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 September 30, 2022 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 October 27, 2022
Common Stock, $0.01 par value	23,385,748 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)

	September 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	$ 147,035	$ 189,645
Investment in receivable portfolios, net	2,976,202	3,065,553
Property and equipment, net	104,051	119,857
Other assets	331,029	335,275
Goodwill	769,548	897,795
Total assets	$ 4,327,865	$ 4,608,125
Liabilities and Equity		
Liabilities:		
Accounts payable and accrued liabilities	$ 197,471	$ 229,586
Borrowings	2,690,220	2,997,331
Other liabilities	247,245	195,947
Total liabilities	3,134,936	3,422,864
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, 23,538 and 24,541 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	235	245
Additional paid-in capital	—	—
Accumulated earnings	1,358,415	1,238,564
Accumulated other comprehensive loss	(165,721)	(53,548)
Total stockholders’ equity	1,192,929	1,185,261
Total liabilities and stockholders’ equity	$ 4,327,865	$ 4,608,125

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.

	September 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	$ 1,072	$ 1,927
Investment in receivable portfolios, net	410,630	498,507
Other assets	3,203	3,452
Liabilities		
Accounts payable and accrued liabilities	124	105
Borrowings	390,979	473,443
Other liabilities	16	10

See accompanying notes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues				
Revenue from receivable portfolios	$ 297,219	$ 316,225	$ 907,606	$ 982,393
Changes in recoveries	(13,080)	65,913	179,293	176,628
Total debt purchasing revenue	284,139	382,138	1,086,899	1,159,021
Servicing revenue	21,992	29,321	71,926	93,901
Other revenues	1,621	1,165	5,526	4,274
Total revenues	307,752	412,624	1,164,351	1,257,196
Operating expenses				
Salaries and employee benefits	89,241	94,662	285,077	288,892
Cost of legal collections	52,891	64,170	163,756	198,212
General and administrative expenses	37,274	35,819	105,775	102,790
Other operating expenses	28,286	25,226	82,718	81,895
Collection agency commissions	7,884	11,964	27,412	38,465
Depreciation and amortization	11,659	14,136	35,134	37,694
Total operating expenses	227,235	245,977	699,872	747,948
Income from operations	80,517	166,647	464,479	509,248
Other expense				
Interest expense	(39,308)	(40,874)	(110,995)	(131,559)
Loss on extinguishment of debt	—	—	—	(9,300)
Other income (expense)	1,205	(17,504)	3,392	(16,993)
Total other expense	(38,103)	(58,378)	(107,603)	(157,852)
Income before income taxes	42,414	108,269	356,876	351,396
Provision for income taxes	(10,920)	(24,703)	(89,194)	(76,278)
Net income	31,494	83,566	267,682	275,118
Net income attributable to noncontrolling interest	—	—	—	(419)
Net income attributable to Encore Capital Group, Inc. stockholders	$ 31,494	$ 83,566	$ 267,682	$ 274,699
Earnings per share attributable to Encore Capital Group, Inc.:				
Basic	$ 1.31	$ 2.76	$ 11.00	$ 8.90
Diluted	$ 1.22	$ 2.66	$ 10.06	$ 8.71
Weighted average shares outstanding:				
Basic	23,958	30,225	24,344	30,863
Diluted	25,919	31,362	26,601	31,531

See accompanying notes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	$ 31,494	$ 83,566	$ 267,682	$ 275,118
Other comprehensive income, net of tax:				
Change in unrealized gain on derivative instruments:				
Unrealized gain on derivative instruments	21,603	3,297	44,042	7,113
Income tax effect	(5,425)	(753)	(10,834)	(1,633)
Unrealized gain on derivative instruments, net of tax	16,178	2,544	33,208	5,480
Change in foreign currency translation:				
Unrealized (loss) gain on foreign currency translation	(63,322)	(3,131)	(145,381)	3,706
Other comprehensive (loss) income, net of tax:	(47,144)	(587)	(112,173)	9,186
Comprehensive (loss) income	(15,650)	82,979	155,509	284,304
Comprehensive income attributable to noncontrolling interest:				
Net income attributable to noncontrolling interest	—	—	—	(419)
Comprehensive income attributable to noncontrolling interest:	—	—	—	(419)
Comprehensive (loss) income attributable to Encore Capital Group, Inc. stockholders	$ (15,650)	$ 82,979	$ 155,509	$ 283,885

See accompanying notes

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

	Three Months Ended September 30, 2022						
	Common Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Equity
	Shares	Par					
Balance as of June 30, 2022	23,989	$ 240	$ —	$ 1,349,937	$ (118,577)	$ —	$ 1,231,600
Net income	—	—	—	31,494	—	—	31,494
Other comprehensive loss, net of tax	—	—	—	—	(47,144)	—	(47,144)
Exercise of stock options and issuance of share-based awards, net of shares withheld for employee taxes	6	—	(294)	—	—	—	(294)
Repurchase and retirement of common stock	(457)	(5)	(2,897)	(23,016)	—	—	(25,918)
Stock-based compensation	—	—	3,191	—	—	—	3,191
Balance as of September 30, 2022	23,538	$ 235	$ —	$ 1,358,415	$ (165,721)	$ —	$ 1,192,929

	Three Months Ended September 30, 2021						
	Common Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total Equity
	Shares	Par					
Balance as of June 30, 2021	30,413	$ 304	$ 143,827	$ 1,269,259	$ (59,040)	$ —	$ 1,354,350
Net income	—	—	—	83,566	—	—	83,566
Other comprehensive loss, net of tax	—	—	—	—	(20,491)	—	(20,491)
Exercise of stock options and issuance of share-based awards, net of shares withheld for employee taxes	39	—	(1,658)	—	—	—	(1,658)
Repurchase and retirement of common stock	(854)	(8)	(40,690)	—	—	—	(40,698)
Stock-based compensation	—	—	3,847	—	—	—	3,847
Removal of other comprehensive loss in connection with divestiture	—	—	—	—	19,904	—	19,904
Balance as of September 30, 2021	29,598	$ 296	$ 105,326	$ 1,352,825	$ (59,627)	$ —	$ 1,398,820

	Nine Months Ended September 30, 2022						
	Common Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Equity
	Shares	Par					
Balance as of December 31, 2021	24,541	$ 245	$ —	$ 1,238,564	$ (53,548)	$ —	$ 1,185,261
Net income	—	—	—	267,682	—	—	267,682
Other comprehensive loss, net of tax	—	—	—	—	(112,173)	—	(112,173)
Exercise of stock options and issuance of share-based awards, net of shares withheld for employee taxes	278	4	(3,943)	(7,434)	—	—	(11,373)
Repurchase and retirement of common stock	(1,281)	(14)	(7,494)	(69,245)	—	—	(76,753)
Stock-based compensation	—	—	12,231	—	—	—	12,231
Settlement of convertible senior notes	—	—	—	(71,152)	—	—	(71,152)
Other	—	—	(794)	—	—	—	(794)
Balance as of September 30, 2022	23,538	$ 235	$ —	$ 1,358,415	$ (165,721)	$ —	$ 1,192,929

	Nine Months Ended September 30, 2021						
	Common Stock		Additional Paid-In Capital	Accumulated Earnings	Accumulated Other Comprehensive (Loss) Income	Noncontrolling Interest	Total Equity
	Shares	Par					
Balance as of December 31, 2020	31,345	$ 313	$ 230,440	$ 1,055,668	$ (68,813)	$ 2,468	$ 1,220,076
Cumulative adjustment	—	—	(40,372)	22,458	—	—	(17,914)
Net income	—	—	—	274,699	—	419	275,118
Other comprehensive loss, net of tax	—	—	—	—	(10,718)	—	(10,718)
Purchase of noncontrolling interest	—	—	(2,669)	—	—	(2,887)	(5,556)
Exercise of stock options and issuance of share-based awards, net of shares withheld for employee taxes	230	2	(6,876)	—	—	—	(6,874)
Repurchase and retirement of common stock	(1,977)	(19)	(88,100)	—	—	—	(88,119)
Stock-based compensation	—	—	12,903	—	—	—	12,903
Removal of other comprehensive loss in connection with divestiture	—	—	—	—	19,904	—	19,904
Balance as of September 30, 2021	29,598	$ 296	$ 105,326	$ 1,352,825	$ (59,627)	$ —	$ 1,398,820

See accompanying notes

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

	Nine Months Ended September 30,	
	2022	2021
Operating activities:		
Net income	$ 267,682	$ 275,118
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	35,134	37,694
Loss on extinguishment of debt	—	9,300
Other non-cash interest expense, net	11,984	13,677
Stock-based compensation expense	12,231	12,903
Deferred income taxes	2,127	(8,504)
Changes in recoveries	(179,293)	(176,628)
Other, net	14,319	18,003
Changes in operating assets and liabilities		
Other assets	36,768	58,772
Accounts payable, accrued liabilities and other liabilities	(46,076)	(28,345)
Net cash provided by operating activities	154,876	211,990
Investing activities:		
Purchases of receivable portfolios, net of put-backs	(569,032)	(473,013)
Collections applied to investment in receivable portfolios	567,775	803,185
Purchases of asset held for sale	(38,604)	(11,744)
Purchases of property and equipment	(21,068)	(24,163)
Other, net	20,257	18,543
Net cash (used in) provided by investing activities	(40,672)	312,808
Financing activities:		
Proceeds from credit facilities	637,342	418,941
Repayment of credit facilities	(432,424)	(713,958)
Proceeds from senior secured notes	—	353,747
Repayment of senior secured notes	(29,310)	(349,355)
Repayment of convertible senior notes	(221,153)	(161,000)
Repurchase and retirement of common stock	(76,753)	(88,119)
Other, net	(18,394)	(24,929)
Net cash used in financing activities	(140,692)	(564,673)
Net decrease in cash and cash equivalents	(26,488)	(39,875)
Effect of exchange rate changes on cash and cash equivalents	(16,122)	8,934
Cash and cash equivalents, beginning of period	189,645	189,184
Cash and cash equivalents, end of period	$ 147,035	$ 158,243
Supplemental disclosure of cash information:		
Cash paid for interest	$ 94,828	$ 100,335
Cash paid for taxes, net of refunds	63,710	42,815

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 a market leader in 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, 2021. 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 and nine months ended September 30, 2022, 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. The Company continues to repurchase its common stock under this program. During the three and nine months ended September 30, 2022, the Company repurchased 457,244 and 1,280,857 shares of its common stock for approximately $25.9 million and $76.6 million, respectively. During the three and nine months ended September 30, 2021, the Company repurchased 854,002 and 1,976,857 shares of its common stock for approximately $40.7 million and $88.1 million, respectively. 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income attributable to Encore Capital Group, Inc. stockholders	$ 31,494	$ 83,566	$ 267,682	$ 274,699
Total weighted-average basic shares outstanding	23,958	30,225	24,344	30,863
Dilutive effect of stock-based awards	301	404	365	358
Dilutive effect of convertible and exchangeable senior notes	1,660	733	1,892	310
Total weighted-average dilutive shares outstanding	25,919	31,362	26,601	31,531
Basic earnings per share	$ 1.31	$ 2.76	$ 11.00	$ 8.90
Diluted earnings per share	$ 1.22	$ 2.66	$ 10.06	$ 8.71

There were no anti-dilutive employee stock options outstanding during the three and nine months ended September 30, 2022. Anti-dilutive employee stock options outstanding were zero and approximately 4,000 during the three and nine months ended September 30, 2021, respectively.

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 September 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Interest rate cap contracts	$ —	$ 40,282	$ —	$ 40,282
Liabilities				
Cross-currency swap agreements	—	(67,668)	—	(67,668)
Contingent consideration	—	—	(1,103)	(1,103)

	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Interest rate cap contracts	$ —	$ 3,541	$ —	$ 3,541
Liabilities				
Cross-currency swap agreements	—	(16,902)	—	(16,902)
Contingent consideration	—	—	(5,218)	(5,218)

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.

Contingent Consideration:

The following table provides a roll-forward of the fair value of contingent consideration for the nine months ended September 30, 2022 and year ended December 31, 2021 *(in thousands)*:

	Amount
Balance as of December 31, 2020	$ 2,957
Issuance of contingent consideration in connection with purchase of noncontrolling interest	2,913
Change in fair value of contingent consideration	(388)
Payment of contingent consideration	(180)
Effect of foreign currency translation	(84)
Balance as of December 31, 2021	5,218
Change in fair value of contingent consideration	794
Payment of contingent consideration	(4,078)
Effect of foreign currency translation	(831)
Balance as of September 30, 2022	$ 1,103

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 $65.3 million and $44.6 million as of September 30, 2022 and December 31, 2021, 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 September 30, 2022 and December 31, 2021 *(in thousands)*:

	September 30, 2022		December 31, 2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets				
Investment in receivable portfolios, net	$ 2,976,202	$ 3,197,117	$ 3,065,553	$ 3,416,926
Financial Liabilities				
Convertible senior notes due March 2022[(1)]	—	—	150,000	195,009
Exchangeable senior notes due September 2023	172,500	201,547	172,500	257,782
Convertible senior notes due October 2025	100,000	125,509	100,000	165,887
Senior secured notes[(2)]	1,358,671	1,202,918	1,606,327	1,652,246
Encore private placement notes	78,160	75,041	107,470	108,652

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(1) The 2022 Convertible Senior Notes matured on March 15, 2022 and the Company repaid the notes in cash.

(2) 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)*:

	September 30, 2022		December 31, 2021	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Derivatives designated as hedging instruments:				
Interest rate cap contracts	Other assets	$ 40,282	Other assets	$ 3,541
Cross-currency swap agreements	Other liabilities	(67,668)	Other liabilities	(16,902)

Derivatives Designated as Hedging Instruments

The Company may periodically enter into interest rate swap agreements to reduce its exposure to fluctuations in interest rates on variable interest rate debt and their impact on earnings and cash flows. Under the swap agreements, the Company receives floating interest rate payments and makes interest payments based on fixed interest rates. The Company historically designated its interest rate swap instruments as cash flow hedges. As of September 30, 2022, there were no interest rate swap agreements.

The Company also uses interest rate cap contracts to manage its risk related to the interest rate fluctuations in its variable interest rate bearing debt. As of September 30, 2022, the Company held two interest rate cap contracts with a notional amount of approximately $783.0 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 $392.0 million based on an exchange rate of $1.00 to €1.02, the exchange rate as of September 30, 2022) 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 $391.0 million based on an exchange rate of $1.00 to £0.90, the exchange rate as of September 30, 2022) 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 $18.0 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 September 30, 2022, there were four cross-currency swap agreements outstanding with a total notional amount of €350.0 million (approximately $343.0 million based on an exchange rate of $1.00 to €1.02, the exchange rate as of September 30, 2022). The Company expects to reclassify approximately $7.5 million of net derivative loss from OCI into earnings relating to cross-currency swaps within the next 12 months.

The following tables 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 September 30,			Three Months Ended September 30,	
Derivatives Designated as Hedging Instruments	**2022**	**2021**	**Location of Gain (Loss) Reclassified from OCI into Income (Loss)**	**2022**	**2021**
Interest rate swap agreements	$ —	$ (20)	Interest expense	$ —	$ (4,203)
Interest rate cap contracts	23,422	72	Interest expense	(201)	(109)
Cross-currency swap agreements	(27,913)	(12,030)	Interest expense	(2,263)	(1,358)
Cross-currency swap agreements			Other expense	(23,630)	(9,605)

	Gain (Loss) Recognized in OCI			Gain (Loss) Reclassified from OCI into Income (Loss)	
	Nine Months Ended September 30,			Nine Months Ended September 30,	
Derivatives Designated as Hedging Instruments	**2022**	**2021**	**Location of Gain (Loss) Reclassified from OCI into Income (Loss)**	**2022**	**2021**
Interest rate swap agreements	$ —	$ (69)	Interest expense	$ —	$ (8,742)
Interest rate cap contracts	39,772	140	Interest expense	(554)	(325)
Cross-currency swap agreements	(56,752)	(26,852)	Interest expense	(5,986)	(3,634)
Cross-currency swap agreements			Other expense	(54,482)	(21,193)

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. 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, and reasonable and supportable forecasts. Both internal and external factors may have an impact on expected future recoveries. Internal factors include operational performance, such as capacity and the productivity of our collection staff. External factors include new laws or regulations, new interpretations of existing laws or regulations, and macroeconomic conditions.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance, beginning of period	$ 3,035,123	$ 3,154,001	$ 3,065,553	$ 3,291,918
Purchases of receivable portfolios [1]	232,652	168,188	575,164	481,094
Collections applied to investment in receivable portfolios, net [2]	(161,037)	(250,465)	(567,775)	(803,185)
Changes in recoveries [3]	(13,080)	65,913	179,293	176,628
Put-backs and Recalls	(1,552)	(1,724)	(6,132)	(8,081)
Deconsolidation of receivable portfolios	—	(7,335)	—	(7,335)
Disposals and transfers to assets held for sale	(3,035)	(1,816)	(6,867)	(6,128)
Foreign currency translation adjustments	(112,869)	(43,491)	(263,034)	(41,640)
Balance, end of period	$ 2,976,202	$ 3,083,271	$ 2,976,202	$ 3,083,271

(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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Purchase price	$ 232,652	$ 168,188	$ 575,164	$ 481,094
Allowance for credit losses	608,708	449,412	1,727,826	1,174,524
Amortized cost	841,360	617,600	2,302,990	1,655,618
Noncredit discount	834,468	786,194	2,398,775	2,228,664
Face value	1,675,828	1,403,794	4,701,765	3,884,282
Write-off of amortized cost	(841,360)	(617,600)	(2,302,990)	(1,655,618)
Write-off of noncredit discount	(834,468)	(786,194)	(2,398,775)	(2,228,664)
Negative allowance	232,652	168,188	575,164	481,094
Negative allowance for expected recoveries - current period purchases	$ 232,652	$ 168,188	$ 575,164	$ 481,094

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash Collections	$ 458,256	$ 566,690	$ 1,475,381	$ 1,785,578
Less - amounts classified to revenue from receivable portfolios	(297,219)	(316,225)	(907,606)	(982,393)
Collections applied to investment in receivable portfolios, net	$ 161,037	$ 250,465	$ 567,775	$ 803,185

(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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Recoveries (below) above forecast	$ (4,880)	$ 77,064	$ 51,407	$ 277,861
Changes in expected future recoveries	(8,200)	(11,151)	127,886	(101,233)
Changes in recoveries	$ (13,080)	$ 65,913	$ 179,293	$ 176,628

Recoveries above or below forecast represent over and under-performance in the reporting period, respectively. Collections during the three months ended September 30, 2022, under-performed the projected cash flows by approximately $4.9 million. The Company has experienced an unusually high level of collections resulting from changes in consumer behavior during the COVID-19 pandemic in addition to improvements in collections capabilities, and therefore increased expected future cash flows for certain pool groups in previous periods. The pandemic-related drivers of this changed behavior have normalized in recent quarters, and for the three months ended September 30, 2022, collections under-performed the projected cash flows. Collections during the nine months ended September 30, 2022, over-performed the projected cash flows by approximately $51.4 million.

When reassessing the forecasts of expected lifetime recoveries during the three months ended September 30, 2022, management considered, among other factors, historical and current collection performance, changes in consumer behavior, and the macroeconomic environment and believes that projected future cash flows for certain static pools resulted in decreased 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 negative change in expected future recoveries of approximately $8.2 million for the three months ended September 30, 2022. This negative change in expected future recoveries, together with the positive changes recorded in previous quarters, resulted in a net positive change of expected future period recoveries of $127.9 million for the nine months ended September 30, 2022. For the three and nine months ended September 30, 2021, the Company recorded approximately $11.2 million and $101.2 million, respectively, in negative change in expected future recoveries.

Note 6: Other Assets

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

	September 30, 2022	December 31, 2021
Operating lease right-of-use assets	$ 71,870	$ 68,812
Real estate owned	65,348	44,640
Derivative instruments	40,282	3,541
Deferred tax assets	36,173	51,451
Identifiable intangible assets, net	25,477	36,320
Prepaid expenses	20,928	26,943
Service fee receivables	18,530	22,610
Income tax deposits	—	19,315
Other	52,421	61,643
Total	$ 331,029	$ 335,275

Note 7: Borrowings

The Company is in compliance in all material respects with all covenants under its financing arrangements as of September 30, 2022. The components of the Company's consolidated borrowings were as follows *(in thousands)*:

	September 30, 2022	December 31, 2021
Global senior secured revolving credit facility	$ 596,584	$ 406,635
Encore private placement notes	78,160	107,470
Senior secured notes	1,364,135	1,613,739
Convertible notes and exchangeable notes	272,500	422,500
Cabot securitisation senior facility	390,979	473,443
Other	26,524	24,889
Finance lease liabilities	6,774	7,005
	2,735,656	3,055,681
Less: debt discount and issuance costs, net of amortization	(45,436)	(58,350)
Total	$ 2,690,220	$ 2,997,331

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 September 30, 2022, 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 September 30, 2022, the outstanding borrowings under the Global Senior Facility were $596.6 million. The weighted average interest rate of the Global Senior Facility was 4.71% and 3.01% for the three months ended September 30, 2022 and 2021, respectively. The weighted average interest rate of the Global Senior Facility was 3.69% and 3.19% for the nine months ended September 30, 2022 and 2021, respectively. Available capacity under the Global Senior Facility, after taking into account applicable debt covenants, was approximately $535.3 million as of September 30, 2022.

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 September 30, 2022, $78.2 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)*:

	September 30, 2022	December 31, 2021	Maturity Date	Interest Payment Dates	Interest Rate
Encore 2025 Notes	$ 343,018	$ 397,928	Oct 15, 2025	Apr 15, Oct 15	4.875 %
Encore 2026 Notes	335,125	405,808	Feb 15, 2026	Feb 15, Aug 15	5.375 %
Encore 2028 Notes	279,271	338,174	Jun 1, 2028	Jun 1, Dec 1	4.250 %
Encore 2028 Floating Rate Notes	406,721	471,829	Jan 15, 2028	Jan 15, Apr 15, Jul 15, Oct 15	EURIBOR +4.250%(1)
	$ 1,364,135	$ 1,613,739			

(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)*:

	September 30, 2022	December 31, 2021	Maturity Date	Interest Payment Dates	Interest Rate
2022 Convertible Notes	$ —	$ 150,000	Mar 15, 2022	Mar 15, Sep 15	3.250 %
2023 Exchangeable Notes	172,500	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 %
	$ 272,500	$ 422,500			

On March 15, 2022, the Company's $150.0 million 2022 Convertible Notes matured. The 2022 Convertible Notes had a conversion price of $45.33. In September 2021, in accordance with the indenture for the 2022 Convertible Notes, the Company irrevocably elected "combination settlement" with a specified dollar amount equal to $1,750 per $1,000 principal amount of the 2022 Convertible Notes. In March 2022, the Company settled the conversion of the 2022 Convertible Notes entirely in cash for $221.2 million, of which $71.2 million (the excess above the principal amount) represents the conversion spread and was recognized in the Company's stockholder's equity. No gain or loss was recognized as a result of the conversion of the 2022 Convertible Notes in the Company's condensed consolidated statements of income during the three months ended March 31, 2022.

The 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. As of September 30, 2022, the Company had one hedge program that increases the effective exchange price for the 2023 Exchangeable Notes. The hedge instrument has been determined to be indexed to the Company's own stock and meets the criteria for equity classification. The Company recorded the cost of the hedge instrument as a reduction in additional paid-in capital, and does not recognize subsequent changes in fair value of this financial instrument in its consolidated financial statement. The Company did not hedge the 2022 Convertible Notes or the 2025 Convertible Notes.

Pursuant to the indentures for the Company's Convertible Notes and Exchangeable Notes, the conversion and exchange rates were adjusted upon the completion of the Company's tender offer effective in December 2021. Certain key terms related to the convertible and exchangeable features as of September 30, 2022 are listed below *($ in thousands, except conversion or exchange price)*:

	2023 Exchangeable Notes	2025 Convertible Notes
Initial conversion or exchange price	$ 44.62	$ 40.00
Closing stock price at date of issuance	$ 36.45	$ 32.00
Closing stock price date	Jul 20, 2018	Sep 4, 2019
Initial conversion or exchange rate (shares per $1,000 principal amount)	22.4090	25.0000
Adjusted conversion or exchange rate (shares per $1,000 principal amount)	22.5264	25.1310
Adjusted conversion or exchange price	$ 44.39	$ 39.79
Adjusted effective conversion or exchange price(1)	$ 62.13	$ 39.79
Excess of if-converted value compared to principal(2)	$ 4,226	$ 14,296
Conversion or exchange date(3)	Mar 1, 2023	Jul 1, 2025

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

(2) Represents the premium the Company would have to pay assuming the Convertible Notes and Exchangeable Notes were converted or exchanged on September 30, 2022 using a hypothetical share price based on the closing stock price on September 30, 2022. The premium of the 2023 Exchangeable Notes would have been reduced to zero with the existing hedge program.

(3) During the quarter ending December 31, 2021, the closing price of the Company's common stock exceeded 130% of the exchange price of the 2023 Exchangeable Notes and the conversion price of the 2025 Convertible Notes for more than 20 trading days during a 30 consecutive trading day period, thereby satisfying one of the early exchange or conversion events. As a result, the 2023 Exchangeable Notes and the 2025 Convertible Notes became exchangeable or convertible on demand on January 1, 2022.

In the event of conversion or exchange, the 2025 Convertible Notes and the 2023 Exchangeable Notes are convertible or exchangeable 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 and Exchangeable Notes.

Interest expense related to the Convertible Notes and Exchangeable Notes was $2.8 million and $4.0 million during the three months ended September 30, 2022 and 2021, respectively. Interest expense related to the Convertible Notes and Exchangeable Notes was $9.2 million and $12.9 million during the nine months ended September 30, 2022 and 2021, 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 September 30, 2022, the outstanding borrowings under the Cabot Securitisation Senior Facility were £350.0 million (approximately $391.0 million based on an exchange rate of $1.00 to £0.90, the exchange rate as of September 30, 2022). 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 £360.6 million (approximately $402.8 million based on an exchange rate of $1.00 to £0.90, the exchange rate as of September 30, 2022) as of September 30, 2022. The weighted average interest rate was 4.67% and 3.11% for the three months ended September 30, 2022 and 2021, respectively. The weighted average interest rate was 4.02% and 3.11% for the nine months ended September 30, 2022 and 2021, 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 benefits from the entity that could potentially be significant to the VIE. The Company consolidates VIEs when it is the primary beneficiary.

As of September 30, 2022, 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 which includes but is not limited to the ability to exercise discretion in the servicing of the financial assets and the obligation to absorb losses or the right to receive benefits that could potentially be significant to 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 September 30, 2022		
	Derivatives	Currency Translation Adjustments	Accumulated Other Comprehensive Loss
Balance at beginning of period	$ 17,546	$ (136,123)	$ (118,577)
Other comprehensive loss before reclassification	(4,491)	(63,322)	(67,813)
Reclassification	26,094	—	26,094
Tax effect	(5,425)	—	(5,425)
Balance at end of period	$ 33,724	$ (199,445)	$ (165,721)

	Three Months Ended September 30, 2021		
	Derivatives	Currency Translation Adjustments	Accumulated Other Comprehensive Loss
Balance at beginning of period	$ (7,218)	$ (51,822)	$ (59,040)
Other comprehensive loss before reclassification	(11,978)	(23,035)	(35,013)
Reclassification	15,275	—	15,275
Removal of OCI in connection with divestiture	—	19,904	19,904
Tax effect	(753)	—	(753)
Balance at end of period	$ (4,674)	$ (54,953)	$ (59,627)

	Nine Months Ended September 30, 2022		
	Derivatives	Currency Translation Adjustments	Accumulated Other Comprehensive Loss
Balance at beginning of period	$ 516	$ (54,064)	$ (53,548)
Other comprehensive loss before reclassification	(16,980)	(145,381)	(162,361)
Reclassification	61,022	—	61,022
Tax effect	(10,834)	—	(10,834)
Balance at end of period	$ 33,724	$ (199,445)	$ (165,721)

	Nine Months Ended September 30, 2021		
	Derivatives	Currency Translation Adjustments	Accumulated Other Comprehensive Loss
Balance at beginning of period	$ (10,154)	$ (58,659)	$ (68,813)
Other comprehensive loss before reclassification	(26,781)	(16,198)	(42,979)
Reclassification	33,894	—	33,894
Removal of OCI in connection with divestiture	—	19,904	19,904
Tax effect	(1,633)	—	(1,633)
Balance at end of period	$ (4,674)	$ (54,953)	$ (59,627)

Note 10: Income Taxes

The Company’s effective tax rate for the three and nine months ended September 30, 2022 was 25.7% and 25.0%, respectively. For the three and nine months ended September 30, 2021, the Company’s effective tax rate was 22.8% and 21.7%, respectively. For the three and nine months ended September 30, 2022, the differences between the effective tax rate and the federal statutory rate were primarily due to state and foreign income taxes. For the three and nine months ended September 30, 2021, the differences between the effective tax rate and the federal statutory rate were primarily due to 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 and nine months ended September 30, 2022 and 2021, 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. There has been no material change to the Company’s total gross unrecognized tax benefits from December 31, 2021.

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 based on the Fair Debt Collection Practices Act (“FDCPA”), comparable state statutes, the Telephone Consumer Protection Act (“TCPA”), 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 September 30, 2022, 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, 2021.

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 September 30, 2022, 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 September 30, 2022, the Company had entered into forward flow purchase agreements for the purchase of nonperforming loans with an estimated minimum aggregate purchase price of approximately $551.8 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 Company has operations in the United States, Europe and other foreign countries. The following table presents the Company's total revenues by geographic area in which the Company operates *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Total revenues:				
United States	$ 210,908	$ 295,700	$ 825,826	$ 871,978
Europe				
United Kingdom	59,873	89,183	236,244	270,215
Other European countries[1]	36,971	24,804	102,103	102,665
Total Europe	96,844	113,987	338,347	372,880
Other geographies[1]	—	2,937	178	12,338
Total	$ 307,752	$ 412,624	$ 1,164,351	$ 1,257,196

(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 and nine months ended September 30, 2022, 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 long-lived 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance, beginning of period	$ 824,210	$ 915,067	$ 897,795	$ 906,962
Effect of foreign currency translation	(54,662)	(19,552)	(128,247)	(11,447)
Balance, end of period	$ 769,548	$ 895,515	$ 769,548	$ 895,515

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

	As of September 30, 2022			As of December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 55,739	$ (30,558)	$ 25,181	$ 66,969	$ (31,154)	$ 35,815
Developed technologies	531	(527)	4	2,549	(2,530)	19
Trade name and other	1,434	(1,142)	292	1,597	(1,111)	486
Total intangible assets	$ 57,704	$ (32,227)	$ 25,477	$ 71,115	$ (34,795)	$ 36,320

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, financing needs or plans or the impacts of the COVID-19 pandemic, 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" and those set forth in "Part II, Item 1A, Risk Factors" of our Quarterly Reports 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 primary 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 a market leader in 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 U.K. 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. We previously owned non-performing loans in Colombia and Peru (sold in August 2021) and Brazil (sold in April 2020).

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.

UK debt purchase and services collections businesses are principally regulated by the Financial Conduct Authority (“FCA”), the UK Information Commissioner’s Office and the UK Office of Communications. The FCA has applied its rules to consumer credit firms in a number of areas, including its high-level principles and conduct of business standards. In July 2022 the FCA published a new Consumer Duty, providing a higher level of consumer protection in retail financial markets and combining existing consumer treatment requirements with enhanced standards. Firms will now be required to “act to deliver good outcomes for retail customers”. The FCA has significant powers and, as the FCA deepens its understanding of the industry through continued supervision, it is likely that the regulatory requirements applicable to the debt purchase industry will continue to increase via requirements such as the Consumer Duty. In addition, it is likely that the compliance framework that will be needed to continue to satisfy the FCA requirements will demand continued investment and resources in our compliance governance framework.

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)

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 third quarter remained in line with the prior quarter. Issuers continue to sell their volume in mostly forward flow arrangements that are often committed early in the calendar year. We believe growth in lending and rising delinquency rates will drive future supply increases. Lending has now surpassed pre-pandemic levels in the U.S. and we have started to see an increase in portfolio 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 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.

Cabot (Europe)

The U.K. 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
MCM (United States)	$ 176,559	$ 102,339	$ 387,091	$ 284,230
Cabot (Europe)	56,093	65,849	188,073	196,864
Total purchases of receivable portfolios	$ 232,652	$ 168,188	$ 575,164	$ 481,094

During the three months ended September 30, 2022, we invested $232.7 million to acquire receivable portfolios, with face values aggregating $1.7 billion, for an average purchase price of 13.9% of face value. The amount invested in receivable portfolios increased $64.5 million, or 38.3%, compared with the $168.2 million invested during the three months ended September 30, 2021, where we acquired receivable portfolios with face values aggregating $1.4 billion, for an average purchase price of 12.0% of face value.

During the nine months ended September 30, 2022, we invested $575.2 million to acquire receivable portfolios, with face values aggregating $4.7 billion, for an average purchase price of 12.2% of face value. The amount invested in receivable portfolios increased $94.1 million, or 19.6%, compared with the $481.1 million invested during the nine months ended September 30, 2021, where we acquired receivable portfolios with face values aggregating $3.9 billion, for an average purchase price of 12.4% of face value.

The average purchase price, as a percentage of face value, varies from period to period depending on, among other factors, the quality of the accounts purchased and the length of time from charge-off to the time we purchase the portfolios.

In the United States, portfolio purchases increased during the three and nine months ended September 30, 2022, as compared to the corresponding period in the prior year. The majority of our deployments in the U.S. came 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. are slowly returning to pre-pandemic levels as supply begins to increase.

In Europe, portfolio purchases decreased during the three and nine months ended September 30, 2022, compared to the corresponding periods in the prior year, primarily due to the unfavorable impact from foreign currency translation driven by the strengthening of the U.S. dollar against the British Pound. Portfolio purchases in Europe remain below pre-pandemic average levels. In the UK, bank delinquencies remain at relatively low levels, and the level of outstanding unsecured consumer borrowings, while increasing, is still below pre-pandemic levels.

During the three months ended September 30, 2022 and 2021, we invested $3.4 million and $8.1 million in REO assets, respectively. During the nine months ended September 30, 2022 and 2021, we invested $38.6 million and $11.7 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
MCM (United States):				
Call center and digital collections	$ 185,568	$ 234,923	$ 600,787	$ 762,487
Legal collections	139,545	170,538	449,383	510,285
Collection agencies	200	1,121	995	6,833
Subtotal	325,313	406,582	1,051,165	1,279,605
Cabot (Europe):				
Call center and digital collections	49,654	71,192	154,171	226,873
Legal collections	44,065	45,144	147,837	137,926
Collection agencies	38,386	39,053	119,769	121,545
Subtotal	132,105	155,389	421,777	486,344
Other geographies:	838	4,719	2,439	19,629
Total collections from purchased receivables	$ 458,256	$ 566,690	$ 1,475,381	$ 1,785,578

Gross collections from purchased receivables decreased by $108.4 million, or 19.1%, to $458.3 million during the three months ended September 30, 2022, as compared to $566.7 million during the three months ended September 30, 2021. Gross collections from purchased receivables decreased by $310.2 million, or 17.4%, to $1,475.4 million during the nine months ended September 30, 2022, as compared to $1,785.6 million during the nine months ended September 30, 2021.

The decreases in collections from purchased receivables in the United States during the three and nine months ended September 30, 2022, as compared to the corresponding periods in the prior year, were primarily a result of an unusually high level of collections in the year ago period resulting from changes in consumer behavior during the COVID-19 pandemic. The decreases were also a result of lower purchasing volumes in recent periods due to the COVID-19 pandemic. The changes in consumer behavior that resulted from the impacts of the COVID-19 pandemic, while more prevalent a year ago, continued through the first half of 2022. We believe the pandemic-related drivers of this changed behavior have normalized.

The decreases in collections from purchased receivables in Europe during the three and nine months ended September 30, 2022, as compared to the corresponding periods in the prior year, were primarily due to the unfavorable impact from foreign currency translation, primarily by the strengthening of the U.S. dollar against the British Pound. In addition, continuing labor market tightness in the UK affected agent staffing levels and, consequently, mildly impacted collections for the quarter.

Results of Operations

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

	Three Months Ended September 30,			
	2022		2021	
Revenues				
Revenue from receivable portfolios	$ 297,219	96.6 %	$ 316,225	76.6 %
Changes in recoveries	(13,080)	(4.3)%	65,913	16.0 %
Total debt purchasing revenue	284,139	92.3 %	382,138	92.6 %
Servicing revenue	21,992	7.2 %	29,321	7.1 %
Other revenues	1,621	0.5 %	1,165	0.3 %
Total revenues	307,752	100.0 %	412,624	100.0 %
Operating expenses				
Salaries and employee benefits	89,241	29.0 %	94,662	22.9 %
Cost of legal collections	52,891	17.2 %	64,170	15.6 %
General and administrative expenses	37,274	12.0 %	35,819	8.7 %
Other operating expenses	28,286	9.2 %	25,226	6.1 %
Collection agency commissions	7,884	2.6 %	11,964	2.9 %
Depreciation and amortization	11,659	3.8 %	14,136	3.4 %
Total operating expenses	227,235	73.8 %	245,977	59.6 %
Income from operations	80,517	26.2 %	166,647	40.4 %
Other expense				
Interest expense	(39,308)	(12.8)%	(40,874)	(9.9)%
Other income (expense)	1,205	0.4 %	(17,504)	(4.2)%
Total other expense	(38,103)	(12.4)%	(58,378)	(14.1)%
Income before income taxes	42,414	13.8 %	108,269	26.3 %
Provision for income taxes	(10,920)	(3.6)%	(24,703)	(6.0)%
Net income	$ 31,494	10.2 %	$ 83,566	20.3 %

	Nine Months Ended September 30,			
	2022		2021	
Revenues				
Revenue from receivable portfolios	$ 907,606	77.9 %	$ 982,393	78.1 %
Changes in recoveries	179,293	15.4 %	176,628	14.1 %
Total debt purchasing revenue	1,086,899	93.3 %	1,159,021	92.2 %
Servicing revenue	71,926	6.2 %	93,901	7.5 %
Other revenues	5,526	0.5 %	4,274	0.3 %
Total revenues	1,164,351	100.0 %	1,257,196	100.0 %
Operating expenses				
Salaries and employee benefits	285,077	24.5 %	288,892	23.0 %
Cost of legal collections	163,756	14.1 %	198,212	15.8 %
General and administrative expenses	105,775	9.1 %	102,790	8.1 %
Other operating expenses	82,718	7.1 %	81,895	6.5 %
Collection agency commissions	27,412	2.3 %	38,465	3.1 %
Depreciation and amortization	35,134	3.0 %	37,694	3.0 %
Total operating expenses	699,872	60.1 %	747,948	59.5 %
Income from operations	464,479	39.9 %	509,248	40.5 %
Other expense				
Interest expense	(110,995)	(9.5)%	(131,559)	(10.5)%
Loss on extinguishment of debt	—	— %	(9,300)	(0.7)%
Other income (expense)	3,392	0.3 %	(16,993)	(1.4)%
Total other expense	(107,603)	(9.2)%	(157,852)	(12.6)%
Income before income taxes	356,876	30.7 %	351,396	27.9 %
Provision for income taxes	(89,194)	(7.7)%	(76,278)	(6.1)%
Net income	267,682	23.0 %	275,118	21.8 %
Net income attributable to noncontrolling interest	—	— %	(419)	0.0 %
Net income attributable to Encore Capital Group, Inc. stockholders	$ 267,682	23.0 %	$ 274,699	21.8 %

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

(2) C*hanges in recoveries*, which includes:

(a) Recoveries above (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 CECL. 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 September 30,			
	2022	2021	$ Change	% Increase (decrease)
Revenue recognized from portfolio basis	$ 289,028	$ 304,341	$ (15,313)	(5.0)%
ZBA revenue	8,191	11,884	(3,693)	(31.1)%
Revenue from receivable portfolios	297,219	316,225	(19,006)	(6.0)%
Recoveries (below) above forecast	(4,880)	77,064	(81,944)	(106.3)%
Changes in expected future recoveries	(8,200)	(11,151)	2,951	26.5 %
Changes in recoveries	(13,080)	65,913	(78,993)	(119.8)%
Debt purchasing revenue	284,139	382,138	(97,999)	(25.6)%
Servicing revenue	21,992	29,321	(7,329)	(25.0)%
Other revenues	1,621	1,165	456	39.1 %
Total revenues	$ 307,752	$ 412,624	$ (104,872)	(25.4)%

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Increase (decrease)
Revenue recognized from portfolio basis	$ 881,701	$ 944,012	$ (62,311)	(6.6)%
ZBA revenue	25,905	38,381	(12,476)	(32.5)%
Revenue from receivable portfolios	907,606	982,393	(74,787)	(7.6)%
Recoveries above forecast	51,407	277,861	(226,454)	(81.5)%
Changes in expected future recoveries	127,886	(101,233)	229,119	226.3 %
Changes in recoveries	179,293	176,628	2,665	1.5 %
Debt purchasing revenue	1,086,899	1,159,021	(72,122)	(6.2)%
Servicing revenue	71,926	93,901	(21,975)	(23.4)%
Other revenues	5,526	4,274	1,252	29.3 %
Total revenues	$ 1,164,351	$ 1,257,196	$ (92,845)	(7.4)%

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 by the strengthening of the U.S. dollar against the British Pound by 17.3% during the three months ended September 30, 2022, compared to the three months ended September 30, 2021, and by 10.4% for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021.

The decreases in revenue recognized from portfolio basis during the three and nine months ended September 30, 2022, as compared to the three and nine months ended September 30, 2021, other than resulting from the unfavorable impact from foreign currency translation discussed above, were 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 September 30, 2022, under-performed the projected cash flows by approximately $4.9 million. We experienced an unusually high level of collections resulting from changes in consumer behavior during the COVID-19 pandemic in addition to improvements in collections capabilities, and therefore increased expected future cash flows for certain pool groups in previous periods. The pandemic-related drivers of this changed behavior have normalized in recent quarters, and for the three months ended September 30, 2022, collections under-performed the projected cash flows. Collections during the nine months ended September 30, 2022, over-performed the projected cash flows by approximately $51.4 million.

When reassessing the forecasts of expected lifetime recoveries during the three months ended September 30, 2022, management considered, among other factors, historical and current collection performance, changes in consumer behaviors, and macroeconomic environment and believes that projected future cash flows for certain static pools resulted in decreased 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 negative change in expected future recoveries of approximately $8.2 million during the three months ended September 30, 2022. This negative change in expected future recoveries, together with the positive changes recorded in previous quarters, resulted in a net positive change of expected future recoveries of $127.9 million during the nine months ended September 30, 2022. During the three and nine months ended September 30, 2021, the Company recorded approximately $11.2 million and $101.2 million, respectively, in negative change in expected future period recoveries.

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 September 30, 2022			As of September 30, 2022	
	Collections	Revenue from Receivable Portfolios	Changes in Recoveries	Investment in Receivable Portfolios	Monthly EIR
United States:					
ZBA	$ 8,184	$ 8,184	$ —	$ —	— %
2011	3,961	4,393	(582)	1,539	88.6 %
2012	4,779	4,574	18	3,536	42.0 %
2013	9,434	10,963	(2,332)	8,496	40.5 %
2014	5,839	3,972	669	19,095	6.7 %
2015	6,269	3,191	1,889	26,798	3.9 %
2016	11,908	6,645	1,398	51,362	4.1 %
2017	19,621	12,582	135	71,864	5.5 %
2018	32,975	18,279	(2,306)	144,877	3.9 %
2019	59,400	32,635	(1,513)	266,853	3.8 %
2020	73,574	36,666	7,536	313,031	3.7 %
2021	58,391	38,760	(1,446)	315,128	3.9 %
2022	30,978	24,250	2,348	380,805	2.9 %
Subtotal	325,313	205,094	5,814	1,603,384	4.1 %
Europe:					
ZBA	7	7	—	—	— %
2013	16,231	14,098	(4,549)	133,011	3.2 %
2014	14,981	11,770	(3,352)	119,425	3.0 %
2015	10,154	7,222	(1,098)	91,243	2.4 %
2016[(1)]	8,965	7,168	(1,084)	81,564	2.8 %
2017	14,670	8,903	(2,478)	144,706	1.9 %
2018	15,100	9,252	(2,597)	183,490	1.6 %
2019	14,656	8,998	(1,131)	149,704	1.9 %
2020	10,366	6,674	(1,300)	90,513	2.2 %
2021	15,783	10,784	(3,225)	179,361	1.9 %
2022	11,192	7,249	1,920	165,613	1.6 %
Subtotal	132,105	92,125	(18,894)	1,338,630	2.2 %
Other geographies:[(2)]					
All vintages	838	—	—	34,188	— %
Subtotal	838	—	—	34,188	— %
Total	$ 458,256	$ 297,219	$ (13,080)	$ 2,976,202	3.2 %

(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 September 30, 2021			As of September 30, 2021	
	Collections	Revenue from Receivable Portfolios	Changes in Recoveries	Investment in Receivable Portfolios	Monthly EIR
United States:					
ZBA	$ 11,247	$ 11,247	$ —	$ —	— %
2011	6,343	4,442	1,815	1,604	88.6 %
2012	6,371	4,371	1,779	3,320	42.0 %
2013	14,535	11,842	2,377	9,658	40.5 %
2014	8,810	5,311	1,365	25,039	6.7 %
2015	9,872	4,829	2,524	39,618	3.9 %
2016	20,762	9,188	7,177	73,942	4.1 %
2017	33,102	16,798	8,297	101,034	5.3 %
2018	54,240	23,335	9,181	188,650	3.8 %
2019	95,390	40,104	22,558	331,071	3.8 %
2020	107,901	46,988	33,139	403,776	3.7 %
2021	38,009	26,023	757	264,786	4.0 %
Subtotal	406,582	204,478	90,969	1,442,498	4.4 %
Europe:					
ZBA	22	22	—	—	— %
2013	23,131	19,265	(4,703)	188,032	3.2 %
2014	20,522	15,195	(3,087)	158,709	3.0 %
2015	13,901	9,775	(2,984)	126,822	2.4 %
2016[(1)]	11,798	10,087	(7,791)	113,336	2.8 %
2017	19,984	13,325	(6,372)	222,894	1.9 %
2018	18,558	13,090	(6,856)	264,678	1.6 %
2019	20,231	12,403	(1,305)	213,600	1.8 %
2020	14,795	8,432	5,889	120,945	2.3 %
2021	12,447	8,512	796	186,080	1.9 %
Subtotal	155,389	110,106	(26,413)	1,595,096	2.2 %
Other geographies:[(1), (2)]					
All vintages	4,719	1,641	1,357	45,677	— %
Subtotal	4,719	1,641	1,357	45,677	— %
Total	$ 566,690	$ 316,225	$ 65,913	$ 3,083,271	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.

	Nine Months Ended September 30, 2022			As of September 30, 2022	
	Collections	Revenue from Receivable Portfolios	Changes in Recoveries	Investment in Receivable Portfolios	Monthly EIR
United States:					
ZBA	$ 25,880	$ 25,880	$ —	$ —	— %
2011	14,541	12,536	2,026	1,539	88.6 %
2012	15,710	12,735	3,464	3,536	42.0 %
2013	33,899	34,798	(2,352)	8,496	40.5 %
2014	19,436	12,675	2,936	19,095	6.7 %
2015	20,239	10,910	(410)	26,798	3.9 %
2016	41,296	22,059	4,045	51,362	4.1 %
2017	68,623	41,259	7,308	71,864	5.5 %
2018	116,625	57,425	34,342	144,877	3.9 %
2019	205,418	101,362	70,220	266,853	3.8 %
2020	249,218	115,142	86,722	313,031	3.7 %
2021	188,280	124,295	(686)	315,128	3.9 %
2022	52,000	41,413	5,711	380,805	2.9 %
Subtotal	1,051,165	612,489	213,326	1,603,384	4.1 %
Europe:					
ZBA	26	25	—	—	— %
2013	53,910	46,474	(7,490)	133,011	3.2 %
2014	50,373	38,125	—	119,425	3.0 %
2015	32,966	23,514	(1,452)	91,243	2.4 %
2016[(1)]	30,559	23,476	(1,386)	81,564	2.8 %
2017	48,047	30,545	(13,706)	144,706	1.9 %
2018	48,567	30,840	(7,964)	183,490	1.6 %
2019	49,314	29,406	2,562	149,704	1.9 %
2020	35,344	21,789	4,065	90,513	2.2 %
2021	50,681	36,078	(12,158)	179,361	1.9 %
2022	21,990	14,845	3,496	165,613	1.6 %
Subtotal	421,777	295,117	(34,033)	1,338,630	2.2 %
Other geographies:[(2)]					
All vintages	2,439	—	—	34,188	— %
Subtotal	2,439	—	—	34,188	— %
Total	$ 1,475,381	$ 907,606	$ 179,293	$ 2,976,202	3.2 %

(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.

	Nine Months Ended September 30, 2021			As of September 30, 2021	
	Collections	Revenue from Receivable Portfolios	Changes in Recoveries	Investment in Receivable Portfolios	Monthly EIR
United States:					
ZBA	$ 35,418	$ 35,418	$ —	$ —	— %
2011	18,660	13,554	5,014	1,604	88.6 %
2012	19,425	13,930	4,786	3,320	42.0 %
2013	44,569	37,252	7,269	9,658	40.5 %
2014	27,714	17,896	936	25,039	6.7 %
2015	34,788	16,393	5,237	39,618	3.9 %
2016	71,702	30,703	17,073	73,942	4.1 %
2017	117,087	57,023	22,940	101,034	5.3 %
2018	184,002	79,230	27,475	188,650	3.8 %
2019	317,708	137,499	42,570	331,071	3.8 %
2020	335,862	151,098	93,395	403,776	3.7 %
2021	72,670	44,963	9,203	264,786	4.0 %
Subtotal	1,279,605	634,959	235,898	1,442,498	4.4 %
Europe:					
ZBA	82	82	—	—	— %
2013	72,423	62,806	(30,524)	188,032	3.2 %
2014	65,210	49,571	(20,137)	158,709	3.0 %
2015	44,723	31,013	(9,323)	126,822	2.4 %
2016[(1)]	39,204	31,081	(5,594)	113,336	2.8 %
2017	65,295	41,981	(9,409)	222,894	1.9 %
2018	61,584	41,292	(13,968)	264,678	1.6 %
2019	67,610	38,863	3,062	213,600	1.8 %
2020	46,174	25,853	18,272	120,945	2.3 %
2021	24,039	16,350	4,653	186,080	1.9 %
Subtotal	486,344	338,892	(62,968)	1,595,096	2.2 %
Other geographies:[(1), (2)]					
All vintages	19,629	8,542	3,698	45,677	— %
Subtotal	19,629	8,542	3,698	45,677	— %
Total	$ 1,785,578	$ 982,393	$ 176,628	$ 3,083,271	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 and nine months ended September 30, 2022 decreased as compared to servicing revenues during the three and nine months ended September 30, 2021. The decreases were primarily attributable to reduced service demand from BPO clients and the unfavorable impact of foreign currency translation, which was primarily the result of the strengthening of the U.S. dollar against the British Pound.

Other revenues increased during the three and nine months ended September 30, 2022 as compared to the corresponding periods in the prior year, primarily driven by the increased sale of real estate assets, the increases were partially offset by the unfavorable impact of foreign currency translation, which was primarily the result of 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 September 30,			
	2022	2021	$ Change	% Change
Salaries and employee benefits	$ 89,241	$ 94,662	$ (5,421)	(5.7)%
Cost of legal collections	52,891	64,170	(11,279)	(17.6)%
General and administrative expenses	37,274	35,819	1,455	4.1 %
Other operating expenses	28,286	25,226	3,060	12.1 %
Collection agency commissions	7,884	11,964	(4,080)	(34.1)%
Depreciation and amortization	11,659	14,136	(2,477)	(17.5)%
Total operating expenses	$ 227,235	$ 245,977	$ (18,742)	(7.6)%

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Salaries and employee benefits	$ 285,077	$ 288,892	$ (3,815)	(1.3)%
Cost of legal collections	163,756	198,212	(34,456)	(17.4)%
General and administrative expenses	105,775	102,790	2,985	2.9 %
Other operating expenses	82,718	81,895	823	1.0 %
Collection agency commissions	27,412	38,465	(11,053)	(28.7)%
Depreciation and amortization	35,134	37,694	(2,560)	(6.8)%
Total operating expenses	$ 699,872	$ 747,948	$ (48,076)	(6.4)%

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 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 by the strengthening of the U.S. dollar against the British Pound by approximately 17.3% for the three months ended September 30, 2022, as compared to the three months ended September 30, 2021, and by approximately 10.4% for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021.

Operating expenses are explained in more detail as follows:

Salaries and Employee Benefits

The decrease in salaries and employee benefits during the three months ended September 30, 2022, as compared to the three months ended September 30, 2021, was primarily due to the following reasons:

- Decrease of headcount;
- Favorable impact of foreign currency translation of $6.7 million, primarily by the strengthening of the U.S. dollar against the British Pound;
- Decrease in stock-based compensation expense attributed to expense reversals due to forfeiture of certain stock award of approximately $0.6 million;
- The decrease was partially offset by increased salaries due to market adjustments.

The decrease in salaries and employee benefits during the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2021, was primarily due to the following reasons:

- Decrease of headcount;
- Favorable impact of foreign currency translation of approximately $12.5 million, primarily by the strengthening of the U.S. dollar against the British Pound;
- The decrease was partially offset by increased salaries due to market adjustments.

Cost of Legal Collections

Cost of legal collections primarily includes 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 September 30,			
	2022	2021	$ Change	% Change
Court costs	$ 30,997	$ 37,970	$ (6,973)	(18.4)%
Legal collection fees	21,894	26,200	(4,306)	(16.4)%
Total cost of legal collections	$ 52,891	$ 64,170	$ (11,279)	(17.6)%

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Court costs	$ 92,575	$ 119,366	$ (26,791)	(22.4)%
Legal collection fees	71,181	78,846	(7,665)	(9.7)%
Total cost of legal collections	$ 163,756	$ 198,212	$ (34,456)	(17.4)%

The decreases of cost of legal collections during the three and nine months ended September 30, 2022, as compared to the three and nine months ended September 30, 2021, were primarily due to the following reasons:

- Decreased legal collection fees driven by decreased legal channel collections;
- Decreased court costs due to fewer placements in the legal collection channel; and
- Favorable impact of foreign currency translation of approximately $1.3 million and $2.4 million, primarily by the strengthening of the U.S. dollar against the British Pound during the three and nine months ended September 30, 2022, respectively, as compared to the corresponding prior periods.

General and Administrative Expenses

The increases in general and administrative expense during the three and nine months ended September 30, 2022, compared to the three and nine months ended September 30, 2021, were primarily due to the following reasons:

- Increased general and administrative expense associated with our return to the office initiatives;
- Increased costs associated with corporate travel of $1.2 million and $2.4 million during the three and nine months ended September 30, 2022, respectively, as compared to the corresponding prior periods; and
- The increases were partially offset by the favorable impact of foreign currency translation of approximately $2.0 million and $4.1 million, primarily by the strengthening of the U.S. dollar against the British Pound during the three and nine months ended September 30, 2022, respectively, as compared to the corresponding prior periods.

Other Operating Expenses

The increases in other operating expenses during the three and nine months ended September 30, 2022, as compared to the three and nine months ended September 30, 2021, were primarily due to increased various other operating expenses to support our collection activities. The increases were partially offset by the favorable impact of foreign currency translation of approximately $1.2 million and $2.1 million, primarily by the strengthening of the U.S. dollar against the British Pound during the three and nine months ended September 30, 2022, respectively, as compared to the corresponding prior periods.

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 decreases in depreciation and amortization expense during the three and nine months ended September 30, 2022, as compared to the three and nine months ended September 30, 2021, were primarily due to the following reasons:

- The write-off of certain computer software and equipment during the three and nine months ended September 30, 2021; and
- Favorable impact of foreign currency translation of approximately $0.8 million and $1.5 million, primarily by the strengthening of the U.S. dollar against the British Pound during the three and nine months ended September 30, 2022, respectively, as compared to the corresponding prior periods.

Interest Expense

The following tables summarize our interest expense (*in thousands, except percentages):*

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
Stated interest on debt obligations	$ 35,472	$ 36,600	$ (1,128)	(3.1)%
Amortization of debt issuance costs	3,516	3,917	(401)	(10.2)%
Amortization of debt discount	320	357	(37)	(10.4)%
Total interest expense	$ 39,308	$ 40,874	$ (1,566)	(3.8)%

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Stated interest on debt obligations	$ 99,011	$ 117,881	$ (18,870)	(16.0)%
Amortization of debt issuance costs	10,985	12,469	(1,484)	(11.9)%
Amortization of debt discount	999	1,209	(210)	(17.4)%
Total interest expense	$ 110,995	$ 131,559	$ (20,564)	(15.6)%

The decreases in interest expense during the three and nine months ended September 30, 2022, compared to the three and nine months ended September 30, 2021, were primarily due to the following reasons:

- Lower average debt balances of approximately $156.1 million and $203.6 million during the three and nine months ended September 30, 2022, respectively, as compared to the corresponding prior periods;
- The favorable impact of foreign currency translation of approximately $1.1 million and $2.0 million, primarily by the strengthening of the U.S. dollar against the British Pound and Euro during the three and nine months ended September 30, 2022, respectively, as compared to the corresponding prior periods; and
- The decreases were partially offset by the effect from rising interest rates in recent periods.

Other Income (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 $1.2 million and $3.4 million during the three and nine months ended September 30, 2022, respectively. Other expense was $17.5 million and $17.0 million during the three and nine months ended September 30, 2021, respectively. We recorded approximately $17.4 million in other expense as a result of the loss on the sale of our investment in Colombia and Peru during the three and nine months ended September 30, 2021.

Provision for Income Taxes

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Provision for income taxes	$ 10,920	$ 24,703	$ 89,194	$ 76,278
Effective tax rate	25.7 %	22.8 %	25.0 %	21.7 %

For the three and nine months ended September 30, 2022, the differences between our effective tax rate and the federal statutory rate were primarily due to state and foreign income taxes. For the three and nine months ended September 30, 2021, the differences between our effective tax rate and the federal statutory rate were primarily due to 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
GAAP net income, as reported	$ 31,494	$ 83,566	$ 267,682	$ 275,118
Adjustments:				
Interest expense	39,308	40,874	110,995	131,559
Interest income	(749)	(270)	(1,774)	(1,170)
Provision for income taxes	10,920	24,703	89,194	76,278
Depreciation and amortization	11,659	14,136	35,134	37,694
Stock-based compensation expense	3,191	3,847	12,231	12,903
Acquisition, integration and restructuring related expenses[(1)]	13	17,950	1,179	17,950
Loss on extinguishment of debt	—	—	—	9,300
Adjusted EBITDA	$ 95,836	$ 184,806	$ 514,641	$ 559,632
Collections applied to principal balance[(2)]	$ 179,163	$ 188,181	$ 402,842	$ 641,765

(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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Collections applied to investment in receivable portfolios, net	$ 161,037	$ 250,465	$ 567,775	$ 803,185
Less: Changes in recoveries	13,080	(65,913)	(179,293)	(176,628)
REO proceeds applied to basis	5,046	3,629	14,360	15,208
Collections applied to principal balance	$ 179,163	$ 188,181	$ 402,842	$ 641,765

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 September 30, 2022												
		<2013	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total[(2)]	CCMM[(3)]
United States:														
<2013	$ 2,692,552	$ 4,931,172	$ 904,731	$ 650,989	$ 470,442	$ 320,000	$ 229,963	$ 170,377	$ 136,627	$ 104,898	$ 92,172	$ 56,077	$ 8,067,448	3.0
2013	551,865	—	230,051	397,646	298,068	203,386	147,503	107,399	84,665	64,436	59,859	33,953	1,626,966	2.9
2014	517,650	—	—	144,178	307,814	216,357	142,147	94,929	69,059	47,628	34,896	19,436	1,076,444	2.1
2015	499,055	—	—	—	105,610	231,102	186,391	125,673	85,042	64,133	42,774	20,239	860,964	1.7
2016	553,100	—	—	—	—	110,875	283,035	234,690	159,279	116,452	87,717	41,296	1,033,344	1.9
2017	527,796	—	—	—	—	—	111,902	315,853	255,048	193,328	144,243	68,623	1,088,997	2.1
2018	629,773	—	—	—	—	—	—	175,042	351,696	308,302	228,919	116,625	1,180,584	1.9
2019	675,987	—	—	—	—	—	—	—	174,693	416,315	400,250	205,418	1,196,676	1.8
2020	538,508	—	—	—	—	—	—	—	—	213,450	430,514	249,218	893,182	1.7
2021	405,050	—	—	—	—	—	—	—	—	—	120,354	188,280	308,634	0.8
2022	385,684	—	—	—	—	—	—	—	—	—	—	52,000	52,000	0.1
Subtotal	7,977,020	4,931,172	1,134,782	1,192,813	1,181,934	1,081,720	1,100,941	1,223,963	1,316,109	1,528,942	1,641,698	1,051,165	17,385,239	2.2
Europe:														
2013	619,079	—	134,259	249,307	212,129	165,610	146,993	132,663	113,228	93,203	93,907	53,910	1,395,209	2.3
2014	623,129	—	—	135,549	198,127	156,665	137,806	129,033	105,337	84,255	84,169	50,373	1,081,314	1.7
2015	419,941	—	—	—	65,870	127,084	103,823	88,065	72,277	55,261	57,817	32,983	603,180	1.4
2016	258,218	—	—	—	—	44,641	97,587	83,107	63,198	51,609	51,017	30,569	421,728	1.6
2017	461,571	—	—	—	—	—	68,111	152,926	118,794	87,549	86,107	48,047	561,534	1.2
2018	433,302	—	—	—	—	—	—	49,383	118,266	78,846	80,629	48,567	375,691	0.9
2019	273,354	—	—	—	—	—	—	—	44,118	80,502	88,448	49,314	262,382	1.0
2020	116,899	—	—	—	—	—	—	—	—	22,721	59,803	35,344	117,868	1.0
2021	255,788	—	—	—	—	—	—	—	—	—	43,082	50,681	93,763	0.4
2022	188,073	—	—	—	—	—	—	—	—	—	—	21,989	21,989	0.1
Subtotal	3,649,354	—	134,259	384,856	476,126	494,000	554,320	635,177	635,218	553,946	644,979	421,777	4,934,658	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	2,439	541,387	1.6
Subtotal	340,283	—	10,465	29,828	42,665	109,884	112,383	108,480	75,601	28,960	20,682	2,439	541,387	1.6
Total	$ 11,966,657	$ 4,931,172	$ 1,279,506	$ 1,607,497	$ 1,700,725	$ 1,685,604	$ 1,767,644	$ 1,967,620	$ 2,026,928	$ 2,111,848	$ 2,307,359	$ 1,475,381	$ 22,861,284	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 September 30, 2022, excluding collections on behalf of others.

(3) Cumulative Collections Money Multiple (“CCMM”) through September 30, 2022 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:					
<2012	$ 2,143,750	$ 6,751,085	$ 119,720	$ 6,870,805	3.2
2012	548,802	1,316,363	52,070	1,368,433	2.5
2013[(4)]	551,865	1,626,966	126,214	1,753,180	3.2
2014[(4)]	517,650	1,076,444	62,196	1,138,640	2.2
2015	499,055	860,964	60,485	921,449	1.8
2016	553,100	1,033,344	118,841	1,152,185	2.1
2017	527,796	1,088,997	197,834	1,286,831	2.4
2018	629,773	1,180,584	321,962	1,502,546	2.4
2019	675,987	1,196,676	578,290	1,774,966	2.6
2020	538,508	893,182	671,511	1,564,693	2.9
2021	405,050	308,634	682,665	991,299	2.4
2022	385,684	52,000	754,257	806,257	2.1
Subtotal	7,977,020	17,385,239	3,746,045	21,131,284	2.6
Europe:					
2013[(4)]	619,079	1,395,209	522,418	1,917,627	3.1
2014[(4)]	623,129	1,081,314	413,381	1,494,695	2.4
2015[(4)]	419,941	603,180	266,719	869,899	2.1
2016	258,218	421,728	226,525	648,253	2.5
2017	461,571	561,534	325,389	886,923	1.9
2018	433,302	375,691	380,123	755,814	1.7
2019	273,354	262,382	327,880	590,262	2.2
2020	116,899	117,868	205,284	323,152	2.8
2021	255,788	93,763	401,642	495,405	1.9
2022	188,073	21,989	332,512	354,501	1.9
Subtotal	3,649,354	4,934,658	3,401,873	8,336,531	2.3
Other geographies[(5)]:					
All vintages	340,283	541,387	54,124	595,511	1.8
Subtotal	340,283	541,387	54,124	595,511	1.8
Total	$ 11,966,657	$ 22,861,284	$ 7,202,042	$ 30,063,326	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 September 30, 2022, 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.

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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]										
	2022[3]	2023	2024	2025	2026	2027	2028	2029	2030	>2030	Total[2]
United States:											
<2012	$ 11,351	$ 36,300	$ 25,167	$ 17,256	$ 11,714	$ 7,870	$ 5,096	$ 3,000	$ 1,530	$ 436	$ 119,720
2012	4,639	14,729	10,317	7,224	5,059	3,544	2,482	1,740	1,219	1,117	52,070
2013[4]	10,996	34,466	24,452	17,329	12,282	8,706	6,171	4,374	3,101	4,337	126,214
2014[4]	5,396	17,367	11,940	8,393	5,918	4,175	2,946	2,079	1,469	2,513	62,196
2015	5,564	17,443	11,823	7,906	5,403	3,804	2,684	1,896	1,343	2,619	60,485
2016	10,925	34,564	23,361	15,963	10,516	7,158	5,036	3,551	2,509	5,258	118,841
2017	18,183	57,607	38,655	26,333	17,932	11,953	8,218	5,795	4,098	9,060	197,834
2018	30,840	96,458	62,310	42,310	28,668	19,504	12,866	8,860	6,255	13,891	321,962
2019	55,374	171,425	115,746	76,548	51,090	34,590	23,526	15,625	10,805	23,561	578,290
2020	63,885	197,827	131,724	90,600	60,122	40,786	27,821	18,928	12,642	27,176	671,511
2021	58,608	222,681	132,106	84,128	57,792	39,111	27,257	19,251	13,677	28,054	682,665
2022	44,124	207,382	174,332	103,582	68,554	48,338	32,950	23,172	16,470	35,353	754,257
Subtotal	319,885	1,108,249	761,933	497,572	335,050	229,539	157,053	108,271	75,118	153,375	3,746,045
Europe:											
2013[4]	15,572	59,475	55,040	49,604	45,382	41,650	37,812	34,243	31,272	152,368	522,418
2014[4]	14,126	51,610	46,077	41,171	36,984	32,723	29,607	26,690	23,472	110,921	413,381
2015[4]	9,256	34,437	30,133	27,253	24,033	21,727	18,990	17,054	15,177	68,659	266,719
2016	9,922	34,263	29,594	25,628	21,674	18,095	15,259	12,965	11,108	48,017	226,525
2017	14,389	49,602	41,508	35,117	30,060	26,628	22,235	19,002	16,660	70,188	325,389
2018	14,321	54,057	49,321	41,299	35,951	31,322	27,072	23,345	20,130	83,305	380,123
2019	14,756	51,823	44,561	37,878	31,536	25,423	21,499	18,284	15,843	66,277	327,880
2020	9,618	35,922	30,925	26,400	22,183	16,756	12,363	10,278	7,811	33,028	205,284
2021	15,599	58,694	52,512	46,389	40,613	35,142	29,992	25,290	20,324	77,087	401,642
2022	11,993	51,435	48,113	40,812	33,982	28,875	24,776	21,272	17,408	53,846	332,512
Subtotal	129,552	481,318	427,784	371,551	322,398	278,341	239,605	208,423	179,205	763,696	3,401,873
Other geographies[5]:											
All vintages	2,416	9,100	8,105	6,812	4,326	2,470	2,246	2,246	2,246	14,157	54,124
Subtotal	2,416	9,100	8,105	6,812	4,326	2,470	2,246	2,246	2,246	14,157	54,124
Portfolio ERC	451,853	1,598,667	1,197,822	875,935	661,774	510,350	398,904	318,940	256,569	931,228	7,202,042
REO ERC[6]	5,827	34,921	43,250	19,265	3,196	969	1,675	1,009	182	—	110,294
Total ERC	$ 457,680	$ 1,633,588	$ 1,241,072	$ 895,200	$ 664,970	$ 511,319	$ 400,579	$ 319,949	$ 256,751	$ 931,228	$ 7,312,336

(1) As of September 30, 2022, ERC for Zero Basis Portfolios include approximately $73.9 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 $54.1 million from cost recovery portfolios, primarily in other geographies.

(2) Represents the expected remaining gross cash collections over a 180-month period. As of September 30, 2022, ERC for 84-month and 120-month periods were:

	84-Month ERC	120-Month ERC
United States	$ 3,494,019	$ 3,673,434
Europe	2,408,540	2,900,091
Other geographies	37,160	43,899
Portfolio ERC	5,939,719	6,617,424
REO ERC	109,962	110,294
Total ERC	$ 6,049,681	$ 6,727,718

(3) Amount for 2022 consists of three months data from October 1, 2022 to December 31, 2022.

(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 $108.9 million and $1.4 million of estimated future cash flows for Europe and Other Geographies, respectively.

Estimated Future Collections Applied to Investment in Receivable Portfolios

As of September 30, 2022, we had $3.0 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
2022[1]	$ 127,829	$ 47,356	$ 2,391	$ 177,576
2023	475,767	166,512	8,157	650,436
2024	338,239	154,529	5,954	498,722
2025	212,960	134,642	4,872	352,474
2026	140,666	117,513	2,863	261,042
2027	95,647	101,399	1,629	198,675
2028	64,565	86,667	1,483	152,715
2029	44,270	76,325	1,483	122,078
2030	30,794	65,445	1,483	97,722
2031	21,917	59,169	1,483	82,569
2032	15,743	55,106	1,483	72,332
2033	11,636	53,219	907	65,762
2034	8,658	52,944	—	61,602
2035	6,838	55,447	—	62,285
2036	5,234	61,280	—	66,514
2037	2,621	51,077	—	53,698
Total	$ 1,603,384	$ 1,338,630	$ 34,188	$ 2,976,202

(1) Amount for 2022 consists of three months data from October 1, 2022 to December 31, 2022.

Cash Efficiency Margin

Cash efficiency margin facilitates a comparison of cash receipts to operating expenses and enhances visibility into operating expense management. The following table summarizes our cash efficiency margin calculation for the periods indicated *(in thousands, except for percentages):*

	Last Twelve Months Ended September 30,		
	2022	2021	Change
Collections	$ 1,997,162	$ 2,322,184	(14.0)%
Servicing revenue	$ 98,803	$ 126,602	(22.0)%
Cash receipts (A)	$ 2,095,965	$ 2,448,786	(14.4)%
Operating expenses (B)	$ 933,151	$ 1,006,345	(7.3)%
LTM Cash Efficiency Margin (A-B)/A	55.5 %	58.9 %	-340 bps

Purchases by Quarter

The following table summarizes the receivable portfolios we purchased by quarter, and the respective purchase prices and fair value *(in thousands)*:

Quarter	# of Accounts	Face Value	Purchase Price
Q1 2020	943	$ 1,703,022	$ 214,113
Q2 2020	754	1,305,875	147,939
Q3 2020	735	1,782,733	170,131
Q4 2020	558	1,036,332	127,689
Q1 2021	749	1,328,865	170,178
Q2 2021	612	1,151,623	142,728
Q3 2021	767	1,403,794	168,188
Q4 2021	861	1,888,198	183,435
Q1 2022	652	1,176,749	169,505
Q2 2022	768	1,849,188	173,007
Q3 2022	949	1,675,828	232,652

Liquidity and Capital Resources

Liquidity

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

	Nine Months Ended September 30,	
	2022	2021
	(Unaudited)	
Net cash provided by operating activities	$ 154,876	$ 211,990
Net cash (used in) provided by investing activities	(40,672)	312,808
Net cash used in financing activities	(140,692)	(564,673)

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 $154.9 million and $212.0 million during the nine months ended September 30, 2022 and 2021, 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 $40.7 million during the nine months ended September 30, 2022 and net cash provided by investing activities was $312.8 million during the nine months ended September 30, 2021. Receivable portfolio purchases, net of put-backs, were $569.0 million and $473.0 million during the nine months ended September 30, 2022 and 2021, respectively. Collection proceeds applied to the investment in receivable portfolios, were $567.8 million and $803.2 million during the nine months ended September 30, 2022 and 2021, 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 used in financing activities was $140.7 million and $564.7 million during the nine months ended September 30, 2022 and 2021, respectively. Borrowings under our credit facilities were $637.3 million and $418.9 million during the nine months ended September 30, 2022 and 2021, respectively. Repayments of amounts outstanding under our credit facilities were $432.4 million and $714.0 million during the nine months ended September 30, 2022 and 2021, respectively. We paid $221.2 million and $161.0 million to settle our convertible senior notes using cash on hand and drawings under our Global Senior Facility during the nine months ended September 30, 2022 and 2021, respectively.

Capital Resources

Historically, we have met our cash requirements by utilizing our cash flows from operations, 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 acquisitions. Our primary capital resources are cash collections from our investment in receivable portfolios and bank borrowings. From time to time, we may repurchase outstanding debt or equity and/or restructure or refinance debt obligations. Our primary cash requirements have included the purchase of receivable portfolios, entity acquisitions, operating expenses, the payment of interest and principal on borrowings, and the payment of income taxes.

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, after taking into account applicable debt covenants, was $535.3 million as of September 30, 2022.

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 and nine months ended September 30, 2022, we repurchased 457,244 and 1,280,857 shares of our common stock for approximately $25.9 million and $76.6 million, respectively. During the three and nine months ended September 30, 2021, the Company repurchased 854,002 and 1,976,857 shares of its common stock for approximately $40.7 million and $88.1 million, respectively. Our practice is to retire the shares repurchased.

Our cash and cash equivalents as of September 30, 2022, consisted of $19.9 million held by U.S.-based entities and $127.1 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 $17.9 million as of September 30, 2022.

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, cash collections from our investment in receivable portfolios, 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, 2021, for a complete discussion of our critical accounting policies and estimates. 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, 2021.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

We are exposed to economic risks from foreign currency exchange rates and interest rates. A portion of these risks is hedged, but the risks may affect our financial statements.

Foreign Currency Exchange Rates

We have operations in foreign countries, which expose us to foreign currency exchange rate fluctuations due to transactions denominated in foreign currencies. Our primary foreign currency exposures relate to the British Pound, Euro, and Indian Rupee. We continuously evaluate and manage our foreign currency risk through the use of derivative financial instruments, including foreign currency forward contracts with financial counterparties where practicable. Such derivative instruments are viewed as risk management tools and are not used for speculative or trading purposes.

Cross-currency swap agreements are used to effectively convert fixed-rate Euro-denominated borrowings, including the principal amount of the underlying debt and periodic interest payments, to fixed-rate U.S. dollar denominated debt and are accounted for as cash flow hedges.

We have four cross-currency swap agreements with a total notional amount of €350.0 million (approximately $343.0 million based on an exchange rate of $1.00 to €1.02, the exchange rate as of September 30, 2022) that effectively convert interest and principal payments on 350.0 million of our Euro-denominated debt from Euro to U.S. dollar. The cross-currency derivative instruments have maturities of October 2023. As of September 30, 2022, the cross-currency swap agreements had a fair value liability position of $67.7 million. These swaps eliminate the foreign currency risk associated with the hedged portion of our Euro-denominated borrowings. If the U.S. dollar were to weaken or strengthen against the Euro by 5% as of September 30, 2022, the result would have a favorable or unfavorable effect on the cross-currency swap agreements' fair value of approximately $18.1 million, respectively.

Interest Rates

We have variable interest-bearing borrowings under our credit facilities that subject us to interest rate risk. We have, from time to time, utilized derivative financial instruments, including interest rate swap contracts and interest rate cap contracts with financial counterparties to manage our interest rate risk. As of September 30, 2022, we held two interest rate cap contracts with a total notional amount of approximately $783.0 million used to manage risk related to interest rate fluctuations. The interest rate cap instruments are designated as cash flow hedges and are accounted for using hedge accounting.

Our variable interest-bearing debt that is not hedged by derivative financial instruments is subject to the risk of interest rate fluctuations. Significant increases in future interest rates on our variable rate debt could lead to a material decrease in future earnings assuming all other factors remain constant. The rates used in our variable interest-bearing debt are based LIBOR, or other index rates, which in certain cases are subject to a floor. A hypothetical 50 basis points increase in interest rates as of September 30, 2022 related to variable rate debt agreements not hedged by derivatives would have a negative impact on income before income taxes of approximately $3.2 million. Conversely, a hypothetical 50 basis points decrease in interest rates as of September 30, 2022 related to variable rate debt agreements not hedged by derivatives would have a positive impact on income before income taxes of approximately $4.7million.

As of September 30, 2022, our outstanding interest rate cap contracts had a fair value asset position of $40.3 million. If the market interest rates increased 50 basis points, the result would have a favorable effect on the interest rate cap's fair value of approximately $6.1 million. Conversely, if the market interest rates decreased 50 basis points, the result would have an unfavorable effect on the interest rate cap's fair value of approximately $6.0 million.

Our analysis and methods used to assess and mitigate the risks discussed above should not be considered projections of future risks.

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

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Exchange Act Rule 13a-15(e) and 15d-15(e). Based upon that evaluation, our CEO and CFO concluded that, as of September 30, 2022, our disclosure controls and procedures were not effective as of such date due to a material weakness in internal control over financial reporting that was disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Remediation

As previously described in Part II, Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2021, we began implementing a remediation plan to address the material weakness mentioned above. The weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of this material weakness will be completed no later than December 31, 2022.

Changes in Internal Control over Financial Reporting

During the quarter, the Company has increased control documentation of the qualitative adjustments applied to the Company's estimates of future recoveries demonstrating precision, investigation and resolution performed during review. There were no other changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2022, 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, 2021, "Part II-Item 1A-Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 and "Part II-Item 1A-Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022.

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

Issuer Repurchases of Equity Securities

During the three months ended September 30, 2022, the Company repurchased 457,244 shares of our common stock for approximately $25.9 million. The following table presents information with respect to purchases of common stock of the Company during the three months ended September 30, 2022, by the Company or an "affiliated purchaser" of the Company, as defined in Rule 10b-18(a)(3) under the Exchange Act:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[(1)(2)]	Maximum Number of Shares (or Approximate Dollar Value) That May Yet Be Purchased Under the Publicly Announced Plans or Programs[(1)]
July 1, 2022 to July 31, 2022	125,723	$ 64.42	125,723	$ 119,997,793
August 1, 2022 to August 31, 2022	161,986	$ 57.50	161,986	$ 110,683,598
September 1, 2022 to September 30, 2022	169,535	$ 50.16	169,535	$ 102,179,722
Total	457,244	$ 56.68	457,244	$ 102,179,722

(1) On August 12, 2015, we publicly announced that our Board of Directors had authorized a stock repurchase program for the Company to purchase $50.0 million of our Company's common stock. On May 5, 2021, we publicly announced that our Board of Directors had authorized a $250.0 million increase to the stock repurchase program, which increased the size of the program from $50.0 million to $300.0 million.

(2) This column discloses the number of shares purchased pursuant to the program during the indicated time periods.

Item 5 – Other Information

On November 1, 2022, the Company entered into a Letter Agreement (the "Letter Agreement") with Craig Buick, Chief Executive Officer of Cabot Credit Management, (who is based in the U.K.) in order to provide separation benefits to Mr. Buick consistent with benefits that are already provided to U.S. based executive officers of the Company through the Company's Executive Separation Plan in the case of a termination without cause or a termination in connection with a change in control.

The Letter Agreement provides that, in addition to any amounts owed under Mr. Buick's employment contract, if Mr. Buick's employment is terminated by the Company without cause (as defined in the Executive Separation Plan), Mr. Buick would receive:

- payments equivalent to 12 months of salary;
- a pro-rata bonus based on (a) the number of full and partial months that he works (as opposed to being on garden leave or similar) during his notice period, and (b) achievement of the applicable performance conditions;
- a standard vesting continuation period of 12 months; and
- a lump sum payment equivalent to 24 months of the estimated costs of his private medical insurance.

The Letter Agreement also provides that, in addition to any amounts owed under Mr. Buick's employment contract, if Mr. Buick's employment is terminated by the Company without cause in connection with a change in control (as defined in the Executive Separation Plan), Mr. Buick would receive:

- a termination payment equivalent to 12 months of salary;
- a pro-rata bonus based on (a) the number of full and partial months that he works (as opposed to being on garden leave or similar) during his notice period, and (b) his target bonus;
- a payment equal to the greater of (a) his target bonus or (b) the bonus that would have been paid assuming actual year-to-date performance was annualized;
- vesting of equity-based compensation consistent with Section 10.4 of the Executive Separation Plan;
- a lump sum payment equivalent to 24 months of the estimated costs of his private medical insurance.

As a condition to receiving payments under the Letter Agreement, Mr. Buick must agree to a broad release and waiver of claims and would be subject to certain restrictions, including non-solicitation and non-competition restrictions.

A copy of the Letter Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference (and the foregoing description is qualified in its entirety by reference to such document).

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	Bylaws, as amended through February 8, 2011 (incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K filed on February 14, 2011)
10.1+	Letter Agreement, dated November 1, 2022, between Encore Capital Group, Inc. and Craig Buick (filed herewith)
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	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	XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101

+ Management contract or compensatory plan or arrangement

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

/s/ Peter Reck
Peter Reck
Vice President,
Chief Accounting Officer

Date: November 2, 2022

Better Solutions. Better Life.

November 1, 2022

Craig Buick
#
#######
London
NW3 5TE
UK

Dear Craig

Re: Executive Separation Benefits

Further to our recent discussions, we are writing to confirm that we are aligning your separation benefits with the Encore Capital Group, Inc ("**Encore**")'s Executive Separation Plan (the "**Plan**") as much as possible, taking into account the differences between US and UK law and practice.

As you are aware, Participants in the Plan in the US are employed "at will" and therefore do not have contractual notice periods. In contrast, you are subject to and benefit from a 12-month contractual notice period as set out in your contract of employed with Cabot UK Holdco Limited ("**Cabot**") dated 25 November 2019 (the "**Contract**"). As such, the alignment of your separation benefits with the Plan will be adjusted to reflect your contractual notice period entitlement. Please note that the Plan is discretionary and subject to amendment by the Board at any time subject to the limitations set out in the Plan. Accordingly, the benefits set out in this letter are also discretionary and subject to amendment by the Compensation Committee of the Board of Encore at any time (other than in the circumstances set out in the Plan) provided such amendment is consistent with any amendment to the Plan (or such reasonable interpretation of the Plan taking into account your Contract and differences between US and UK law and practice). Unless stated otherwise, all capitalised terms in this letter are as defined in the Plan.

Subject to (1) you signing a settlement agreement in a form and on terms agreed with Encore and Cabot (all parties are required to act reasonably in seeking to agree the form and terms) and (2) compliance with the Restrictions (defined below), if your employment is terminated by the Company without Cause and such termination is not for a reason listed in clause 18.1 of the Contract, then in addition to any payments due under the Contract (including in respect of your 12-month notice period), you will:

1. receive termination payments equivalent to 12 months' Salary payable in substantially equal payments over 12 months;
2. receive a pro-rata bonus based on (i) the number of full and partial months that you worked (as opposed to being on garden leave or similar) during your notice period, (ii) achievement of the applicable performance conditions and (iii) your target bonus, payable no later than March 15 of the year following the year in which the Separation Date occurs;
3. receive a standard vesting continuation period of 12 months, meaning the period over which equity-based compensation will continue to vest/become exercisable, commencing on the Relevant Date (as defined in the Contract, i.e. earlier of termination or garden leave);

4. receive a lump sum payment equivalent to 24 months of the estimated costs of your private medical insurance (which shall be reduced by the estimated costs of your private medical insurance for 1 month for each month you are on garden leave or similar).

Subject to (1) you signing a settlement agreement in a form and on terms agreed with Encore and Cabot (all parties are required to act reasonably in seeking to agree the form and terms) and (2) compliance with the Restrictions (defined below), if your employment terminates without Cause during a Change-in-Control-Protection Period and such termination is not for a reason listed in clause 18.1 of the Contract, then in addition to any payments due under the Contract (including in respect of your 12-month notice period), you will:

1. receive a termination payment equivalent to 12 months' Salary;
2. receive a pro-rata bonus based on (i) the number of full and partial months that you worked (as opposed to being on garden leave or similar) during your notice period and (ii) your target bonus;
3. a payment equal to the greater of (i) your target bonus or (ii) the bonus that would have been paid assuming actual year-to-date performance was annualised;
4. receive vesting of equity-based compensation consistent with Section 10.4 of the Plan (to the extent such vesting is more beneficial than the vesting described in the applicable underlying equity award agreement);
5. receive a lump sum payment equivalent to 24 months of the estimated costs of your private medical insurance (which shall be reduced by the estimated costs of your private medical insurance for 1 month for each month you are on garden leave or similar).

For the avoidance of doubt, you will not receive the payments set out above if you are under notice of termination (whether given by you or the Company) at the commencement of a Change in Control Protection Period.

The post-termination restrictions are summarised below, and will be set out in detail in the settlement agreement and reflect the substance of the restrictions set out in the Plan (the "Restrictions"):

(a) if you serve your full notice period on garden leave or otherwise, the following restrictions will start running on your termination date:

 (i) 12-month non-compete (consistent with the Contract);
 (ii) 12-month non-solicitation of customers and clients; and
 (iii) 12-month non-solicitation of employees;

(b) if Cabot pays you in lieu of your full notice period, the following restrictions will start running on the date which is 12 months after your termination date (with the exception of (i) below, which will start running on the date which is 6 months after your termination date):

 (i) 18-month non-compete (consistent with the Contract);
 (ii) 12-month non-solicitation of customers and clients; and
 (iii) 12-month non-solicitation of employees.

To the extent you serve a portion of your notice period before Cabot pays you in lieu of notice, the start dates and length of restrictions in (b) will be adjusted as needed (based on Encore's sole judgment) to reflect (when combined with the Contract) a continuous 24-month restriction period. The restrictions set out in the Contract will also continue to apply except that the length of the restrictions in clause 16 of the Contract will be reduced by any period you spend on garden leave pursuant to clause 2.5 of the Contract.

All payments set out above will be subject to the usual income tax and national insurance deductions.

Other

The benefits under this letter shall not be terminated or suspended during the period commencing on the 180th day immediately preceding a Change-in-Control Date and ending on the 2nd anniversary of such Change-in-Control Date without your written consent.

You shall be under no obligation to seek other employment following the Separation Date and there shall be no offset against amounts due under this letter on account of any compensation attributable to any subsequent employment.

Unless otherwise provided in any written plan, program, agreement or arrangement between you and Encore or Cabot, in the event of your death, all benefits under this letter which would have been paid to you but for your death, will be paid to your Beneficiary. Beneficiary shall mean a beneficiary designated in writing by you to receive any benefits under this letter. If no beneficiary is designated by you, your estate shall be deemed to be your Beneficiary.

If you have any questions about the above, please do let me know.

Please counter sign this letter in the space below to confirm that you have read and understood the contents of this letter and agree.

Sincerely yours,

/s/ Tracy Ting

Tracy Ting
SVP and CHRO
For and on behalf of Encore Capital Group, Inc.

Enc. Encore Capital Group, Inc.'s Executive Separation Plan

I have read and understand the contents of this letter and agree.

/s/ Craig Buick
Craig Buick

Date: November 1, 2022

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: November 2, 2022

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: November 2, 2022

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 September 30, 2022 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

November 2, 2022

/s/ JONATHAN C. CLARK

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

November 2, 2022

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.