



## COMPANY UPDATE

---

September 2014

---

## SAFE HARBOR

---

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, shareholder return, capital deployment and growth. 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 report on Form 10-K, and its subsequent reports on 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.

# ENCORE IS A LEADING PLAYER IN THE CONSUMER DEBT PURCHASING AND RECOVERY INDUSTRY

**We deploy capital to acquire delinquent consumer receivables...**

**1 in 5** U.S. consumers have accounts with us

**3.7 million** U.S. consumers have satisfied their obligations

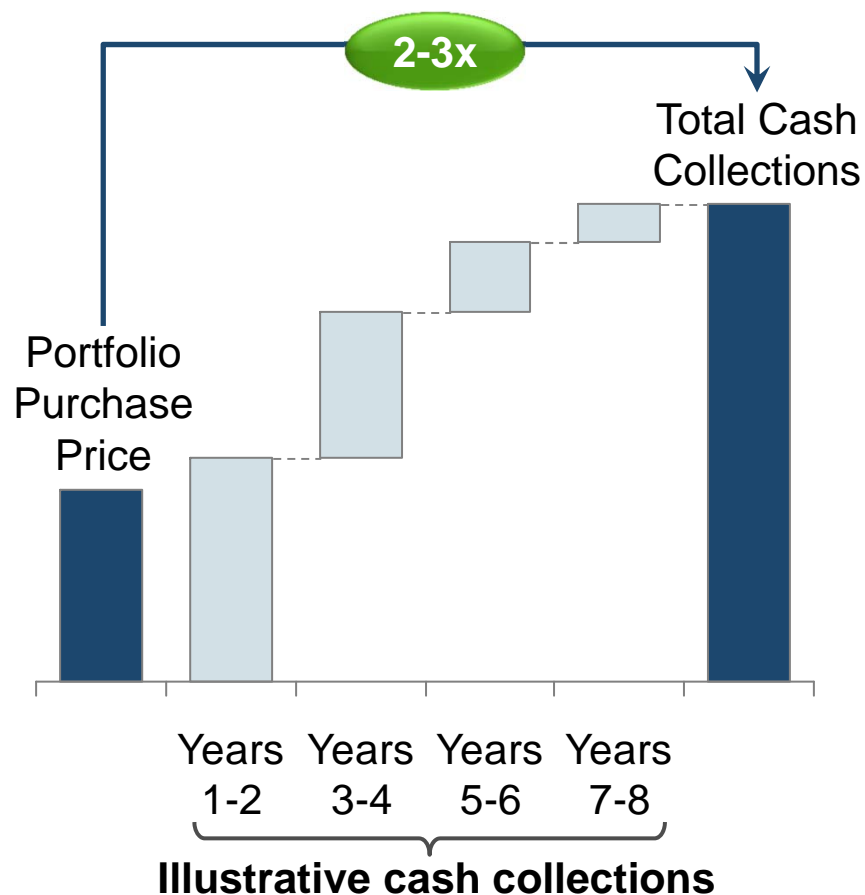
**\$1.5 billion** collected globally over the last twelve months

**\$4.9 billion** in estimated remaining collections

**31%** Adjusted EBITDA<sup>1</sup> 5-year compound annual growth rate

**5,274** employees worldwide

**... and generate predictable cash flows over a multi-year time horizon**



1. Adjusted EBITDA is a non-GAAP number which the company considers to be and utilizes as a meaningful indicator of operating performance. See Reconciliation of Adjusted EBITDA to GAAP Net Income at the end of this presentation.

# WE ARE PART OF A DEBT COLLECTION INDUSTRY WHICH CREATES VALUE BENEFITING STAKEHOLDERS IN MULTIPLE INDUSTRIES

## Role in financial industry

- Reduces creditor losses from delinquent debt, contributing to profitability and solvency
- Enables creditors to serve a large consumer base at lower prices

## Consumer benefit

- Enhances access to credit at lower prices
- Supports consumers in rehabilitating their credit history
- Increases number and variety of lenders available to consumers

## Socio-economic benefit

- Enhances resilience of financial system by helping enforce contracts
- Contributes to economic growth by servicing healthcare providers, utilities, retailers, etc.
- Reduces need for fiscal austerity by supporting local governments

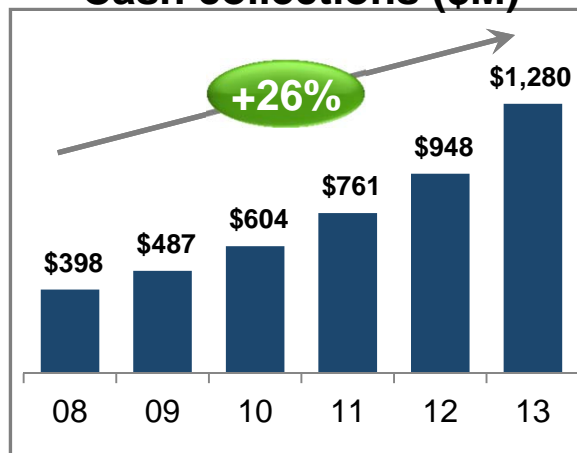
**Debt Collection Industry re-injected \$47B into the U.S. financial system in 2013**

Source: Company reports

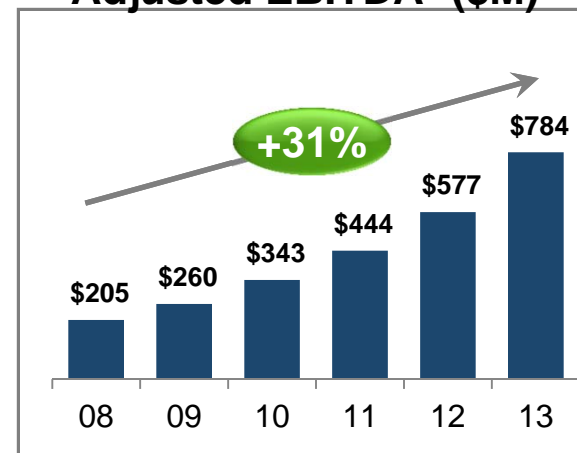
# ENCORE HAS DELIVERED A TRACK RECORD OF STRONG, SUSTAINABLE FINANCIAL RESULTS ...

**Strong business fundamentals...**

**Cash collections (\$M)**

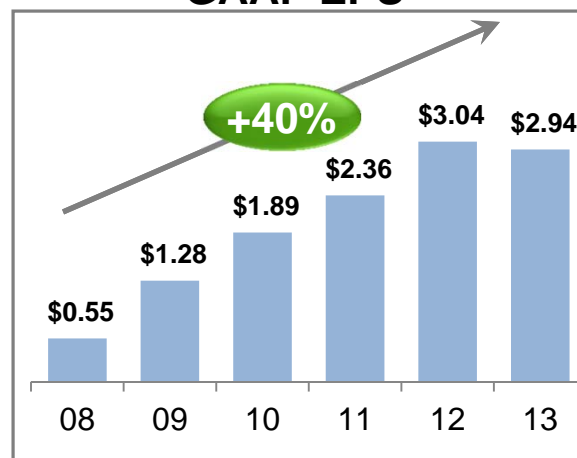


**Adjusted EBITDA<sup>1</sup> (\$M)**

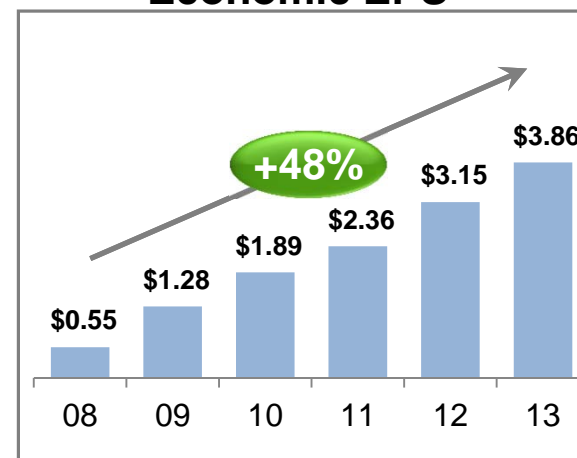


**...driving profitable growth**

**GAAP EPS<sup>2</sup>**



**Economic EPS<sup>3</sup>**

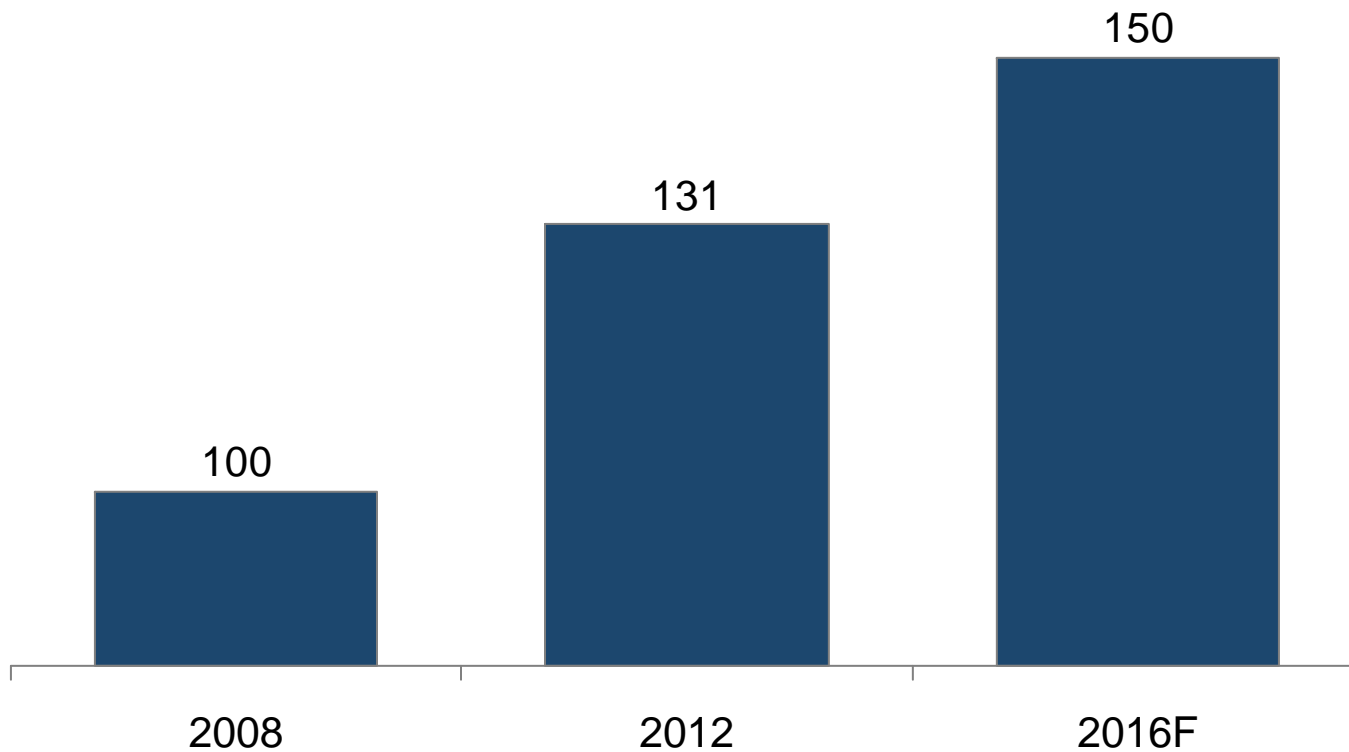


1. Adjusted EBITDA is a non-GAAP number which the company considers to be and utilizes as a meaningful indicator of operating performance. See Reconciliation of Adjusted EBITDA to GAAP Net Income at the end of this presentation. 2. Per fully diluted share from continuing operations. 3. Per fully diluted economic share from continuing operations. See Reconciliation of Economic EPS to GAAP EPS at the end of this presentation. EPS prior to 2012 were not affected by adjustments.

Note: Growth rate percentages for cash collections, Adjusted EBITDA, and EPS signify compounded annual growth rate from 2008 - 2013

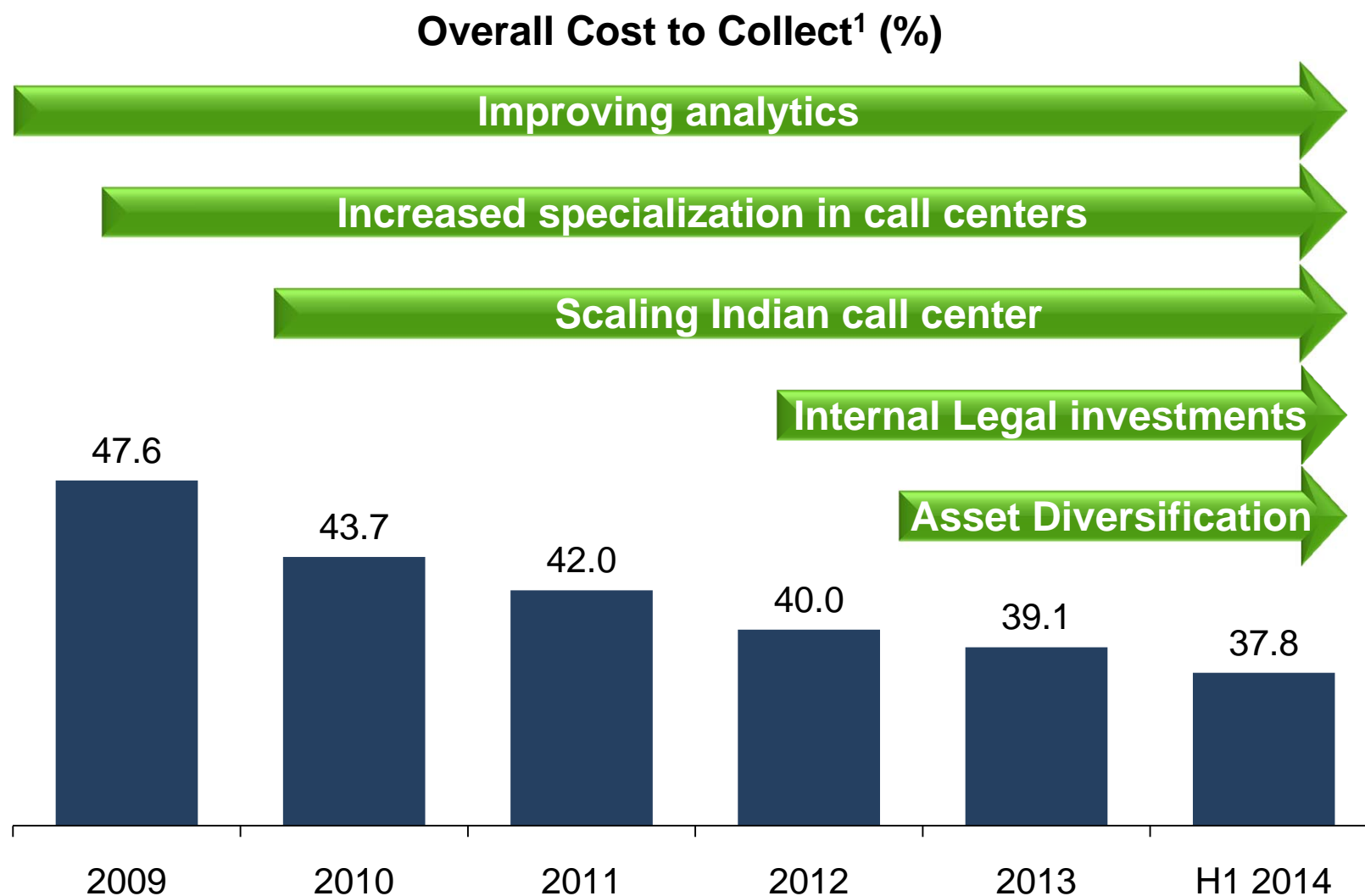
## ...WHICH HAS BEEN DRIVEN BY OUR EMPHASIS ON ANALYTICS AND OUR TRACK RECORD OF CONTINUOUS INNOVATION...

Indexed vintage year liquidation rate<sup>1</sup>



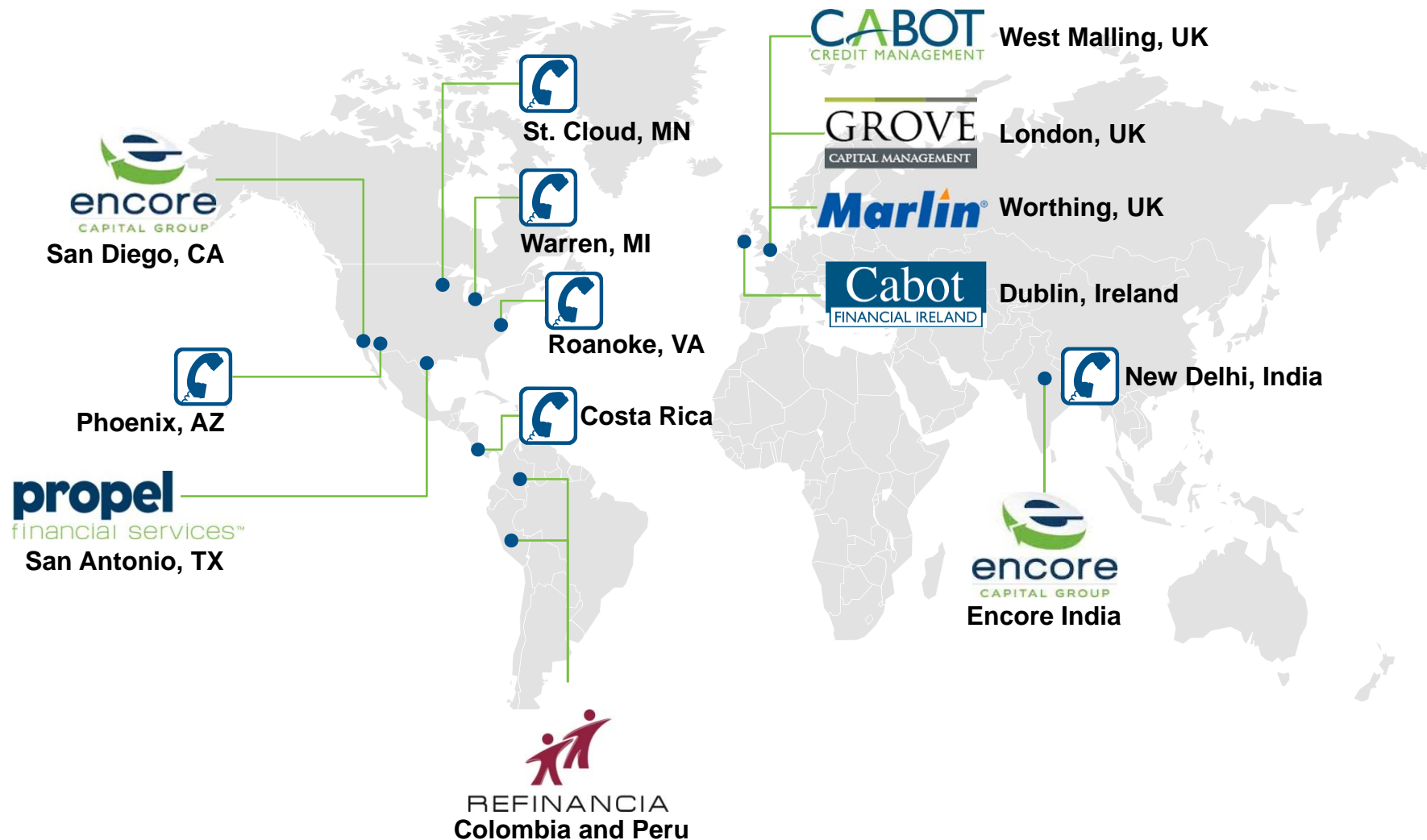
1. Of like portfolios and time periods

## ... AND OUR CONTINUED FOCUS ON COST LEADERSHIP



1. Cost to collect is Adjusted Operating Cost / dollar collected. See Reconciliation of Adjusted Operating Cost to GAAP Total Operating Expenses at the end of this presentation.

# WITH OUR GROWTH HAS COME SIGNIFICANT GEOGRAPHIC DIVERSIFICATION





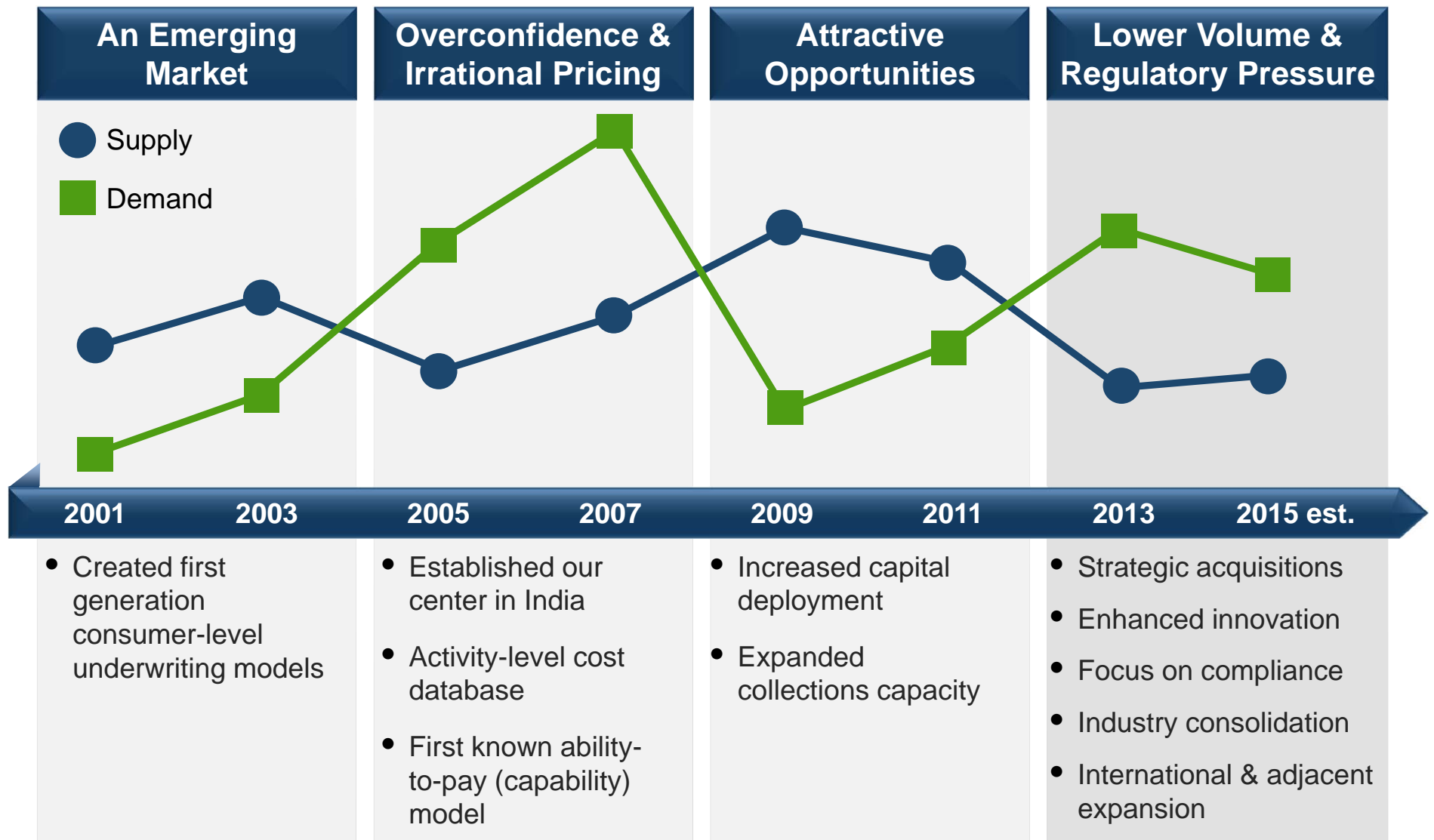
# THE U.S. DEBT BUYING INDUSTRY HAS CHANGED OVER THE PAST FEW YEARS

---

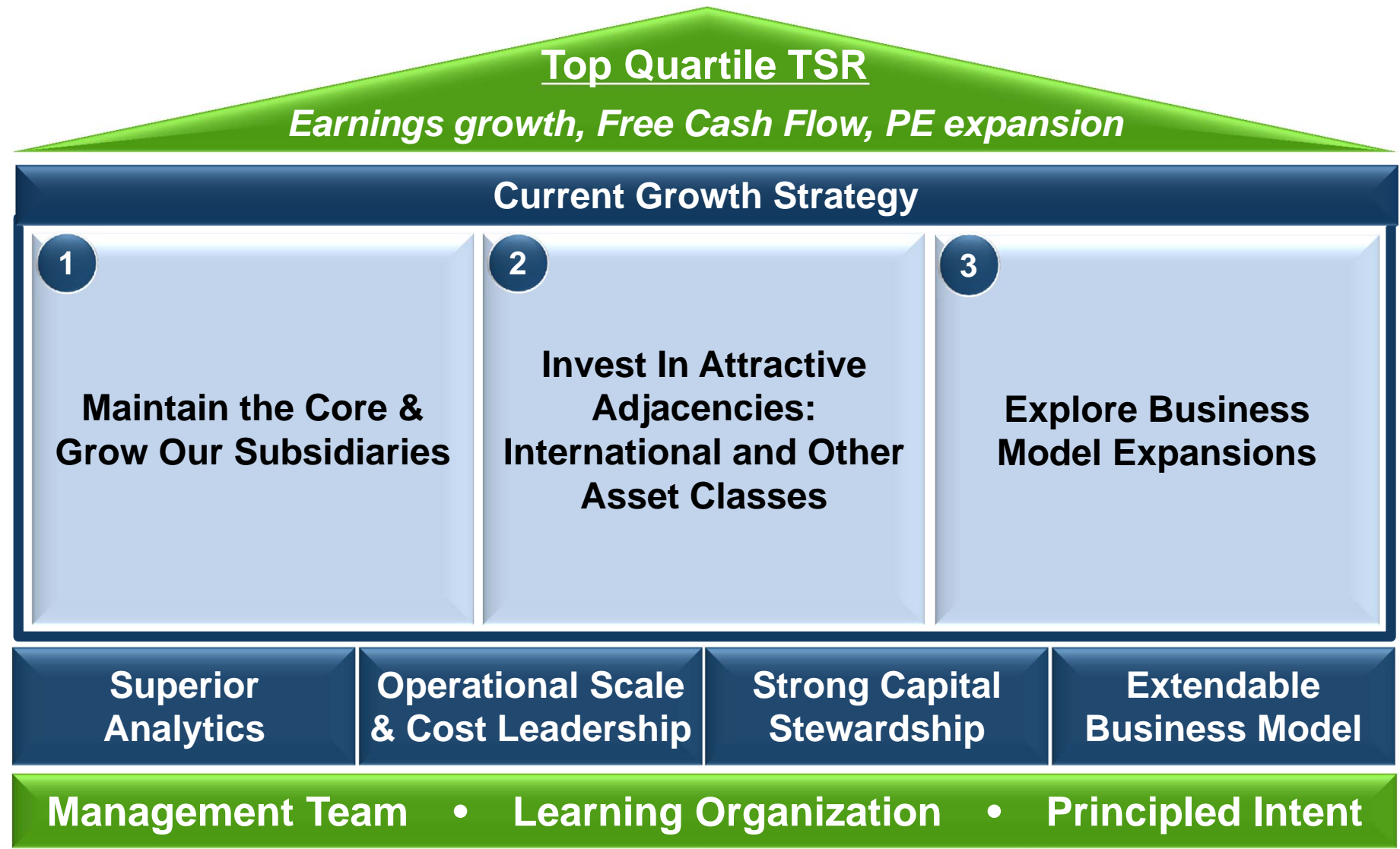
- **U.S. banks are decreasing their credit card books and market default rates are decreasing**
  - *Less supply coming to market*
- **Debt buyers in our core market are consolidating**
  - *Fewer opportunities for portfolio purchases through resale*
- **Regulatory agencies (such as CFPB) are increasing scrutiny on financial institutions and debt collectors**
  - *Continued emphasis on compliance*

**Necessary to pursue multifaceted strategy outside of our core market while continuing our focus on compliance**

# HISTORICALLY WE HAVE ANTICIPATED AND ADAPTED TO MARKET CHANGES WITH STRATEGIC DECISIONS – THIS TIME IS NO DIFFERENT



# ENCORE IS WELL POSITIONED TO ADAPT TO MARKET CHANGES AND CONTINUE TO DELIVER TOP QUARTILE TSR



# OUR CURRENT GROWTH STRATEGY IS TAILORED TO ADDRESS OUR MARKET'S EVOLVING DYNAMICS

## Current Growth Strategy

1

### Maintain the Core and Grow Our Subsidiaries

- **Core**
  - Core cards direct
  - Resale
  - Bankruptcy
- **Subsidiaries**
  - Cabot/Marlin
  - Propel
  - Grove
  - Refinancia

2

### Invest In Attractive Adjacencies: International and Other Asset Classes

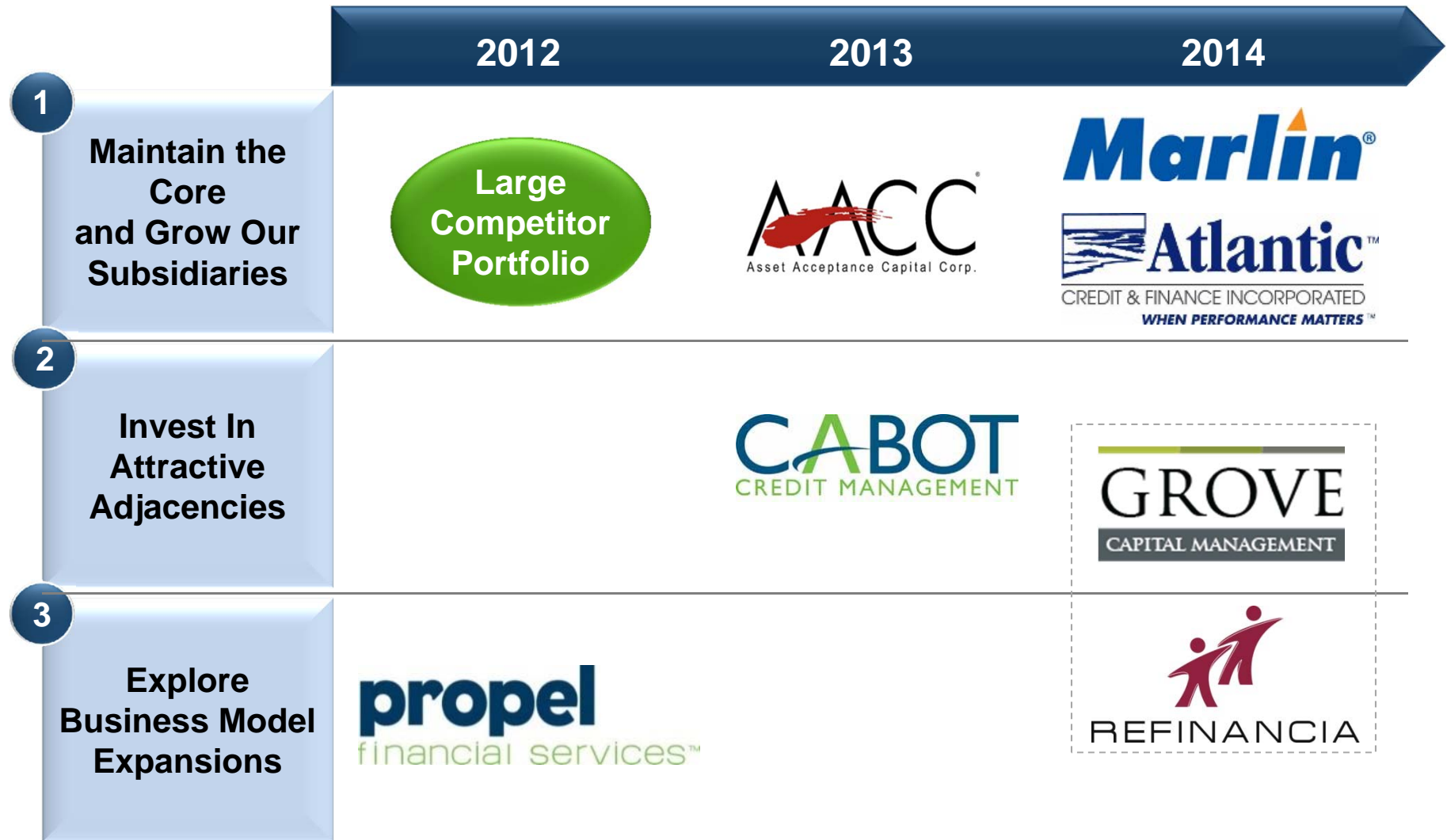
- **International**
  - India
  - Europe
  - Latin America
  - Australia
  - Others
- **New debt verticals**
  - Government
  - Medical
  - Others

3

### Explore Business Model Expansions

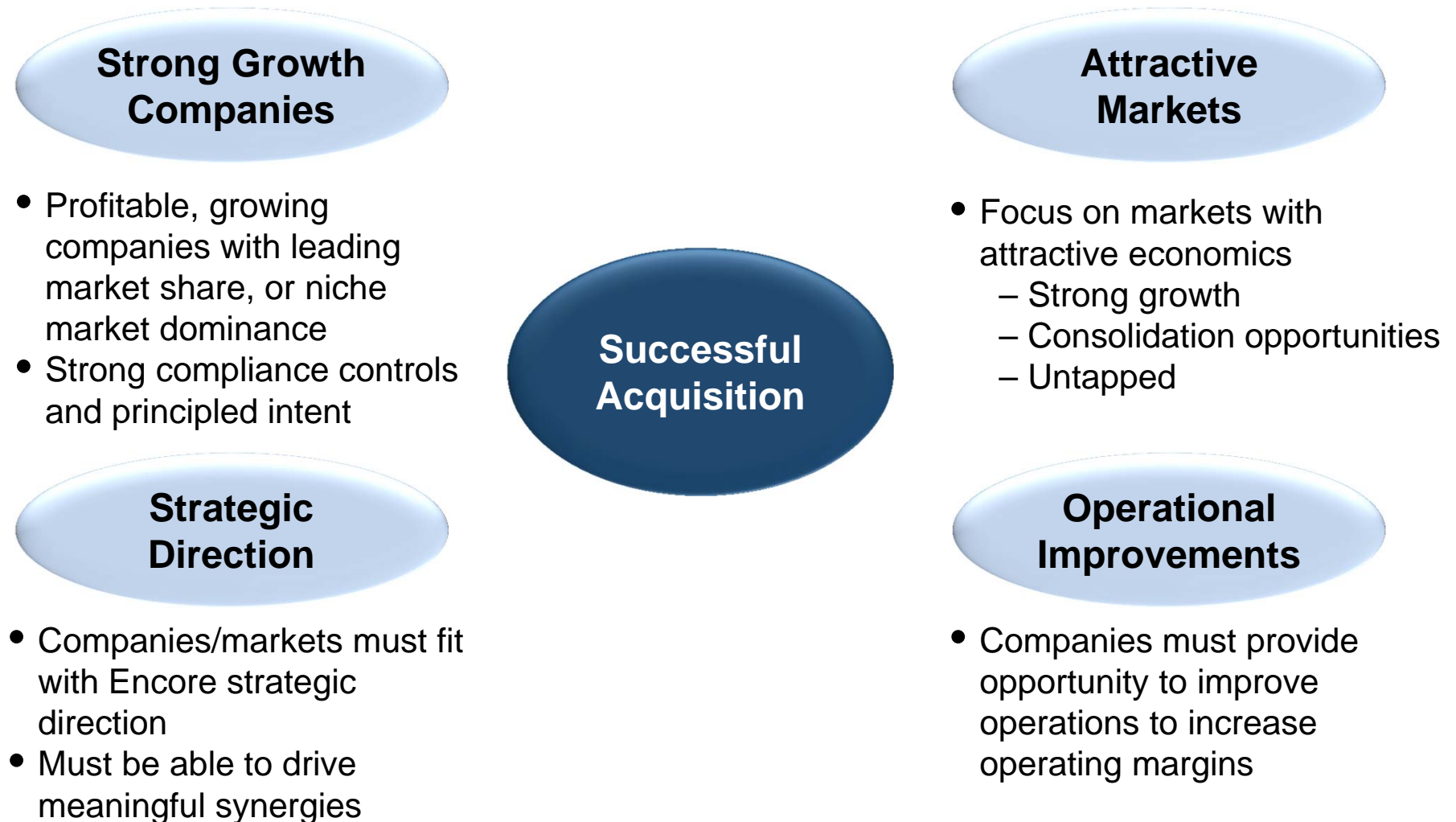
- **M&A opportunities in related spaces**
  - Tax Liens
  - Debt Servicing
  - Others
- **Monetization of existing data and capabilities**
- **Funding & incubation of new businesses**

# ACQUISITIONS HAVE BEEN KEY TO CARRYING OUT THIS STRATEGY

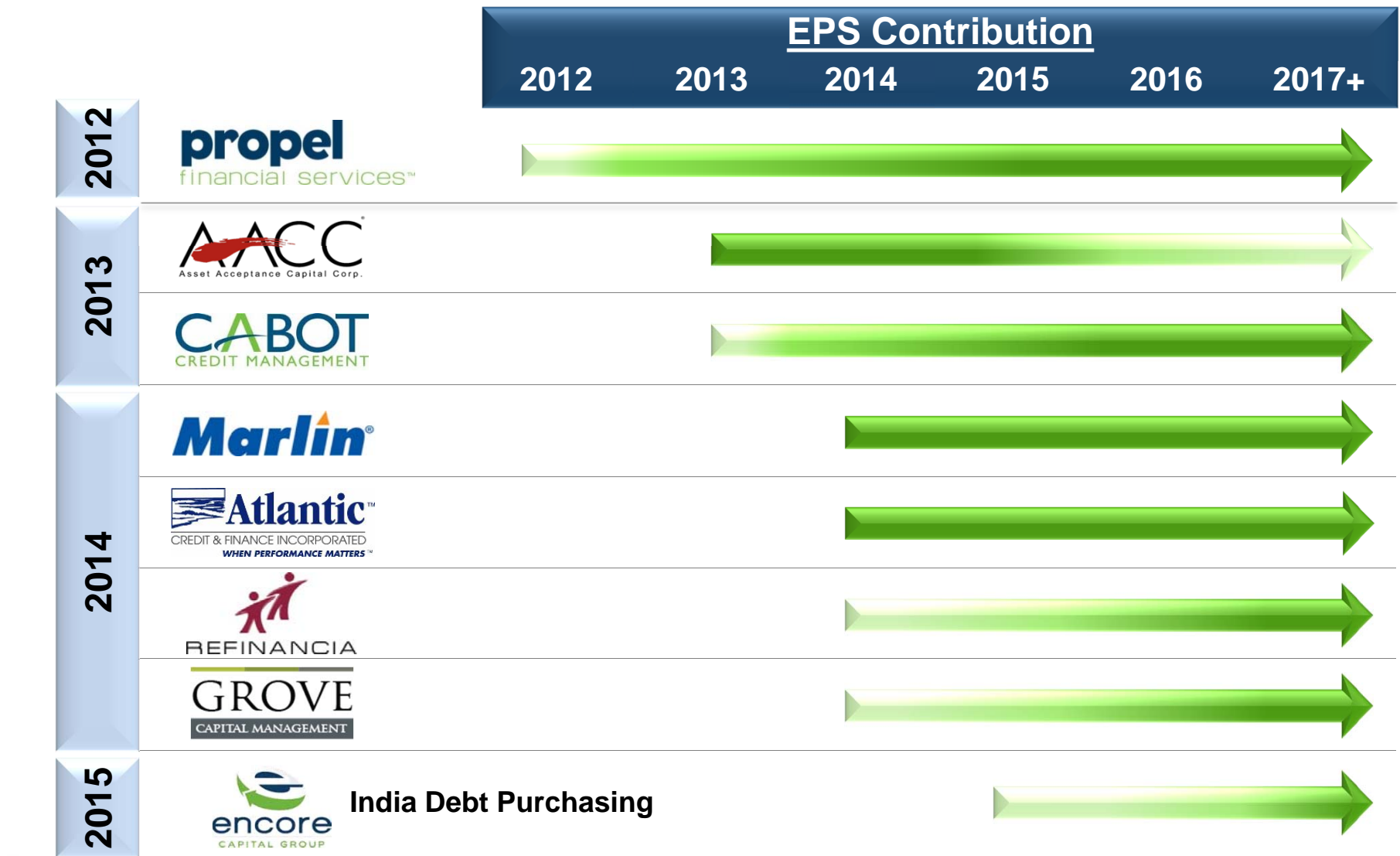


Note: Encore ownership in Refinancia was purchased on Dec. 13, 2013

# EACH TRANSACTION HAS BEEN ALIGNED WITH OUR M&A PLAYBOOK



# WE EXPECT THAT OUR ACQUISITIONS WILL GENERATE IMMEDIATE AND GROWING EARNINGS



# PROPEL IS A GOOD EXAMPLE OF HOW WE ARE ABLE TO SPOT AN EXCELLENT ACQUISITION OPPORTUNITY ...

## Strong Growth Company

- Leading market share in Texas with platform to gain share
- Niche market dominance

## Attractive Market

- Large, national market
- 80% of Texas market underpenetrated

**propel**  
financial services™

## Strategic Direction

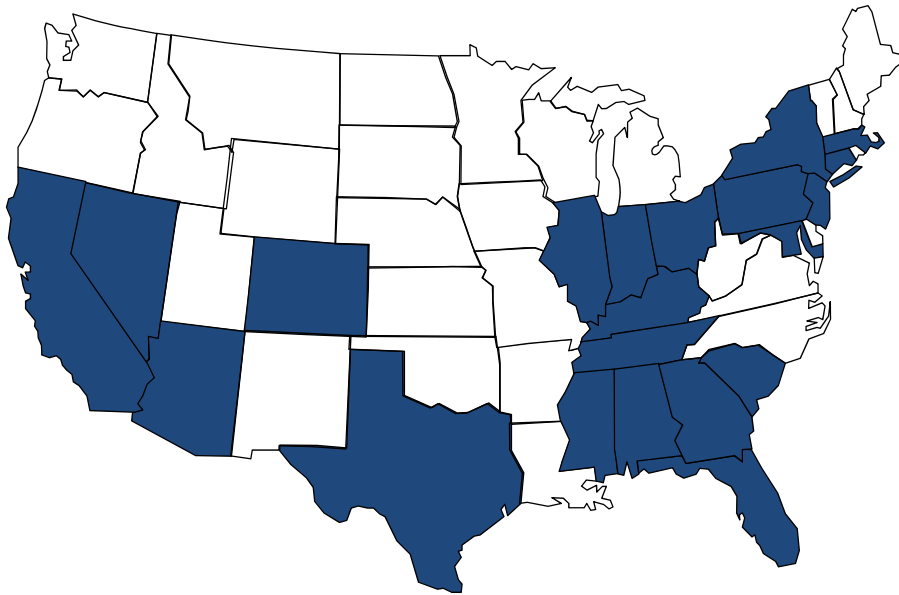
- Propel represented business model expansion for Encore as well as growth platform to deploy capital at attractive returns

## Operational Improvements

- Propel had potential to leverage Encore analytics and cost platform to improve operations



## ... AND EXECUTE A GROWTH PLAN TO GENERATE SUBSTANTIAL RESULTS



**propel**  
financial services™

- Led market consolidation by acquiring ~\$80M in competitor portfolios
- Expanded Tax Lien deployments to 18 new states; now operating in 22 states
- Leveraged Encore's lower-cost outbound calling facilities to improve margins and market penetration
- Deployed \$179 million of capital in the last 12 months

# WE HAVE CONTINUED TO LEAD THE CONSOLIDATION OF OUR INDUSTRY IN THE U.S.

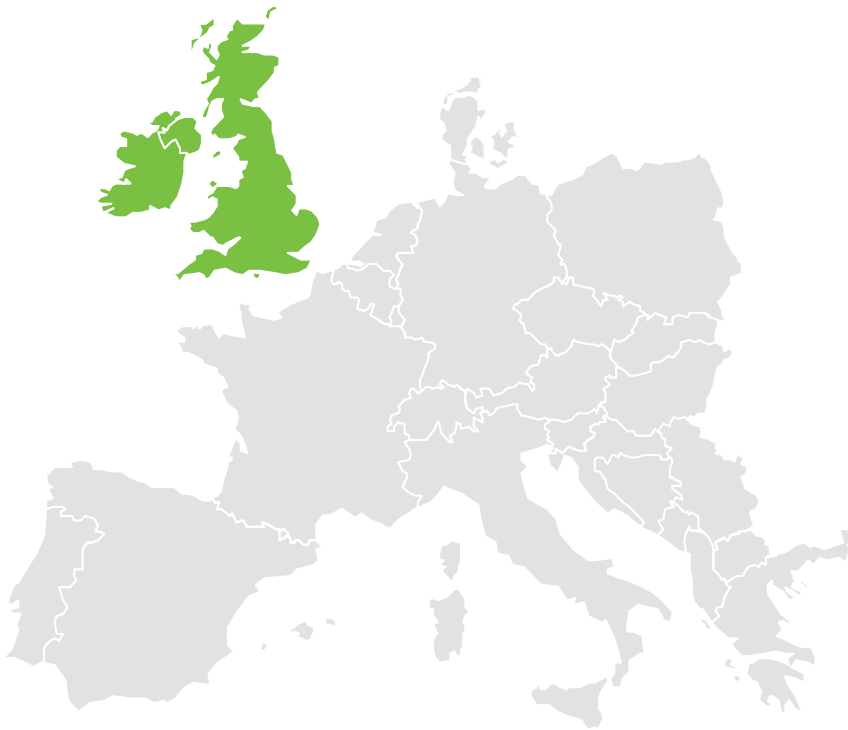
- ▶ Attractive consolidation partner
- ▶ Satisfies a significant portion of our purchasing target for 2014
- ▶ Expands market for future capital deployment



## Investment Rationale

<b>Attractive Consolidation Partner</b>	<ul style="list-style-type: none"><li>• ACF specializes in high balance, fresh paper</li><li>• Strong liquidation rates result from specialized approach and experienced staff</li><li>• Long-standing relationship provides familiarity with successful strategy and operation</li></ul>
<b>Additional ERC</b>	<ul style="list-style-type: none"><li>• Transaction includes ACF portfolio with expected ERC of approximately \$275 million</li></ul>
<b>Expanded Market for Future Capital Deployment</b>	<ul style="list-style-type: none"><li>• Encore has historically specialized in collecting on older paper</li><li>• With ACF, Encore to place higher priority on fresh paper opportunities</li></ul>

# CABOT CREDIT MANAGEMENT LEADS THE UK DEBT PURCHASING MARKET



- Purchases charged off consumer receivables in UK
- UK leader with \$2.4B in ERC
- Invested \$2.0B to acquire \$20B in face value of debt since inception
- Acquired more than 1,050 portfolios since inception, representing more than 4.5 million accounts
- 1,000 employees

# THE MARLIN ACQUISITION PROVIDES ADDITIONAL GROWTH AND SYNERGY OPPORTUNITIES



## Portfolio Focus & Expertise

- Semi performing debt
- Focus on management of average payment
- Large balance, non-paying debt
- Focus on scoring accounts that are suitable for litigation



## Uplift in ERC

- Apply Cabot payment management strategies to Marlin accounts
- Apply Marlin proprietary scorecard to Cabot back-book

## Enhance Growth Profile

- Complementary niches help capture entire UK market growth
- Provides sustainable IRRs even as competition increases

## Improve Operations

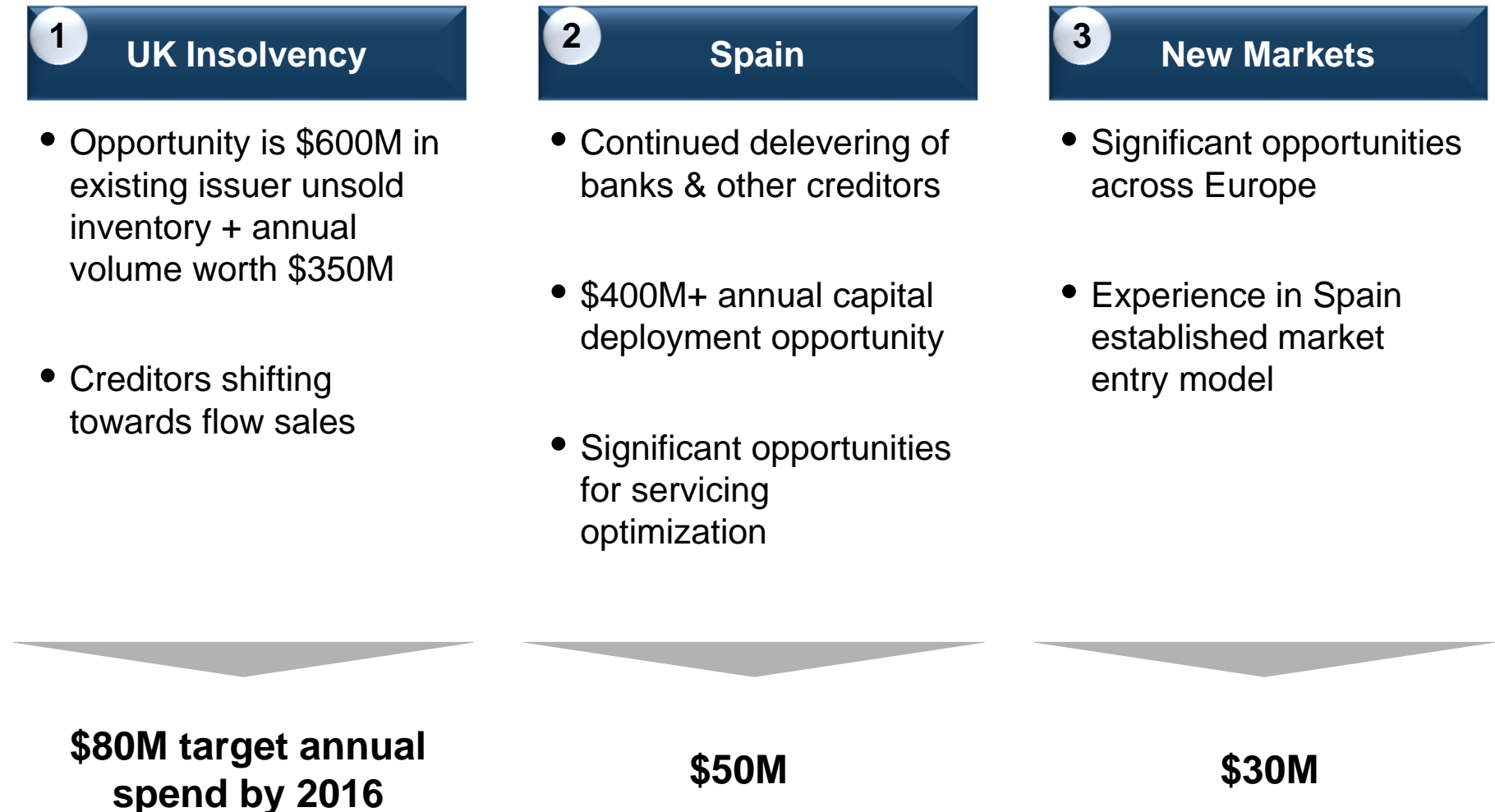
- Opportunity to further leverage Encore's Indian operations
- Sharing of best practices among Encore, Cabot, and Marlin

# GROVE IS A SPECIALIST DEBT PURCHASE MANAGEMENT PLATFORM



- Started in UK in 2010, entered Spain in 2013
- Structured as an investment manager purchasing through SPVs and servicing through servicing partners
- Current portfolio is largely UK insolvency and Spanish telecom assets
  - \$2.5B portfolio
  - 2 million accounts
  - \$170M capital deployed (90% in UK)
- Significant growth opportunities in both core and emerging asset classes leveraging core platform

# GROWTH OPPORTUNITIES ARE EXPECTED TO INCREASE ANNUAL SPEND FROM \$50M TO \$160M BY 2016



# REFINANCIA PROVIDES SOLUTIONS TO INDIVIDUALS WHO SEEK SPECIALIZED CREDIT ALTERNATIVES

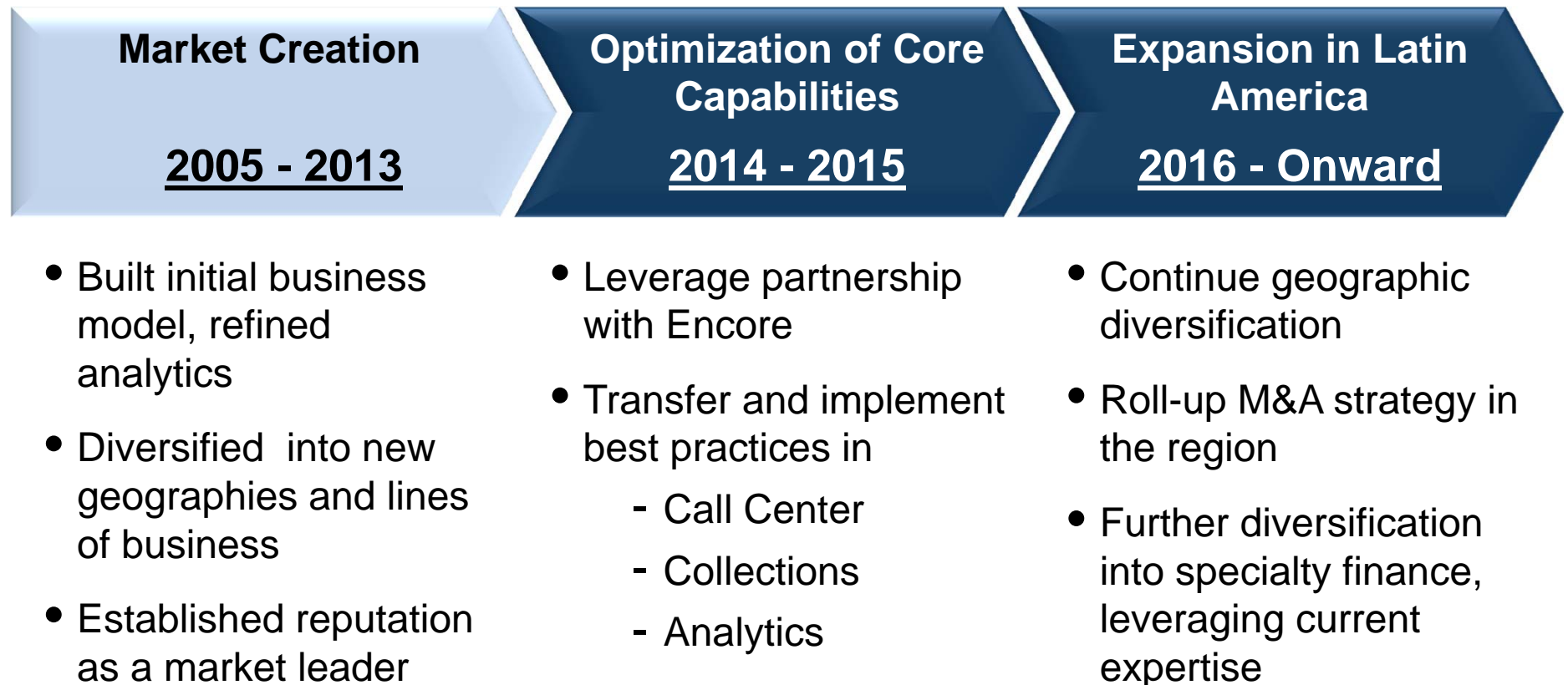


REFINANCIA



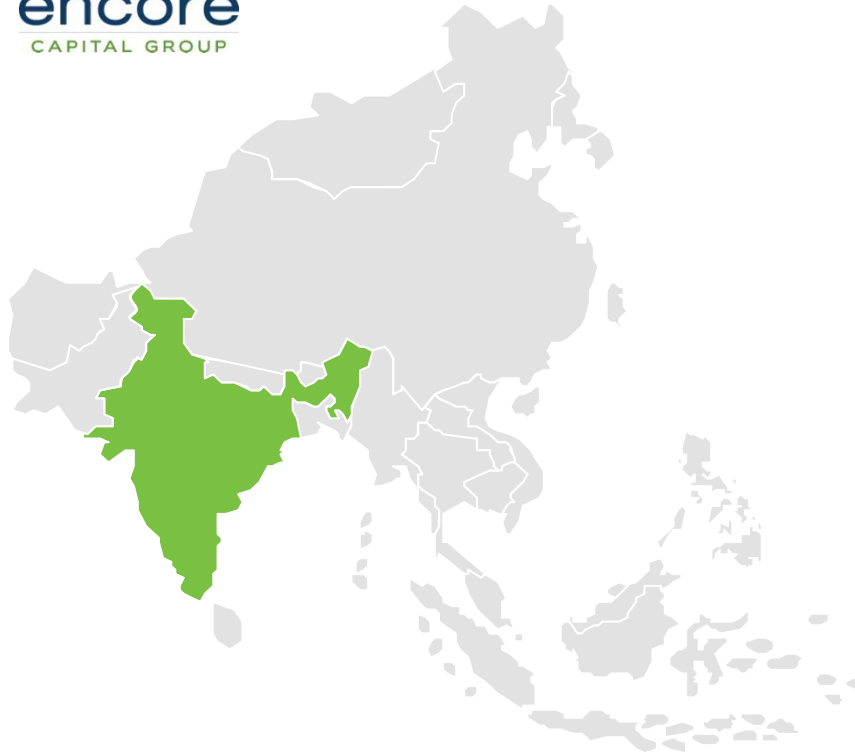
- Founded in 2005
- Purchases and services charged off bank portfolios
- Distributes and manages credit cards offered to Refinancia customers
- Distributes and manages guaranteed payment plans offered through consolidated merchant network
- \$200M deployed in NPL purchases to date
- 1.3 million consumers
- 900 employees

# THE PARTNERSHIP WITH ENCORE IS EXPECTED TO ACCELERATE REFINANCIA'S GROWTH

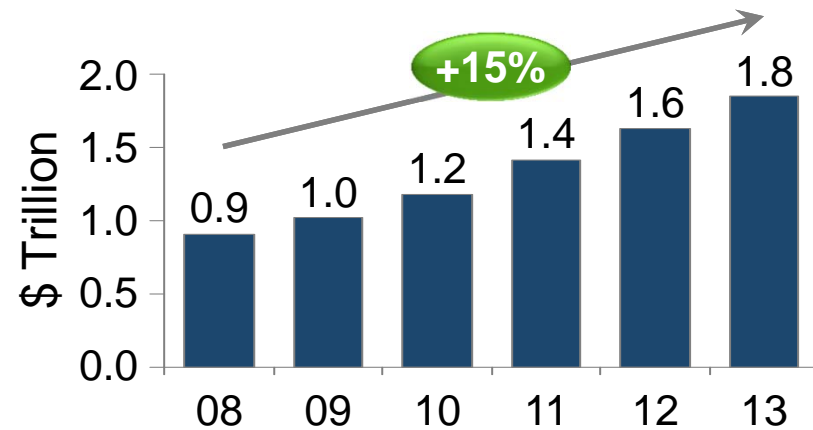




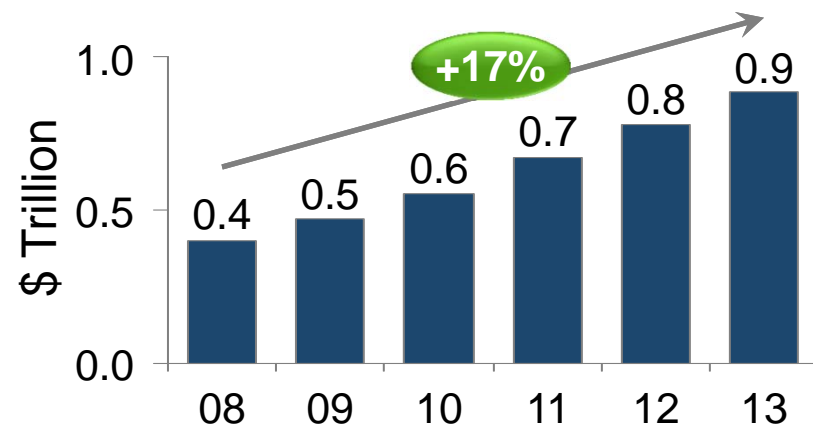
# THE INDIAN ECONOMY HAS STRONG GROWTH FUNDAMENTALS, ESPECIALLY IN THE FINANCIAL SECTOR



## GDP Growth



## Gross credit growth in India - Commercial banks

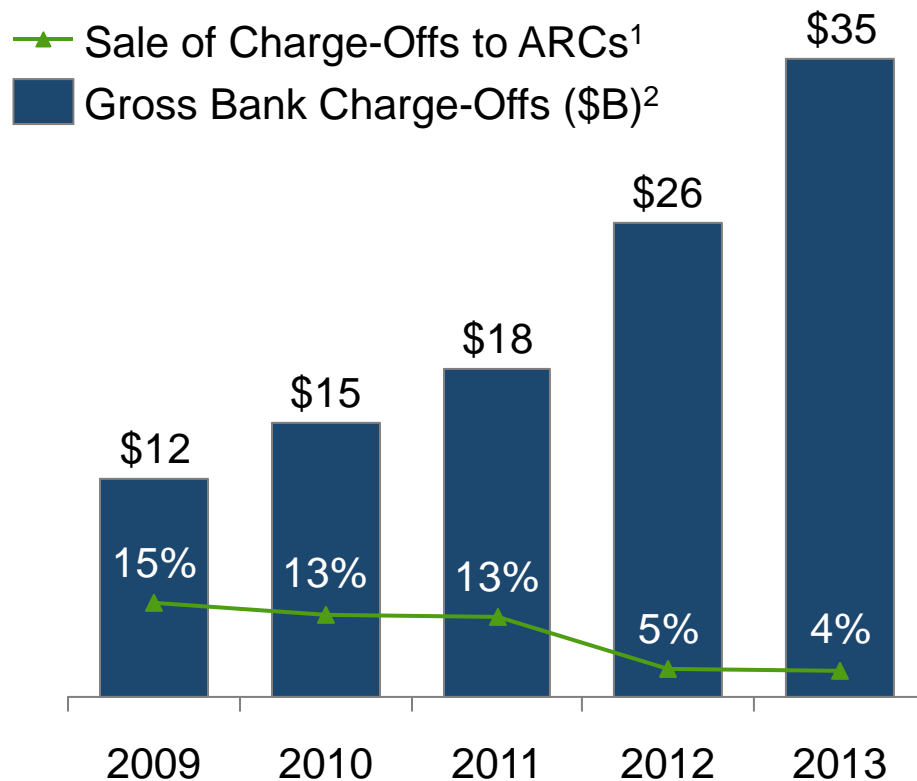


Note: Figures calculated using current exchange rates.  
Source: Planning commissions, RBI



# THERE IS A LARGE GAP BETWEEN SUPPLY AND DEMAND, THOUGH SEVERAL FACTORS ARE LIKELY TO INCREASE CHARGE-OFF SALES

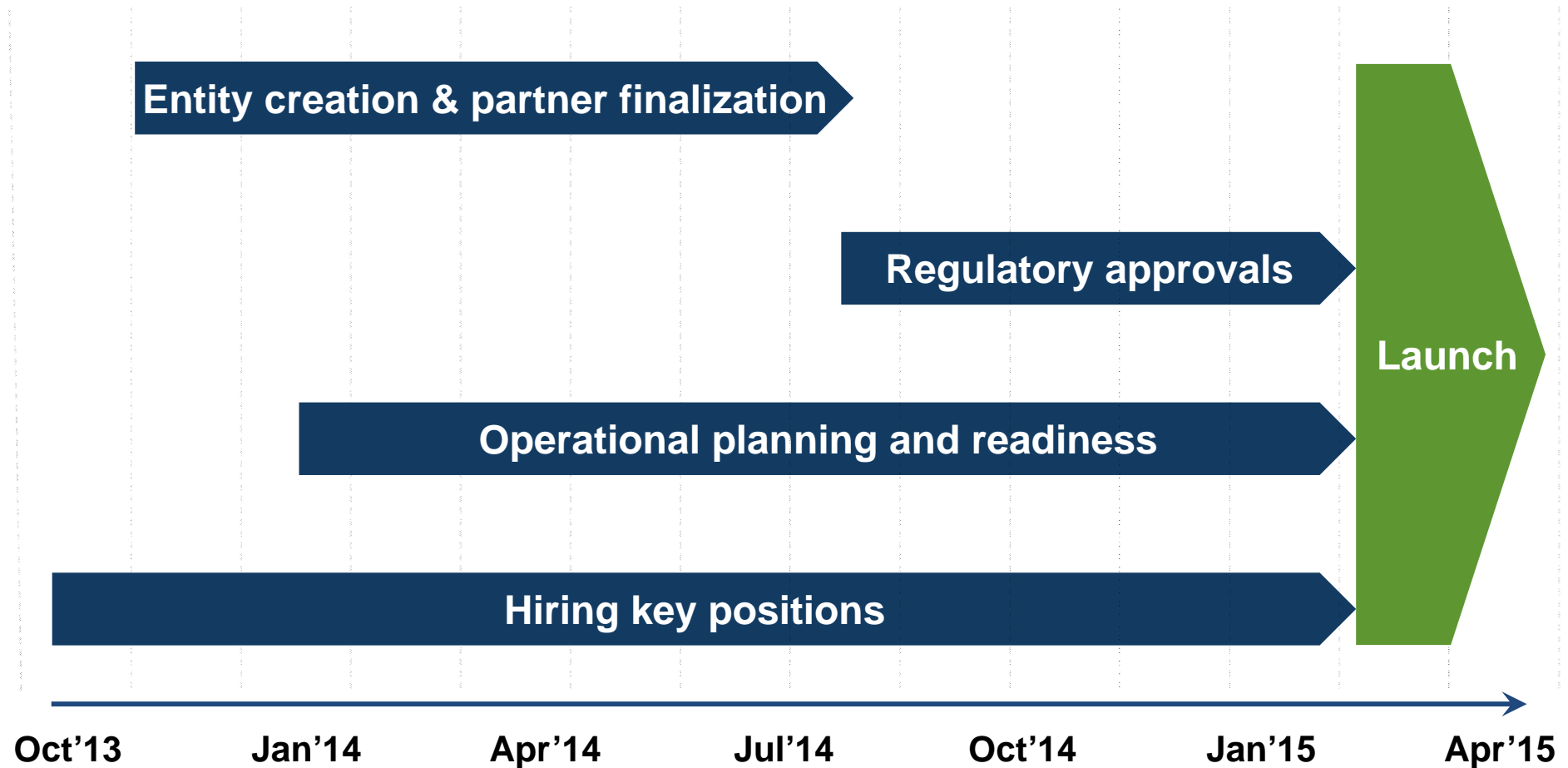
## Market supply and demand for bank charge-offs



- Most banks lack skill set for optimal resolution of charge-offs
- Favorable regulatory amendments (such as easier debt aggregation, revised norms of asset sale) are expected to continue
- Implementation of Basel III should drive banks to sell their charge-off portfolios

1. Asset Reconstruction Company 2. Gross charge-offs at the end of the year = Gross charge-offs at the beginning of the year + incremental charge-offs added during the year - resolution done by banks internally and sale of assets by them during the year

# WE ARE WORKING EXPEDITIOUSLY TO ACHIEVE OUR LAUNCH IN EARLY 2015



# ENCORE'S LONG-TERM PROSPECTS CONTINUE TO BE FAVORABLE

## Operating Results & Deployment

A culture of constant improvement drives improved results

## Liquidity & Capital Access

Strong liquidity and access to capital enhance our ability to take advantage of consolidating markets and new opportunities

## Solid Cash Flows

Additional asset classes and geographies continue to enhance ERC and collections

## Geographic & Asset Class Diversification

We are an international company in several asset classes, positioned for strong earnings growth going forward



## COMPANY UPDATE

---

September 2014

---

# APPENDIX

# RECONCILIATION OF ADJUSTED EBITDA

## Reconciliation of Adjusted EBITDA to GAAP Net Income (Unaudited, In Thousands) Three Months Ended

	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	9/30/09	12/31/09	3/31/10	6/30/10	9/30/10	12/31/10	3/31/11
GAAP net income, as reported	6,162	3,028	(2,095)	8,997	6,641	9,004	8,405	10,861	11,730	12,290	14,171	13,679
(Gain) loss from discontinued operations, net of tax	(89)	46	(483)	(457)	(365)	(410)	(901)	(687)	(684)	(315)	28	(397)
Interest expense	4,831	5,140	5,401	4,273	3,958	3,970	3,959	4,538	4,880	4,928	5,003	5,593
Provision for income taxes	4,161	2,429	(1,781)	5,670	3,936	5,676	4,078	6,080	6,356	6,474	9,057	8,349
Depreciation and amortization	482	396	391	410	402	443	516	522	591	650	789	904
Amount applied to principal on receivable portfolios	35,785	35,140	46,364	42,851	48,303	49,188	47,384	58,265	64,901	63,507	53,427	85,709
Stock-based compensation expense	1,288	860	382	1,080	994	1,261	1,049	1,761	1,446	1,549	1,254	1,765
<b>Adjusted EBITDA</b>	<b>52,560</b>	<b>47,039</b>	<b>48,179</b>	<b>62,824</b>	<b>63,869</b>	<b>69,132</b>	<b>64,490</b>	<b>81,340</b>	<b>89,220</b>	<b>89,083</b>	<b>83,729</b>	<b>115,602</b>

	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	9/30/12	12/31/12	3/31/13	6/30/13	9/30/13	12/31/13
GAAP net income, as reported	14,775	15,370	17,134	11,406	16,596	21,308	20,167	19,448	11,012	21,064	22,216
(Gain) loss from discontinued operations, net of tax	(9)	(60)	101	6,702	2,392	-	-	-	-	308	1,432
Interest expense	5,369	5,175	4,979	5,515	6,497	7,012	6,540	6,854	7,482	29,186	29,747
Provision for income taxes	9,475	9,834	10,418	11,660	12,846	13,887	13,361	12,571	7,267	10,272	15,278
Depreciation and amortization	958	1,054	1,165	1,240	1,420	1,533	1,647	1,846	2,158	4,523	5,020
Amount applied to principal on receivable portfolios	83,939	73,187	69,462	104,603	101,813	105,283	90,895	129,487	126,364	154,283	124,520
Stock-based compensation expense	1,810	2,405	1,729	2,266	2,539	1,905	2,084	3,001	2,179	3,983	3,486
Acquisition and integration related expense	-	-	-	489	3,774	-	-	1,276	16,033	7,752	4,260
<b>Adjusted EBITDA</b>	<b>116,317</b>	<b>106,965</b>	<b>104,988</b>	<b>143,881</b>	<b>147,877</b>	<b>150,928</b>	<b>134,694</b>	<b>174,483</b>	<b>172,495</b>	<b>231,371</b>	<b>205,959</b>

Note: The periods 6/30/08 through 12/31/08 have been adjusted to reflect the retrospective application of ASC 470-20. All periods have been adjusted to show discontinued ACG operations.

# RECONCILIATION OF ADJUSTED INCOME AND ADJUSTED/ECONOMIC EPS

## Reconciliation of Adjusted Income and Adjusted/Economic EPS to GAAP EPS (Unaudited, in thousands, except per share amounts), Full Year

	2013			2012		
	\$	Per Diluted Share – Accounting	Per Diluted Share – Economic <sup>1</sup>	\$	Per Diluted Share – Accounting	Per Diluted Share – Economic
<b>Net income from continuing operations attributable to Encore<sup>2</sup></b>	77,039	\$2.94	\$3.01	78,571	\$3.04	\$3.04
<b>Adjustments:</b>						
Net non-cash interest and issuance cost amortization, net of tax	3,274	\$0.12	\$0.13	191	\$0.01	\$0.01
Acquisition related legal and advisory fees, net of tax	12,981	\$0.50	\$0.51	2,567	\$0.10	\$0.10
Acquisition related integration and consulting fees, net of tax	3,304	\$0.13	\$0.13	-	-	-
Acquisition related other expenses, net of tax	2,198	\$0.08	\$0.08	-	-	-
<b>Adjusted income from continuing operations attributable to Encore</b>	<b>98,796</b>	<b>\$3.77</b>	<b>\$3.86</b>	<b>\$81,329</b>	<b>\$3.15</b>	<b>\$3.15</b>

1. Excludes approximately 595,000 shares issuable upon the conversion of the company's convertible senior notes due 2017 that are included for accounting purposes but will not be issued due to certain hedge and warrant transactions 2. Excludes net loss attributable to non-controlling interest of \$1,559 in 2013



# RECONCILIATION OF ADJUSTED OPERATING EXPENSES

## Reconciliation of Adjusted Operating Expenses to GAAP Operating Expenses (Unaudited, In \$ Thousands)

	2009	2010	2011	2012	2013	H1 2014
GAAP total operating expenses, as reported	249,782	269,952	328,566	401,696	575,005	376,161
Adjustments:						
Ascension Operating Costs	(13,218)	-	-	-	-	-
Stock-based compensation expense	(4,384)	(6,010)	(7,709)	(8,794)	(12,649)	(9,551)
Operating expense related to other operating segments	-	-	(986)	(9,291)	(36,511)	(46,241)
Acquisition and integration related expenses	-	-	-	(4,263)	(25,691)	(15,726)
<b>Adjusted Operating Expenses</b>	<b>232,180</b>	<b>263,942</b>	<b>319,871</b>	<b>379,348</b>	<b>500,154</b>	<b>304,643</b>