

ENCORE CAPITAL GROUP INC

Form 10-Q

November 06, 2014

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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 September 30, 2014

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
incorporation or organization)

(IRS Employer
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)

3111 Camino Del Rio North, Suite 1300

San Diego, California

(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

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

Class	Outstanding at October 28, 2014
Common Stock, \$0.01 par value	25,719,591 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)

	September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 115,440	\$ 126,213
Investment in receivable portfolios, net	2,073,232	1,590,249
Deferred court costs, net	53,130	41,219
Receivables secured by property tax liens, net	276,081	212,814
Property and equipment, net	64,565	55,783
Other assets	218,119	154,783
Goodwill	921,519	504,213
Total assets	\$3,722,086	\$2,685,274
Liabilities and equity		
Liabilities:		
Accounts payable and accrued liabilities	\$ 192,309	\$ 137,272
Debt	2,790,746	1,850,431
Other liabilities	98,864	95,100
Total liabilities	3,081,919	2,082,803
Commitments and contingencies		
Redeemable noncontrolling interest	30,280	26,564
Redeemable equity component of convertible senior notes	9,787	—
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, 25,720 shares and 25,457 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	257	255
Additional paid-in capital	121,491	171,819
Accumulated earnings	471,704	394,628
Accumulated other comprehensive gain	3,274	5,195
Total Encore Capital Group, Inc. stockholders' equity	596,726	571,897
Noncontrolling interest	3,374	4,010
Total equity	600,100	575,907
Total liabilities, redeemable equity and equity	\$3,722,086	\$2,685,274

The following table includes assets that can only be used to settle the liabilities of the Company's consolidated variable interest entities ("VIEs"). These assets and liabilities are included in the consolidated statements of financial condition above. See Note 11 "Variable Interest Entities" for additional information on the Company's VIEs.

	September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 34,261	\$ 62,403
Investment in receivable portfolios, net	1,008,885	620,312
Deferred court costs, net	9,407	—
Receivables secured by property tax liens, net	116,980	—

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Property and equipment, net	13,491	13,755
Other assets	89,911	33,772
Goodwill	695,825	376,296
Liabilities		
Accounts payable and accrued liabilities	\$104,200	\$47,219
Debt	1,622,302	846,676
Other liabilities	6,885	1,897

See accompanying notes to condensed consolidated financial statements

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Revenues				
Revenue from receivable portfolios, net	\$251,785	\$225,387	\$737,584	\$518,094
Other revenues	13,445	5,792	38,943	6,473
Net interest income	8,052	4,379	19,691	11,698
Total revenues	273,282	235,558	796,218	536,265
Operating expenses				
Salaries and employee benefits	61,175	52,253	183,667	114,054
Cost of legal collections	53,742	50,953	153,596	137,694
Other operating expenses	22,061	19,056	72,196	46,118
Collection agency commissions	9,517	14,158	25,275	22,717
General and administrative expenses	35,532	33,486	110,508	