ENCORE CAPITAL GROUP INC
Form 424B5
November 03, 2011
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**Filed Pursuant to Rule 424(b)(5)**
**Registration No.333-167074**

*PROSPECTUS SUPPLEMENT*

*(To Prospectus dated June 1, 2010)*

# *3,610,000 Shares*

# *Encore Capital Group, Inc.*

# *COMMON STOCK*

***The selling stockholder named in this prospectus supplement is offering 3,610,000 shares of our common stock. We will not receive any proceeds from the sale of our common stock by the selling stockholder.***

***Our common stock is listed on the Nasdaq Global Select Market under the symbol ECPG. The last reported sale price of our common stock on the Nasdaq Global Select Market on November 2, 2011 was $26.10 a share.***

***Investing in our common stock involves risks. See "Risk Factors" beginning on page S-5 of this Prospectus Supplement and in the documents we file with the Securities and Exchange Commission that are incorporated herein by reference to read about important factors you should consider before buying shares of our common stock.***

*PRICE $24.35 A SHARE*

| | Price to Public | Underwriting Discounts and Commissions | Proceeds to Selling Stockholder |
|---|---|---|---|
| Per share | $24.35 | $0.60875 | $23.74125 |
| Total | $87,903,500 | $2,197,588 | $85,705,913 |

*The selling stockholder has granted the underwriter a 30-day option to purchase up to an additional 361,315 shares of our common stock to cover over-allotments, if any, at the public offering price per share, less underwriting discounts and commissions.*

*Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.*

*The underwriter expects to deliver the shares of our common stock to purchasers on or about November 8, 2011.*

*MORGAN STANLEY*

*November 3, 2011*

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### PROSPECTUS SUPPLEMENT



### PROSPECTUS

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## ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first is this prospectus supplement, which describes the specific terms of this offering and adds to and updates information contained in the accompanying base prospectus and the documents incorporated by reference herein and therein. The second part, the accompanying prospectus base dated June 1, 2010, gives more general information some of which may not apply to this offering, about the common stock which may be sold in this offering and about us. You should read the entire prospectus supplement, the accompanying base prospectus, as well as the information incorporated by reference herein and therein, before making an investment decision.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying base prospectus. If the description of the offering varies between this prospectus supplement and the accompanying base prospectus, you should rely on the information in this prospectus supplement. Neither we nor the selling stockholder have authorized any dealer, salesman or other person to provide you with information different from that contained or incorporated by reference in this prospectus supplement and the accompanying base prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus supplement or the accompanying base prospectus. This prospectus supplement and the accompanying base prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus supplement and the accompanying base prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus supplement, the accompanying base prospectus or the documents incorporated by reference is accurate on any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus supplement, when we refer to Encore Capital Group, Inc. and use phrases such as the Company, Encore, we, our and us, w are referring to Encore Capital Group, Inc. and its subsidiaries as a whole, except where it is clear from the context that any of these terms refers only to Encore Capital Group, Inc. Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement to $ or dollars are to the lawful currency of the United States. Unless we have indicators otherwise, or the context otherwise requires, the information presented in this prospectus supplement assumes no exercise of the underwriter s over-allotment option.

Our logo and other trademarks mentioned in this prospectus supplement, the accompanying base prospectus or any document incorporated by reference herein or therein are our property. Certain trademarks referred to in this prospectus supplement, the accompanying base prospectus or any document incorporated by reference herein or therein may be without the ® or TM symbol, as applicable, but this is not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our right to these trademarks. Other brand names or trademarks appearing in this prospectus supplement, the accompanying base prospectus or any document incorporated by reference herein or therein are the property of their respective owners.

## WHERE YOU CAN FIND MORE INFORMATION

We are currently subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the Exchange Act ), and in accordance therewith file periodic reports, proxy statements and other information with the Securities and Exchange Commission (the SEC ). You may read and copy (at prescribed rates) any such reports, proxy statements and other information at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Our SEC filings are also available to you on the SEC s website at http://www.sec.gov and in the Investors section of our website at http://www.encorecapital.com. Our website and the information contained on that site, or connected to that site, are not incorporated into and are not a part of this prospectus supplement.

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We have filed with the SEC a registration statement on Form S-3 with respect to the common stock offered hereby. This prospectus supplement does not contain all the information set forth in the registration statement, parts of which are omitted in accordance with the rules and regulations of the SEC. For further information with respect to us and the common stock offered hereby, reference is made to such registration statement.

## INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We incorporate information into this prospectus supplement by reference, which means that we disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus supplement, except to the extent superseded by information contained in this prospectus supplement. Information that we file later with the SEC will automatically update and supersede the previously filed information. This prospectus supplement incorporates by reference the documents set forth below, that have been previously filed with the SEC:

our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on February 14, 2011;

our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed with the SEC on April 27, 2011, our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed with the SEC on August 1, 2011, and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, filed with the SEC on October 26, 2011;

our Current Reports on Form 8-K filed with the SEC on February 28, 2011, March 1, 2011, April 20, 2011, June 10, 2011, as amended on October 28, 2011, September 14, 2011 and November 2, 2011 (File Nos. 111175455 and 111175127) (except for portions of such reports which were deemed to be furnished and not filed);

our Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 28, 2011; and

the description of our common stock contained in our Registration Statement on Form 8-A filed on June 24, 1999, including any amendment or report filed for the purpose of updating such description.

In addition, all documents that we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus supplement and until the offering of the common stock covered by this prospectus supplement is completed shall be incorporated by reference into this prospectus supplement from the respective dates of filing such documents. Unless specifically stated to the contrary, none of the information that we disclose under Items 2.02 or 7.01 of any Current Report on Form 8-K that we may from time to time furnish to the SEC or any other document or information deemed to have been furnished and not filed with the SEC will be incorporated by reference into, or otherwise included in, this prospectus supplement.

Any statement contained in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement shall be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that also is or is deemed to be incorporated by reference in this prospectus supplement modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement.

You may obtain copies of any of these filings by contacting us at the address and telephone number indicated below or by contacting the SEC as described above under the section entitled Where You Can Find More Information. Documents incorporated by reference are available from us without charge, excluding all exhibits unless an exhibit has been specifically incorporated by reference into this prospectus supplement, by requesting them in writing or by telephone at:

Encore Capital Group, Inc.

Attention: Investor Relations

3111 Camino Del Rio North, Suite 1300

San Diego, California 92108

(877) 445-4581

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying base prospectus contain or incorporate by reference forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act ) and Section 21E of the Exchange Act. Forward-looking statements may include the words may, will, estimate, intend, continue, believe, expect, plan or anticipate and other similar wor forwarding-looking statements include, but are not limited to, statements regarding:

- risks associated with worldwide financial markets and the global economy;
- the fluctuation of our quarterly operating results;
- the ability to purchase receivables at sufficiently favorable prices or terms, or at all;
- losses on portfolios consisting of new types of receivables;
- the purchase of receivable portfolios that contain unprofitable accounts and our ability to collect sufficient amounts to cover our costs and to fund our operations;
- sellers delivering portfolios that contain accounts which do not meet our account collection criteria;
- our ability to purchase sufficient quantities of receivable portfolios or collect sufficient amounts on receivables we may own;
- a significant portion of our portfolio purchases during any period that may be concentrated with a small number of sellers;
- the statistical models we use to project remaining cash flows from our receivable portfolios;
- allowance charges based on the authoritative guidance for loans and debt securities acquired with deteriorated credit quality;
- the statutory and regulatory oversight of our business is extensive, and may increase;
- our failure to comply with governmental regulation could result in the suspension or termination of our ability to conduct business, require the payment of significant fines and penalties, or require other significant expenditures;
- the ongoing risks of litigation, including individual lawsuits brought against consumers and individual and class action suits brought against us;

- negative publicity associated with litigation, governmental investigations, regulatory actions and other public statements could damage our reputation;
- our making acquisitions that may prove to be unsuccessful or divert our resources; and
- assumptions relating to the foregoing.

Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and are subject to inherent risks and uncertainties, such as those disclosed in this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference herein or therein. Important risks and factors that could cause our actual results to be materially different from our expectations include the factors that are disclosed in the section Risk Factors in this prospectus supplement and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011. You should read these factors and the other cautionary statements made in this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference herein or therein as being applicable to all related forward-looking statements wherever they appear in this prospectus supplement, the accompanying base prospectus or any document incorporated by reference herein or therein. Each forward-looking statement contained in this prospectus supplement, the accompanying base prospectus and any document incorporated by reference herein or therein reflects management s view only as of the date on which that forward-looking statement was made. You

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should not place undue reliance on any forward-looking statements we make. We are not obligated to update forward-looking statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this prospectus supplement or to reflect the occurrence of unanticipated events. If we do not update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

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## SUMMARY

*This summary highlights selected information from this prospectus supplement and the accompanying base prospectus to help you understand us and our common stock. The Description of Common Stock section of the accompanying base prospectus contains more detailed information regarding our common stock. You should carefully read this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference herein and therein to fully understand our common stock and the other considerations that are important to you in making a decision about whether to invest in our common stock.*

### The Company

Encore is a Delaware holding company whose assets consist of investments in its subsidiaries. Encore was incorporated in Delaware in 1999. Our principal executive offices are located at 3111 Camino Del Rio North, Suite 1300, San Diego, California 92108, and our telephone number is (877) 445-4581.

We are a leader in consumer debt buying and recovery. We purchase portfolios of defaulted consumer receivables at deep discounts to face value based on robust, account-level valuation methods, and employ a suite of proprietary statistical and behavioral models when building account collection strategies. We use a variety of operational channels to maximize our collections from the portfolios that we purchase, including seeking to partner with individuals as they repay their obligations and work toward financial recovery. In addition, we provide bankruptcy support services to some of the largest companies in the financial services industry through our wholly owned subsidiary, Ascension Capital Group, Inc. ( Ascension ).

Four competitive, strategic advantages underpin our success and drive our future growth:

- The sophisticated and widespread use of analytics;
- Broad investments in data and behavioral science;
- Significant cost advantages based on our operations in India, as well as our enterprise-wide, account-level cost database; and
- A demonstrated commitment to conduct business ethically and in ways that support our consumers financial recovery.

Although we have enabled approximately one million consumers to retire a portion of their outstanding debt since 2007, one of the industry s most formidable challenges is that many distressed consumers will never make a payment, much less retire their total obligation. In fact, at the peak of the collection cycle, we generate payments from fewer than one percent of our accounts every month. To address these challenges, we evaluate portfolios of receivables that are available for purchase using robust, account-level valuation methods and we employ a suite of proprietary statistical and behavioral models across the full extent of our operations. We believe these business practices contribute to our ability to value portfolios accurately, avoid buying portfolios that are incompatible with our methods or goals, and align the accounts we purchase with our operational channels to maximize future collections. We believe that our specialized knowledge, along with our investments in data and analytic tools, have enabled us to realize significant returns from the receivables we have acquired. From inception through September 30, 2011, we have invested approximately $2.0 billion to acquire 37.3 million consumer accounts with a face value of approximately $62.6 billion. We maintain strong relationships with many of the largest credit providers in the United States, and believe that we possess one of the industry s best collection staff retention rates.

While seasonality does not have a material impact on our business, collections are generally strongest in our first calendar quarter, slower in the second and third calendar quarters, and slowest in the fourth calendar quarter.

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Relatively higher collections in the first quarter could result in a lower cost-to-collect ratio compared to the other quarters, as our fixed costs would be constant and applied against a larger collection base. The seasonal impact on our business may be influenced by our purchasing levels, the types of portfolios we purchase, and our operating strategies.

Collection seasonality can also impact our revenue recognition rate. Generally, revenue for each pool group declines steadily over time, whereas collections can fluctuate from quarter to quarter based on seasonality, as described above. In quarters with lower collections (like the fourth calendar quarter), revenue as a percentage of collections can be higher than in quarters with higher collections (like the first calendar quarter).

In addition, seasonality could have an impact on the relative level of quarterly earnings. In quarters with stronger collections, total costs are higher, as a result of the additional efforts required to generate those collections. Since revenue for each pool group declines steadily over time, in quarters with stronger collections and higher costs (like the first calendar quarter), all else being equal, earnings could be lower than in quarters with slower collections and lower costs (like the fourth calendar quarter). Additionally, in quarters where a greater percentage of collections come from our legal and agency outsourcing channels, cost to collect will be higher than if there were more collections from our internal collection sites.

**Board of Directors**

The Company s board of directors consists of nine members, one of whom, Mr. Oros, is affiliated with the selling stockholder. Mr. Oros has indicated that he intends to remain on the board following the conclusion of the offering and to facilitate an orderly transition of his board seat.

**The Offering**

| | |
|---|---|
| Common stock offered by the selling stockholder | 3,610,000 shares, or 3,971,315 shares if the underwriter s option to purchase additional shares is exercised in full. |
| Nasdaq Global Select Market symbol | ECPG |
| Use of proceeds | We will not receive any proceeds from the sale of shares of common stock by the selling stockholder. |
| Risk Factors | Investing in our common stock involves a high degree of risk. Potential investors are urged to read and consider the risk factors relating to an investment in our common stock set forth under Risk Factors in this prospectus supplement as well as other information we include or incorporate by reference in this prospectus supplement and the accompanying base prospectus. |

**Summary Consolidated Financial Data**

The following table presents our summary consolidated historical financial and other data as of and for the nine months ended September 30, 2011 and 2010 and for the years ended December 31, 2010, 2009, 2008, 2007 and 2006. The summary consolidated historical financial and other data as of December 31, 2010 and for the years ended December 31, 2010, 2009 and 2008 are derived from our audited consolidated financial statements which are incorporated herein by reference. The summary consolidated historical financial and other data as of September 30, 2011 and for the nine months ended September 30, 2011 and 2010 are derived from our unaudited financial statements, which are incorporated herein by reference, and are not necessarily indicative of the results to be expected for the full year. The unaudited interim summary consolidated historical financial data reflects all

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adjustments (consisting primarily of normal recurring adjustments except as described in the footnotes to the interim consolidated financial statements) which are, in the opinion of management, necessary to presently fairly the financial data for the interim periods.

The summary consolidated historical financial and other data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and the related notes contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and our Quarterly Reports on Form 10-Q for the periods ended March 31, 2011, June 30, 2011 and September 30, 2011, which are incorporated by reference into this prospectus supplement.

| | Nine Months Ended September 30, | | Year Ended December 30, | | | | |
|---|---|---|---|---|---|---|---|
| **(in thousands , except per share data)** | **2011** | **2010** | **2010** | **2009** | **2008** | **2007** | **2006** |
| **Revenue** | | | | | | | |
| Revenue from receivable portfolios, net(1) | $ 332,262 | $ 268,574 | $ 364,294 | $ 299,732 | $ 240,802 | $ 241,402 | $ 239,340 |
| Servicing fees and other related revenue(2) | 14,434 | 12,962 | 17,014 | 16,687 | 15,087 | 12,609 | 15,800 |
| **Total revenue** | 346,696 | 281,536 | 381,308 | 316,419 | 255,889 | 254,011 | 255,140 |
| **Operating expenses** | | | | | | | |
| Salaries and employee benefits | 59,982 | 48,135 | 65,767 | 58,025 | 58,120 | 64,153 | 63,962 |
| Stock-based compensation expense | 5,980 | 4,756 | 6,010 | 4,384 | 3,564 | 4,287 | 5,669 |
| Cost of legal collections | 117,364 | 91,519 | 121,085 | 112,570 | 96,187 | 78,636 | 52,079 |
| Other operating expenses | 30,157 | 27,653 | 36,387 | 26,013 | 23,652 | 21,533 | 22,585 |
| Collection agency commissions | 10,774 | 17,098 | 20,385 | 19,278 | 13,118 | 12,411 | 18,030 |
| General and administrative expenses | 30,964 | 21,286 | 31,444 | 26,920 | 19,445 | 17,478 | 17,310 |
| Depreciation and amortization | 3,352 | 2,241 | 3,199 | 2,592 | 2,814 | 3,351 | 3,894 |
| **Total operating expenses** | 258,573 | 212,688 | 284,277 | 249,782 | 216,900 | 201,849 | 183,529 |
| **Income from operations** | 88,123 | 68,848 | 97,031 | 66,637 | 38,989 | 52,162 | 71,611 |
| **Other (expense) income** | | | | | | | |
| Interest expense | (16,137) | (14,346) | (19,349) | (16,160) | (20,572) | (34,504) | (35,310) |
| Gain on repurchase of convertible notes, net | | | | 3,268 | 4,771 | | |
| Other (expense) income | (207) | 250 | 316 | (2) | 358 | 1,071 | 609 |
| **Total other expense** | (16,344) | (14,096) | (19,033) | (12,894) | (15,443) | (33,433) | (34,701) |
| **Income before income taxes** | 71,779 | 54,752 | 77,998 | 53,743 | 23,546 | 18,729 | 36,910 |
| Provision for income taxes | (27,955) | (19,871) | (28,946) | (20,696) | (9,700) | (6,498) | (15,436) |
| **Net income** | $ 43,824 | $ 34,881 | $ 49,052 | $ 33,047 | $ 13,846 | $ 12,231 | $ 21,474 |
| **Earnings per share:** | | | | | | | |
| Basic | $ 1.79 | $ 1.47 | $ 2.05 | $ 1.42 | $ 0.60 | $ 0.53 | $ 0.94 |
| Diluted | $ 1.71 | $ 1.39 | $ 1.95 | $ 1.37 | $ 0.59 | $ 0.52 | $ 0.92 |
| **Weighted-average shares outstanding:** | | | | | | | |
| Basic | 24,493 | 23,793 | 23,897 | 23,215 | 23,046 | 22,876 | 22,754 |
| Diluted | 25,636 | 25,012 | 25,091 | 24,082 | 23,577 | 23,386 | 23,390 |
| **Cash flow data:** | | | | | | | |
| Cash flows provided by (used in): | | | | | | | |
| Operating activities | $ 58,231 | $ 52,502 | $ 73,451 | $ 76,116 | $ 63,071 | $ 19,610 | $ 38,027 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Investing activities | (16,496) | (71,777) | (142,807) | (79,171) | (107,252) | (95,059) | (37,190) |
| Financing activities | (41,968) | 22,418 | 71,873 | 1,102 | 45,846 | 73,334 | 2,928 |

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**As of September 30, 2011**

**(in thousands)**

| | |
|---|---|
| **Consolidated statements of financial condition data:** | |
| Cash and cash equivalents | $ 10,672 |
| Investment in receivable portfolios, net | 649,682 |
| Total assets | 747,440 |
| Total debt | 344,196 |
| Total liabilities | 393,519 |
| Total stockholders equity | 353,921 |

(1) Includes net allowance charges of $8.1 million and $16.8 million for the nine months ended September 30, 2011 and 2010, respectively, and net allowance charges of $22.2 million, $19.3 million, $41.4 million, $11.2 million and $1.4 million for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

(2) Includes revenue from Ascension of $14.4 million and $12.9 million for the nine months ended September 30, 2011 and 2010, respectively, and revenue from Ascension of $16.9 million, $16.7 million, $15.0 million, $12.5 million and $15.7 million for the years ended December 31, 2010, 2009, 2008, 2007 and 2006, respectively.

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# RISK FACTORS

*This section highlights some specific risks related to our common stock and this offering. The list of risks is not intended to be exhaustive and the order in which the risks appear is not intended as an indication of their relative weight or importance. Investing in our securities involves a high degree of risk. You should carefully consider the risks described below and the information set forth under the heading Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, together with all other information included or incorporated by reference in this prospectus supplement and the accompanying base prospectus, before you decide to invest in our common stock. See also Cautionary Note Regarding Forward-Looking Statements above.*

## Risks Related to Our Common Stock and this Offering

***Our common stock price may be subject to significant fluctuations and volatility.***

The market price of our common stock has been subject to significant fluctuations. Since the beginning of fiscal year 2011, our closing stock price has ranged from a low of $19.32 on August 22, 2011 to a high of $33.09 on May 31, 2011. These fluctuations could continue. Among the factors that could affect our stock price are:

- our operating and financial performance and prospects;
- our ability to repay our debt;
- our access to financial and capital markets to refinance our debt;
- investor perceptions of us and the industry and markets in which we operate;
- future sales of equity or equity-related securities;
- changes in earnings estimates or buy/sell recommendations by analysts;
- changes in the supply of, demand for or price of debt portfolios;
- regulatory changes affecting our industry generally or our business and operations; and
- general financial, domestic, international, economic and other market conditions.

The stock markets in general have experienced high volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

If securities or industry analysts have a negative outlook regarding our stock or our industry, or our operating results do not meet their expectations, our stock price could decline. The trading market for our common stock is influenced by the research and reports that industry or securities analysts publish about us. If one or more of the analysts who cover our company downgrade our stock or if our operating results do not meet their expectations, our stock price could decline.

***Future sales of our common stock or the issuance of other equity may adversely affect the market price of our common stock.***

Except as described under the heading Underwriters, we are not restricted from issuing additional common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The issuance of additional shares of our common stock or convertible securities, including our outstanding options and restricted shares, or otherwise, will dilute the ownership interest of our common stockholders.

The liquidity and trading volume of our common stock is limited due to the substantial portion of our common stock held by the selling stockholder and other parties. Sales of a substantial number of shares of our common stock or other equity-related securities in the public market by us, the selling stockholder or others

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could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

***Provisions in our charter documents and Delaware law may delay or prevent acquisition of us, which could decrease the value of shares of our common stock.***

Our certificate of incorporation and bylaws and Delaware law contain provisions that could make it more difficult for a third party to acquire us without the consent of our board of directors. These provisions include advance notice provisions, limitations on actions by our stockholders by written consent and special approval requirements for transaction involving interested stockholders. We are authorized to issue up to five million shares of convertible preferred stock, the relative rights and preferences of which may be fixed by our board of directors, subject to the provisions of our articles of incorporation, without stockholder approval. The issuance of preferred stock could be used to dilute the stock ownership of a potential hostile acquirer. The provisions that discourage potential acquisitions of us and adversely affect the voting power of the holders of common stock may adversely affect the price of our common stock. See  Description of Common Stock  in the base prospectus.

***We do not intend to pay dividends on our common stock for the foreseeable future.***

We have never declared or paid cash dividends on our common stock. In addition, we must comply with the covenants in our revolving credit facility if we want to pay cash dividends. We currently intend to retain our future earnings, if any, to finance the further development and expansion of our business and do not intend to pay cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend upon our financial condition, results of operations, capital requirements, restrictions contained in current or future financing instruments and such other factors as our board of directors deems relevant. Accordingly, you may need to sell your shares of our common stock to realize a return on your investment, and you may not be able to sell your shares at or above the price you paid for them.

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## USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholder. The selling stockholder will receive all of the net proceeds from the sale of its shares of our common stock.

The selling stockholder will pay any underwriting discounts and commissions incurred by the selling stockholder in connection with sales by it. We will bear all other costs, fees and expenses incurred in effecting the registration of the common stock covered by this prospectus supplement including, but not limited to, all registration and filing fees, expenses of our counsel and accountant and expenses of counsel to the selling stockholder, as such expenses pertain to this offering.

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## CAPITALIZATION

The following table sets forth our cash and capitalization as of September 30, 2011 on an actual basis.

You should read the information in this table together with Management s Discussions and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and the related notes contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, as updated in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, which is incorporated by reference into this prospectus supplement and the accompanying base prospectus.

| **As of September 30, 2011** | |
|---|---|
| **(in thousands, except per share data)** | |
| Cash and cash equivalents | $ 10,672 |
| Debt: | |
| Revolving credit facility | $ 261,000 |
| Senior secured notes | 75,000 |
| Capital lease obligation | 8,196 |
| Total debt | 344,196 |
| Stockholders 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, 24,472 shares issued and outstanding | 245 |
| Additional paid-in capital | 122,082 |
| Accumulated earnings | 232,718 |
| Accumulated other comprehensive loss | (1,124) |
| Total stockholders equity | 353,921 |
| Total capitalization | $ 698,117 |

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## PRICE RANGE OF OUR COMMON STOCK AND DIVIDEND POLICY

### Market Information

Our common stock is traded on the Nasdaq Global Select Market under the symbol ECPG. The high and low sales prices of the common stock, as reported by the Nasdaq Global Select Market, for each quarter during our two most recent fiscal years and this year are reported below.

| | High | Low |
|---|---|---|
| **Year Ending December 31, 2011** | | |
| Fourth Quarter (through November 2, 2011) | $ 28.50 | $ 20.68 |
| Third Quarter | 31.78 | 18.96 |
| Second Quarter | 33.16 | 23.85 |
| First Quarter | 27.67 | 21.65 |
| **Year Ended December 31, 2010** | | |
| Fourth Quarter | 23.67 | 16.70 |
| Third Quarter | 22.92 | 17.50 |
| Second Quarter | 24.09 | 16.50 |
| First Quarter | 18.66 | 14.65 |
| **Year Ended December 31, 2009** | | |
| Fourth Quarter | 19.89 | 11.79 |
| Third Quarter | 17.50 | 10.30 |
| Second Quarter | 14.14 | 4.20 |
| First Quarter | 8.43 | 2.62 |

On November 2, 2011, the closing sale price of our common stock, as reported on the Nasdaq Global Select Market, was $26.10 per share. As of October 28, 2011, there were approximately 15 record holders.

### Dividend Policy

As a public company, we have never declared or paid dividends on our common stock. However, the declaration, payment and amount of future dividends, if any, is subject to the discretion of our board of directors, which may review our dividend policy from time to time in light of the then existing relevant facts and circumstances. Under the terms of our revolving credit facility, we are permitted to declare and pay dividends in an amount not to exceed, during any fiscal year, 20% of our audited consolidated net income for the then most recently completed fiscal year, so long as no default or unmatured default under the facility has occurred and is continuing or would arise as a result of the dividend payment. We may also be subject to additional dividend restrictions under future financing facilities.

## SELLING STOCKHOLDER

A total of 3,610,000 shares of common stock are being offered by the selling stockholder. The following table sets forth information with respect to the selling stockholder and the shares of common stock beneficially owned by the selling stockholder and reflects the shares of common stock offered by this prospectus supplement. Beneficial ownership is determined in accordance with the rules and regulations of the SEC.

| | Shares Beneficially Owned Prior to Offering | | Number of Shares | Shares Beneficially Owned After Offering | |
|---|---|---|---|---|---|
| Name | Number | Percent(1) | Offered(2) | Number | Percent(1) |
| JCF FPK(3) | 3,971,315 | 16.20% | 3,610,000 | 361,315 | 1.47% |

(1) Applicable percentage ownership is based on 24,507,190 shares of common stock outstanding as of October 28, 2011. Beneficial ownership of shares is determined in accordance with the rules of the Securities and Exchange Commission and generally includes shares as to which a person holds sole or shared voting or investment power. Shares of common stock subject to options that are presently exercisable or exercisable within 60 days of October 28, 2011 are deemed to be beneficially owned by the person holding such options for the purpose of computing percentage ownership of such person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(2) JCF FPK has granted the underwriter the option to purchase from it 361,315 shares of our common stock. If the option to purchase additional shares was exercised in full, after the offering JCF FPK would own none of our common stock.

(3) JCF FPK I LP ( JCF FPK ) is offering 3,610,000 shares of common stock. Information with respect to JCF FPK is based in part on a Schedule 13D and Amendment Nos. 1, 2 and 3 thereto filed with the SEC on April 23, May 14, May 18 and October 22, 2007, respectively, by JCF FPK, JCF Associates II-A LP ( JCF Associates ), JCF Associates II-A LLC ( JCF LLC ) and J. Christopher Flowers (the Original Reporting Persons ) and Amendment No. 4 filed with the SEC on March 8, 2011 by the Original Reporting Persons and JCF Associates II L.P. ( JCF II L.P. ) and JCF Associates II Ltd. ( JCF II Ltd. ). JCF Associates is the sole general partner of JCF FPK and has control over its affairs and investment decisions, including the power to vote or dispose of the shares held by JCF FPK. JCF LLC is the sole general partner of JCF Associates and has sole control over its affairs and investment decisions, including, indirectly, the power to vote or dispose of the shares held by JCF FPK. JCF II L.P. is the sole member of JCF LLC and has sole control over its affairs and investment decisions, including, indirectly the power to vote or dispose of the shares held by JCF FPK. JCF II Ltd. is the general partner of JCF II L.P. and has sole control over its affairs and investment decisions, including, indirectly, the power to vote or dispose of the shares held by JCF FPK. Mr. Flowers is the sole director of JCF II Ltd. and thus may be deemed to control JCF II Ltd. and each entity directly or indirectly controlled by JCF II Ltd., including JCF FPK and therefore may be deemed to have voting and/or investment power over these shares. Mr. Flowers disclaims beneficial ownership of these shares. John Oros is a member of our board of directors. Mr. Oros is a managing director of J.C. Flowers & Co. LLC, investment advisor to JCF Associates, and is not a beneficial owner of these shares. Mr. Oros was elected as director of Encore on May 11, 2007. The business address for JCF FPK is 717 Fifth Avenue, 26th Floor, New York, New York 10022. The number of shares offered by JCF FPK excludes (i) 23,214 shares underlying fully vested RSUs which were granted to our former director, Timothy Hanford, and which were subsequently transferred to J.C. Flowers & Co. LLC and (ii) 22,630 shares underlying fully vested RSUs which are held by Mr. Oros, which will be required to be transferred to J.C. Flowers & Co. LLC when paid to Mr. Oros. Mr. Flowers is the sole member of J.C. Flowers & Co. LLC and thus may be deemed to have beneficial ownership of such shares. Mr. Flowers disclaims beneficial ownership of these shares.

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## MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences of the acquisition, ownership and disposition of our common stock by a non-U.S. holder. For purposes of this discussion, you are a non-U.S. holder if you are a beneficial owner of our common stock, and you are not, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (including any entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the U.S., or of any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust, in general, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or if the trust has made a valid election to be treated as a U.S. person under applicable U.S. Treasury regulations.

This discussion does not consider:

- U.S. state, U.S. local or non-U.S. tax consequences;
- all aspects of U.S. federal income and estate taxes or specific facts and circumstances that may be relevant to a particular non-U.S. holder s tax position;
- the tax consequences for the stockholders, partners or beneficiaries of a non-U.S. holder;
- special tax rules that may apply to particular non-U.S. holders, such as partnerships (including any entity treated as a partnership for U.S. federal income tax purposes), financial institutions, insurance companies, tax-exempt organizations, U.S. expatriates, broker-dealers and traders in securities; or
- special tax rules that may apply to a non-U.S. holder that holds our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment.

If a partnership, including any entity treated as a partnership for U.S. federal income tax purposes, is a holder of our common stock, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership that may acquire our common stock, or a partner in such a partnership, you should consult a tax advisor regarding the tax consequences to you of the partnership s acquisition, ownership and disposition of our common stock.

The following discussion is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, existing and proposed Treasury regulations and administrative and judicial interpretations, all as of the date of this prospectus supplement, and all of which are subject to change, retroactively or prospectively. The following summary assumes that you hold our common stock as a capital asset. No ruling has been or will be sought from the U.S. Internal Revenue Service, or IRS, with respect to the matters discussed herein, and there can be no assurance that the IRS will not take a contrary position regarding the tax consequences of the acquisition, ownership or disposition of our common stock, or that any such contrary position would not be sustained by a court. **Each non-U.S. holder should consult a tax advisor regarding the U.S. federal, state, local and non-U.S. income and other tax consequences of acquiring, holding and disposing of shares of our common stock.**

**Dividends**

As stated above under Price Range of Our Common Stock and Dividend Policy Dividend Policy, as a public company, we have never declared or paid dividends on our common stock. In the event that we make

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distributions on our common stock, those payments will constitute dividends for U.S. federal tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent those distributions exceed our current and accumulated earnings and profits, they first will constitute a return of capital and will reduce a non-U.S. holder s basis in our common stock, but not below zero, and then will be treated as gain from the sale of stock (see Gain on Disposition of Common Stock below). Any dividend paid to a non-U.S. holder on our common stock will generally be subject to U.S. federal withholding tax at a rate of 30%, or a lower rate under an applicable income tax treaty. You are urged to consult your tax a