Slide #	Commentary
	Bruce Thomas
1	Thank you, Operator. Good afternoon and welcome to Encore Capital Group's fourth quarter 2023 earnings call. Joining me on the call today are Ashish Masih, our President and Chief Executive Officer, Jonathan Clark, Executive Vice President and Chief Financial Officer and Ryan Bell, President of Midland Credit Management. Ashish and Jon will make prepared remarks today, and then we will be happy to take your questions.
2 Safe Harbor	Unless otherwise noted, comparisons on this conference call will be made between the fourth quarter of 2023 and the fourth quarter of 2022 or the full year of 2023 and the full year of 2022. In addition, today's discussion will include forward-looking statements that are based on current expectations and assumptions and are subject to risks and uncertainties. Actual results could differ materially from our expectations. Please refer to our SEC filings for a detailed discussion of potential risks and uncertainties. We undertake no obligation to update any forward-looking statement. During this call, we will use rounding and abbreviations for the sake of brevity. We will also be discussing non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are included in our investor presentation, which is available on the Investors section of our website. As a reminder, following the conclusion of this call a replay of this conference call, along with our prepared remarks, will also be available on the Investors section of our website. With that, let me turn the call over to Ashish Masih, our President and Chief Executive Officer.

	Ashish Masih
3 Today's Call	Thanks, Bruce, and good afternoon, everyone. Thank you for joining us. On today's call, I will start with a high-level recap of 2023. Then I'll review our strategy as well as a few key measures that are important indicators of the state of our business. Then Jon will review our financial results, after which I'll touch on our financial priorities and provide guidance on several key metrics for 2024. At the conclusion of today's call, we will also post to our website our annual report, which includes our 10-K and my letter to shareholders. We will begin with a look-back over the past year…
4 2023 Highlights	For the debt buying industry as a whole, 2023 was a year characterized by continued rapid growth of portfolio supply in the U.S. contrasted by slower growth in the U.K. and Europe. Let's begin in the U.S., where continued increases in lending by banks coupled with rising delinquencies and charge-offs led to an exceptional purchasing environment. With record supply in the U.S. market for non-performing loan portfolios, our largest business, MCM, increased its portfolio purchases in 2023 to a record $815 million dollars at strong returns. This total was double the amount we purchased in 2021. Our disciplined approach to purchasing portfolios and the flexibility of our global balance sheet have allowed us to redirect our capital deployment to the higher return opportunities in the U.S. In fact, 76% of our portfolio purchasing in 2023 was allocated to the U.S. market compared to 56% five years ago. As a result of this focus, we believe Encore has emerged from 2023 in a stronger competitive position and a clear leader in the industry, with our U.S. business as the engine. In contrast to the U.S., supply growth in the U.K. has been much more muted. Credit card outstandings are still not yet back to pre-pandemic levels as banks in the U.K., unlike those in the U.S., did not start to meaningfully increase lending during the pandemic years. In addition, U.K. charge offs

4 2023 Highlights (continued)	remain at low levels. The competitive environment faced by our business in the U.K. and Europe, Cabot Credit Management, continues to be stiffer than the U.S., as many of our competitors appear to have been slow in fully adjusting pricing to higher funding costs. Against this backdrop we remain patient, choosing to deploy at current low levels until the returns in Cabot's markets become more attractive. So, after several years of lower deployments caused by the pandemic and its after-effects, and with our MCM business leading the way, we expect to turn the corner in 2024 with regard to our operational and financial results.
5 Our Business and Our Strategy	At this time, I believe it's helpful to reiterate the critical role we play in the consumer credit ecosystem by assisting in the resolution of unpaid debts, which are an expected and necessary outcome of the lending business model. Our Mission is to help create pathways to economic freedom for the consumers we serve, by helping them resolve their past-due debts. We do that by engaging consumers in honest, empathetic and respectful conversations. Our business is to purchase portfolios of non-performing loans at attractive returns while minimizing funding costs. For each portfolio that we own, we strive to exceed our collection expectations, while maintaining an efficient cost structure as well as ensuring the highest level of compliance and consumer focus. We achieve these objectives through our three-pillar strategy. This strategy enables us to deliver outstanding financial performance and positions us well to capitalize on future opportunities. We believe this is instrumental for building long-term shareholder value.

6 Portfolio Purchasing	I would now like to highlight Encore's performance in 2023 in terms of several key metrics, starting with portfolio purchasing: Encore's global portfolio purchases increased 34% for the year, with record U.S. deployments in our largest business, MCM, leading the way. This increased portfolio purchasing will help drive Encore's collections growth in 2024. Our concentration of portfolio purchases in the U.S. in 2023 is a reminder that the flexibility of our global funding structure allows us to allocate capital toward our highest return opportunities. You may recall that our balance sheet strength is a key element of our three-pillar strategy.
7 ERC Added	As market supply remains elevated in the U.S. and the pricing environment continues to improve, MCM's ERC is steadily growing. Importantly, as pricing continues to improve, we expect to collect more for every dollar of capital deployed. The significant amount of ERC we are adding reflects the efficiency of our global capital deployment and is reflected in our higher purchase price multiples. Our portfolio purchasing in 2023 clearly illustrates this point. I mentioned a moment ago that compared to 2022, Encore's portfolio purchases in 2023 increased 34 percent. Over that same period the ERC we added as a result of those purchases increased 43%. That increase in purchasing efficiency – and higher purchase price multiples - translates to an incremental $142 million dollars of future collections for the 2023 purchase vintage. We cannot overstate the importance of our differentiated multiples, which are indicators of our higher returns, and their expected impact on future financial performance. This current purchasing environment in the U.S. is what we've been anticipating. Our MCM business is in full stride purchasing portfolios at strong returns, which adds future cash flows and profitability to the business.

8 2023 Collections	Global collections in 2023 were $1.86 billion dollars compared to $1.91 billion dollars in the prior year. After being impacted by several years of lower deployments due to the pandemic and its after-effects, we expect collections to grow meaningfully in 2024.
9 Cash Generation	We believe that our ability to generate significant cash provides us an important competitive advantage, which is also a key component of our three-pillar strategy. In the U.S., from 2020 through the first half of 2022, lower consumer spending, credit card balances and charge-off rates drove reduced market supply in our industry and also led to higher collections for our business. When consumer behavior began to normalize and incremental cash generation from these higher collections began to subside, our cash generation came under pressure as the prolonged period of lower portfolio purchases then led to reduced overall collections. More recently, however, higher portfolio purchases and improving pricing over the past several quarters have begun to reverse this trend. Similar to what I mentioned a moment ago regarding our collections trajectory, we expect our cash generation to also grow meaningfully in 2024 in comparison to 2023.
10 U.S. Bankcard Delinquency Rates	U.S. consumer credit card delinquencies, a leading indicator of future charge-offs, have also continued to rise and are now well above pre-pandemic levels. As both lending and the charge off rate grew simultaneously, we saw record U.S. market supply in 2023. Delinquency data at year-end supports our conclusion that we expect 2024 to be another record year for portfolio sales by U.S. banks and credit card issuers.

11 U.S. Outstandings and Charge Off Rate	Reports from the U.S. Federal Reserve show that credit card balances continue to set new all-time records on a monthly basis, powered in part by strong consumer spending. In addition, we continue to see steadily rising delinquencies and charge-offs, resulting in increased availability of charged-off portfolios for purchase from U.S. banks at increasingly attractive returns. We believe a higher share of this charge-off growth is coming from issuers that are active in the near-prime and subprime segments, as well as from newer players such as fintech lenders. We also believe strong growth in lending during the pandemic years is now exhibiting higher delinquency rates when compared to older origination vintages. As a result, the supply of charged-off portfolios in the U.S. reached a record level in 2023 and we expect it to continue to grow in 2024.
12 U.S. Business	With this favorable environment as a backdrop, our MCM business deployed a record $815 million dollars in 2023 at an attractive purchase price multiple of 2.3 times. This outcome was the result of our disciplined purchasing approach amid an improving pricing environment. To put this purchasing figure into proper context, MCM's prior record for portfolio purchases for a full calendar year was $682 million dollars in 2019, meaning our 2023 deployment surpassed the prior record by 20% or $133 million dollars. MCM ended its record 2023 with $208 million dollars of portfolio purchases in Q4 at strong returns. We see no signs of this favorable purchasing environment slowing down. In fact, the supply pipeline in the U.S. remains robust as we already have $230M of committed portfolio purchases in Q1 at strong returns. To be ready for our increased purchasing, MCM continues to expand internal collections capacity. During the full year 2023, we added over 500 account managers to MCM's operation.

12 U.S. Business (continued)	MCM collections in 2023 were $1.3 billion dollars. In terms of consumer behavior, we are observing a more normal, stable environment that is similar to the pre-pandemic years, most notably in terms of payment plan performance. The shift of consumer preferences toward more on-line and digital interactions is evident in every part of the consumer financial services industry. More than 90% of consumers who responded to marketing correspondence from MCM responded via our online portal. Accordingly, we continue to invest significantly in technology and digital capabilities which we believe, given our scale, will maintain or even enhance our competitive advantage. These investments have allowed our MCM business over the past four years to double the proportion of consumers who make their first payment using our digital channel. The accounting will show you that we recorded negative CECL adjustments in 2023 for our MCM business. These adjustments have largely been focused on 5 quarterly pool groups in the 2021 and 2022 vintages which were purchased during the height of the pandemic's positive impact on our collections. As a result, they present forecasting challenges, but not collection challenges. In fact, even after the CECL adjustments we've made, the current purchase price multiples remain attractive with the 2021 vintage still above 2.3 times and the 2022 vintage at 2.1 times. Importantly, these portfolio purchases are profitable and are generating strong cash collections. Jon will have more to say about the CECL accounting impacts during his remarks.
13 U.K. Consumer Credit and Charge Off Rate	In contrast to the U.S., supply growth in the U.K. has been much more muted. Credit card outstandings are still not yet back to pre-pandemic levels as banks in the U.K., unlike those in the U.S., did not start to meaningfully increase lending during the pandemic years. And even today, U.K. charge offs remain at low levels.

14 U.K. and European Business	Cabot's collections in 2023 were $544 million dollars compared to $553 million dollars a year ago. With the U.K. economy now officially in recession, we believe a weakening in consumer confidence is impacting one-time settlements, though existing payment plan performance remains stable. We continue to constrain Cabot's portfolio purchases, which were $259 million dollars in 2023. We have maintained our purchasing discipline in the face of portfolio pricing in Europe that we believe still does not yet fully reflect higher funding costs, although we saw some improvement in the fourth quarter. Against this backdrop we remain patient, choosing to deploy at current low levels until the returns in Cabot's markets become more attractive, and choosing for now to allocate significantly more capital to the higher return U.S. market, consistent with our well-established strategic focus. We reduced Cabot's headcount by 8% in 2023 to better align the expense structure with this lower purchasing level. As you may recall, we announced a portion of these headcount reductions in the first quarter of 2023. While these actions reduced expenses and helped offset a portion of cost inflation, we continue to invest significantly in Cabot's technology and digital capabilities, similar to MCM. As a result of these efforts, nearly one-third of all new payment plans in the U.K. were set up digitally in 2023 and the proportion continues to trend upward. (continued on next page)

14 U.K. and European Business (continued)	As a result of our annual test for goodwill, we reported a $238 million dollar goodwill impairment in the fourth quarter. This non-cash charge was primarily driven by persistently low purchasing by our Cabot business for the last five years, combined with a sustained decline in debt purchasing industry valuations. This charge has no impact on our liquidity, on our ability to purchase portfolios, on our capability to collect on portfolios we have already purchased, or on our outlook for Encore. I'd now like to hand over the call to Jon for a more detailed look at our financial results …
	Jonathan Clark
15 Detailed Financial Discussion	Thank you, Ashish.
16 2023 Key Financial Measures & Impacts	2023 was another period of strong purchasing for our U.S. business at attractive returns, while our collections performance remained stable in each of our key markets. Collections were slightly below expectations for the fourth quarter, and we made small adjustments to our ERC. Both of these items impacted earnings in a negative way. Our reported financial results in 2023, and in particular our net loss of $206 million dollars, or ($8.72) per share, were not indicative of the underlying strength of our business due to certain non-cash charges, the largest of which was the $238 million goodwill impairment charge. We want to be clear that this charge has no impact on our liquidity, on our operations, or on our outlook for the business.

16 2023 Key Financial Measures & Impacts (continued)	In addition, our revenues in 2023 were reduced by $83 million dollars due to changes in recoveries stemming from the CECL accounting methodology. In contrast, our revenues during 2022 were *increased* by $93 million due to CECL impacts. For our industry, CECL uses collections forecasts to determine quarterly revenue. Small variations in actual performance versus forecast or even smaller changes in forecasts themselves can lead to significant volatility in revenues. However, it is important to understand that over the full life-cycle of a portfolio, revenue will always be equal to total portfolio collections less purchase price. We believe with the passage of time post-pandemic, the CECL-related volatility which we have observed to date will likely recede. In addition, we are working diligently at enhancing our forecasting and related processes. We have provided a list of these accounting impacts to our fourth quarter and full year results in our earnings press release and presentation. We hope that this information will allow investors to understand the true underlying performance of our business. I'd like to highlight a couple of items not yet mentioned: Estimated remaining collections – or ERC - at the end of 2023 was $8.2 billion dollars, up 8% compared to a year ago. Our operating expenses, which were up 29% in 2023 compared to the prior year, were up only 2% after excluding the impact of goodwill and intangible asset impairments.

17 Leverage	The third pillar of our three-pillar strategy ensures that the strength of our balance sheet is a constant priority. When compared to the pre-pandemic years, Encore has become a much stronger company. We now have a unified global funding structure that provides us with financial flexibility, diversified sources of financing and extended maturities. Our leverage ratio at the end of 2023 was 2.9 times, near the high end of our target range of 2 to 3 times. Our debt-to-equity ratio rose sharply in Q4, largely the result of the impact of the non-cash goodwill impairment on our equity.
18 Diversified Global Funding Structure	With higher interest rates and evolving conditions in the bond markets, the importance of our global funding structure cannot be overstated. We believe our balance sheet provides us very competitive funding costs when compared to our peers. Our funding structure also provides us financial flexibility and diversified funding sources to compete effectively in this growing supply environment. In the fourth quarter, we made good use of this flexibility by adding $175 million dollars of incremental liquidity to our balance sheet as we prepare for the robust supply pipeline we see in the U.S. in 2024. To achieve this, we entered into a $175-million-dollar facility secured by U.S. receivable portfolios. We also extended the maturity of the Cabot securitization facility to September 2028 and reduced its size by £95 million pounds to £255 million pounds. In addition, we issued an incremental 100 million Euro of our 2028 floating rate notes, as a follow-on tap of our December 2020 offering. With that, I'd like to turn it back over to Ashish.

	Ashish Masih
19 Our Financial Priorities	Before I close, I'd like to remind everyone of our commitment to a consistent set of financial priorities that we established long ago. The importance of a strong, diversified balance sheet in our industry cannot be overstated, especially given the exceptional portfolio purchasing environment in the U.S. We will continue to be good stewards of your capital by always taking the long view and prioritizing portfolio purchases at attractive returns in order to build long-term shareholder value.
20 2024 Guidance	Now, I would like to spend a moment on the recent volatility in our financial results. Despite the fact that we have a fairly predictable business in terms of operational metrics - such as collections and cash generation - the volatility in our GAAP earnings results since the adoption of the CECL accounting standard has been a source of frustration for us – and for investors. We hear you. In fact, we learn a great deal from the investment community, constantly listening to feedback and conducting periodic investor perception studies, which we refreshed in 2023. Based on this feedback, we plan to continue to provide information each quarter which clearly identifies the impact on our results from CECL-related items. We believe Encore is truly differentiated in our sector with a solid track record of operating results and superior capabilities. After several years of low deployments caused by the pandemic and its after-effects, we have been purchasing record amounts of portfolio at strong returns in the U.S. market. And as I stated at the beginning of our presentation, we believe we are now turning the corner in operational and financial results. To further emphasize the fundamental predictability of our business and our positive outlook for 2024, we have chosen to provide guidance on certain key metrics for the year.

20 2024 Guidance (continued)	Driven primarily by the continuing robust pipeline for portfolio supply in the U.S., we expect portfolio purchasing to exceed our 2023 total of $1.074 billion dollars. We expect collections to grow by approximately 8% to over $2 billion dollars. We also expect interest expense to increase to approximately $235 million dollars and we expect our effective tax rate to be in the mid-20's on a percentage basis. Now we'd be happy to answer any questions that you may have. Operator, please open up the lines for questions.
Q&A Session	
20 Closing Comments	As we close the call, I'd like to reiterate a few important points. We believe Encore is truly differentiated in our sector with a solid track record of operating results and superior capabilities. As the consumer credit cycle continues to turn, the U.S. market is seeing the world's strongest supply growth. This is the portion of the credit cycle we have been waiting for. We continue to apply our disciplined portfolio purchasing approach by allocating record amounts of capital to the U.S. market, which has the highest returns. When combined with our effective collections operation, we believe this approach will enable 2024 to be a turning point in our operational and financial results. Thanks for taking the time to join us and we look forward to providing our first quarter 2024 results in May.