Slide Number	Commentary
	Adam Sragovicz
1	Thank you, [Operator]. Good afternoon and welcome to Encore Capital Group's second quarter 2013 earnings call. With me on the call today are Ken Vecchione, our President and Chief Executive Officer, and Paul Grinberg, our Executive Vice President and Chief Financial Officer. Ken and Paul will make prepared remarks, and then we will be happy to take your questions.
2	Before we begin, we have a few housekeeping items. Unless otherwise noted, all comparisons made on this conference call will be between the second quarter of 2013 and the second quarter of 2012. 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. During this call, we will use rounding and abbreviations for the sake of brevity. We will be discussing non-GAAP financial measures. Reconciliations to the most directly comparable GAAP financial measures are included in our earnings release, 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 Ken Vecchione, our President and Chief Executive Officer.

	Ken Vecchione
3	Thank you, Adam, and good afternoon. I appreciate you joining us for a discussion of Encore's second quarter results. Once again, with our deliberate and disciplined approach to portfolio underwriting and management, we delivered strong performance across all of the key financial metrics by which we manage our business. • Excluding one-time expenses and convertible non-cash interest, our earnings for the quarter were 85 cents per share. Paul will review the one-time expenses in more detail in his presentation. • Cash collections increased 16 percent to 278 million dollars. Even though we deliberately slowed down our purchasing volumes in the first and second quarters in anticipation of the Asset Acceptance acquisition, our continued ability to identify and engage those consumers with the greatest likelihood of recovery enabled us to drive strong growth in collections. • Adjusted EBITDA was 177 million dollars in the second quarter, an increase of 20 percent. • Our overall cost-to-collect decreased 70 basis points to 38.8 percent. This reflects savings achieved through various operational strategies, which were partially offset by investments in our Internal Legal initiative and additional spending required to proactively manage the changing regulatory and legislative environment in which we operate. • With the acquisition of Asset Acceptance and the strong performance of our portfolios purchased over the last few years, our Estimated Remaining Collections, or ERC, at June 30th increased by 760 million dollars, to approximately 2.7 billion dollars.

4	In addition to achieving these strong financial results, we also made several key strategic moves, which will provide us with long-term advantages and further strengthen our industry-leading debt purchasing and recovery platform. I'll highlight these strategic moves now, and will go into more detail later in the presentation. • We closed the acquisition of Asset Acceptance in June, largely satisfying our purchasing goals for the year, and providing us with a better return than we would have achieved buying portfolio in the open market. • We announced the acquisition of a controlling interest in Cabot Credit Management. This represents a major milestone for Encore, as we entered the UK debt buying and recovery market for the first time, through a leading player, with a long track record of steady growth. • We also completed the placement of 150 million dollars of 7-year convertible notes at a cash coupon of 3 percent. This provides us with long-term financing at attractive rates. An additional 22.5 million dollars of underwriters' overallotment was also just exercised, demonstrating our ability to access the financial markets, and the markets' support of our strategy and approach.

5	Turning to capital deployment, we had a strong quarter in our core business, driven primarily by the 381 million dollars allocated to the Asset Acceptance portfolio. Paul will discuss the allocation of the Asset purchase price in more detail later. We also deployed 60 million dollars in capital for Propel, which I will discuss in more detail shortly. Although Asset Acceptance will make up a significant portion of our purchasing volume for the year, there are other catalysts and drivers to opportunities in the core business that we are tracking closely. First, on the demand side, we're seeing smaller competitors being driven out of the market because of the high cost to operate, particularly as the regulatory environment grows more complex and credit issuers become more selective about whom they will sell to. On the supply side, we expect a number of issuers to complete their debt buyer audits and return to the market by the end of this year or the beginning of next year. Issuers are also starting to lend again, which we expect will lead to higher levels of delinquencies and charge-offs in the future.
6	Our strong capital deployment in the quarter, particularly our acquisition of Asset Acceptance, led to significant growth in our Estimated Remaining Collections, bringing it to 2.7 billion dollars. Our ERC has grown over 40 percent from the first quarter of this year. We expect ERC to continue to grow in Q3 as a result of the acquisition of Cabot. In fact, we expect Encore's ERC to increase to more than 3.3 billion dollars after deducting the ERC attributable to the minority interest.

7	As you may recall from our Investor Day, our strategic goals for expansion have long included growing our core business, expanding into new asset classes, and expanding into new geographies. As the next few slides will show, we are successfully executing along all three of these dimensions.
	Asset Acceptance represents our latest move as a leader in the consolidation of our industry, and the integration is proceeding on schedule. For the past few months, teams at Asset Acceptance and Encore have worked closely to develop a comprehensive strategy to combine our operations. With that plan largely complete, we are now moving into the implementation phase. We have moved nearly 400,000 accounts from Asset to Encore and are consolidating certain support functions to drive efficiencies. All major project areas are proceeding as planned. This is a complex transaction, but we have a strong track record of buying portfolios from competitors and integrating them into our efficient and low cost platform. I want to thank the people of Encore and Asset Acceptance who continue to put in a significant amount of time and effort to ensure a successful outcome.

8	Propel, which represents our expansion into secured assets, continues to grow and contribute to Encore. Not only did our capital deployment grow significantly this quarter, to 60 million dollars from 27 million dollars last quarter, we deployed a significant amount of capital buying tax lien certificates in 4 different states. It's important to keep in mind that the 60 million dollars that we deployed at Propel comes from separate credit facilities, and does not take away from our ability to access capital in our core business. We view the tax lien business as a low-risk complement to our core receivables business and are pleased how we have been able to build these separate pools of capital and earnings streams to support our overall growth. We saw revenue growth over the last quarter and, as we continue to grow Propel's book, we expect this revenue growth to continue. Operating income was lower in the second quarter due to seasonality, as we incur significant marketing costs to originate tax lien transfers. We expect these costs will be lower in the third quarter, which, combined with our deployment of capital in the second quarter, should result in higher operating income.

9	We also completed the acquisition of a controlling stake in UK-based Cabot Credit Management. This acquisition, which will be immediately accretive, will enable us to deploy capital in the largest debt purchase market outside of the U.S. and leverage the expertise and infrastructure we've built here at Encore. Our senior teams have already begun working together to begin realizing the synergies between the two businesses. Our initial focus will be to help Cabot expand into the large secondary, tertiary and lower balance segments of the UK market by leveraging our deep analytical knowledge of these assets and utilizing our workforce in India during the day, when this site is dormant. Cabot's Decision Science and Analytics teams were in San Diego a few weeks ago beginning this process and Paul, Manu Rikhye, the head of our India operations, and I were in London last week, setting the stage for integration activities. Although we are still very early in the relationship, I'm pleased to report that our initial assessment of purchasing volumes in the UK, continues to look attractive, and Cabot's ERC just passed one billion pounds. It is worth mentioning that Cabot also exhibits seasonality in purchasing like Encore, with a light Q3 and a strong Q4.

10	On the regulatory front, there have been some recent developments with the OCC and the CFPB. The OCC provided guidance for credit issuers about their relationship with prospective debt buyers. By doing so, the agency has solidified the framework under which the issuers will sell receivables. Likewise, the CFPB provided a bulletin advising of its oversight of debt collection practices to include original issuers. In addition to benefiting the consumer, we believe these agencies' guidelines encourage creditors engaged in debt collection to provide robust information to consumers about their obligations, which is an important element of responsible debt collection. We believe these two agencies' guidelines favor large debt buyers with extensive consumer services and compliance efforts, such as Encore. As an aside, during the quarter, Encore also saw a number of routine audits by leading credit issuers. This has deepened our existing relationships with these issuers and, we believe, highlighted our industry leading practices. All of these developments confirm our belief that the industry consolidation we have seen to date will continue, and we believe that Encore will continue to play a leading role in that process. In this active regulatory environment, Encore will continue to engage with regulators to raise industry standards and promote responsible debt collection, which is at the forefront of everything we do.

11	Before handing it over to Paul, I'd like to take a moment to revisit the value creation model that we talked about during our Investor Day in June. This is our view of how we create top quartile shareholder returns. The foundation is our management team, the ability of the organization to learn and adapt, and the integrity, which we call principled intent, with which we operate. Pillar One is superior analytics, and those of you who have followed us for some time know that this is a key differentiator for us. Our focus on the individual consumer, not a portfolio, is why we're able to collect more dollars, more efficiently. This is one of the key factors that enables us to buy large portfolios from competitors, such as Asset Acceptance, and achieve higher levels of success than were attained previously. Pillar Two is operational scale and cost leadership. This is one of the driving principles behind many of our business decisions, and you can see it in the significant reduction in cost-to-collect that we've experienced over the last few years. This reduction has been the result of many things, some of which include specialization in our call centers, our investment in international operations that are lower cost, and our investment in our internal legal platform. These are some of the reasons that we were able to reduce our cost to collect 70 basis points year over year, and they will be the drivers to future cost improvements going forward. Pillar Three is strong capital stewardship. We are committed to deploying our capital prudently, at returns in excess of our weighted average cost of capital and to balancing the risk/reward equation of any portfolio or business we purchase. In addition, we believe our ability to raise low cost capital will enable us to continue to grow our business, achieve the growth

targets we've highlighted and create long-term value.

Finally, the fourth pillar is our extendable business model which creates scale for us. As I said earlier, the long-term growth of our business will include growing our core business, expanding into new asset classes, and expanding into new geographies. We are executing along all these dimensions now, and we continue to look for growth opportunities that leverage the first three pillars.

When you put these pillars together, you drive strong financial results in terms of growth, margin expansion, Free Cash Flow and P/E Multiple expansion. These are critical to achieving top quartile shareholder returns, which we are defining as long term, annual EPS growth of 15 percent or greater.

Finally, I would like to recognize and thank Encore's more than 3,500 people for a fantastic quarter. The foundation of our value creation model rests on the shoulders of the people of Encore. Our results are a direct reflection of their collective effort and I appreciate their dedication and hard work.

With that, I will turn it over to Paul who will discuss our financial results in more detail.

Paul…

	Paul Grinberg – EVP and CFO
12	Thank you, Ken. As Ken discussed, we had a very strong second quarter, even following the deliberate lower purchasing volumes in Q1 and Q2. As we go through the numbers in more detail, I think you'll get an appreciation for how efficiently we operate our business. Purchases in the quarter were 423 million dollars, including 381 million dollars allocated to the portfolio we acquired as part of the Asset acquisition. These purchases led to strong growth in ERC, which stood at more than 2.7 billion dollars at the end of the quarter. Taking into account the Cabot transaction, our ERC is expected to exceed 3.3 billion dollars, after deducting the ERC attributable to the minority interest. We believe that our ERC, which reflects the estimated remaining value of our existing portfolios, is conservatively stated because of our cautious approach to setting initial curves and our practice of only increasing future expectations after a sustained period of over-performance. For example, as a result of sustained over-performance, we have slowly increased the multiples on the 2009, 2010, 2011 and 2012 vintages, to 3.0, 2.8, 2.5 and 2.0 times respectively, up from their initial levels of 2.4, 2.2, 2.0 and 1.8 times, respectively.

13	The 381 million dollars allocated to investment in receivable portfolios was part of our preliminary allocation of the purchase price for Asset, which was performed in conjunction with a third-party valuation firm. The bulk of the purchase price was largely allocated to Asset's portfolio. When we closed the Asset acquisition, we expected 982 million dollars of future collections from Asset's portfolio, representing a collections multiple of 2.6 times. We also acquired Asset's cash, fixed and other assets, and assumed certain liabilities, largely made up of Asset's deferred tax liability. The balance of the purchase price was allocated to goodwill and is primarily attributable to expected synergies when combining Asset with Encore. This purchase price allocation is preliminary and may change after we finalize our valuation.

14	We collected a record 278 million dollars, including 21 million dollars from the Asset portfolio, up 16 percent. Our call centers contributed 42 percent of total collections, or 117 million dollars, compared to 112 million dollars. Legal channel collections grew to 134 million dollars in the second quarter, compared to 115 million dollars, and accounted for 48 percent of total collections. Finally, 10 percent of collections came from third-party collection agencies. Over the long term, we expect collections from this channel to continue to decline as we shift more of our work to our internal call centers at a lower overall cost-to-collect. As a result of the Asset acquisition, we expect to see a temporary increase in third-party collections, as many of those assets had already been placed with third-party agencies at the time of acquisition. Because of our lower cost-to-collect, and because we are better able to ensure a consistently positive consumer experience, we will continue to shift much of this work to our internal call centers. Consistent with our stated practice and in keeping with our Consumer Bill of Rights, we had no portfolio sales in the quarter.

15	Revenue from receivable portfolios was 152 million dollars, an increase of 10 percent over the 139 million dollars in the second quarter of 2012. As a percentage of collections, and excluding the effects of allowances, our revenue recognition rate was 53 percent, compared to 57 percent in 2012. For the quarter, we had 3.7 million dollars in allowance reversals, compared to 1.2 million dollars of reversals in 2012. Looking at the breakdown by year, we had 57 thousand dollars of allowance reversals in the 2006 vintage, 237 thousand dollars in the 2007 vintage, 285 thousand dollars in the 2008 vintage and 3.1 million dollars in ZBA allowance reversals. We had no allowance charges for the 2009 through 2013 vintages, as has been the case since we acquired these portfolios. As many of you know, we account for the business on a quarterly pool basis, rather than overall. When pools under-perform, we take allowance charges, which are reflected as an immediate reduction in revenue. We measure under-performance against the current yield that is assigned to a pool, not its original expectation. This pool-by-pool accounting treatment leads inevitably to non-cash allowance charges in certain periods, even when we are over-performing a pool's initial expectations. In contrast, when pools over-perform, that over-performance is not reflected immediately. Once we have evidence of sustained over-performance in a pool, we will increase that pool's yield. Unlike allowance charges, which are realized immediately, this increased yield will be reflected as increased revenue during the current and future quarters. Consistent with this practice, and as a result of continued over-performance primarily in the 2009, 2010, 2011 and 2012 vintages, we increased yields in those pool groups this quarter.

16	Excluding acquisition-related and other one-time costs our overall cost-to-collect decreased 70 basis points to 38.8 percent. Direct cost per dollar collected in our call centers rose slightly to 6.1 percent in the second quarter, versus 6.0 percent in 2012. While we continue to improve the efficiency of our call center operations, this quarter we saw the effect of the Asset acquisition and the higher cost to collect in their call centers. As we bring Asset's cost to collect in line with Encore's over the next few quarters, we should see a return to further improvements in our call center cost to collect. Direct cost per dollar collected in the legal channel was 33.3 percent, down from 35.7 percent in 2012. While cost to collect is an important metric, we don't focus on it in isolation. Overall, success in our business is driven by generating the greatest net return per dollar invested. We accomplish that by generating more gross dollars collected per investment dollar at what we believe to be the lowest cost per dollar collected in the industry. Over time, we expect our cost-to-collect to continue improving, but also expect it to fluctuate from quarter to quarter based on seasonality, the cost of investments in new operating initiatives, and the ongoing management of the changing regulatory and legislative environment.

17	Our legal channel, which includes both legal outsourcing and our internal legal operation, continues to be a strong contributor to the business, both in terms of dollars collected and cost to collect. Total dollars collected in our legal outsourcing channel was 117 million, at a cost to collect of 34.5%. Total dollars collected in our internal legal channel were 17 million, at a cost to collect of 54.5%. In 2011, our cost-to-collect in internal legal was over 200 percent, as we were investing in our technology platform, hiring staff, and opening new sites. As our volume in the channel increased, our cost to collect came down. Last year, our cost to collect was over 80 percent and this year, we expect it to drop even further. Over time, we expect our cost to collect in internal legal to decline to the high-teens. In our 10Q which we filed earlier today, we've now broken out our legal cost to collect between our external and internal legal channels. This will provide investors with more visibility to our progress in reducing cost to collect in our Internal Legal channel. I'd like to reiterate that our long-stated preference is to work with our consumers to negotiate a mutually acceptable payment plan, tailored to their personal financial situation. These plans almost always involve substantial discounts from what is owed to us. We not only believe that this is the right thing to do for our consumers, but the right thing to do for our business.

18	As mentioned earlier, collections reached an all-time high for a quarter, and continued investments in our operating platform give us confidence in our ability to expand upon the operating leverage created over the past few years. This growth in collections and cost improvement led to improved cash flows, with Adjusted EBITDA increasing 20 percent over last year. Adjusted EBITDA, which represents the cash we generate that is available for future purchases, capital expenditures, debt service and taxes, was 177 million dollars in the second quarter. This strong cash flow allowed us to acquire Asset Acceptance and fund our portfolio acquisitions during the quarter, while increasing net debt by just under 200 million dollars.

19	Largely due to the acquisitions of Asset and Cabot, we saw a number of one-time and non-cash items this quarter. We had Asset-related deal costs of 3.6 million dollars, and deal costs associated with Cabot of 3.1 million dollars. We also incurred consulting, severance and retention expenses of approximately 5.4 million dollars. Some of these costs will continue in Q3 and Q4, although at much lower levels. We also incurred 3.6 million dollars of costs hedging the Cabot purchase price. Since the Cabot purchase price was denominated in pounds, we put in place a collar to protect ourselves from any negative movement of the pound against the dollar. The pound actually weakened after we put the collar in place, resulting in an accounting charge, but the weaker pound resulted in a lower dollar price for Cabot, largely offsetting this charge. Finally, we incurred 900 hundred thousand dollars in non-cash interest on the convertible notes. The total for all of these items was approximately 17 million dollars or 41 cents per share after tax. Without these one-time expenses, adjusted income from continuing operations increased to 85 cents per fully diluted share during the quarter. Earlier this year, we realized that with the Asset and Cabot transactions and the timing of purchases during 2013, it would be difficult for investors to model our business this year. As a result, while we typically do not provide earnings guidance, we provided guidance for 2013 of $3.50 to $3.60 per share. Taking into account the Asset acquisition, the Cabot acquisition, which closed earlier in the quarter than initially expected, and the increased yields on our 2009 through 2012 vintages, due to their strong performance, we now expect 2013 earnings will comfortably exceed the upper end of that range. This strong performance is the direct result of the value creation model that we shared with you in detail at our Investor Day in June. Consistent with our past practice, we do not plan on providing updates to this previous guidance other than to reiterate that our goal is to continue to generate long term earnings growth of 15%, or more.

20	We also completed the placement of 150 million of 7-year convertible notes at cash coupon of 3 percent. This provides us with long-term financing at attractive rates. After the quarter, the underwriters exercised their overallotment option, placing an additional 22.5 million dollars of convertible notes. These notes were very well received by the market. We priced the convert at the low end of the coupon range, and at the high end of the conversion range, and were still able to upsize the deal from the 110 million dollar transaction that we initially marketed. The convertible notes can be paid in cash, stock, or a combination of the two, at Encore's option. We also entered into a capped call transaction, which increased the economic conversion price up to $61.55 per share. Since the bondholders have the right to convert at $45.72, there will be accounting dilution above that level, but no new shares will be issued by Encore unless the stock reaches $61.55 per share. The strong execution of the convert and the favorable terms, demonstrate Encore's ability to access the financial markets, and the markets' support of our strategy and approach
21	While our total debt has increased from the previous quarter, so has our ERC. After taking into account collection costs and taxes, we are 1.9 times collateralized on our debt.

22	During the quarter, we amended our revolving credit facility twice, to keep pace with our growth. The first amendment allowed for the Asset acquisition and increased the total facility to 975 million dollars, with a replenished accordion, which now sits at 162.5 million dollars. We also made provisions allowing Propel to raise additional capital to grow its tax lien certificate business, which it did through a new 100 million dollar tax lien certificate facility. Finally, we increased the subordinated debt basket, to allow for our convertible debt issue. The second amendment allowed for the Cabot acquisition. Our capital position remains strong, with over 230 million dollars available, as of today, for borrowing, and the ability to add another 162.5 million dollars from our accordion. With respect to the covenants in our credit facility, we estimate that we could borrow over 500 million dollars in addition to our current debt, and still be within compliance. At Propel, with the accordion, we currently have more than $125 million of available capital to deploy for tax lien transfers and certificates. Earlier this week, Cabot raised an additional 100 million pounds through an offering of senior secured notes. The bonds have a rate of 8 3/8 percent and a 7-year term. As Ken mentioned, one of the immediate opportunities we will be focusing on, is the expansion into the secondary, tertiary and lower balance segments of the UK market. This capital, which we've raised on favorable terms, will enable us to expand our purchasing into these new market segments.

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<tr><td>23</td><td>In summary, Encore once again delivered a strong quarter across all key metrics by which we measure our business.

• Our capital deployment was strong, and while we expect lighter purchasing in the third quarter as we absorb the Asset portfolio, we expect a more normalized fourth quarter

• We have excellent liquidity and access to low-cost capital, so we are poised to take advantage of market opportunities as they arise.

• Our 2.7 billion dollars in ERC, combined with our focus on operational execution, build the base for continued strong cash collection.

• We remain focused on driving efficiencies across the business, including Asset.

• With the acquisition of Asset and Cabot, we are well positioned to continue the 15+ percent long-term earnings growth we shared with you at our Investor Day in June.

With that, we would be happy to answer any questions you may have.

Operator, please open up the line for questions.</td></tr>
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