

ENCORE CAPITAL GROUP INC

Form 10-Q

August 04, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 000-26489

ENCORE CAPITAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware 48-1090909

(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification No.)

3111 Camino Del Rio North, Suite 103 92108

San Diego, California

(Address of principal executive offices) (Zip code)

(877) 445 - 4581

(Registrant's telephone number, including area code)

(Not Applicable)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Class	Outstanding at July 28, 2016
Common Stock, \$0.01 par value	25,526,835 shares

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PART I – FINANCIAL INFORMATION

Item 1—Condensed Consolidated Financial Statements (Unaudited)

ENCORE CAPITAL GROUP, INC.

Condensed Consolidated Statements of Financial Condition

(In Thousands, Except Par Value Amounts)

(Unaudited)

	June 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 139,009	\$ 123,993
Investment in receivable portfolios, net	2,469,593	2,440,669
Property and equipment, net	67,428	72,546
Deferred court costs, net	69,150	75,239
Other assets	184,721	148,762
Goodwill	840,544	924,847
Assets associated with discontinued operations	—	388,763
Total assets	\$3,770,445	\$4,174,819
Liabilities and equity		
Liabilities:		
Accounts payable and accrued liabilities	\$217,215	\$ 290,608
Debt	2,849,066	2,944,063
Other liabilities	30,451	59,226
Liabilities associated with discontinued operations	—	232,434
Total liabilities	3,096,732	3,526,331
Commitments and contingencies		
Redeemable noncontrolling interest	40,736	38,624
Redeemable equity component of convertible senior notes	4,588	6,126
Equity:		
Convertible preferred stock, \$.01 par value, 5,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$.01 par value, 50,000 shares authorized, 25,527 shares and 25,288 shares issued and outstanding as of June 30, 2016 and December 31, 2015, respectively	255	253
Additional paid-in capital	112,959	110,533
Accumulated earnings	598,771	543,489
Accumulated other comprehensive loss	(92,536)	(57,822)
Total Encore Capital Group, Inc. stockholders' equity	619,449	596,453
Noncontrolling interest	8,940	7,285
Total equity	628,389	603,738
Total liabilities, redeemable equity and equity	\$3,770,445	\$4,174,819

The following table includes assets that can only be used to settle the liabilities of the Company's consolidated variable interest entities ("VIEs") and the creditors of the VIEs have no recourse to the Company. These assets and liabilities are included in the consolidated statements of financial condition above. See Note 11, "Variable Interest Entity" for additional information on the Company's VIE.

	June 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$ 37,464	\$ 50,483
Investment in receivable portfolios, net	1,176,446	1,197,513
Property and equipment, net	16,447	19,767

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Deferred court costs, net	33,018	33,296
Other assets	45,711	31,679
Goodwill	637,156	706,812
Assets associated with discontinued operations	—	92,985
Liabilities		
Accounts payable and accrued liabilities	\$ 92,210	\$ 142,375
Debt	1,637,825	1,665,009
Other liabilities	719	839
Liabilities associated with discontinued operations	—	58,923
See accompanying notes to condensed consolidated financial statements		

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ENCORE CAPITAL GROUP, INC.
Condensed Consolidated Statements of Operations
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues				
Revenue from receivable portfolios, net	\$267,452	\$270,301	\$537,546	\$534,411
Other revenues	21,990	12,361	40,913	26,033
Total revenues	289,442	282,662	578,459	560,444
Operating expenses				
Salaries and employee benefits	75,499	65,569	145,141	131,121
Cost of legal collections	46,807	57,076	101,115	112,074
Other operating expenses	24,946	21,735	51,289	46,061
Collection agency commissions	9,274	8,466	19,394	19,151
General and administrative expenses	32,934	37,638	68,173	