

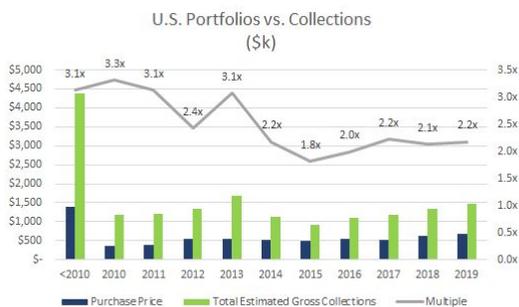
Encore Capital Group Stock Overview

- Ticker: ECPG
- Current Price: \$30.46
- 52 Week Range: \$15.27-\$49.01
- Sector: Specialty Consumer Finance
- Market Cap: \$954.6M
- P/E: 4.4
- Beta vs SPX: 2.48



Business Overview

Encore Capital Group is a specialty consumer finance company that deals in the provision of debt management and recovery solutions for consumers and property owners over a broad range of financial assets. They purchase portfolios of defaulted consumer receivables from major banks and credit unions at deep discounts to face value and manage them by working with individuals as they repay their obligations and work toward financial recovery. They have recently shifted to an online format where they are able to still operate and work with clients throughout the COVID-19 pandemic.



Investment Thesis

Encore also offers a competitive advantage that puts them ahead of their competition and that is their advanced analytics and continued investment into innovation. Their analytics team of statisticians, programmers and analysts allows them to find value, mitigate risk and ultimately drive growth. They are significantly undervalued compared to their major competitors and have strong fundamentals. In addition, the effects from COVID-19 have brought a unique opportunity to Encore where they can purchase new loan portfolios and collect current ones. Overall, Encore Capital Group provides a very strategic position to the portfolio with their focus on debt management and analytics.

Catalysts

- MCM and Cabot Merger
- Consumers have accumulated historically high levels of indebtedness
- COVID-19 could increase the pool of loans for Encore to purchase

Risks

- Intensely competitive market
- Rely on third parties to collect charged-off receivables
- COVID-19 impacting employment for lowest income borrowers

Valuation

Assumptions:

- Revenue growth rate of 10%
- Operating margins of 12.6%
- Terminal Growth of 3%

		Discount Rate				
		5.1%	4.6%	4.1%	3.6%	3.1%
Operating Margin	10.6%	19.43893	19.73116	20.02931	20.33352	20.64396
	11.6%	28.05674	28.36397	28.67742	28.99725	29.32363
	12.6%	36.67456	36.99678	37.32553	37.66097	38.0033
	13.6%	45.29238	45.62959	45.97364	46.3247	46.68296
	14.6%	53.91019	54.2624	54.62175	54.98843	55.36263

	Price	Weight	Total	Upside
Bear	\$ 19.44	20%	\$ 3.89	-36%
Base	\$ 37.33	60%	\$ 22.40	22%
Bull	\$ 55.36	20%	\$ 11.07	82%
		Blended	\$ 37.36	22%

Exit EV	3848.303
PV CF	803.91
Exit + CF	4652.218

EV/EBITDA	12.25
WACC	4.10%

EV	4652.218
Plus: Cash	210.8104
Less: Debt	-3704.27
Market Cap	1158.755

Shares Outstanding	31.21
Share Price	37.1277