

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

November 2, 2022
Date of report (Date of earliest event reported)

ENCORE CAPITAL GROUP, INC.

Delaware
(State or other jurisdiction of incorporation)

(Exact name of registrant as specified in its charter)
000-26489
(Commission File Number)

48-1090909
(IRS Employer Identification No.)

350 Camino de la Reina, Suite 100
San Diego, California 92108
(Address of principal executive offices)(Zip Code)

(877) 445-4581
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$0.01 Par Value Per Share

Trading Symbol(s)
ECPG

Name of each exchange on which registered
The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition.

On November 2, 2022, Encore Capital Group, Inc. posted a slide presentation on its website. A copy of the slide presentation is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

The information in Item 2.02 of this Current Report on Form 8-K, including the information contained in Exhibit 99.1, is being furnished to the Securities and Exchange Commission pursuant to Item 2.02, and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by a specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
<u>99.1</u>	Slide presentation of Encore Capital Group, Inc. dated November 2, 2022
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

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 hereunto duly authorized.

ENCORE CAPITAL GROUP, INC.

Date: November 2, 2022

/s/ Jonathan C. Clark

Jonathan C. Clark

Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT INDEX

Exhibit Number

Description

[99.1](#)
104

Slide presentation of Encore Capital Group, Inc. dated November 2, 2022
Cover Page Interactive Data File (embedded within the Inline XBRL document)

Third Quarter 2022 Financial Results

Encore Capital Group, Inc.

November 2, 2022

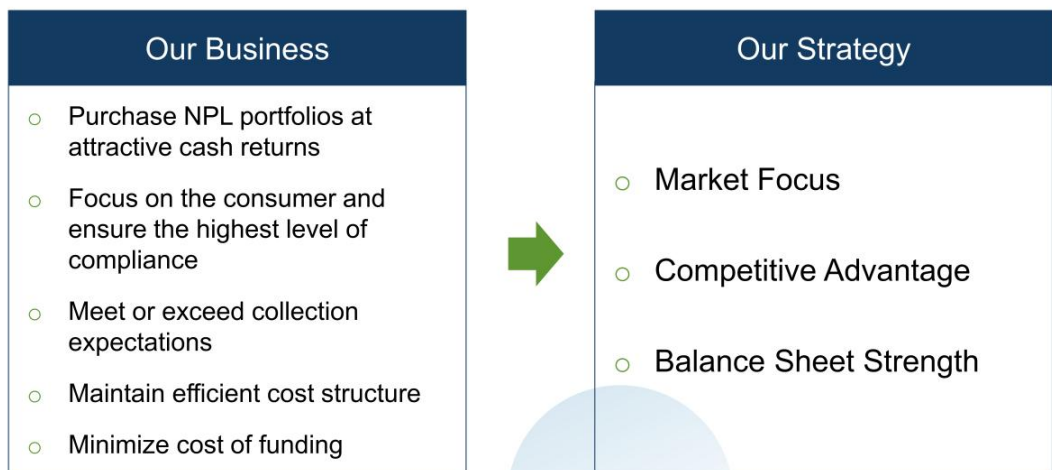
Legal Disclaimers

The statements in this presentation that are not historical facts, including, most importantly, those statements preceded by, or that include, the words “will,” “may,” “believe,” “projects,” “expects,” “anticipates” or the negation thereof, or similar expressions, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”). These statements may include, but are not limited to, statements regarding our future operating results (including portfolio purchase volumes), supply, run rates and impacts of inflation. For all “forward-looking statements,” the Company claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. Such forward-looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company and its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These risks, uncertainties and other factors are discussed in the reports filed by the Company with the Securities and Exchange Commission, including its most recent reports on Form 10-K and Form 10-Q, as they may be amended from time to time. The Company disclaims any intent or obligation to update these forward-looking statements.

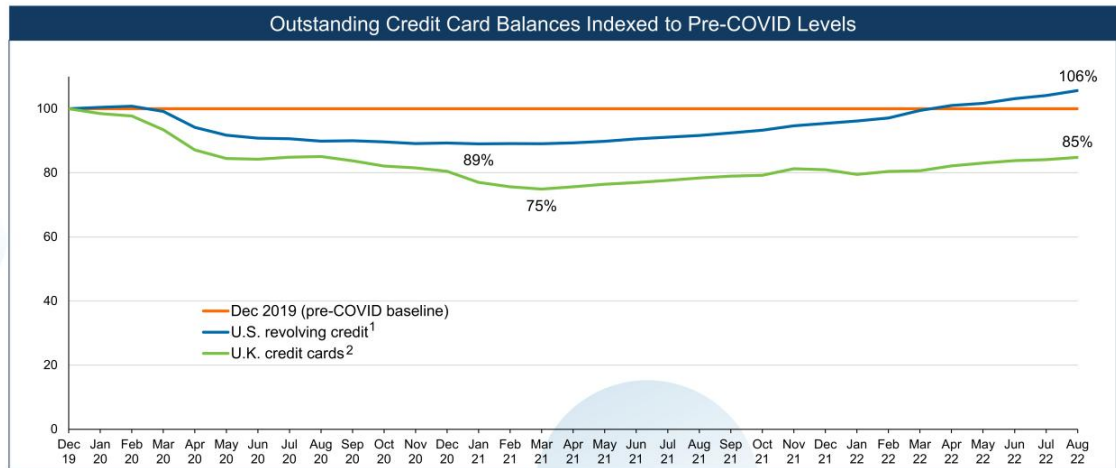
Q3 2022 Highlights

- Disciplined execution of our strategy has led to our strong current position
- Q3 performance reflected impacts of an evolving macroeconomic environment
 - Lower collections resulting from reduced global portfolio purchasing in 2020 and 2021 and the normalization of U.S. consumer behavior
 - European results impacted by currency changes as British pound weakened 6% in relation to U.S. dollar during Q3 and 15% over last 12 months
- Entering growth portion of supply cycle, particularly in the U.S.
 - Global portfolio purchases were \$233M, up 38% compared to Q3 2021
 - MCM portfolio purchasing increasing in the U.S. – and back to pre-pandemic levels

Our Business and Our Strategy



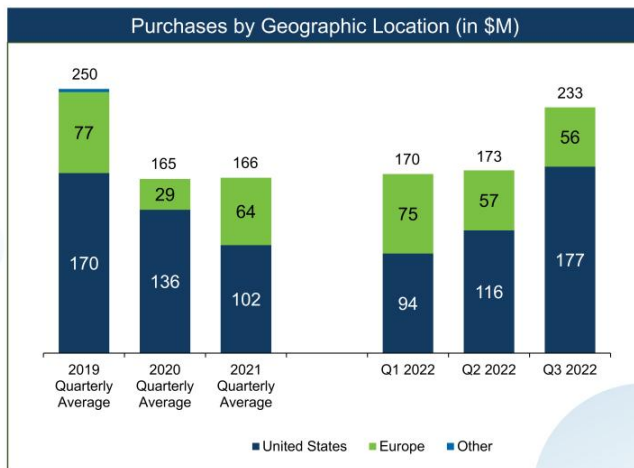
Credit card lending continues to grow; now above pre-pandemic levels in the U.S. while the UK recovery continues



Encore Capital Group, Inc.

1) Source: U.S. Federal Reserve
 2) Source: Bank of England

With U.S. market supply rising, our deployments are growing and approaching pre-pandemic levels



- Market supply in the U.S. is growing, driven by
 - lending now above pre-pandemic levels
 - charge-off rates steadily rising
- Market supply in the UK and Europe is recovering more slowly
- Recent Cabot portfolio purchases are understated due to F/X
- Reported ERC declined by 7% to \$7.3B, but grew 2% to \$8.0B in constant currency

Market Focus: MCM portfolio purchases were \$177M in Q3, similar to pre-pandemic levels

MCM (U.S.) Business

- MCM collections of \$325M in Q3 declined 20% compared to Q3 2021, primarily due to lower portfolio purchasing in 2020 and 2021 and normalizing consumer behavior
- Market supply in the U.S. is growing
- Portfolio purchases were \$177M in the U.S. compared to \$102M in Q3 2021, an increase of 73%

MCM Collections (in \$M)

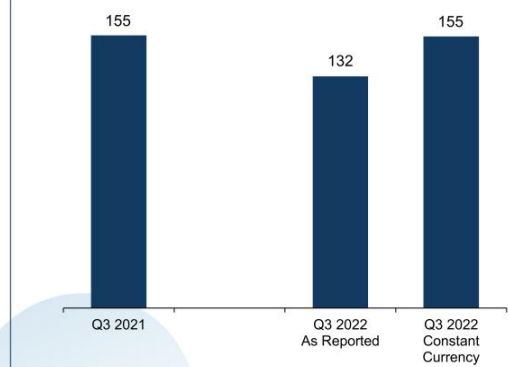


Market Focus: Cabot's reported performance in Q3 was impacted by the weakening of the British pound and Euro

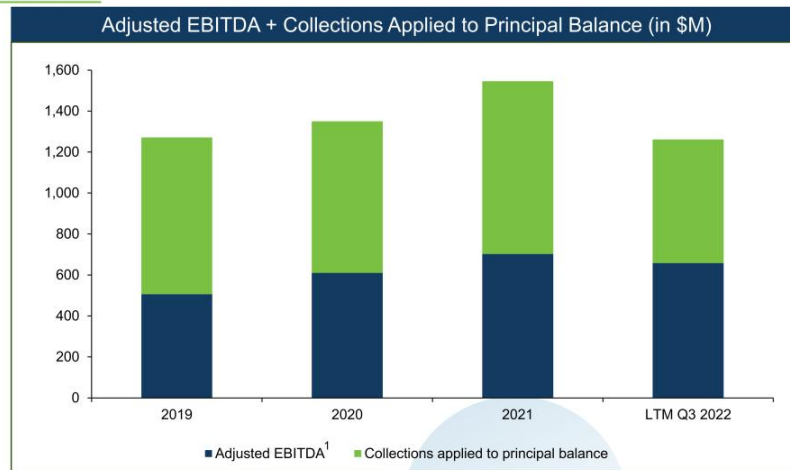
Cabot (Europe) Business

- Cabot collections of \$132M in Q3 declined 15% compared to Q3 2021 as reported, but were equal to the year ago period in constant currency terms
- We continue to closely monitor the macroeconomic environment in the UK for a potential weakening of the consumer
- Continuing labor market tightness in the UK affected agent staffing levels and, consequently, mildly impacted collections
- Cabot's portfolio purchases in Q3 as reported were \$56M (\$66M in constant currency) compared to \$66M in Q3 2021
- Markets in the UK and Europe remain competitive

Cabot Collections As Reported and in Constant Currency¹ (in \$M)



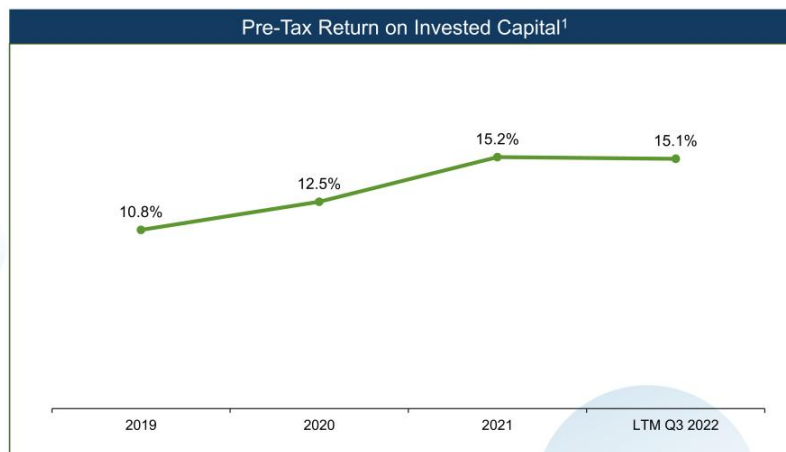
Competitive Advantage: Continued significant cash generation



Encore Capital Group, Inc.

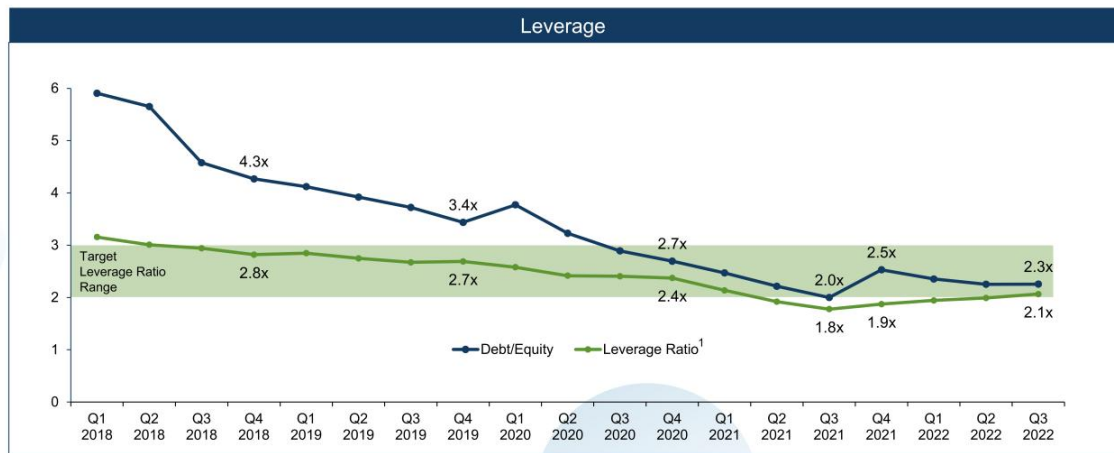
- 1) See appendix for reconciliation of Adjusted EBITDA to GAAP net income.
- 2) Cash generation defined as Adjusted EBITDA + collections applied to principal balance.

Competitive Advantage: We continue to deliver strong returns



ROIC takes into account both the performance of our collections operation and our ability to price risk appropriately when investing our capital

Balance Sheet Strength: Leverage remains at the low end of our target range



1) Leverage Ratio defined as Net Debt + (LTM Adjusted EBITDA + LTM collections applied to principal balance). See appendix for reconciliation of Net Debt to GAAP Borrowings and Adjusted EBITDA to GAAP net income.



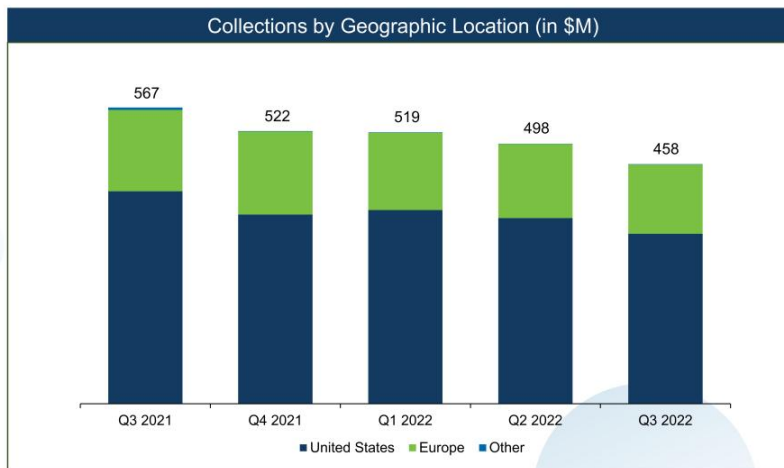
Detailed Financial Discussion

Q3 2022 Key Financial Measures

	3 Months		9 Months (YTD)	
	Q3 2022	vs. Q3 2021	Q1-Q3 2022	vs. Q1-Q3 2021
Collections	\$458M	-19%	\$1.48B	-17%
Revenues	\$308M	-25%	\$1.16B	-7%
Portfolio Purchases	\$233M	+38%	\$575M	+20%
Operating Expenses	\$227M	-8%	\$700M	-6%
GAAP Net Income ¹	\$31M	-62%	\$268M	-3%
GAAP EPS	\$1.22	-54%	\$10.06	+15%
ERC ²	\$7.31B	-7%		
LTM Pre-Tax ROIC ³	15.1%	-10bps		
Leverage Ratio ⁴	2.1x	+0.3x		

- 1) Attributable to Encore
- 2) 180-month Estimated Remaining Collections
- 3) See appendix for calculation of LTM Pre-Tax ROIC (Return on Invested Capital)
- 4) Leverage Ratio defined as Net Debt ÷ (LTM Adjusted EBITDA + LTM collections applied to principal balance)

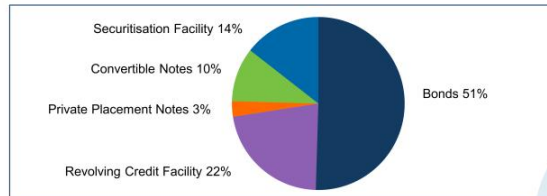
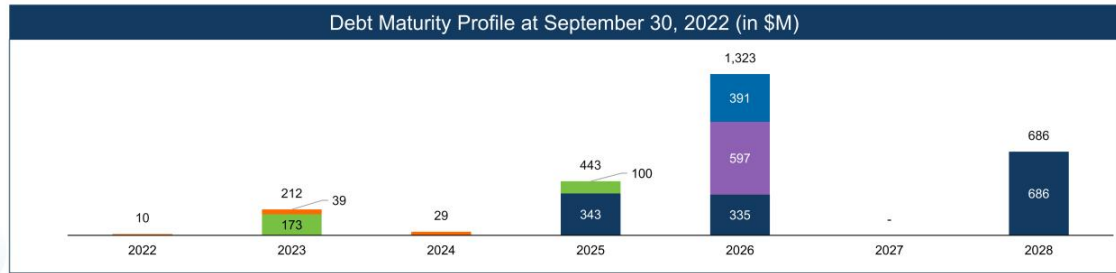
Collections in Q3 of \$458M impacted by prior lower purchases, normalizing consumer behavior in the U.S. and currency effects



- Collections on a comparative basis impacted by lower portfolio purchases in recent quarters as well as normalizing consumer behavior in the U.S.
- Q3 collections in Europe were significantly impacted by foreign currency exchange rates

Encore Capital Group, Inc. Note: Year-to-date global collections through Q3 2022 were 105%, U.S. collections were 114% and Europe collections were 89% (96% in constant currency) of the Dec 31, 2021 portfolio ERC forecast for the period, respectively, for portfolios purchased prior to Dec 31, 2021.

Our funding structure is well diversified



As of September 30, 2022, available capacity under Encore's global senior facility was \$535M, not including non-client cash and cash equivalents of \$129M

Our Financial Priorities

Balance Sheet Objectives

- Preserve financial flexibility
- Target leverage¹ between 2.0x and 3.0x
- Maintain a strong BB debt rating



Capital Allocation Priorities

- Portfolio purchases at attractive returns
- Strategic M&A
- Share Repurchases

Deliver strong ROIC through the credit cycle

Well-positioned to capitalize on opportunities ahead

Evolving Macroeconomic Environment

- U.S. consumer payment behavior is normalizing (compared to unusually high payment rates during the pandemic) while U.K. consumers remain stable
- Entering growth portion of the industry supply cycle
 - U.S. lending now above pre-pandemic levels while U.K. recovery slower
 - U.S. charge off rates steadily rising from pandemic lows while U.K. normalizing more slowly

Encore in Strong Position

- Best-in-class balance sheet with low leverage, global financing and ample liquidity
- Strong cash generation
- Highest returns in the industry

Appendix



Key Financial Measures by Year

	2019	2020	2021
Collections	\$2.03B	\$2.11B	\$2.31B
Revenues	\$1.40B	\$1.50B	\$1.61B
Portfolio Purchases	\$1.00B	\$0.66B	\$0.66B
ERC ¹	\$7.83B	\$8.53B	\$7.75B
GAAP Net Income ²	\$168M	\$212M	\$351M
GAAP EPS	\$5.33	\$6.68	\$11.26
Pre-Tax ROIC ³	10.8%	12.5%	15.2%
GAAP ROAE ⁴	18.2%	18.9%	29.2%
Leverage Ratio ⁵	2.7x	2.4x	1.9x

- 1) 180-month Estimated Remaining Collections
- 2) Attributable to Encore
- 3) See appendix for calculation of Pre-Tax ROIC (Return on Invested Capital)
- 4) GAAP ROAE (Return on Average Equity) defined as GAAP net income ÷ average stockholders' equity
- 5) Leverage ratio defined as Net Debt ÷ (Adjusted EBITDA + collections applied to principal balance).

Key Financial Measures by Quarter

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Collections	\$567M	\$522M	\$519M	\$498M	\$458M
Revenues	\$413M	\$357M	\$500M	\$357M	\$308M
Portfolio Purchases	\$168M	\$183M	\$170M	\$173M	\$233M
ERC ¹	\$7.88B	\$7.75B	\$7.80B	\$7.56B	\$7.31B
GAAP Net Income ²	\$84M	\$76M	\$176M	\$60M	\$31M
GAAP EPS	\$2.66	\$2.53	\$6.40	\$2.29	\$1.22
LTM Pre-tax ROIC ³	15.2%	15.2%	17.6%	16.8%	15.1%
LTM GAAP ROAE ⁴	24.7%	29.2%	34.2%	30.6%	26.5%
Leverage Ratio ⁵	1.8x	1.9x	1.9x	2.0x	2.1x

1) 180-month Estimated Remaining Collections

2) Attributable to Encore

3) See appendix for calculation of Pre-Tax ROIC (Return on Invested Capital)

4) LTM GAAP ROAE (Return on Average Equity) defined as LTM GAAP net income + average stockholders' equity

5) Leverage ratio defined as Net debt + (LTM Adjusted EBITDA + LTM collections applied to principal balance).

Debt/Equity and Leverage Ratios

	2021				2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Debt / Equity ¹	2.5x	2.2x	2.0x	2.5x	2.4x	2.3x	2.3x
Leverage Ratio ²	2.1x	1.9x	1.8x	1.9x	1.9x	2.0x	2.1x

	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Debt / Equity ¹	5.9x	5.7x	4.6x	4.3x	4.1x	3.9x	3.7x	3.4x	3.8x	3.2x	2.9x	2.7x
Leverage Ratio ²	3.2x	3.0x	2.9x	2.8x	2.8x	2.7x	2.7x	2.7x	2.6x	2.4x	2.4x	2.4x

- 1) GAAP Borrowings + Total Encore Capital Group, Inc. stockholders' equity
- 2) Leverage Ratio defined as Net Debt + (LTM Adjusted EBITDA + LTM collections applied to principal balance). See appendix for reconciliation of Net Debt to GAAP Borrowings and Adjusted EBITDA to GAAP net income.

Non-GAAP Financial Measures

This presentation includes certain financial measures that exclude the impact of certain items and therefore have not been calculated in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The Company has included information concerning Adjusted EBITDA because management utilizes this information in the evaluation of its operations and believes that this measure is a useful indicator of the Company's ability to generate cash collections in excess of operating expenses through the liquidation of its receivable portfolios. The Company has included Pre-Tax ROIC as management uses this measure to monitor and evaluate operating performance relative to our invested capital and because the Company believes it is a useful measure for investors to evaluate effective use of capital. The Company has included Net Debt and Leverage Ratio as management uses these measures to monitor and evaluate its ability to incur and service debt. The Company has included impacts from foreign currency exchange rates to facilitate a comparison of operating metrics that are unburdened by variations in foreign currency exchange rates over time.

Adjusted EBITDA, Adjusted Income from Operations (used in Pre-Tax ROIC), Net Debt, Leverage Ratio and impacts from foreign currency exchange rates have not been prepared in accordance with GAAP. These non-GAAP financial measures should not be considered as alternatives to, or more meaningful than, net income, net income per share and income from operations as indicators of the Company's operating performance or liquidity. Further, these non-GAAP financial measures, as presented by the Company, may not be comparable to similarly titled measures reported by other companies. The Company has attached to this presentation a reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

Reconciliation of Adjusted EBITDA to GAAP Net Income

(Unaudited, in \$ thousands)	2019	2020	2021
GAAP net income, as reported	\$ 168,909	\$ 212,524	\$ 351,201
Interest expense	217,771	209,356	169,647
Loss on extinguishment of debt	8,989	40,951	9,300
Interest income	(3,693)	(2,397)	(1,738)
Provision for income taxes	32,333	70,374	85,340
Depreciation and amortization	41,029	42,780	50,079
CFPB settlement fees ¹	---	15,009	---
Stock-based compensation expense	12,557	16,560	18,330
Acquisition, integration and restructuring related expenses ²	7,049	4,962	20,559
Loss on sale of Baycorp ³	12,489	---	---
Goodwill impairment ³	10,718	---	---
Net gain on fair value adjustments to contingent considerations ⁴	(2,300)	---	---
Adjusted EBITDA	\$ 505,851	\$ 610,119	\$ 702,718
Collections applied to principal balance ⁵	\$ 765,748	\$ 740,350	\$ 843,087

- 1) Amount represents a charge resulting from the Stipulated Judgment with the CFPB. We have adjusted for this amount because we believe it is not indicative of ongoing operations; therefore, adjusting for it enhances comparability to prior periods, anticipated future periods, and our competitors' results.
- 2) 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.
- 3) The sale of Baycorp resulted in a goodwill impairment charge of \$10.7 million and a loss on sale of \$12.5 million during the year ended December 31, 2019. We believe the goodwill impairment charge and the loss on sale are not indicative of ongoing operations, therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.
- 4) Amount represents the net gain recognized as a result of fair value adjustments to contingent considerations that were established for our acquisitions of debt solution service providers in Europe. We have adjusted for this amount because we do not believe this is indicative of ongoing operations.
- 5) For periods prior to January 1, 2020, amount represents (a) gross collections from receivable portfolios less the sum of (b) revenue from receivable portfolios and (c) allowance charges or allowance reversals on receivable portfolios. For periods subsequent to January 1, 2020 amount represents (a) gross collections from receivable portfolios less (b) debt purchasing revenue, plus (c) proceeds applied to basis from sales of REO assets and related activities. For consistency with the Company debt covenant reporting, for periods subsequent to June 30, 2020, the collections applied to principal balance also includes proceeds applied to basis from sales of REO assets and related activities; prior period amounts have not been adjusted to reflect this change as such amounts were immaterial.

Reconciliation of Adjusted EBITDA to GAAP Net Income

(Unaudited, in \$ thousands)	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
GAAP net income (loss), as reported	\$ 37,212	\$ 94,765	\$ 96,787	\$ 83,566	\$ 76,083	\$ 175,749	\$ 60,439	\$ 31,494
Interest expense	51,393	46,526	44,159	40,874	38,088	34,633	37,054	39,308
Loss on extinguishment of debt	25,963	-	9,300	-	-	-	-	-
Interest income	(444)	(474)	(426)	(270)	(568)	(437)	(588)	(749)
Provision for income taxes	10,499	26,968	24,607	24,703	9,061	55,024	23,250	10,920
Depreciation and amortization	11,344	11,512	12,046	14,136	12,385	11,829	11,646	11,659
Stock-based compensation expense	3,371	3,405	5,651	3,847	5,427	3,921	5,119	3,191
Acquisition, integration and restructuring related expenses ¹	22	-	-	17,950	2,609	679	487	13
Adjusted EBITDA	\$ 139,360	\$ 182,702	\$ 192,124	\$ 184,806	\$ 143,085	\$ 281,398	\$ 137,407	\$ 95,836
Collections applied to principal balance ²	\$ 192,448	\$ 229,510	\$ 224,074	\$ 188,181	\$ 201,322	\$ 53,567	\$ 170,112	\$ 179,163

1) Amount represents acquisition, integration and restructuring related expenses, including the loss recognized on the sale of our investment in Colombia and Peru of \$17.4 million during the three months ended September 30, 2021. 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) Amount represents (a) gross collections from receivable portfolios, less (b) debt purchasing revenue, plus (c) proceeds applied to basis from sales of REO assets and related activities. A reconciliation of "collections applied to investment in receivable portfolios, net" to "collections applied to principal balance" is available in the Form 10-Q for the period ending September 30, 2022.

Calculation of ROIC

Reconciliation of Adjusted Income from Operations

(Unaudited, in \$ thousands, except percentages)	2019	2020	2021
Numerator			
GAAP Income from operations	\$ 446,345	\$ 533,562	\$ 633,272
Adjustments: ¹			
CFPB settlement fees ²	---	15,009	---
Acquisition, integration and restructuring related expenses ³	7,049	154	5,681
Amortization of certain acquired intangible assets ⁴	7,017	7,010	7,417
Goodwill impairment ⁵	10,718	---	---
Net gain on fair value adjustments to contingent considerations ⁶	(2,300)	---	---
Adjusted income from operations	\$ 468,829	\$ 555,735	\$ 646,370
Denominator			
Average net debt	\$ 3,429,624	\$ 3,311,835	\$ 3,049,979
Average equity	922,547	1,122,741	1,202,669
Total invested capital	\$ 4,352,171	\$ 4,434,576	\$ 4,252,648
Pre-tax ROIC	10.8%	12.5%	15.2%

- Adjustments below are to adjust GAAP income from operations and accordingly do not include any amounts related to other income and expense.
- Amount represents a charge resulting from the Stipulated Judgment with the CFPB. We have adjusted for this amount because we believe it is not indicative of ongoing operations; therefore, adjusting for it enhances comparability to prior periods, anticipated future periods, and our competitors' results.
- 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.
- We have acquired intangible assets, such as trade names and customer relationships, as a result of our acquisition of debt solution service providers. These intangible assets are valued at the time of the acquisition and amortized over their estimated lives. We believe that amortization of acquisition-related intangible assets, especially the amortization of an acquired company's trade names and customer relationships, is the result of pre-acquisition activities. In addition, the amortization of these acquired intangibles is a non-cash static expense that is not affected by operations during any reporting period.
- The sale of Baycorp resulted in a goodwill impairment charge during the year ended December 31, 2019. We believe the goodwill impairment charge is not indicative of ongoing operations, therefore adjusting for this expense enhances comparability to prior periods, anticipated future periods, and our competitors' results.
- Amount represents the net gain recognized as a result of fair value adjustments to contingent considerations that were established for our acquisitions of debt solution service providers in Europe. We have adjusted for this amount because we do not believe this is indicative of ongoing operations.

Calculation of ROIC

Reconciliation of Adjusted Income from Operations

(Unaudited, in \$ thousands, except percentages)	Last Twelve Months Ended				
	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022
Numerator					
GAAP Income from operations	\$ 633,462	\$ 633,272	\$ 729,971	\$ 674,633	\$ 588,503
Adjustments: ¹					
Acquisition, integration and restructuring related expenses ²	2,670	5,681	6,360	6,847	4,212
Amortization of certain acquired intangible assets ³	7,409	7,417	7,349	7,110	6,717
Adjusted income from operations	\$ 643,541	\$ 646,370	\$ 743,680	\$ 688,590	\$ 599,432
Denominator					
Average net debt	\$ 2,967,800	\$ 3,049,979	\$ 2,956,452	\$ 2,798,699	\$ 2,666,562
Average equity	1,263,038	1,202,669	1,262,580	1,292,975	1,295,874
Total average invested capital	\$ 4,230,838	\$ 4,252,648	\$ 4,219,032	\$ 4,091,674	\$ 3,962,436
LTM Pre-tax ROIC	15.2%	15.2%	17.6%	16.8%	15.1%

- 1) Adjustments below are to adjust GAAP income from operations and accordingly do not include any amounts related to other income and expense.
- 2) 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.
- 3) We have acquired intangible assets, such as trade names and customer relationships, as a result of our acquisition of debt solution service providers. These intangible assets are valued at the time of the acquisition and amortized over their estimated lives. We believe that amortization of acquisition-related intangible assets, especially the amortization of an acquired company's trade names and customer relationships, is the result of pre-acquisition activities. In addition, the amortization of these acquired intangibles is a non-cash static expense that is not affected by operations during any reporting period.

Reconciliation of Adjusted Income from Operations

(Unaudited, in \$ thousands)	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Numerator								
GAAP Income from operations	\$ 124,213	\$ 168,314	\$ 174,287	\$ 166,647	\$ 124,023	\$ 265,014	\$ 118,948	\$ 80,517
Adjustments: ¹								
Acquisition, integration and restructuring related expenses ²	22	---	---	2,648	3,033	679	487	13
Amortization of certain acquired intangible assets ³	1,803	1,865	1,885	1,856	1,811	1,797	1,646	1,463
Adjusted income from operations	\$ 126,038	\$ 170,179	\$ 176,172	\$ 171,151	\$ 128,867	\$ 267,490	\$ 121,081	\$ 81,992
LTM Adjusted income from operations	\$ 555,735	\$ 676,883	\$ 631,603	\$ 643,541	\$ 646,370	\$ 743,680	\$ 688,590	\$ 599,432

- 1) Adjustments below are to adjust GAAP income from operations and accordingly do not include any amounts related to other income and expense.
- 2) 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.
- 3) We have acquired intangible assets, such as trade names and customer relationships, as a result of our acquisition of debt solution service providers. These intangible assets are valued at the time of the acquisition and amortized over their estimated lives. We believe that amortization of acquisition-related intangible assets, especially the amortization of an acquired company's trade names and customer relationships, is the result of pre-acquisition activities. In addition, the amortization of these acquired intangibles is a non-cash static expense that is not affected by operations during any reporting period.

Reconciliation of Net Debt

(Unaudited, in \$ millions)	2021				2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GAAP Borrowings, as reported	\$ 3,152	\$ 2,999	\$ 2,796	\$ 2,997	\$ 2,934	\$ 2,793	\$ 2,690
Debt issuance costs and debt discounts	68	64	60	58	55	50	45
Cash & cash equivalents	(185)	(199)	(158)	(190)	(160)	(154)	(147)
Client cash ¹	23	24	28	29	26	19	18
Net Debt	\$ 3,058	\$ 2,889	\$ 2,727	\$ 2,895	\$ 2,855	\$ 2,708	\$ 2,607

(Unaudited, in \$ millions)	2018				2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GAAP Borrowings, as reported	\$ 3,607	\$ 3,530	\$ 3,561	\$ 3,491	\$ 3,593	\$ 3,530	\$ 3,429	\$ 3,513	\$ 3,404	\$ 3,354	\$ 3,252	\$ 3,282
Debt issuance costs and debt discounts	77	70	89	85	79	73	75	73	69	63	107	92
Cash & cash equivalents	(217)	(182)	(205)	(157)	(167)	(169)	(187)	(192)	(188)	(294)	(170)	(189)
Client cash ¹	26	23	26	22	25	24	22	25	19	21	20	20
Net Debt	\$ 3,493	\$ 3,442	\$ 3,472	\$ 3,440	\$ 3,530	\$ 3,459	\$ 3,340	\$ 3,419	\$ 3,304	\$ 3,144	\$ 3,209	\$ 3,205

1) Client cash is cash that was collected on behalf of, and remains payable to, third party clients.

Key Metrics at Constant Currency Exchange Rates

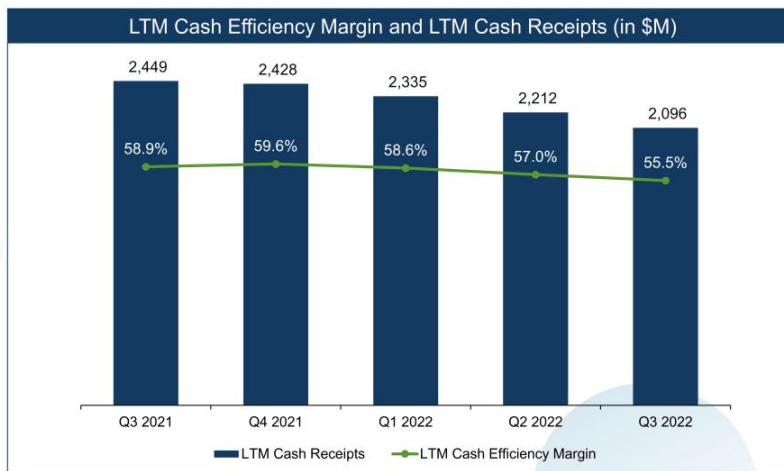
(Unaudited, in \$ millions, except per share amounts)	Three Months Ended September 30, 2022	
	As Reported	Constant Currency
Collections	\$458	\$481
Revenues	\$308	\$324
ERC ¹	\$7,312	\$8,007
Operating Expenses	\$227	\$240
GAAP Net Income ²	\$31	\$34
GAAP EPS ²	\$1.22	\$1.32
Borrowings ¹	\$2,690	\$3,047

1) At September 30, 2022

2) Attributable to Encore

Note: Constant Currency figures are calculated by employing Q3 2021 foreign currency exchange rates to recalculate Q3 2022 results. All constant currency values are calculated based on the average exchange rates during the respective periods, except for ERC and debt, which are calculated using the changes in the period-ending exchange rates. Management refers to operating results on a constant currency basis so that the operating results can be viewed without the impact of fluctuations in foreign currency exchange rates, thereby facilitating period-to-period comparisons of the company's operating performance. Constant currency financial results are calculated by translating current period financial results in local currency using the prior period's respective currency conversion rate. Certain foreign subsidiaries' local currency financial results in our calculation include the translation effect from their foreign operating results.

Cash Efficiency Margin



- Cash Efficiency Margin is a comprehensive measure of expense efficiency
- Calculation includes all Encore operating expenses
- $\frac{\text{Cash receipts} - \text{Opex}}{\text{Cash receipts}}$
- We use LTM to match our long-term view of the business

Encore Capital Group, Inc.

Note: Last Twelve Months ("LTM") Cash Efficiency Margin defined as $(\text{LTM Cash receipts} - \text{LTM Operating expenses}) \div \text{LTM Cash receipts}$, where Cash receipts = Collections + Servicing revenue

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Calculation of Cash Efficiency Margin

(Unaudited, in \$ thousands, except percentages)	Last Twelve Months Ended				
	Sep 30, 2021	Dec 31, 2021	Mar 31, 2022	Jun 30, 2022	Sep 30, 2022
Collections	\$ 2,322,184	\$ 2,307,358	\$ 2,220,311	\$ 2,105,596	\$ 1,997,162
Servicing revenue	\$ 126,602	\$ 120,778	\$ 114,408	\$ 106,132	\$ 98,803
Cash receipts (A)	\$ 2,448,786	\$ 2,428,136	\$ 2,334,719	\$ 2,211,727	\$ 2,095,965
Operating expenses (B)	\$ 1,006,345	\$ 981,228	\$ 967,373	\$ 951,893	\$ 933,151
LTM Cash Efficiency Margin (A-B)/A	58.9%	59.6%	58.6%	57.0%	55.5%

(Unaudited, in \$ thousands)	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
Quarterly collections	\$ 536,606	\$ 606,461	\$ 612,427	\$ 566,690	\$ 521,781	\$ 519,414	\$ 497,711	\$ 458,256
Quarterly servicing revenue	\$ 32,701	\$ 32,516	\$ 32,064	\$ 29,321	\$ 26,877	\$ 26,146	\$ 23,788	\$ 21,992
Quarterly operating expenses	\$ 258,397	\$ 248,523	\$ 253,449	\$ 245,977	\$ 233,279	\$ 234,668	\$ 237,969	\$ 227,235

Note: Last Twelve Months ("LTM") Cash Efficiency Margin defined as (LTM Cash receipts – LTM Operating expenses) ÷ LTM Cash receipts, where Cash receipts = Collections + Servicing revenue

Cash Collections and Revenue Reconciliation

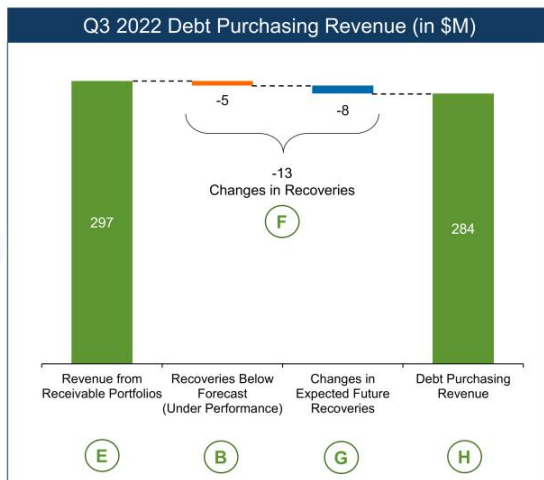
Q3 2022 Collections and Revenue Reconciliation (in \$M)



- A** \$458M **Cash Collections** from debt purchasing business in Q3 2022
- B** \$5M **Recoveries Below Forecast**, actual cash collections amount below Expected Cash Collections in Q3 2022
- C** \$463M **Expected Cash Collections**, equal to the sum of Q2 2022 ERC plus expected collections from portfolios purchased in Q3 2022
- D** \$166M **Portfolio Amortization**
- E** \$297M **Revenue from Receivable Portfolios** (further detailed on the next slide)

Note: For simplicity, amounts reported above do not include the immaterial impacts of put-backs and recalls, which were ~\$1.6m for the three months ended September 30, 2022.

Components of Debt Purchasing Revenue



E Revenue from Receivable Portfolios is revenue from expected collections and is a formulaic calculation based on the investment in receivable balance and an effective interest rate (EIR) that is established at the time of the purchase of each portfolio.

F Changes in Recoveries is the sum of B + G

B Recoveries Above/Below Forecast is the amount collected compared to forecast for the period and represents over/under performance for the period.

G Changes in Expected Future Recoveries¹ is the present value of changes to future ERC, which generally consists of:

- Collections "pulled forward from" or "pushed out to" future periods (amounts either collected early or expected to be collected later); and
- Magnitude and timing changes to estimates of expected future collections (which can be increases or decreases)

H Debt Purchasing Revenue is the sum of E + F

Debt Purchasing Revenue in the Financial Statements

Revenues	Three Months Ended September 30,	
	2022	2021
Revenue from receivable portfolios	\$ 297,219	\$ 316,225
Changes in recoveries	(13,060)	65,913
Total debt purchasing revenue	284,159	382,138
Servicing revenue	21,992	29,331
Other revenues	1,621	1,165
Total revenues	307,752	412,624

