



Encore Capital Group, Inc.

Q1 2021 EARNINGS CALL

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

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, earnings per share, growth, run rates and impacts of COVID-19. 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.



Q1 2021 HIGHLIGHTS

- ▶ Encore delivered strong operational and financial performance in Q1
- ▶ Portfolio purchases were \$170M at a purchase price multiple of 2.4x
- ▶ Q1 share repurchases of \$20M and authorization increased to \$300M multi-year program

OUR BUSINESS AND OUR STRATEGY

Our Business

- ▶ Purchase NPL portfolios at attractive cash returns
- ▶ Focus on the consumer and ensure the highest level of compliance
- ▶ Meet or exceed collection expectations
- ▶ Maintain efficient cost structure
- ▶ Minimize cost of funding



Our Strategy

Market Focus

Competitive Advantage

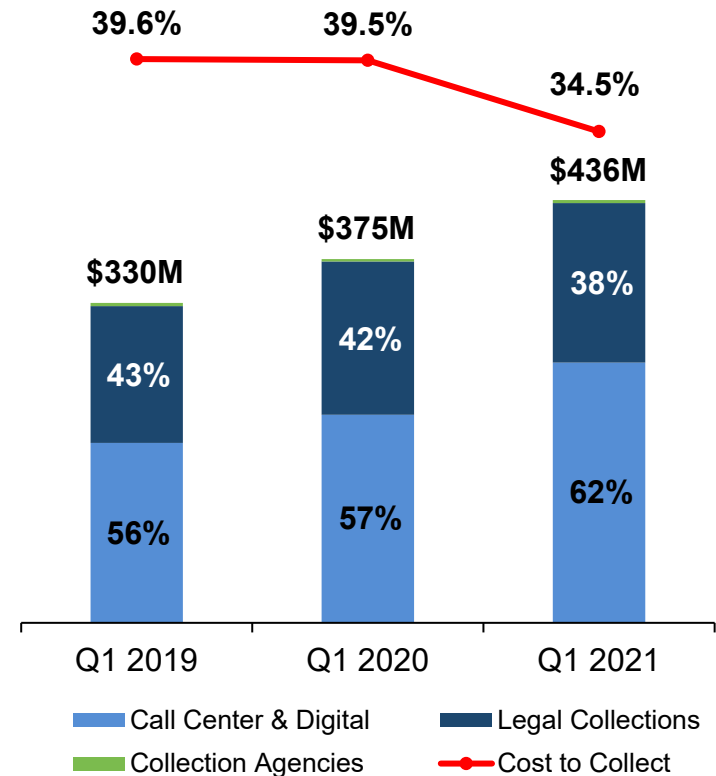
Balance Sheet Strength

MARKET FOCUS: Q1 FOR MCM CHARACTERIZED BY VERY STRONG COLLECTIONS RESULTING IN INCREASED OPERATING LEVERAGE

MCM (U.S.) Business

- ▶ Record collections of \$436M grew 16% compared to Q1 2020
- ▶ Call Center & Digital collections grew 25% compared to Q1 2020
- ▶ Collections effectiveness and scalability enabled significant reduction in cost to collect
- ▶ Portfolio purchases of \$92M in the U.S. were lower compared to Q1 2020 and purchase price multiple was 2.5x
- ▶ We are well-prepared to fully implement long-awaited CFPB industry rules, which are now expected to become effective in early 2022

MCM Collections by Channel and CTC

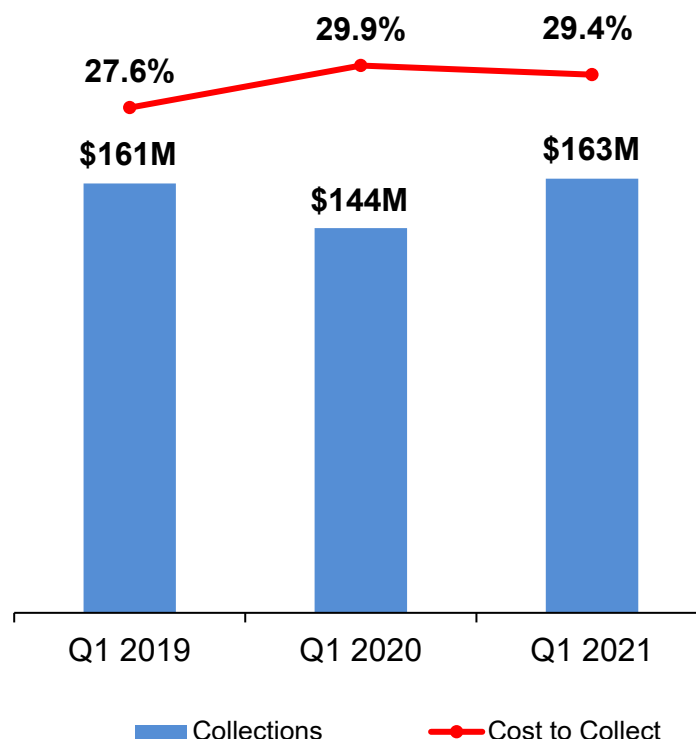


MARKET FOCUS: Q1 FOR CABOT CHARACTERIZED BY IMPROVED COLLECTIONS

Cabot (Europe) Business

- ▶ Collections of \$163M grew 13% compared to Q1 2020 and were 108% of Dec 31, 2020 ERC forecast¹
- ▶ Cabot's collections continue to normalize from COVID-related volatility
- ▶ Portfolio purchases of \$78M in Europe were higher compared to Q1 2020, with prices generally returning to pre-COVID levels
- ▶ Encore's global funding structure enhances Cabot's ability to deploy at attractive returns

Cabot Collections and CTC

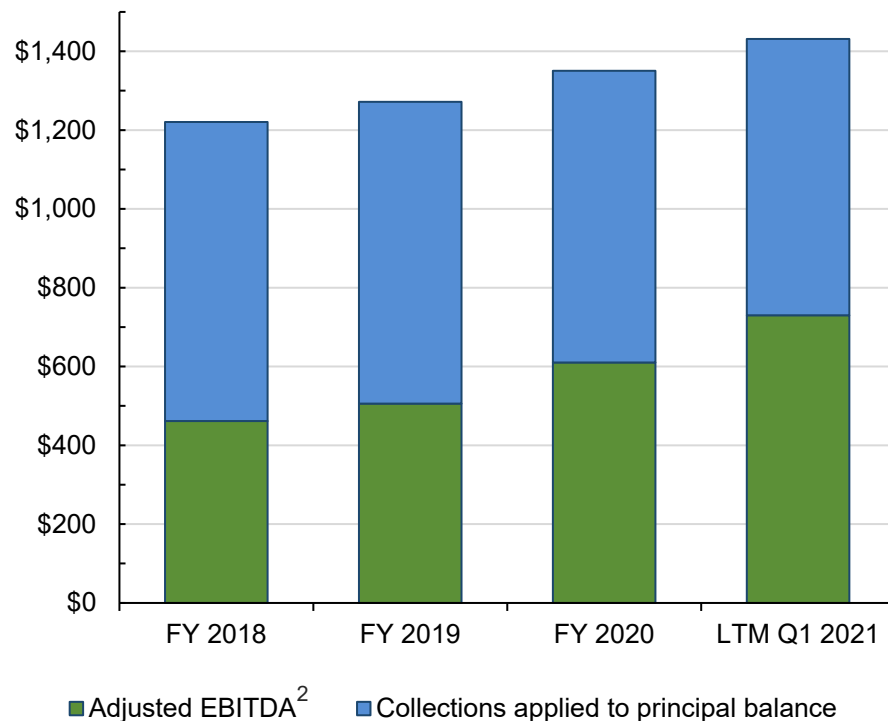


COMPETITIVE ADVANTAGE: CONTINUED STRONG CASH GENERATION

LTM Q1 2021
Cash Generation¹

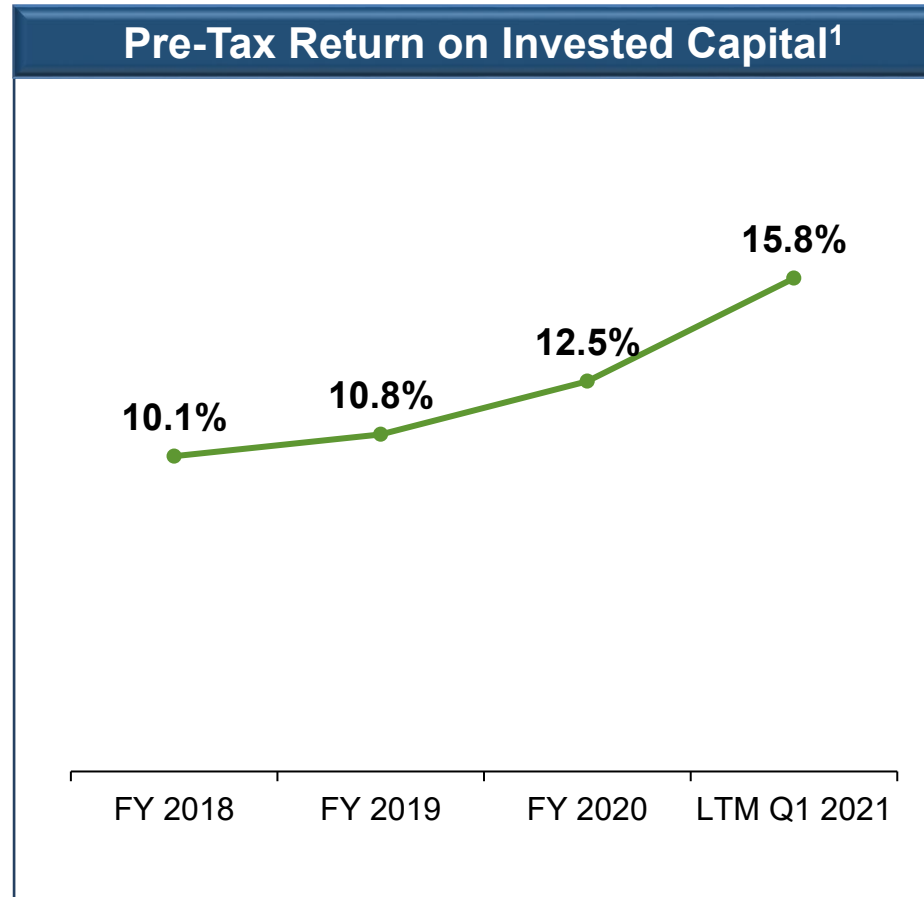
up 12%
vs LTM Q1 2020

Adjusted EBITDA + Collections applied to principal balance (\$M)



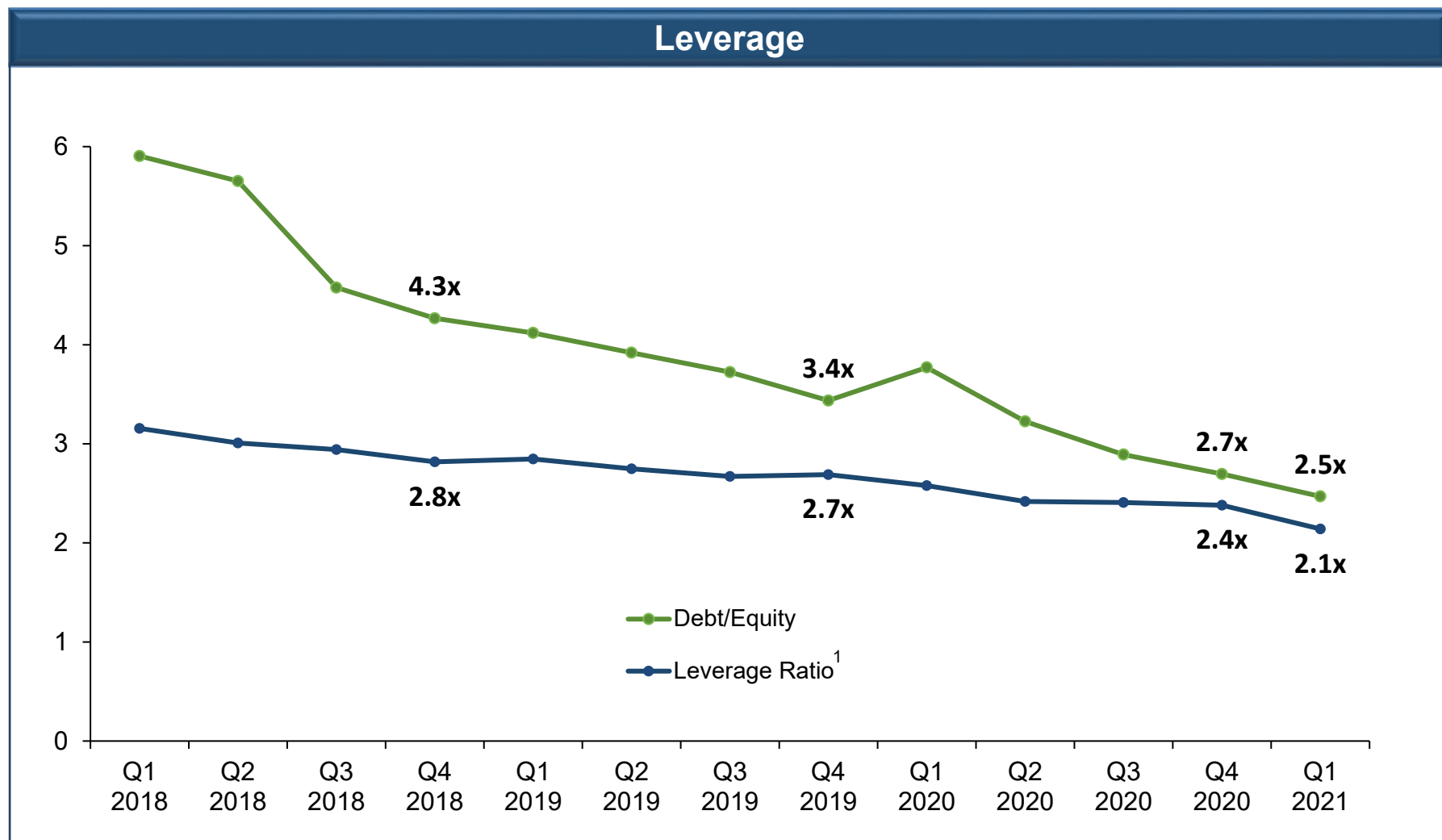
Our cash generation is driven by our operational efficiency and portfolio resiliency

COMPETITIVE ADVANTAGE: WE EXPECT TO DELIVER STRONG RETURNS THROUGH THE CREDIT CYCLE



ROIC is an important measure of our overall performance

BALANCE SHEET STRENGTH: STRONG CASH GENERATION IN Q1 DROVE A FURTHER REDUCTION IN OUR LEVERAGE RATIO



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



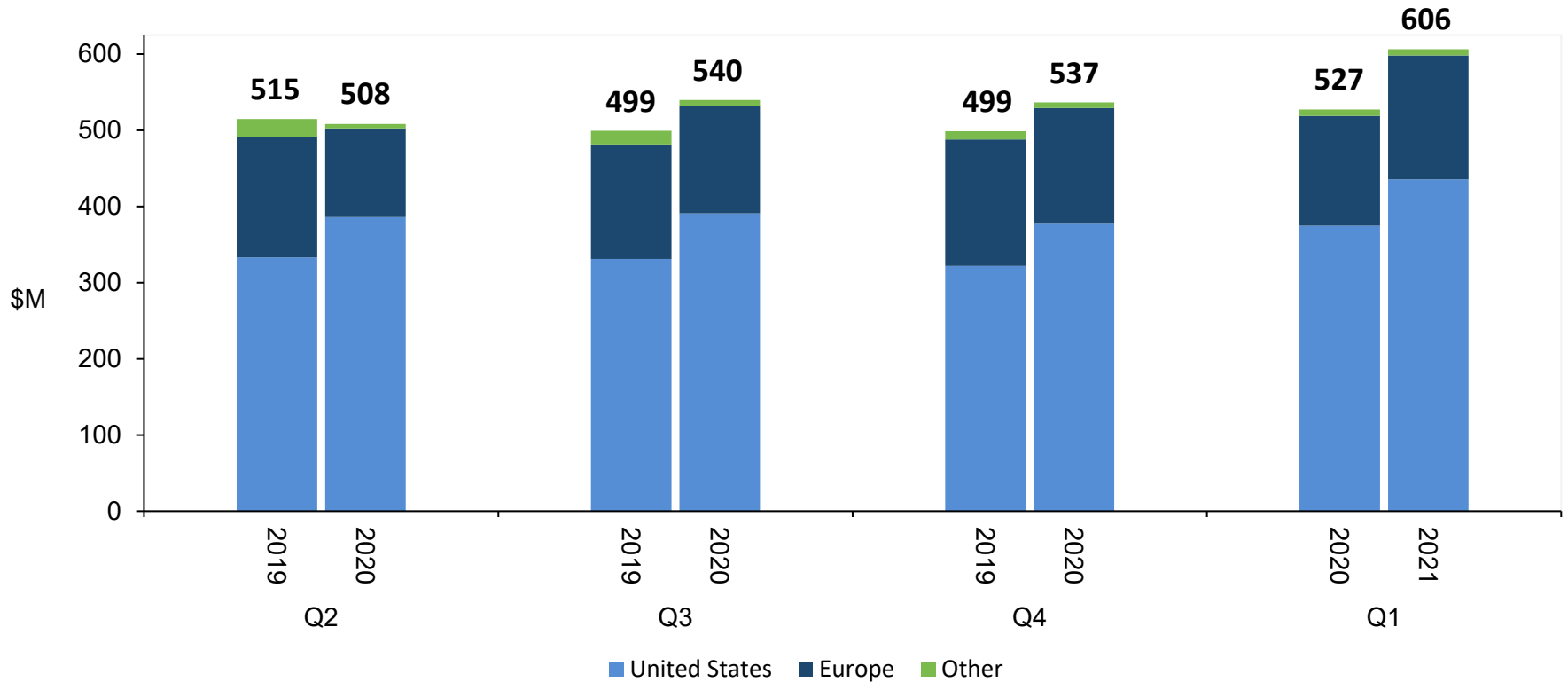
Detailed Financial Discussion

Q1 2021 KEY FINANCIAL MEASURES

	Q1 2021	vs. Q1 2020
Collections	\$606M	+15%
Revenues	\$417M	+44%
Portfolio Purchases	\$170M	-21%
ERC ¹	\$8.31B	-2%
GAAP Net Income ²	\$95M	+\$105M
GAAP EPS	\$2.97	+\$3.30
LTM Pre-Tax ROIC ³	15.8%	+640 bps
Leverage Ratio ⁴	2.1x	-0.5x

COLLECTIONS OF \$606M WERE UP 15% COMPARED TO Q1 LAST YEAR

Collections by Geographic Location

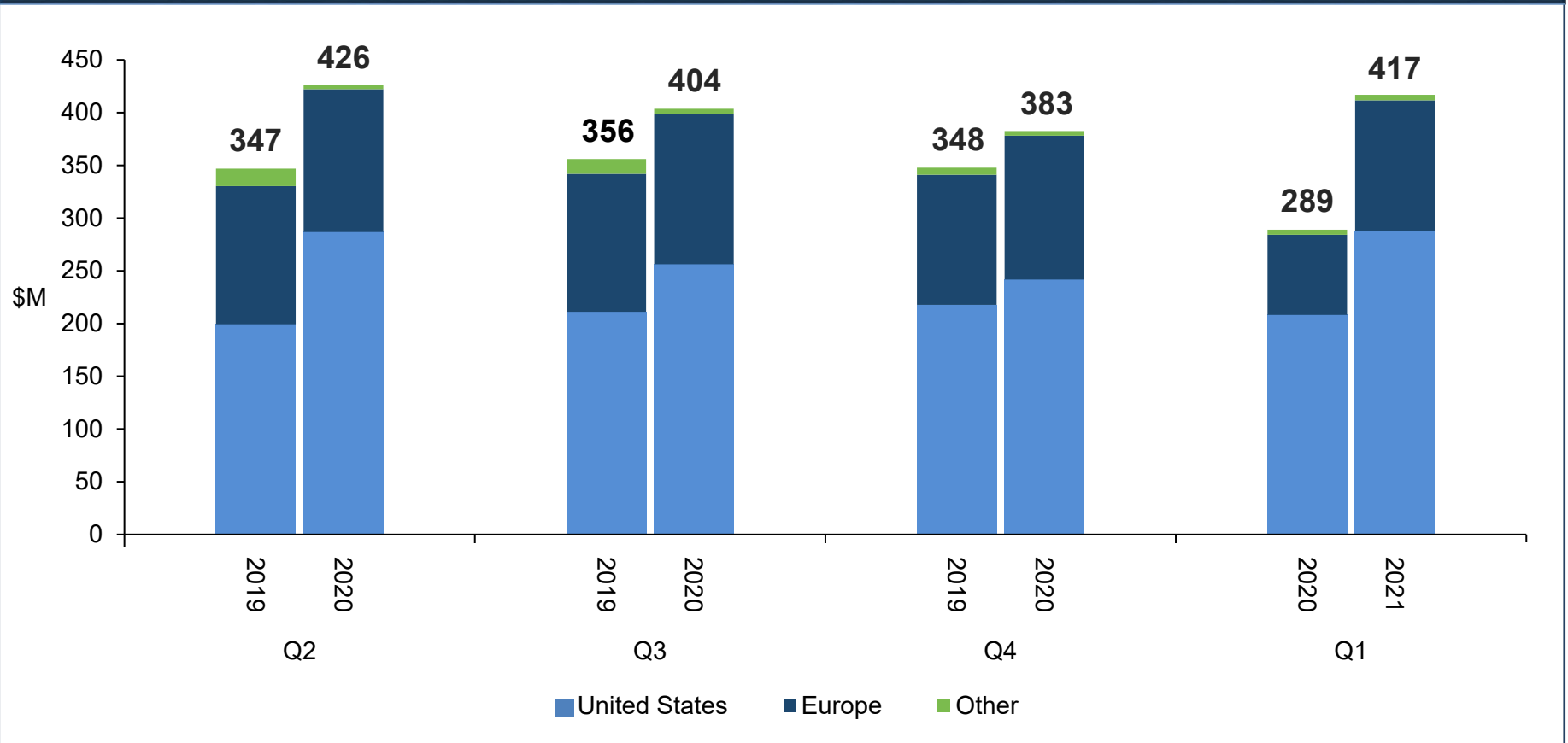


Year-to-date global collections¹ through the first quarter of 2021 were at 117% of our 12/31/2020 ERC forecast

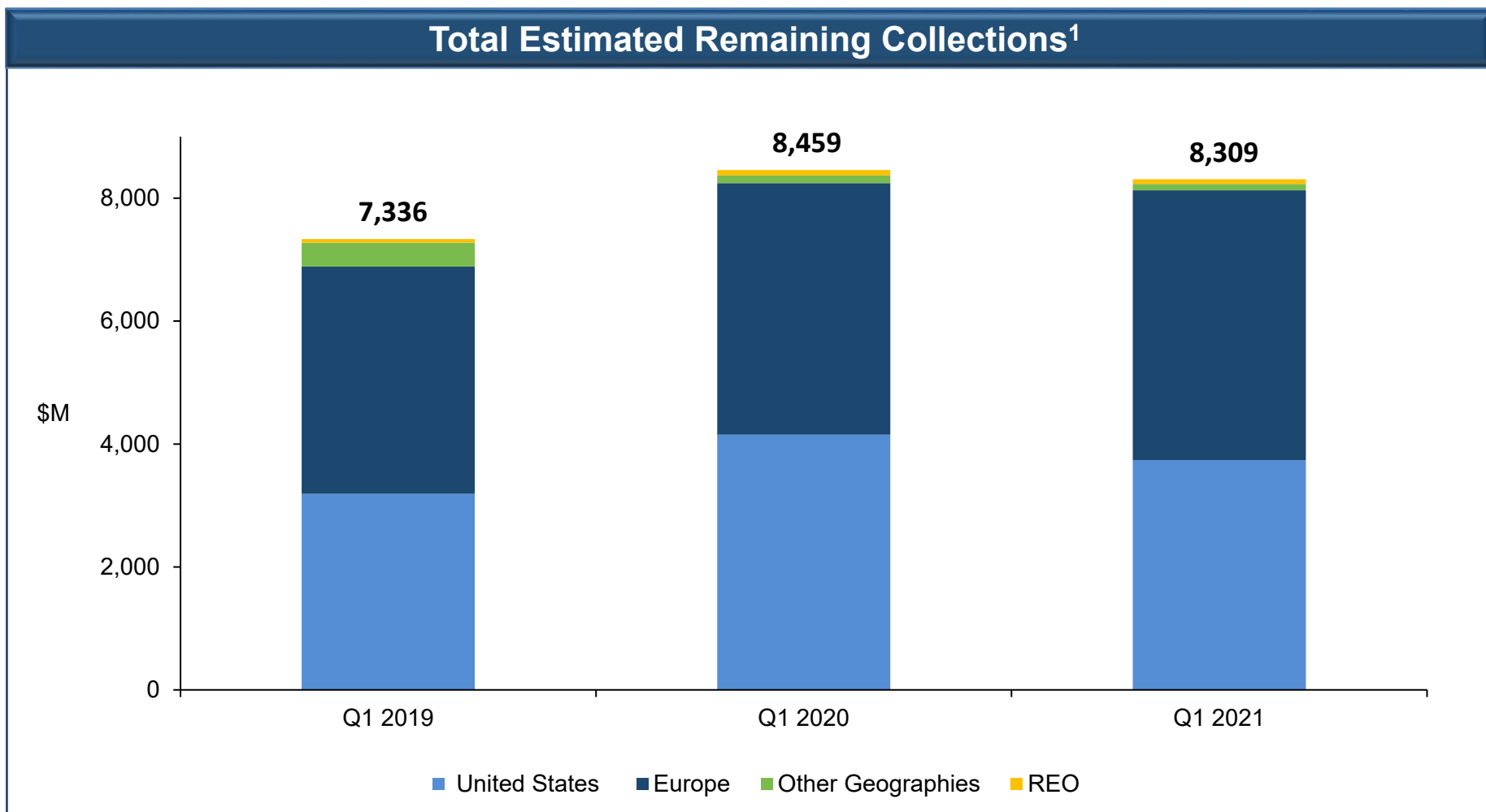
1) Includes collections only related to portfolios purchased prior to 12/31/2020. U.S. collections were at 121% and Europe collections were at 108% of our 12/31/2020 ERC forecast, respectively.

Q1 REVENUES OF \$417M REFLECT OUR FOCUS ON THE U.S. AND EUROPE

Revenues by Geographic Location



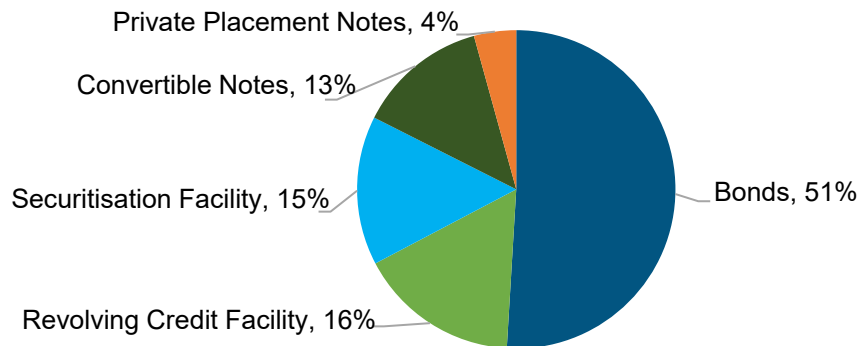
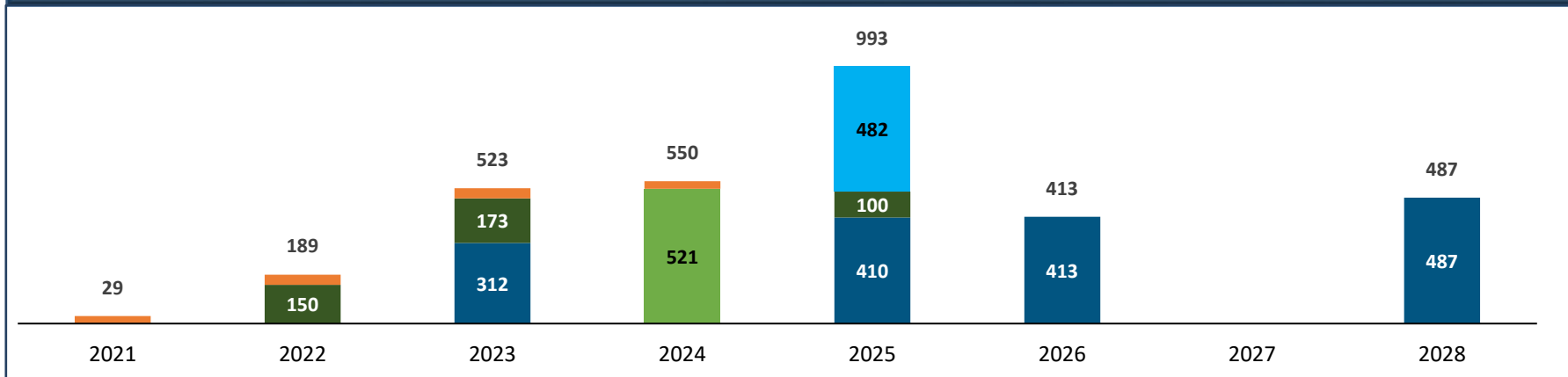
ERC OF \$8.3B WAS DOWN 2% COMPARED TO Q1 LAST YEAR



1) Q1 2019 ERC of \$7,276M as reported did not include \$60M of ERC related to Encore's real estate-owned (REO) business.

WE HAVE A DIVERSIFIED GLOBAL FUNDING STRUCTURE

Debt Maturity Profile at March 31, 2021 (\$M)



▶ As of March 31, 2021, available capacity under Encore's global senior facility was \$530M, in addition to cash and cash equivalents of \$162M¹

Note: At 03/31/2021, LTV Ratio (loan-to-value) = 38.8% (72.5% covenant), FCCR (Fixed Charge Coverage Ratio) = 8.4x (2.0x covenant). Each as calculated under our Senior Secured Note indentures.

We repaid \$161M of March 2021 convertible notes using existing liquidity

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



Appendix

KEY FINANCIAL MEASURES BY YEAR

	2018	2019	2020
Collections	\$1.97B	\$2.03B	\$2.11B
Revenues	\$1.36B	\$1.40B	\$1.50B
Portfolio Purchases	\$1.13B	\$1.00B	\$0.66B
ERC ¹	\$7.22B	\$7.83B	\$8.53B
GAAP Net Income ²	\$116M	\$168M	\$212M
GAAP EPS	\$4.06	\$5.33	\$6.68
Pre-tax ROIC ³	10.1%	10.8%	12.5%
GAAP ROAE ⁴	16.6%	18.2%	18.9%
Leverage Ratio ⁵	2.8x	2.7x	2.4x

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

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Collections	\$527M	\$508M	\$540M	\$537M	\$606M
Revenues	\$289M	\$426M	\$404M	\$383M	\$417M
Portfolio Purchases	\$214M	\$148M	\$170M	\$128M	\$170M
ERC ¹	\$8.46B	\$8.38B	\$8.46B	\$8.53B	\$8.31B
GAAP Net Income ²	(\$10M)	\$130M	\$55M	\$37M	\$95M
GAAP EPS	(\$0.33)	\$4.13	\$1.72	\$1.17	\$2.97
LTM Pre-tax ROIC ³	9.4%	11.9%	12.7%	12.5%	15.8%
LTM GAAP ROAE ⁴	12.2%	20.8%	21.3%	18.9%	29.1%
Leverage Ratio ⁵	2.6x	2.4x	2.4x	2.4x	2.1x

1) 180-month Estimated Remaining Collections

2) Attributable to Encore

3) See appendix for calculation of LTM 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 / (Adjusted EBITDA + collections applied to principal balance).

LEVERAGE RATIOS

	at 03/31/21
Debt / Equity	2.5x
Net Debt / (LTM Adjusted EBITDA + LTM Collections applied to principal balance) ¹	2.1x

	at 03/31/20	at 06/30/20	at 09/30/20	at 12/31/20
Debt / Equity	3.8x	3.2x	2.9x	2.7x
Net Debt / (LTM Adjusted EBITDA + LTM Collections applied to principal balance) ¹	2.6x	2.4x	2.4x	2.4x

	at 03/31/19	at 06/30/19	at 09/30/19	at 12/31/19
Debt / Equity	4.1x	3.9x	3.7x	3.4x
Net Debt / (LTM Adjusted EBITDA + LTM Collections applied to principal balance) ¹	2.8x	2.7x	2.7x	2.7x

	at 03/31/18	at 06/30/18	at 09/30/18	at 12/31/18
Debt / Equity	5.9x	5.7x	4.6x	4.3x
Net Debt / (LTM Adjusted EBITDA + LTM Collections applied to principal balance) ¹	3.2x	3.0x	2.9x	2.8x

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 information concerning Adjusted Operating Expenses in order to facilitate a comparison of approximate cash costs to cash collections for the portfolio purchasing and recovery business in the periods presented. 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 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 Operating Expenses, Adjusted Income from Operations (used in Pre-Tax ROIC) 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, income from operations, and total operating expenses as indicators of the Company’s operating performance. 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) Twelve Months Ended

	12/31/2020	12/31/2019	12/31/2018
GAAP net income, as reported	\$ 212,524	\$ 168,909	\$ 109,736
Interest expense	209,356	217,771	237,355
Loss on extinguishment of debt	40,951	8,989	2,693
Interest income	(2,397)	(3,693)	(3,345)
Provision for income taxes	70,374	32,333	46,752
Depreciation and amortization	42,780	41,029	41,228
CFPB settlement fees ¹	15,009	---	---
Stock-based compensation expense	16,560	12,557	12,980
Acquisition, integration and restructuring related expenses ²	4,962	7,049	7,523
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)	(5,664)
Loss on derivative in connection with Cabot Transaction ⁵	---	---	9,315
Expenses related to withdrawn Cabot IPO ⁶	---	---	2,984
Adjusted EBITDA	\$ 610,119	\$ 505,851	\$ 461,557
Collections applied to principal balance ⁷	\$ 740,350	\$ 765,748	\$ 759,014

- 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.
- 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.
- 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.
- Amount represents the loss recognized on the forward contract we entered into in anticipation of the completion of the Cabot Transaction. We adjust for this amount because we believe the loss is not indicative of ongoing operations; therefore, adjusting for this loss enhances comparability to prior periods, anticipated future periods, and our competitors' results.
- Amount represents expenses related to the proposed and later withdrawn initial public offering by Cabot. 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.
- 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 the sum of (b) revenue from receivable portfolios and (c) changes in expected recoveries. 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) Three Months Ended

	06/30/19	09/30/19	12/31/19	03/31/20	06/30/20	09/30/20	12/31/20	03/31/21
GAAP net income (loss), as reported	\$ 36,822	\$ 39,413	\$ 43,232	\$ (10,579)	\$ 130,784	\$ 55,107	\$ 37,212	\$ 94,765
Interest expense	54,924	54,365	53,515	54,662	50,327	52,974	51,393	46,526
Loss on extinguishment of debt	8,989	-	-	-	-	14,988	25,963	-
Interest income	(1,238)	(590)	(843)	(1,000)	(559)	(394)	(444)	(474)
Provision for income taxes	11,753	3,021	13,886	4,558	35,570	19,747	10,499	26,968
Depreciation and amortization	9,741	10,000	11,293	10,285	10,542	10,609	11,344	11,512
Stock-based compensation expense	3,581	4,005	3,145	4,527	4,778	3,884	3,371	3,405
Acquisition, integration and restructuring related expenses ¹	1,318	3,819	704	187	4,776	(23)	22	-
Loss on Baycorp Transaction ²	-	12,489	-	-	-	-	-	-
Goodwill impairment ²	-	10,718	-	-	-	-	-	-
Settlement fees and related administrative expenses ³	-	-	-	-	-	15,009	-	-
Net gain on fair value adjustments to contingent consideration ⁴	(2,199)	(101)	-	-	-	-	-	-
Adjusted EBITDA	\$ 123,691	\$ 137,139	\$ 124,932	\$ 62,640	\$ 236,218	\$ 171,901	\$ 139,360	\$ 182,702
Collections applied to principal balance ⁵	\$ 200,323	\$ 174,663	\$ 189,434	\$ 268,575	\$ 106,921	\$ 172,406	\$ 192,448	\$ 229,510

- 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) The Baycorp Transaction resulted in a goodwill impairment charge of \$10.7 million and a loss on sale of \$12.5 million during the three and nine months ended September 30, 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.
- 3) Amount represents a charge resulting from the Stipulated Judgment with the CFPB. We have adjusted for these amounts because we believe they are not indicative of ongoing operations; therefore, adjusting for them enhances comparability to prior periods, anticipated future periods, and our competitors' results.
- 4) Amount represents the 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) (1) 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 the sum of (b) revenue from receivable portfolios and (c) changes in expected recoveries. 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.

CALCULATION OF ROIC

RECONCILIATION OF ADJUSTED INCOME FROM OPERATIONS

(in \$ thousands)

	LTM 12/31/2020	LTM 12/31/2019	LTM 12/31/2018
Numerator			
GAAP Income from operations	\$ 533,562	\$ 446,345	\$ 405,300
Adjustments: ¹			
CFPB settlement fees ²	15,009	---	---
Acquisition, integration and restructuring related expenses ³	154	7,049	9,041
Amortization of certain acquired intangible assets ⁴	7,010	7,017	8,337
Goodwill impairment ⁵	---	10,718	---
Net gain on fair value adjustments to contingent considerations ⁶	---	(2,300)	(5,664)
Expenses related to withdrawn Cabot IPO ⁷	---	---	2,984
Adjusted income from operations	\$ 555,735	\$ 468,829	\$ 419,998
Denominator			
Average net debt	\$ 3,311,835	\$ 3,429,624	\$ 3,388,336
Average equity	1,122,741	922,547	695,811
Average redeemable noncontrolling interest	---	---	75,989
Total invested capital	\$ 4,434,576	\$ 4,352,171	\$ 4,160,136
LTM Pre-tax ROIC	12.5%	10.8%	10.1%

- 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.
- Amount represents expenses related to the proposed and later withdrawn initial public offering by Cabot. 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.

CALCULATION OF ROIC

RECONCILIATION OF ADJUSTED INCOME FROM OPERATIONS

(in \$ thousands)

	LTM Q1 2020	LTM Q2 2020	LTM Q3 2020	LTM Q4 2020	LTM Q1 2021
Numerator					
GAAP Income from operations	\$ 382,489	\$ 488,449	\$ 522,559	\$ 533,562	\$ 654,675
Adjustments: ¹					
CFPB settlement fees ²	---	---	15,009	15,009	15,009
Acquisition, integration and restructuring related expenses ³	6,028	4,678	836	154	(33)
Amortization of certain acquired intangible assets ⁴	6,783	6,737	6,866	7,010	7,232
Goodwill impairment ⁵	10,718	10,718	---	---	---
Net gain on fair value adjustments to contingent considerations ⁶	(2,300)	(101)	---	---	---
Adjusted income from operations	\$ 403,718	\$ 510,481	\$ 545,270	\$ 555,735	\$ 676,883
Denominator					
Average net debt	\$ 3,417,019	\$ 3,301,314	\$ 3,274,693	\$ 3,311,835	\$ 3,181,033
Average equity	890,184	972,672	1,025,626	1,122,741	1,092,298
Total invested capital	\$ 4,307,203	\$ 4,273,986	\$ 4,300,319	\$ 4,434,576	\$ 4,273,331
LTM Pre-tax ROIC	9.4%	11.9%	12.7%	12.5%	15.8%

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- 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

(in \$ thousands) Three Months Ending

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Numerator								
GAAP Income from operations	\$ 113,732	\$ 108,345	\$ 113,210	\$ 47,202	\$ 219,692	\$ 142,455	\$ 124,213	\$ 168,314
Adjustments: ¹								
CFPB settlement fees ²	---	---	---	---	---	15,009	---	---
Acquisition, integration and restructuring related expenses ³	1,318	3,819	704	187	(32)	(23)	22	---
Amortization of certain acquired intangible assets ⁴	1,837	1,644	1,659	1,643	1,791	1,773	1,803	1,865
Goodwill impairment ⁵	---	10,718	---	---	---	---	---	---
Net gain on fair value adjustments to contingent considerations ⁶	(2,199)	(101)	---	---	---	---	---	---
Adjusted income from operations	\$ 114,688	\$ 124,425	\$ 115,573	\$ 49,032	\$ 221,451	\$ 159,214	\$ 126,038	\$ 170,179
LTM Adjusted income from operations	\$ 449,881	\$ 464,837	\$ 468,829	\$ 403,718	\$ 510,481	\$ 545,270	\$ 555,735	\$ 676,883

- 1) We believe these amounts are not indicative of ongoing operations; therefore, adjusting for them enhances comparability to prior periods, anticipated future periods, and our competitors' results.
- 2) 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.
- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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.

RECONCILIATION OF NET DEBT

(Unaudited, in \$ millions) Three Months Ended

	03/31/21
GAAP Borrowings, as reported	\$ 3,152
Debt issuance costs and debt discounts	68
Cash & cash equivalents	(185)
Client cash ¹	23
Net Debt	\$ 3,058

	03/31/20	06/30/20	09/30/20	12/31/20
GAAP Borrowings, as reported	\$ 3,404	\$ 3,354	\$ 3,252	\$ 3,282
Debt issuance costs and debt discounts	69	63	107	92
Cash & cash equivalents	(188)	(294)	(170)	(189)
Client cash ¹	19	21	20	20
Net Debt	\$ 3,304	\$ 3,144	\$ 3,209	\$ 3,205

	03/31/19	06/30/19	09/30/19	12/31/19
GAAP Borrowings, as reported	\$ 3,593	\$ 3,530	\$ 3,429	\$ 3,513
Debt issuance costs and debt discounts	79	73	75	73
Cash & cash equivalents	(167)	(169)	(187)	(192)
Client cash ¹	25	24	22	25
Net Debt	\$ 3,530	\$ 3,459	\$ 3,340	\$ 3,419

	03/31/18	06/30/18	09/30/18	12/31/18
GAAP Borrowings, as reported	\$ 3,607	\$ 3,530	\$ 3,561	\$ 3,491
Debt issuance costs and debt discounts	77	70	89	85
Cash & cash equivalents	(217)	(182)	(205)	(157)
Client cash ¹	26	23	26	22
Net Debt	\$ 3,493	\$ 3,442	\$ 3,472	\$ 3,440

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

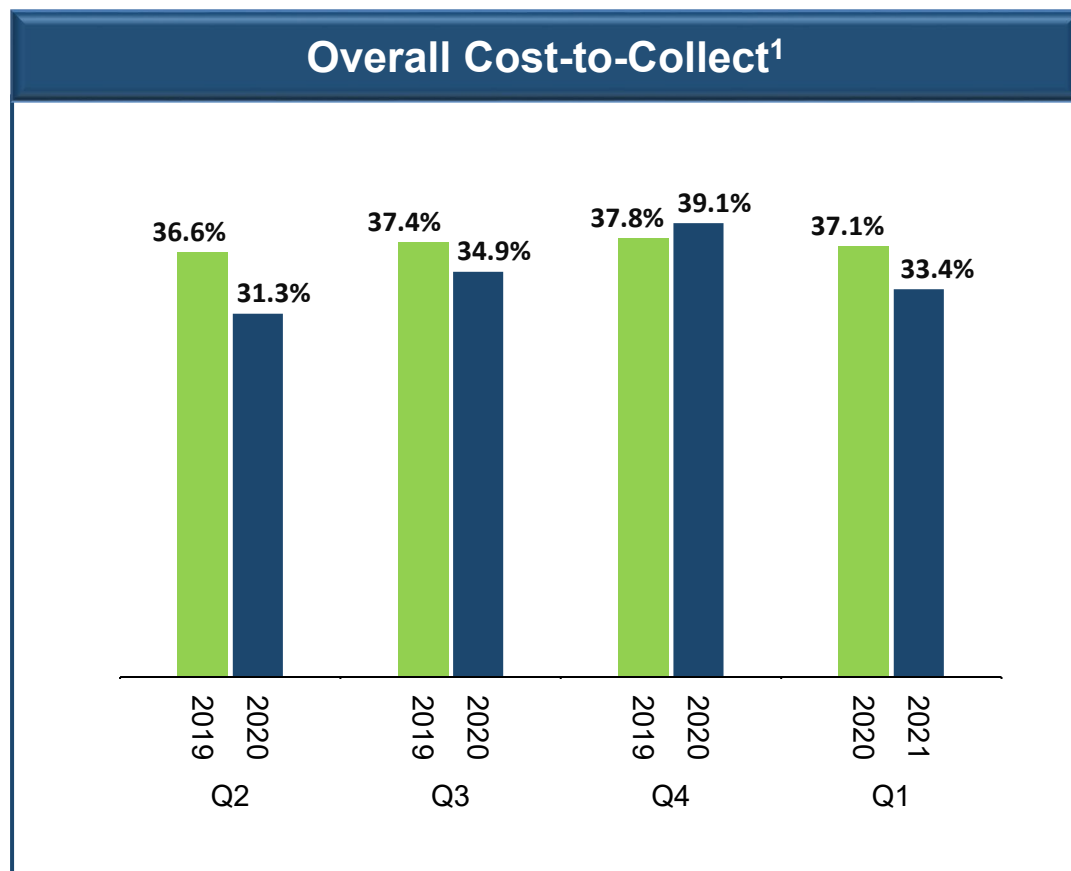
RECONCILIATION OF ADJUSTED OPERATING EXPENSES RELATED TO PORTFOLIO PURCHASING AND RECOVERY BUSINESS

(Unaudited, in \$ thousands) Three Months Ended

	06/30/19	09/30/19	12/31/19	03/31/20	06/30/20	09/30/20	12/31/20	03/31/21
GAAP total operating expenses, as reported	\$ 233,142	\$ 247,591	\$ 234,584	\$ 241,879	\$ 206,341	\$ 261,221	\$ 258,397	\$ 248,523
Operating expenses related to non-portfolio purchasing and recovery business ¹	(42,232)	(42,503)	(42,373)	(41,489)	(42,386)	(54,001)	(45,054)	(42,653)
CFPB settlement fees ²	---	---	---	---	---	(15,009)	---	---
Stock-based compensation expense	(3,581)	(4,005)	(3,145)	(4,527)	(4,778)	(3,884)	(3,371)	(3,405)
Gain on fair value adjustments to contingent considerations ³	2,199	101	---	---	---	---	---	---
Goodwill impairment ⁴	---	(10,718)	---	---	---	---	---	---
Acquisition, integration and restructuring related expenses ⁵	(1,318)	(3,819)	(704)	(187)	32	23	(22)	---
Adjusted operating expenses related to portfolio purchasing and recovery business	\$ 188,210	\$ 186,647	\$ 188,362	\$ 195,676	\$ 159,209	\$ 188,350	\$ 209,950	\$ 202,465

- 1) Operating expenses related to non-portfolio purchasing and recovery business include operating expenses from other operating segments that primarily engage in fee-based business, as well as corporate overhead not related to our portfolio purchasing and recovery business.
- 2) 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.
- 3) 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.
- 4) The sale of Baycorp resulted in a goodwill impairment charge of \$10.7 million that is included in operating expenses during the year ended December 31, 2019. We believe the goodwill impairment charge is not indicative of ongoing operations, therefore, adjusting for the expense enhances comparability to prior periods, anticipated future periods, and our competitors' results.
- 5) Amount represents acquisition, integration and restructuring related operating 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.

BEGINNING IN Q1 2020, COST-TO-COLLECT INCLUDES 100% OF COURT COSTS, BRINGING ENCORE INTO ALIGNMENT WITH THE INDUSTRY



Location	Q1 2020 CTC	Q1 2021 CTC
United States	39.5%	34.5%
Europe	29.9%	29.4%
Other	52.6%	52.1%
Encore total	37.1%	33.4%

IMPACT OF FLUCTUATIONS IN FOREIGN CURRENCY EXCHANGE RATES

(Unaudited, in \$ millions, except per share amounts)

Three Months Ended 03/31/21	As Reported	Constant Currency
Revenues	\$417	\$408
Operating expenses	\$249	\$243
GAAP Net income ¹	\$95	\$92
GAAP EPS ¹	\$2.97	\$2.90
Collections	\$606	\$595
ERC ²	\$8,309	\$7,898
Debt ²	\$3,152	\$2,963

Note: Constant Currency figures are calculated by employing Q1 2020 foreign currency exchange rates to recalculate Q1 2021 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.