

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): July 24, 2018

ENCORE CAPITAL GROUP, INC.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

000-26489
(Commission
File Number)

48-1090909
(IRS Employer
Identification No.)

3111 Camino Del Rio North, Suite 103, San Diego, California
(Address of Principal Executive Offices)

92108
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

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

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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On July 24, 2018, Encore Capital Group, Inc. (“Encore”) completed the acquisitions contemplated by (i) that certain Securities Purchase Agreement dated May 7, 2018 (the “JCF SPA”) with JCF III Europe Holdings LP, JCF III Europe S.à r.l. (JCF III Europe Holdings LP and JCF III Europe S.à r.l. collectively referred to as “JCF Sellers”), Janus Holdings Luxembourg S.à r.l. (“JHL”), and the other parties named therein, pursuant to which Encore indirectly acquired from the JCF Sellers all of the equity interests owned by the JCF Sellers in JHL and Cabot Holdings S.à r.l. Luxembourg (“Cabot Holdings”), resulting in JHL becoming a wholly owned subsidiary of Encore, and (ii) that certain Securities Purchase Agreement dated May 7, 2018 (the “Management SPA” and, together with the JCF SPA, the “Purchase Agreements”) with certain management shareholders of Cabot Holdings (together with all other management holders that signed a joinder to the Management SPA, the “Management Sellers”), pursuant to which Encore indirectly acquired from the Management Sellers all of the equity interests in Cabot Holdings owned by the Management Sellers, resulting in Cabot Holdings becoming a wholly owned subsidiary of Encore.

The aggregate purchase price for the acquisition of the outstanding equity interests in JHL and Cabot Holdings not already owned by Encore was comprised of £178.5 million and 4,906,482 shares of Encore’s common stock, par value \$0.01 per share (“Common Stock”).

Item 3.02. Unregistered Sales of Equity Securities.

The information set forth under Item 2.01 of this Current Report on Form 8-K is incorporated herein by reference.

In connection with the closing of the Purchase Agreements, on July 24, 2018, Encore issued an aggregate of 4,906,482 shares of Common Stock to the JCF Sellers and the Management Sellers. The shares of Common Stock were offered and sold by Encore pursuant to an exemption from the registration requirements of the Securities Act of 1933, as amended, provided by Section 4(a)(2) thereunder and Regulation S thereunder, as applicable. Encore relied on these exemptions from registration based in part on representations made by the JCF Sellers and the Management Sellers in the Purchase Agreements.

Item 8.01. Other Events.

On July 24, 2018, Encore issued a press release announcing the completion of the acquisitions contemplated by the Purchase Agreements. The press release is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(b) Pro Forma Financial Information

The unaudited pro forma condensed consolidated financial information required by Item 9.01(b) of Form 8-K is included as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference.

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated July 24, 2018
99.2	Unaudited Pro Forma Condensed Consolidated Financial Information



SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ENCORE CAPITAL GROUP, INC.

Date: July 30, 2018

/s/ Jonathan C. Clark

Jonathan C. Clark

Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated July 24, 2018
99.2	Unaudited Pro Forma Condensed Consolidated Financial Information



Encore Capital Group Completes Acquisition of Remaining Interest in Cabot Credit Management

- Accretive to earnings in 2018 and beyond -

- Earnings growth per share expected to accelerate to at least 20 percent in 2018 -

SAN DIEGO - July 24, 2018 - Encore Capital Group, Inc. (Nasdaq: ECPG) today announced that it has completed its acquisition of the remaining interest in Cabot Credit Management (Cabot), one of the largest credit management services providers in Europe and the market leader in the United Kingdom and Ireland. Cabot is now a wholly owned subsidiary of Encore. The transaction is expected to be accretive to Encore earnings in 2018 and beyond, and Encore's earnings per share growth is expected to accelerate to at least 20 percent in 2018.

"The completion of the acquisition of Cabot is a transformational event for Encore that solidifies our global leadership position in our sector, and represents a natural continuation of the path we embarked on when we first acquired a stake in Cabot in 2013," said Ashish Masih, President and CEO of Encore. "Cabot has successfully grown and expanded over the course of the past five years, and we view it as the best platform to take advantage of the significant, attractive opportunities to deploy capital in Europe."

The Cabot transaction is part of Encore's ongoing diversification strategy. While the U.S. market is currently strong, these investments in other geographies are expected to reduce the volatility in Encore's overall business over time. The company's European business, led by Cabot, has developed several recovery product specialties, including those related to credit cards, loans, mortgages, REO, SME debt, telco, utilities debt, auto and IVAs, as well as servicing and BPO capabilities.

"Since Encore's initial investment in Cabot, we've been able to significantly increase our scale, improve our operational capabilities and achieve meaningful efficiency gains," said Ken Stannard, Chief Executive Officer of Cabot. "This transaction is great news for Cabot employees, clients and customers alike, as it strengthens our ability to achieve our growth goals with a partner who deeply understands our business and shares our commitment to treating people fairly and respectfully."

The initial agreement was [announced](#) on May 8, 2018.

About Encore Capital Group

Encore Capital Group, Inc. is an international specialty finance company that provides debt recovery solutions and other related services for consumers across a broad range of financial assets. Through its subsidiaries around the globe, Encore purchases portfolios of consumer receivables from major banks, credit unions, and utility providers. Encore partners with individuals as they repay their debt obligations, helping them on the road to financial recovery and ultimately improving their economic well-being. Encore is the first and only company of its kind to operate with a [Consumer Bill of Rights](#) that provides industry-leading commitments to consumers.

Headquartered in San Diego, Encore is a publicly traded NASDAQ Global Select company (ticker symbol: ECPG) and a component stock of the Russell 2000, the S&P Small Cap 600 and the Wilshire 4500. More information about the company can be found at <http://www.encorecapital.com>. Information found on the company's or its subsidiaries' websites are not incorporated by reference.

About Cabot

Cabot Credit Management (www.cabotcm.com) is one of the largest credit management services providers in Europe and the market leader in the U.K. and Ireland, based on expected future gross cash collections. Cabot provides a range of credit management services across a broad client base that includes some of the largest credit providers in Europe. These services include debt servicing offerings such as early stage collections, business process outsourcing, contingent collections, trace services and litigation activities. Cabot has credit management experience across a range of both credit providers (including consumer finance, telecommunications companies, retailers, utilities companies and government agencies) and asset classes (including secured consumer debt, small and medium-sized enterprise debt, and high-value accounts).

With 20 years of debt purchase and debt servicing experience, Cabot was one of the first companies to engage in the credit management services market in the United Kingdom. In March 2016, Cabot became the first large credit management service company in the United Kingdom to be authorized by the FCA, and in May 2017, Cabot became the first credit management service company in Ireland to be authorized by the Central Bank of Ireland.

Customer service and regulatory compliance are at the heart of Cabot's business, and Cabot seeks to treat its customers fairly and offer affordable payment solutions, often through long-term payment plans. Cabot has customer satisfaction scores in excess of many leading high street banks. Cabot has won numerous industry accolades, including a 2017 U.K. Customer Satisfaction Award from the Institute of Customer Service, the CCR Credit Excellence Awards 2016 for Compliance and the Credit Today Award 2016 for Treating Customers Fairly.

Forward Looking Statements

The statements in this press release 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, performance, business plans or prospects. 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 the most recent reports on Forms 10-K and 10-Q, as they may be amended from time to time. The Company disclaims any intent or obligation to update these forward-looking statements.

Contacts:

Encore Investor Relations
Bruce Thomas
(858) 309-6442
bruce.thomas@encorecapital.com

Encore Media Relations
Katie Lilley
(202) 253-5026

katielilley@hillenby.com

Cabot Credit Management Investor Relations

Craig Buick

Tomas Hernanz

+44 (0) 1753 724 434

investorrelations@cabotcm.com

Unaudited Pro Forma Financial Information

The following unaudited pro forma condensed consolidated financial information is presented to illustrate the estimated effects of (i) the issuance of \$172.5 million aggregate principal amount of the 4.5% exchangeable notes due 2023, (ii) borrowing under Encore's Revolving Credit Facility in connection with the Transaction (defined below), and (iii) the acquisition of all of the outstanding equity interests of Cabot not previously held by Encore (the "Transaction" and collectively, the "Pro Forma Transactions").

The unaudited pro forma condensed consolidated financial information presented below was prepared based on the audited consolidated financial statements of Encore as of and for the year ended December 31, 2017, and the unaudited condensed consolidated interim financial statements of Encore as of and for the three months ended March 31, 2018. The unaudited pro forma condensed consolidated financial information reflects a number of adjustments made to the financial information of Encore. The basis for the adjustments reflected in the unaudited pro forma condensed consolidated financial information and the key assumptions made are explained in the notes to the information accompanying the tables.

The consummation of the Transaction resulted in Encore acquiring all of the outstanding equity interests of Cabot not previously owned by Encore. Because the acquisition of the noncontrolling interest is significant to Encore under Regulation S-X, Encore is required to provide this pro forma information upon the acquisition of the noncontrolling interest.

The unaudited pro forma condensed consolidated statement of financial condition as of March 31, 2018 gives effect to the Pro Forma Transactions as if they had occurred on March 31, 2018. The unaudited pro forma condensed consolidated statement of operations for the three months ended March 31, 2018 and the year ended December 31, 2017 give effect to the Pro Forma Transactions as if they had occurred on January 1, 2017. The unaudited pro forma condensed consolidated financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations would have been had the Pro Forma Transactions occurred on the dates assumed, nor is it necessarily indicative of future consolidated results of operations or financial position.

ENCORE CAPITAL GROUP, INC.

Unaudited Pro Forma Condensed Consolidated Statement of Financial Condition as of March 31, 2018

(In Thousands, Except Par Value Amounts)

	As Reported	Pro Forma Adjustments	Notes	Pro Forma Financial Statement
Assets				
Cash and cash equivalents	\$ 217,138	\$ —		\$ 217,138
Investment in receivable portfolios, net	3,024,141	—		3,024,141
Deferred court costs, net	85,887	—		85,887
Property and equipment, net	81,008	—		81,008
Other assets	276,966	17,785	(a)	294,751
Goodwill	957,120	—		957,120
Total assets	<u>\$ 4,642,260</u>	<u>\$ 17,785</u>		<u>\$ 4,660,045</u>
Liabilities and Equity				
Liabilities:				
Accounts payable and accrued liabilities	\$ 244,948	\$ —		\$ 244,948
Debt, net	3,607,101	1,292	(b)	3,608,393
Other liabilities	33,187	—		33,187
Total liabilities	<u>3,885,236</u>	<u>1,292</u>		<u>3,886,528</u>
Redeemable noncontrolling interest	155,249	(145,548)	(c)	9,701
Equity:				
Common stock, \$.01 par value, 50,000 shares authorized, 25,912 shares issued and outstanding, actual, 30,818 shares issued and outstanding, adjusted	259	49	(d)	308
Additional paid-in capital	45,906	162,860	(e)	208,766
Accumulated earnings	626,130	(10,690)	(f)	615,440
Accumulated other comprehensive loss	(61,463)	—		(61,463)
Total Encore Capital Group, Inc. stockholders' equity	<u>610,832</u>	<u>152,219</u>		<u>763,051</u>
Noncontrolling interest	(9,057)	9,822	(c)	765
Total equity	<u>601,775</u>	<u>162,041</u>		<u>763,816</u>
Total liabilities, redeemable equity and equity	<u>\$ 4,642,260</u>	<u>\$ 17,785</u>		<u>\$ 4,660,045</u>

See accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

ENCORE CAPITAL GROUP, INC.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For The Three Months Ended March 31, 2018
(In Thousands, Except Per Share Amounts)

	As Reported	Pro Forma Adjustments	Notes	Pro Forma Financial Statement
Revenues				
Revenue from receivable portfolios	\$ 281,009	\$ —		\$ 281,009
Other revenues	35,968	—		35,968
Total revenues	316,977	—		316,977
Allowance reversals on receivable portfolios, net	9,811	—		9,811
Total revenues, adjusted by net allowances	326,788	—		326,788
Operating expenses				
Salaries and employee benefits	89,259	—		89,259
Cost of legal collections	53,855	—		53,855
Other operating expenses	33,748	—		33,748
Collection agency commissions	11,754	—		11,754
General and administrative expenses	39,284	—		39,284
Depreciation and amortization	10,436	—		10,436
Total operating expenses	238,336	—		238,336
Income from operations	88,452	—		88,452
Other (expense) income				
Interest expense	(57,462)	3,706	(g)	(53,756)
Other income	2,193	—		2,193
Total other expense	(55,269)	3,706		(51,563)
Income before income taxes	33,183	3,706		36,889
(Provision) benefit for income taxes	(9,470)	835	(h)	(8,635)
Net income	23,713	4,541		28,254
Net (income) loss attributable to noncontrolling interest	(1,886)	1,909	(i)	23
Net income attributable to Encore Capital Group, Inc. stockholders	\$ 21,827	\$ 6,450		\$ 28,277
Earnings per share attributable to Encore Capital Group, Inc.:				
Basic earnings per share	\$ 0.84			\$ 0.91
Diluted earnings per share	\$ 0.83			\$ 0.90
Weighted average shares outstanding:				
Basic	26,056	4,906		30,962
Diluted	26,416	4,906		31,322

See accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

ENCORE CAPITAL GROUP, INC.
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For The Year Ended December 31, 2017
(In Thousands, Except Per Share Amounts)

	As Reported	Pro Forma Adjustments	Notes	Pro Forma Financial Statement
Revenues				
Revenue from receivable portfolios	\$ 1,053,373	\$ —		\$ 1,053,373
Other revenues	92,429	—		92,429
Total revenues	1,145,802	—		1,145,802
Allowance reversals on receivable portfolios, net	41,236	—		41,236
Total revenues, adjusted by net allowances	1,187,038	—		1,187,038
Operating expenses				
Salaries and employee benefits	315,742	—		315,742
Cost of legal collections	200,058	—		200,058
Other operating expenses	104,938	—		104,938
Collection agency commissions	43,703	—		43,703
General and administrative expenses	158,080	—		158,080
Depreciation and amortization	39,977	—		39,977
Total operating expenses	862,498	—		862,498
Income from operations	324,540	—		324,540
Other (expense) income				
Interest expense	(204,161)	10,417	(g)	(193,744)
Other income	10,847	—		10,847
Total other expense	(193,314)	10,417		(182,897)
Income from continuing operations before income taxes	131,226	10,417		141,643
(Provision) benefit for income taxes	(52,049)	3,755	(h)	(48,294)
Income from continuing operations	79,177	14,172		93,349
Loss from discontinued operations, net of tax	(199)	—		(199)
Net income	78,978	14,172		93,150
Net loss attributable to noncontrolling interest	4,250	1,923	(i)	6,173
Net income attributable to Encore Capital Group, Inc. stockholders	\$ 83,228	\$ 16,095		\$ 99,323
Amounts attributable to Encore Capital Group, Inc.:				
Income from continuing operations	\$ 83,427	\$ 16,095		\$ 99,522
Loss from discontinued operations, net of tax	(199)	—		(199)
Net income	\$ 83,228	\$ 16,095		\$ 99,323
Earnings per share attributable to Encore Capital Group, Inc.:				
Basic earnings (loss) per share from:				
Continuing operations	\$ 3.21			\$ 3.22
Discontinued operations	\$ (0.01)			\$ —
Net basic earnings per share	\$ 3.20			\$ 3.22
Diluted earnings (loss) per share from:				
Diluted income from continuing operations per share	\$ 3.16			\$ 3.18
Discontinued operations	\$ (0.01)			\$ (0.01)
Net diluted earnings per share	\$ 3.15			\$ 3.17
Weighted average shares outstanding:				
Basic	25,972	4,906		30,878
Diluted	26,405	4,906		31,311

See accompanying notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements

1. Basis of Presentation

The Unaudited Pro Forma Condensed Consolidated Financial Information (the “Pro Forma Financial Information”) has been prepared to reflect the following transactions:

- (i) the issuance of \$172.5 million aggregate principal amount of the 4.5% exchangeable notes due 2023 (the “2023 Notes”) and the net proceeds therefrom;
- (ii) borrowing under Encore’s Revolving Credit Facility in connection with the Transaction; and
- (iii) the Transaction.

2. Pro Forma Adjustments

Adjustments to the pro forma condensed consolidated statement of financial condition

(a) This adjustment represents the cost of capped call transactions we entered into in connection with the issuance of the 2023 Notes. Because the 2023 Notes are initially exchangeable solely into cash, under applicable accounting principles, the capped call option associated with the 2023 Notes does not qualify for equity recognition and is required to be recorded as a derivative asset on our consolidated financial statement. The change in fair value of the derivative asset will be recorded in earnings in each reporting period. However, subsequent to the “share reservation date,” which is on or about the end of the third calendar quarter of 2018, the capped call option will qualify as a freestanding equity instrument and will be reclassified to equity with no subsequent remeasurement. The change in fair value of the derivative through the date of reclassification is recorded in our consolidated statements of operations. We currently expect the amount of these gains and losses of the capped call option to be partially offset by losses and gains, respectively, corresponding to changes in the fair value of the exchange feature of the 2023 Notes that are initially recorded as a derivative liability, and are subject to similar derivative accounting.

(b) This adjustment reflects the extinguishment of approximately \$271.3 million of the remaining outstanding preferred equity certificates (“PECs”) not previously held by Encore as a result of the Transaction and the capitalization of \$4.7 million of loan costs of the 2023 Notes, offset by the borrowing of \$104.8 million under Encore’s Revolving Credit Facility and the issuance of \$172.5 million aggregate principal amount of the 2023 Notes. We estimated approximately \$14.5 million of debt discount for the 2023 Notes, which equals the initial fair value of the exchange feature of the 2023 Notes upon issuance. Because the 2023 Notes are initially exchangeable solely into cash, under applicable accounting principles, the exchange feature of the 2023 Notes will initially be treated as an embedded derivative instrument that, for accounting purposes, must be bifurcated from its host instrument and accounted for separately. The fair value of the derivative component will be re-measured at the end of each reporting period, with any difference from the previously reported fair value being reflected as a gain or loss in our statement of operations. Although the bifurcated derivative is measured separately, it should be presented on a combined basis with the host contract. Therefore, the exchange option is combined with the 2023 Notes and presented within Debt in our consolidated balance sheet. Subsequent to the “share reservation date,” which is on or about the end of the third calendar quarter of 2018, the exchange feature of the 2023 Notes will be required to reclassified as equity, the change in fair value of the derivative through the date of reclassification is recorded in our consolidated statements of operations.

(c) This adjustment reflects the purchase of minority shareholders’ common equity as part of the Transaction.

(d) This adjustment reflects the issuance of 4,906,482 shares of restricted common stock as part of the purchase consideration for the Transaction. The restricted common stock had an offering price of \$36.80 per share, which is the last reported sale price of our common stock per share on The NASDAQ Global Select Market on July 24, 2018, the date we completed the Transaction.

(e) This adjustment reflects the additional paid in capital of \$180.5 million resulting from the issuance of restricted common stock as a result of the Transaction, offset by the net adjustment to equity on the Transaction of approximately \$17.7 million.

Cash consideration	\$	234,101
Stock consideration		180,559
Purchase price		414,660
Less: PEC acquired at the Transaction		(271,284)
Consideration transferred to acquire remaining equity interest		143,376
Less: Carrying value of redeemable noncontrolling interest		(145,548)
Less: Carrying value of noncontrolling interest		9,822
Estimated direct transaction costs		10,000
Net adjustment to equity	\$	17,650

(f) This adjustment reflects certain Transaction related fees that are recorded as expenses and the settlement amount on the foreign exchange forward contract with a notional amount of £176.0 million that we entered into associated with the Transaction. The forward contract will settle on August 3, 2018 resulting in a cash payment of approximately \$9.3 million.

Adjustments to the pro forma condensed consolidated statements of operations

(g) This adjustment primarily reflects the removal of \$7.7 million and \$25.9 million of interest expense incurred on the PECs during the three months ended March 31, 2018 and year ended December 31, 2017, respectively, offset by approximately \$4.0 million and \$15.5 million additional interest expense on the \$172.5 million principal amount of the 2023 Notes and the borrowing of \$104.8 million under Encore's Revolving Credit Facility and amortization of loan costs associated with the issuance of the 2023 Notes during the three months ended March 31, 2018 and year ended December 31, 2017, respectively. The effective interest rate on the 2023 Notes is determined to be 6.5%, and the interest rates on the Revolving Credit Facility are based on the actual weighted average interest rates of 4.6% and 4.0% during the three months ended March 31, 2018 and year ended December 31, 2017, respectively.

(h) Represents the income tax effects associated with the pro forma adjustments computed based upon a statutory rate of 19.0% in the United Kingdom during the periods presented, and a statutory rate of 25.0% and 38.3% in the United States during the three months ended March 31, 2018 and year ended December 31, 2017, respectively. The interest expense on the PECs were not tax deductible, and therefore did not have any tax impact in the pro forma adjustments during the periods presented.

(i) This adjustment reflects the add-back of net income attributable to noncontrolling shareholders of Cabot during the periods presented.

Non-GAAP Financial Measures

Set forth below are certain non-GAAP financial measures calculated on a pro forma basis, including adjusted income attributable to Encore and adjusted income attributable to Encore per share (also referred to as "Economic EPS" when adjusted income attributable to Encore is adjusted for certain shares associated with Encore's existing convertible notes that will not be issued but are reflected in the fully diluted share count for accounting purposes). Management uses these measures to assess operating performance in order to highlight trends in Encore's business that may not otherwise be apparent when relying on financial measures calculated in accordance with GAAP.

These non-GAAP financial measures should not be considered as alternatives to, or more meaningful than, net income, net income per share and total operating expenses as indicators of Encore's operating performance. Further, these non-GAAP financial measures, as presented by us, may not be comparable to similarly titled measures reported by other companies. We have included below a reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

The following table provides a reconciliation between income from continuing operations and diluted income from continuing operations per share attributable to Encore calculated in accordance with GAAP, to non-GAAP adjusted income from continuing operations and adjusted income from continuing operations per share attributable to Encore, and to pro forma non-GAAP adjusted income from continuing operations and pro forma non-GAAP adjusted income from continuing operations per share attributable to Encore, respectively. Additionally, we have presented the following metrics both including and excluding the dilutive effect of our existing convertible notes to better illustrate the economic impact of these notes and the related hedging transactions to shareholders, with the GAAP item under the "Per Diluted Share-Accounting" and non-GAAP item under the "Per Diluted Share-Economic," respectively (*in thousands, except per share data*):

	Three months ended March 31, 2018			Year ended December 31, 2017		
	\$	Per Diluted Share— Accounting	Per Diluted Share— Economic	\$	Per Diluted Share— Accounting	Per Diluted Share— Economic
GAAP net income from continuing operations attributable to Encore, as reported	\$ 21,827	\$ 0.83	\$ 0.83	\$ 83,427	\$ 3.16	\$ 3.18
Non-GAAP adjustments:						
Convertible notes non-cash interest and issuance cost amortization	3,035	0.12	0.12	12,353	0.47	0.47
Acquisition, integration and restructuring related expenses ⁽¹⁾	572	0.02	0.02	16,628	0.63	0.63
Net gain on fair value adjustments to contingent considerations ⁽²⁾	(2,274)	(0.09)	(0.09)	(2,822)	(0.11)	(0.11)
Amortization of certain acquired intangible assets ⁽³⁾	2,068	0.08	0.08	3,561	0.13	0.14
Expenses related to Cabot IPO ⁽⁴⁾	2,984	0.11	0.11	15,339	0.58	0.58
Income tax effect of the adjustments ⁽⁵⁾	(810)	(0.03)	(0.03)	(7,936)	(0.30)	(0.30)
Adjustments attributable to noncontrolling interest ⁽⁶⁾	(1,558)	(0.06)	(0.06)	(15,720)	(0.60)	(0.60)
Impact from tax reform ⁽⁷⁾	—	—	—	1,182	0.05	0.05
Non-GAAP adjusted income from continuing operations attributable to Encore	\$ 25,844	\$ 0.98	\$ 0.98	\$ 106,012	\$ 4.01	\$ 4.04
Pro Forma non-GAAP adjustments:						
Total Pro Forma adjustments ⁽⁸⁾	6,451			16,095		
Additional convertible notes non-cash interest and issuance cost amortization, net of tax ⁽⁹⁾	648			2,158		
Non-GAAP adjustments allocated to Cabot's noncontrolling interest holders ⁽¹⁰⁾	1,558			15,335		
Pro Forma non-GAAP adjusted income from continuing operations attributable to Encore	\$ 34,501	\$ 1.10	\$ 1.10	\$ 139,600	\$ 4.46	\$ 4.48
Weighted average shares outstanding:						
Diluted	26,416			26,405		
Economic	26,416			26,227		
Pro Forma diluted	31,322			31,311		
Pro Forma economic	31,322			31,133		

- (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) 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.
- (3) As we continue to acquire debt solution service providers around the world, the acquired intangible assets, such as trade names and customer relationships, have grown substantially. 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. As a result, the amortization of certain acquired intangible assets is excluded from our adjusted income from continuing operations attributable to Encore and adjusted income from continuing operations per share.
- (4) Amount represents expenses related to our pursuit of the initial public offering by our subsidiary Cabot. We adjust for this amount because we believe these expenses were not indicative of ongoing operations; therefore adjusting for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.
- (5) Amount represents the total income tax effect of the adjustments, which is generally calculated based on the applicable marginal tax rate of the jurisdiction in which the portion of the adjustment occurred.
- (6) Certain of the above pre-tax adjustments include expenses recognized by our partially-owned subsidiaries. This adjustment represents the portion of the non-GAAP adjustments that are attributable to noncontrolling interest.
- (7) As a result of the U.S. Tax Cuts and Jobs Act (the "Tax Reform Act") change, we incurred a net additional tax expense of approximately \$1.2 million during the year ended December 31, 2017. We believe the Tax Reform Act related expenses are not indicative of our ongoing operations, therefore adjustment for these expenses enhances comparability to prior periods, anticipated future periods, and our competitors' results.
- (8) Represents the total pro forma adjustments relating to the Pro Forma Transactions during the respective periods as illustrated in the "Unaudited pro forma condensed consolidated financial information" section.
- (9) Represents the estimated non-cash interest and issuance cost amortization relating to the \$172.5 million principal amount of the 2023 Notes, net of applicable tax provision.
- (10) The pro forma non-GAAP adjusted income from continuing operations attributable to Encore and pro forma non-GAAP Economic EPS give effect to the Pro Forma Transactions as if they had occurred on January 1, 2017. As discussed in (6) above, the initial adjustments allocated to noncontrolling shareholders included adjustments allocated to the noncontrolling shareholders of Cabot, therefore, we added back such adjustments as if we owned 100% of Cabot during the periods presented.