017.

5 (Encore's 5 C's)	There are several factors that drive success in our business, which I define as the 5 C's: Capital, Capacity, Confidence, Cost and Commitment. Starting last year we sold Propel in anticipation of higher volume, followed by our recent convertible bond offering. As a result of these actions, we now have nearly $300 million of deployable capital. We discussed the capacity build-out on our last call and have begun to ramp up our call center operations and prepare the legal channel for more volume. As volume rises, those with available capacity will garner better pricing. Today we are confident in our ability to liquidate and our first year liquidation rate is 50% higher than when I started – which also supports the higher IRR's we are achieving.

5 (Encore's 5 C's) continued	Cost structure has been - and will continue to be - a competitive differentiator for us. Our low-cost operations provide Encore the ability to collect low-balance accounts at a cost advantage to our competition and provides us the capacity to administer our compliance and customer support functions with a high-touch cost effectiveness. And finally, when we commit to an issuer to close on a specific date, we honor that commitment. We also are deeply committed to the people of Encore, our investors, and most importantly our consumers.

6 (2017 Progress)	We mentioned last quarter that we would be adding approximately $20 million in spending to our 2017 budget to accommodate new purchases with higher returns, but with lower average balances, resulting in higher account volumes. As these portfolios contained more accounts per dollar deployed, they generated increased expenses from account manager hiring, legal placements, and letter volumes. We're making good progress on these spending and hiring initiatives so far in 2017 and are on-track with investments planned throughout the upcoming year.

6 (2017 Progress) continued	The largest portion of the additional legal expense we spoke about last quarter– approximately $5 million - will be spent in Q2, which we expect will cause second quarter earnings to be the low water mark for the year. From there, we expect that earnings will grow in the third and fourth quarters and we've made no change to our overall earnings outlook for 2017. Let's now turn our focus to our International business…

7 (International)	Cabot deployed $76 million in Q1, reflecting a strong purchasing quarter in the U.K. Cabot's liquidation initiatives continue to drive improvement in collections and - combined with its cost efficiency programs - enable capital to be deployed at solid returns. As we mentioned in February, J.C. Flowers and Encore have begun a process that could result in the listing of Cabot on the London stock exchange as early as the fourth quarter of this year. We believe this process will help crystalize the value creation of our European franchise. We've chosen advisors and the process remains on track. Our ability to provide you with updates about any IPO or similar activity at Cabot are limited by securities laws. In India, Encore's Asset Reconstruction Company – or EARC – is now operational and has recently completed several small purchases. Our deployment will be slow and measured as we gain comfort with the market.

8 (Regulatory)	Substantial spending and solid execution in compliance and risk management over the past few years continue to generate significant benefits for Encore. One example stems from last year's delay of original account level documentation from issuers. Because of our ability to adapt to changing regulatory demands, we took decisive action to get a handle on the issues and contain the impacts to our business. As a result, this situation is behind us now and our legal collections have resumed at normal volumes. We expect the collections that were delayed as a result of this industry issue will be mostly recouped in 2017 with a smaller portion to be collected in 2018. I'll now turn it over to Jon, who will go through the financial results in more detail. Jon…

	Jonathan Clark
9 (Detailed Financial Discussion)	Thank you, Ken. Before I go into our financial results in detail, I would like to remind you that, as required by US GAAP, we are showing 100 percent of the results for Cabot, Grove, Refinancia and Baycorp in our financial statements. Where indicated, we will adjust the numbers to account for non-controlling interests.
10 (Q1 Results)	Turning to Encore's results in the first quarter, Encore earned GAAP net income from continuing operations of $22 million, or $0.85 per share. Adjusted income was $25 million or $0.95 per share. Foreign exchange had a minimal impact in the quarter, with a one penny drag on Economic EPS. Cash collections in the quarter were $441 million, compared to $448 million a year ago. And our ERC at March 31 was $5.8 billion.

11 (Q1 Deployments)	Deployments totaled $219 million dollars in the first quarter. In the United States, the majority of our $123 million dollars of deployments represented charged-off credit card paper. European deployments totaled $85 million dollars during the first quarter with the majority attributed to portfolio purchases in the U.K. We deployed $11 million dollars in other geographies in the first quarter.

12 (Q1 Collections)	Worldwide collections were $441 million dollars in the first quarter, compared to $448 million a year ago. In constant currency terms, collections grew 2 percent in the quarter. Encore's collections declined 3 percent in the U.S., largely due to the delays we had been experiencing in legal collections. These delays were largely eliminated by the end of the quarter and we are now once again operating at a more typical legal collections run rate.

13 (Q1 Revenue)	Worldwide revenue in the first quarter was $272 million dollars compared to $289 million dollars a year ago. On a constant currency basis, revenue would have been $283 million dollars in the first quarter, which would have been down 2 percent compared to the prior year. Domestic revenues were flat compared to the same quarter last year. Q1 revenue in Europe was down due to currency effects and the trailing impact of the allowance charge taken in the third quarter of last year. We recorded $2 million dollars of domestic net portfolio allowance reversals in Q1. In the first quarter, we increased domestic yields primarily in the 2011 through 2013 and 2016 vintages as a result of sustained over-performance by pools within those vintages.

13 (Q1 Revenue) continued	Encore generated $39 million of zero-basis revenue in Q1, compared to $30 million in the same period a year ago. Encore's prudent accounting approach and increased collections from older vintages combined to contribute to higher zero basis revenues. These ZBA revenues are highly predictable and provide Encore with a valuable long-term revenue stream. As we look out into the future, we see a recurring ZBA revenue stream of at least $100 million in 2017 and again in 2018.

14 (ERC)	Our Estimated Remaining Collections, or ERC, at March 31 was $5.8 billion dollars, up $184 million, representing an increase of 3 percent compared to the end of the first quarter of 2016. In constant currency terms, our ERC grew 10 percent on a year-over-year basis. This quarter represents a very good example of an important dynamic. Our higher purchase-price-multiple provided more ERC per dollar deployed than in the same quarter a year ago. In the U.S. in Q1, lower pricing and improved liquidations enabled us to add roughly the same amount of ERC from charged-off credit card portfolios as we did in Q1 of last year using <u>14% less capital</u>. As a CFO, nothing makes me happier than to spend less and get more.

15 (Q1 EPS Walk)	In the first quarter, we recorded GAAP earnings from continuing operations of $0.85 per share. In reconciling our GAAP earnings to our adjusted earnings, add-back adjustments totaled 18 cents per share. After applying the income tax effect of the adjustments and adjusting for non-controlling interest, we end up with $0.95 per fully diluted share, and our non-GAAP Economic EPS was also $0.95.

16 (Debt and Debt Ratios)	Our consolidated debt to equity ratio at March 31 was 4.42 times. Considering this ratio without Cabot, our debt to equity ratio was 2.15 times, which is less than half of the consolidated ratio. It is important to remember that we fully consolidate Cabot's debt on our balance sheet because we have a 43 percent economic interest in Cabot and we control their board. Nonetheless, Cabot's debt has no recourse to Encore. Consequently, Encore is far less levered than our financials would indicate. Available capacity under Encore's revolving credit facility, subject to borrowing base and applicable debt covenants, now totals $283 million, not including the $225 million of additional capacity provided by the facility's remaining accordion feature.

16 (Debt and Debt Ratios) continued	We completed a $150 million convertible note offering in late February that has put us in an even better position to take advantage of the improving market conditions for debt buying in the U.S. market. We also leveraged this transaction by repurchasing $50 million of our convertible notes that mature in November 2017 from investors who purchased the new convertible notes. With that, I'd like to turn it back over to Ken.

	Ken Vecchione
17 (Summary)	Thanks, Jon. To summarize, Q1 for Encore was a solid quarter of financial and operational performance. U.S. market supply continues to improve, which drives continued favorable pricing. We're seeing better returns driven by the improved pricing and better liquidation rates with first quarter money multiples at 2.0 times for the first time since 2013. We're off to a good start from a purchasing perspective as we've secured more than $350 million in commitments for 2017. Cabot had a strong purchasing quarter in the U.K. and preparation for the potential Cabot IPO remains on track. Our EARC business in India is now up and running. And finally, I like how the company is positioned for the remainder of the year.

17 (Conclusion)	I leave Encore excited about the opportunity ahead, but with a heavy heart. Ashish and the management team are well-equipped to meet the challenges ahead. Our strategy is clear and understood within the company and supported by the board. On an extremely personal note – I love this management team. They are bright, analytical and exceptionally supportive of one another. They have the intellectual fire power to continue to change the industry dynamics and position Encore as the industry leader. And, I will end with a quote I used from my first conference call: This management team is a group of people who like being a group of people. I wish them all the success in the world and I want to thank all seven thousand people within the Encore family for their tireless work ethic and commitment to the company.

18 (Q&A Session)	Now we'd be happy to answer any questions that you may have. Operator, please open up the lines for questions.
18 (Sign Off)	That concludes the call for today. Thanks for taking the time to join us and we look forward to providing our second quarter 2017 results in August.