Slide #	Commentary
	Bruce Thomas
1	Thank you, Operator. Good afternoon and welcome to Encore Capital Group's second quarter 2019 earnings call. With me on the call today are Ashish Masih, our President and Chief Executive Officer, Jonathan Clark, Executive Vice President and Chief Financial Officer, and by phone Ken Stannard, the CEO of Cabot Credit Management. Ashish and Jon will make prepared remarks today, and then we will be happy to take your questions.
2 Safe Harbor	Before we begin, we have a few housekeeping items. Unless otherwise noted, comparisons made on this conference call will be between the second quarter of 2019 and the second quarter of 2018. In addition, today's discussion will include forward-looking statements subject to risks and uncertainties. Actual results could differ materially from these forward-looking statements. Please refer to our SEC filings for a detailed discussion of potential risks and uncertainties. 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 earnings presentation, which was filed on Form 8-K earlier today. As a reminder, this conference call will also be made available for replay on the Investors section of our website, where we will also post our prepared remarks following the conclusion of this call. With that, let me turn the call over to Ashish Masih, our President and Chief Executive Officer.

	Ashish Masih
3 Introduction & Q2 Highlights	Thanks, Bruce, and good afternoon everyone. Thank you for joining our earnings call. Today Encore announced financial results for the second quarter of 2019. I am pleased to report that our business continues its strong performance and we have again achieved record results across a number of key financial measures. Additionally, we took important steps in the second quarter to extend our debt maturities in Europe, which also improved our financial flexibility. We will address these topics in more detail later in the call. Regarding our financial performance in the second quarter, global collections from our debt purchasing business were $515 million dollars, the most we have ever collected in a single quarter. Global revenues were $347 million dollars in Q2. Within that total, U.S. revenues grew 11% to a record $199 million dollars. By the end of the quarter, our worldwide ERC had grown to a record $7.4 billion dollars. In the second quarter, our strong financial performance was somewhat offset by the costs associated with our refinancing efforts in Europe. Despite these expenses, which impacted both our GAAP and adjusted results, Encore earned GAAP net income of $37 million dollars, or $1.17 per share. This compares to $26 million dollars, or $1.00 per share in the same quarter last year. Adjusted income in Q2 was $40 million dollars or $1.28 per share, compared to $35 million dollars, or $1.33 per share in the second quarter a year ago.

4 Strong Cash Generation	We generate significant amounts of cash as we collect on the portfolios we own. Accordingly, our second quarter performance reflects continued strong cash generation in our business. We believe adjusted EBITDA - when combined with collections applied to principal balance - is an important measure of the return of capital to the business. Over time, our strong cash generation has enabled us to grow our business by purchasing portfolios, expanding our collections capacity, and investing in innovation. Currently, our increased level of adjusted EBITDA is providing additional capital for us to purchase portfolios at strong returns, and to reduce leverage. The ratio of adjusted EBITDA plus collections applied to principal balance divided by our total debt improved to 2.8 times at June 30, from 2.9 times at the end of Q1 and from 3.1 times at the end of Q2 last year.
5 TTM Operating Margin	We have been working for some time on initiatives throughout our global business designed to leverage our analytical strength to drive improved efficiency and to reduce costs. At the same time, we've been purchasing portfolios at strong returns, thanks to an attractive purchasing environment and continued improvements in our collections operation. Importantly, we're now at a point in time that we have been looking forward to for several years. The majority of our collections are now derived from portfolios with higher returns, particularly those we've purchased after the US market turned considerably more favorable. Our success in performance and deployments is reflected in our improving operating margin, which we present on a trailing twelve-month basis.

6 Key NPL Supply Drivers	This strong level of performance is made possible – in part – by selecting the best markets in which to operate. As you may recall, we have been increasing our emphasis on the U.S. and the U.K., which we believe are the two most important markets in our industry. We have established MCM and Cabot as leading operating platforms in these two markets, which we believe are in the early stages of significant growth in the supply of non-performing loans due to a number of key factors: • First, and possibly most important, consumers in both markets have accumulated record levels of indebtedness. We will explore this point in more detail in a moment. • Second, the large banks have reduced the number of qualified debt buyers and servicers with whom they conduct business. In the U.S. market, fresh paper comprises the vast majority of debt sales, which means more debt portfolios have become available to purchase sooner after charge-off. Additionally, in the longer term, we expect those issuers who left the market several years ago to eventually return to selling their charged-off receivables. We expect growth in NPL supply in the U.K. market to be driven by a few other catalysts as well: • First, the European Central Bank has established tougher rules for banks to reduce their NPL balances, with a prudential backstop requiring banks to fully write down unsecured NPLs after three years. • Second, banks are looking to outsource their credit management needs to improve performance, creating debt purchasing opportunities as well as BPO and contingency collections opportunities for Cabot. • Third, IFRS9 – which went into effect at the beginning of 2018 – calls for accelerated recognition of impairment losses. The European Banking Authority estimates that this point alone has led to a 9% increase in loan loss provisions.

7 Significant Supply Growth Likely	Taken together, these growth drivers paint an attractive picture of future opportunities for our business. In particular, we believe the most compelling driver is one we have been highlighting since early 2019 and it appears to be similarly present in both the U.S. and U.K. markets. Consumer indebtedness has reached all-time high levels in both markets. In the U.S., the Federal Reserve's most recent report indicated that revolving credit outstanding, which is comprised largely of credit cards, continues to grow, reaching another all-time high of over one trillion dollars in May 2019. Similarly, according to the Bank of England's most recent published data, total unsecured lending in the U.K. has risen to record levels, exceeding £200 billion pounds excluding student loans. Even though the charge-off rates remain near record low levels in both markets, the unprecedented levels of indebtedness in the U.S. and U.K. are expected to drive strong supply of charge-offs in these key markets. Against a backdrop of stable and favorable pricing, the debt purchasing market in the U.S. continues to provide us with opportunities to deploy capital at attractive returns. In the U.K., we are seeing the first signs of improved pricing conditions in the market as each competitor aims to reduce their respective debt leverage by being more selective in their purchasing efforts. Looking forward, issuers in the U.S. continue to indicate that they expect loan losses to increase in coming quarters. As a result of this and the other factors we've outlined today, we believe that an even better market for buying portfolios is yet to come in the U.S. and the U.K. Based on previous credit cycles, we expect this will lead to a further rise in purchase price multiples and even more attractive purchasing opportunities for Encore.

8 Encore's U.S. Business (MCM)	Let's now turn to second quarter performance for MCM, our U.S. business. We deployed $180 million dollars in the U.S. in the second quarter, consisting primarily of fresh paper, which was one of our strongest purchasing quarters ever in the U.S. MCM collections were a record $333 million dollars, growing 7% compared to the second quarter of 2018 and were stronger than we expected. Our consumer-centric approach to collections and improved productivity continue to drive a higher proportion of call center and digital collections. As a result, our MCM call center and digital collections were up 12% in the second quarter compared to the same period a year ago. And as I mentioned earlier, initiatives to reduce costs and improve efficiency are having a meaningful impact on our MCM business and have helped to improve our operating leverage and reduce our cost-to-collect.
9 Encore's European Business	Turning now to Europe, our portfolio purchases in Q2 totaled $57 million dollars, and were at returns that are 200 basis points higher than last year. Collections in the second quarter from our European debt purchasing business grew 7% in constant currency, compared to the same period a year ago. Our European ERC of $3.7 billion dollars was up 6% in constant currency compared to the end of the second quarter last year. When comparing the performance of our European business in Q2 this year to the same period last year, it's helpful to keep in mind that our European results in Q2 a year ago included $14.5 million dollars of allowance reversals.

9 Encore's European Business (continued)	Cabot's debt leverage continues to improve as we maintain our focus on being more selective in our portfolio purchases. This reduction in debt leverage is also the result of improved operating performance, which includes higher collections and a lower cost to collect. Finally, through our market leadership in customer treatment, we believe that we are well-positioned to benefit from the FCA's current areas of focus in the ongoing evolution of regulation in the U.K. With that, I'd like to hand the call over to Jon for a more detailed review of our financial results…

	Jonathan Clark
10 Detailed Financial Discussion	Thank you, Ashish. As Ashish mentioned in his opening remarks - and as a reminder until it becomes second nature to investors - we will refer to our U.S. business by its brand name, Midland Credit Management, or more simply MCM.
11 Q2 Deployments	Global deployments totaled $243 million dollars in the second quarter, compared to $360 million dollars in the second quarter of 2018. MCM deployed a total of $180 million dollars in the U.S. during Q2, almost all of which represented fresh portfolios of charged-off credit card paper. This compares to $203 million dollars of U.S. deployments in Q2 of 2018. Notably, Q2 of 2019 and Q2 of 2018 were our two largest quarters of purchasing directly from issuers in the history of our MCM business. European deployments totaled $57 million dollars during the second quarter, compared to an unusually high $147 million dollars in the same quarter a year ago. In addition, European deployments decreased due to a more selective purchasing process related to our plan to reduce Cabot’s leverage over time.

12 Q2 Collections	Global collections were $515 million dollars in the second quarter, growing 4% when compared to $496 million dollars a year ago, and growing 6% in constant currency terms. MCM collections from our debt purchasing business in the U.S. grew 7% in Q2, to a record $333 million dollars. Call center and digital collections for MCM were up 12% compared to Q2 of last year, due to the benefits of our consumer-centric collections approach and improved productivity. Collections in Europe in the second quarter were also up 7% in constant currency terms when compared to the same period last year.
13 Q2 Revenues	Global revenues, adjusted by net allowances, were $347 million dollars in the second quarter, down less than 1% compared to $350 million dollars in Q2 of 2018, but were up 2% in constant currency terms. In the U.S., MCM revenues, adjusted by net allowances, were a record $199 million dollars in the second quarter, up 11% compared to the same quarter a year ago. In Europe, Q2 revenues, adjusted by net allowances, were $131 million dollars and were down 4% in constant currency terms, primarily as a result of approximately $14.5 million dollars of allowance reversals recorded in the second quarter a year ago.
14 ERC	Our ERC was $7.4 billion dollars at the end of June, up $134 million dollars compared to the end of June 2018, and up 4% in constant currency terms. Notably, we have grown ERC over the past year while keeping our total consolidated debt level flat.

15 Cabot Refinancing	During the quarter, we successfully replaced Cabot's senior secured notes due in 2021, with a new €400 million euro bond due in 2024. This offering has extended our maturity profile and increased our financial flexibility.
16 Q2 EPS Walk	In the second quarter, we recorded GAAP earnings of $1.17 per share. After applying the adjustments and income tax effect, our adjusted EPS was $1.28 per fully diluted share, and our non-GAAP Economic EPS was also $1.28. Two items deserve mentioning with regard to our earnings in the second quarter. • First, the refinancing I mentioned a moment ago drove a $9 million-dollar pre-tax charge, which resulted in a $0.23 per share headwind included in both our GAAP and Economic EPS totals. • Second, due to the changing political and economic conditions in Mexico, we have transferred our Mexico mortgage portfolios from accrual basis to cost recovery as the timing of future collections cannot currently be reasonably estimated. These portfolios would have generated approximately $5.6 million dollars of revenue had they not been transferred to cost recovery. As a result, the impact in the quarter was $0.13 per share to both our GAAP and Economic EPS totals. There will be an ongoing earnings impact from the transfer of the Mexico portfolios to cost recovery, but we expect the rest of Encore's business will be able to earn through this headwind due to improving operational performance. With that, I'd like to turn it back over to Ashish.

	Ashish Masih
17 Summary & Outlook	Thank you, Jon. In summary, I am very pleased with Encore's operational and financial performance in the second quarter and I continue to be excited about our prospects. First, we reported record results in the second quarter as global cash collections and ERC reached new all-time highs. In the U.S., we reported record revenues and collections for MCM in the second quarter, and call center and digital collections were up 12% compared to Q2 a year ago. Secondly, our improved operating margin is a strong indicator of our continued focus on improving the performance of our platforms in the U.S. and Europe, and the strong returns associated with allocating capital in a more refined set of geographies representing our most attractive markets. Third, both MCM and Cabot have leading platforms in their core markets in the U.S. and the U.K., which positions us well to capitalize on the increases in supply that we expect in these two large, robust markets. Fourth and finally, looking ahead, consumer indebtedness in both the U.S. and the U.K. has reached record levels, a strong indication of future increases in charge-offs and supply in our two most important markets. As a result, the U.S. market remains large and favorable while credit issuers in the U.K. and Europe are looking to increasingly sell defaulted portfolios or outsource their servicing.

18 Q&A Session	Now we'd be happy to answer any questions that you may have. Operator, please open up the lines for questions.
	That concludes the call for today. Thanks for taking the time to join us and we look forward to providing our third quarter 2019 results in November.