Risk Factors Comparison 2024-02-21 to 2023-02-22 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Risks Related to Our Business and Industry An outbreak of a contagious disease,...... this " Risk Factors " section. Financial and economic conditions affect the ability of consumers to pay their obligations, which could harm our financial results. Economic conditions globally and locally directly affect unemployment and credit availability. Adverse conditions **(including natural disasters)** , economic changes (including significant inflation), and financial disruptions **(including unemployment)** place financial pressure on the consumer, which may reduce our ability to collect on our consumer receivable portfolios and may adversely affect the value of our consumer receivable portfolios. Further, increased financial pressures on the financially distressed consumer may result in additional regulatory requirements or restrictions on our operations and increased litigation filed against us. These conditions could increase our costs and harm our business, financial condition, and operating results. We may not be able to purchase receivables at favorable prices, which could limit our growth or profitability. Our ability to continue to operate profitably depends upon the continued availability of receivable portfolios that meet our purchasing standards and are cost- effective based upon projected collections exceeding our costs. Due, in part, to fluctuating prices for receivable portfolios, fluctuating supply and competition within the marketplace, there has been **, and could continue to be,** considerable variation in our purchasing volume and pricing from quarter to quarter and **year** ~~we expect that~~ to ~~continue~~ **year** . The volume of our portfolio purchases may be limited when prices are high and may or may not increase when portfolio pricing is more favorable to us. Further, our rates of return may decline when portfolio prices are high. We do not know how long portfolios will be available for purchase on terms acceptable to us, or at all. The availability of receivable portfolios at favorable prices depends on a number of factors, including: • volume of defaults in consumer debt; • continued sale of receivable portfolios by originating institutions and portfolio resellers at sufficient volumes and acceptable price levels; • competition in the marketplace; • our ability to develop and maintain favorable relationships with key major credit originators and portfolio resellers; • our ability to obtain adequate data from credit originators or portfolio resellers to appropriately evaluate the collectability of, estimate the value of, and collect on portfolios; and • changes in laws and regulations governing consumer lending, bankruptcy, and collections. We enter into " forward flow " contracts, which are commitments to purchase receivables on a periodic basis over a specified period of time in accordance with certain criteria, which may include a specifically defined volume, frequency, and pricing. In periods of decreasing prices, we may end up paying an amount higher for such debt portfolios in a forward flow contract than we would otherwise agree to pay at the time for a spot purchase, which could result in reduced returns. We **may** ~~would likely~~ only be able to terminate such forward flow agreements in certain limited circumstances **or, for certain agreements, after a certain notice period** . In addition, because of the length of time involved in collecting charged- off consumer receivables on acquired portfolios and the volatility in the timing of our collections, we may not be able to identify trends and make changes in our purchasing strategies in a timely manner. Ultimately, if we are unable to continually purchase and collect on a sufficient volume of receivables to generate cash collections that exceed our costs or to generate satisfactory returns, our business, financial condition and operating results will be adversely affected. A significant portion of our portfolio purchases during any period may be concentrated with a small number of sellers, which could adversely affect our volume and timing of purchases. A significant percentage of our portfolio purchases for any given fiscal quarter or year may be concentrated with a few large sellers, some of which may also involve forward flow arrangements. We cannot be certain that any of our significant sellers will continue to sell charged- off receivables to us, that such sales would be on terms or in quantities acceptable to us, or that we would be able to replace these purchases with purchases from other sellers. A significant decrease in the volume of portfolio available from any of our principal sellers would force us to seek alternative sources of charged- off receivables. We may be unable to find alternative sources from which to purchase charged- off receivables, and even if we could successfully replace these purchases, the search could take time and the receivables could be of lower quality, cost more, or both, any of which could adversely affect our business, financial condition and operating results. We face intense competition that could impair our ability to maintain or grow our purchasing volumes. The charged- off receivables purchasing market is highly competitive. We compete with a wide range of other purchasers of charged- off consumer receivables. To the extent our competitors are able to better maximize recoveries on their assets or are willing to accept lower rates of return, we may not be able to grow or sustain our purchasing volumes or we may be forced to acquire portfolios at expected rates of return lower than our historical rates of return. Some of our competitors may obtain alternative sources of financing at more favorable rates than those available to us, the proceeds from which may be used to fund expansion and to increase the amount of charged- off receivables they purchase. We face bidding competition in our acquisition of charged- off consumer receivables. We believe that successful bids are predominantly awarded based on price and, to a lesser extent, based on service, reputation, and relationships with the sellers of charged- off receivables. Some of our current competitors, and potential new competitors, may have more effective pricing and collection models, greater adaptability to changing market needs, and more established relationships in our industry than we do. Moreover, our competitors may elect to pay prices for portfolios that we determine are not economically sustainable and, in that event, we may not be able to continue to offer competitive bids for charged- off receivables. If we are unable to develop and expand our business or to adapt to changing market needs as well as our current or future competitors, we may experience reduced access to portfolios of charged- off consumer receivables in sufficient face value amounts at appropriate prices, which could adversely affect our business, financial condition and operating results. We may purchase receivable portfolios that are unprofitable or we may not be able to collect sufficient amounts to recover our costs and to fund our operations. We acquire and service charged- off receivables that the obligors have failed to pay and the sellers have deemed uncollectible and have written off. The originating institutions and / or portfolio resellers generally make numerous attempts to recover on these nonperforming receivables, often using a combination of their in- house collection and legal departments, as well as third- party collection agencies. In order to operate profitably over the long term, we must continually purchase and collect on a sufficient volume of charged- off receivables to generate revenue that exceeds our costs. These receivables are difficult to collect, and we may not be successful in collecting amounts sufficient to cover the costs associated with purchasing the receivables and funding our operations. If we are not able to collect on these receivables, collect sufficient amounts to cover our costs or generate satisfactory returns, this may adversely affect our business, financial condition and operating results. We may experience losses on portfolios consisting of new types of receivables or receivables in new geographies due to our lack of collection experience with these receivables, which could harm our business, financial condition and operating results. We continually look for opportunities to expand the classes of assets that make up the portfolios we acquire. Therefore, we may acquire portfolios consisting of assets with which we have little or no collection experience or portfolios of receivables in new geographies where we do not historically maintain an operational footprint. Our lack of experience with these assets may hinder our ability to generate expected levels of profits from these portfolios. Further, our existing methods of collections may prove ineffective for these new receivables, and we may not be able to collect on these portfolios. Our inexperience with these receivables may have an adverse effect on our business, financial condition and operating results. The statistical models we use to project remaining cash flows from our receivable portfolios may prove to be inaccurate and, if so, our financial results may be adversely affected. We use internally developed models to project the remaining cash flows from our receivable portfolios. These models consider known data about our consumers' accounts, including, among other things, our collection experience and changes in external consumer factors, in addition to data known when we acquire the accounts. Our models also consider data provided by third parties including public sources. We may not be able to achieve the collections forecasted by our models. Our models may not appropriately identify or assess all material factors **or trends** and yield correct or accurate forecasts as our historical collection experience may not reflect current or future realities. We also have no control over the accuracy of information received from third parties. If such information is not accurate our models may not accurately project estimated remaining cash flows. If we are not able to achieve the levels of forecasted ~~collection~~ **collections** , our revenues will be reduced or we may be required to record a charge, which may adversely affect our business, financial condition and operating results. A significant portion of our collections relies upon our success in individual lawsuits brought against consumers and our ability to collect on judgments in our favor. We generate a significant portion of our revenue by collecting on judgments that are granted by courts in lawsuits filed against consumers. A decrease in the willingness of courts to grant these judgments, a change in the requirements for filing these cases or obtaining these judgments, ~~or~~ a decrease in our ability to collect on these judgments **, or any closure of court systems** could have an adverse effect on our business, financial condition and operating results. As we increase our use of the legal channel for collections, our short- term margins may decrease as a result of an increase in upfront court costs and costs related to counter claims. We may not be able to collect on certain aged accounts because of applicable statutes of limitations and we may be subject to adverse effects of regulatory changes. Further, courts in certain jurisdictions require that a copy of the account statements or applications be attached to the pleadings in order to obtain a judgment against consumers. If we are unable to produce those account documents, these courts could deny our claims, and our business, financial condition and operating results may be adversely affected. Increases in costs associated with our collections through collection litigation can raise our costs associated with our collection strategies and the individual lawsuits brought against consumers to collect on judgments in our favor. We have substantial collection activity through our legal collections channel and, as a consequence, increases in upfront court costs, costs related to counterclaims, and other court costs may increase our total cost in collecting on accounts in this channel, which may have an adverse effect on our business, financial condition and operating results. Our business, financial condition and operating results may be adversely affected if consumer bankruptcy filings increase or if bankruptcy laws change. Our business model may be uniquely vulnerable to an economic recession, which typically results in an increase in the amount of defaulted consumer receivables, thereby contributing to an increase in the amount of personal bankruptcy filings. Under certain bankruptcy filings, a consumer' s assets are sold to repay credit originators, with priority given to holders of secured debt. Since the defaulted consumer receivables we purchase are generally unsecured, we often are not able to collect on those receivables. In addition, since we purchase receivables that may have been delinquent for a long period of time, this may be an indication that many of the consumers from whom we collect will be unable to pay their debts going forward and are more likely to file for bankruptcy in an economic recession. Furthermore, potential changes to existing bankruptcy laws could contribute to an increase in consumer bankruptcy filings. We cannot be certain that our collection experience would not decline with an increase in consumer bankruptcy filings. If our actual collection experience with respect to a defaulted consumer receivable portfolio is significantly lower than we projected when we purchased the portfolio, our business, financial condition and operating results could be adversely affected. We are subject to audits conducted by sellers of debt portfolios and may be required to implement specific changes to our policies and practices as a result of adverse findings by such sellers as a part of the audit process, which could limit our ability to purchase debt portfolios from them in the future, which could materially and adversely affect our business. Pursuant to purchase contracts, we are subject to audits that are conducted by sellers of debt portfolios. Such audits may occur with little notice and the assessment criteria used by each seller varies based on their own requirements, policies and standards. Although much of the assessment criteria is based on regulatory requirements, we may be asked to comply with additional terms and conditions that are unique to particular debt originators. From time to time, sellers may believe that we are not in compliance with certain of their criteria and in such cases, we may be required to dedicate resources and to incur expenses to address such concerns, including the implementation of new policies and procedures. In addition, to the extent that we are unable to satisfy the requirements of a particular seller, such seller could remove us from their panel of preferred purchasers, which could limit our ability to purchase debt portfolios from that seller in the future, which could adversely affect our business, financial condition and operating results. We rely on third parties to provide us with services in connection with certain aspects of our business, and any failure by these third parties to perform their obligations, or our inability to arrange for alternative third- party providers for such services, could have an adverse effect on our business, financial condition and operating results. We ~~use outside collection services to collect a substantial portion of our charged- off receivables. We~~ are dependent upon the efforts of third- party service providers including collection agencies, law firms, data providers, tracing service providers and other servicers to help service and collect our charged- off receivables. Our third- party servicers could fail to perform collection services for us adequately, remit those collections to us or otherwise perform their obligations adequately. In addition, one or more of those third- party service providers could cease operations abruptly or become insolvent, or our relationships with such third- party service providers may otherwise change adversely. Further, we might not be able to secure replacement third- party service providers or promptly transfer account information to our new third- party service provider or in- house in the event our agreements with our third- party collection agencies and attorneys were terminated. In addition, to the extent these third- party service providers violate laws, other regulatory requirements or their contractual obligations, or act inappropriately in the conduct of their business, our business and reputation could be negatively affected or penalties could be directly imposed upon us. Any of the foregoing factors could cause our business, financial condition and operating results to be adversely affected. We have entered into agreements with third parties to provide us with services in connection with our business, including payment processing, credit card authorization and processing, payroll processing, record keeping for retirement and benefit plans and certain information technology functions. Any failure by a third party to provide us with contracted services on a timely basis or within service level expectations and performance standards may have an adverse effect on our business, financial condition and operating results. In addition, we may be unable to find, or enter into agreements with, suitable replacement third party providers for such services, which could adversely affect our business, financial condition and operating results. We are dependent on our data gathering systems and proprietary consumer profiles, and if access to such data was lost or became public, our business could be materially and adversely affected. Our models and consumer databases provide information that is critical to our business. We rely on data provided to us by multiple credit reference agencies, our servicing partners and other sources in order to operate our systems, develop our proprietary consumer profiles and run our business generally. If these credit reference agencies were to terminate their agreements or stop providing us with data for any reason, for example, due to a change in governmental regulation, or if they were to considerably raise the price of their services, our business could be materially and adversely affected. Also, if any of the proprietary information or data that we use became public, for example, due to a change in government regulations, we could lose a significant competitive advantage and our business could be negatively impacted. If we become unable to continue to acquire or use information and data in the manner in which it is currently acquired and used, or if we were prohibited from accessing or aggregating the data in these systems or profiles for any reason, we may lose a significant competitive advantage, in particular if our competitors continue to be able to acquire and use such data, and our business could be materially and adversely affected. If our technology and telecommunications systems were to fail, **fail to be effective,** or if we are not able to successfully anticipate, invest in, or adopt technological advances within our industry, it could have an adverse effect on our operations. Our success depends in large part on sophisticated computer and telecommunications systems. The temporary or permanent loss of our computer and telecommunications equipment and software systems, through casualty, operating malfunction, software virus, or service provider failure, could disrupt our operations. In the normal course of our business, we must record and process significant amounts of data quickly and accurately to properly bid on prospective acquisitions of receivable portfolios and to access, maintain, and expand the databases we use for our collection activities. Any simultaneous failure of our information systems and their backup systems would interrupt our business operations. In addition, our business relies on computer and telecommunications technologies, and our ability to integrate new technologies into our business is essential to our competitive position and our success. We may not be successful in anticipating, investing in, or adopting technological changes on a timely or cost- effective basis. Computer and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. We continue to make significant modifications to our information systems to ensure that they continue to be adequate for our current and foreseeable demands and continued expansion, and our future growth may require additional investment in these systems. These system modifications may exceed our cost or time estimates for completion or may be unsuccessful. If we cannot update our information systems effectively, our business, financial condition and operating results may be adversely affected. ~~In~~ **We use our technology and telecommunications systems to contact consumers in an attempt to collect on receivables. Over recent years, we have observed an increase in the adoption by consumers, telephone carriers and communications platforms of call, email, or** ~~the~~ **other communication filtering or blocking. If calls, emails or other communications are blocked or we are otherwise not able to contact our consumers our ability to collect on our receivables through our call center and digital collections channel could be impacted and we would need to pursue collections through our higher- cost legal collections channel, which could impact our operating results. Our business results and operations could be adversely affected by a cybersecurity** event **,** ~~of a cyber security~~ breach **, business interruption** or similar incident ~~,~~ **relating to** our **information technology systems** ~~business and operations could suffer~~ . We rely on information technology networks and systems to process and store electronic information. We collect and store sensitive data, including personally identifiable information of our consumers, on our information technology networks. Despite the implementation of **risk and** security measures **(see Item 1A- Cybersecurity)** , our information technology networks and systems have been, and in the future may be, vulnerable to disruptions and shutdowns due to attacks by ~~hackers~~ **threat actors** or breaches due to malfeasance by contractors, employees and others who have access to our networks and systems. **In addition to our own systems, we use third- party service providers, who in turn may also use third- party providers, to process certain data or information on our behalf. Although we generally contractually require these service providers to implement and maintain reasonable security measures, we cannot control third parties and cannot guarantee that a security breach will not occur in their systems.** The occurrence of any of ~~these cyber security~~

cybersecurity ~~events~~ **incident** could compromise our networks and the information stored on our networks **(or on the networks of third- party service providers)** could be accessed. **Due to our size and the large number of service providers we work with and the increasing sophistication and complexity of cyber attacks, an incident could occur and persist for an extended period without detection.** Any **investigation of a cyber attack or other security incident would be unpredictable and would take time before the completion of any investigation and before there is availability of full and reliable information. As cyber attacks continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. In addition, our remediation efforts may not be successful. While we currently maintain cybersecurity insurance,** such ~~access~~ **insurance may not be sufficient in type or amount to cover us against claims related to cybersecurity breaches or attacks, failures or other data security- related incidents, and we cannot be certain that cyber insurance will continue to be available to us on economically reasonable terms, or at all, or that an insurer will not deny coverage as to any future claim. Any cybersecurity event, breach or similar incident relating to our information technology systems** could disrupt our operations, adversely affect the willingness of sellers to sell to us or result in legal claims, liability, reputational damage or regulatory penalties under laws protecting the privacy of personal information, any of which could adversely affect our business, financial condition and operating results. We have significant international operations, which exposes us to additional risks and uncertainties. Our international operations subject us to a number of additional risks and uncertainties, including: • compliance with and changes in international laws, including regulatory and compliance requirements that could affect our business; • differing accounting standards and practices; • increased exposure to U. S. laws that apply abroad, such as the Foreign Corrupt Practices Act, and exposure to other anti- corruption laws such as the UK Bribery Act; • social, political and economic instability ~~or~~ **,** recessions **or uncertainty (including as a result of Brexit)** ; • fluctuations in foreign economies and currency exchange rates; • difficulty in hiring, staffing and managing qualified and proficient local employees and advisors to run international operations; • the difficulty of managing and operating an international enterprise, including difficulties in maintaining effective communications with employees due to distance, language, and cultural barriers; • difficulties implementing and maintaining effective internal controls and risk management and compliance initiatives; • potential disagreements with our joint venture business partners; • differing labor regulations and business practices; and • foreign and, in some circumstances, U. S. tax consequences. Each of these could adversely affect our business, financial condition and operating results. We may not be able to adequately protect the intellectual property rights upon which we rely and, as a result, any lack of protection may diminish our competitive advantage. We rely on proprietary software programs and valuation and collection processes and techniques, and we believe that these assets provide us with a competitive advantage. We consider our proprietary software, processes, and techniques to be trade secrets, but they are not protected by patent or registered copyright. We may not be able to protect our technology and data resources adequately, which may diminish our competitive advantage, which may, in turn, adversely affect our business, financial condition and operating results. ~~The United Kingdom' s withdrawal from the European Union could have a material adverse effect on our business, financial condition and results of operations. In June 2016, the United Kingdom held a referendum in which voters approved the United Kingdom' s withdrawal from the European Union, commonly referred to as " Brexit. " The United Kingdom formally exited the European Union on January 31, 2020. The EU- UK Trade and Cooperation Agreement – a key agreement that governs the relationship after Brexit – entered into force in May 2021. During 2022, negotiations on the future partnership continued with an aim to improve the clarity on post- Brexit positions on trade arrangements and cross- border investments. Talks between the United Kingdom and the European Union continue on how to implement post- Brexit arrangements. Nevertheless there remains ongoing risks resulting from a lack of clarity, which could potentially undermine bilateral cooperation and disrupt trade (including in the financial services sector) between the United Kingdom and the European Union. These developments may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity, restrict the ability of key market participants to operate in certain financial markets or restrict our access to capital. In addition, Brexit has caused, and may continue to cause, both significant volatility in global stock markets and currency exchange rate fluctuations, as well as create significant uncertainty among United Kingdom businesses and investors. We generate a significant portion of our earnings in the United Kingdom, and any of the foregoing factors could have a material adverse effect on our business, financial condition and operating results.~~ Exchange rate fluctuations could adversely affect our business, financial condition and operating results. Because we conduct some business in currencies other than U. S. dollars, primarily the British Pound, but report our financial results in U. S. dollars, we face exposure to fluctuations in currency exchange rates upon translation of these business results into U. S. dollars. In the normal course of business, we may employ various strategies to manage these risks, including the use of derivative instruments. These strategies may not be effective in protecting us against the effects of fluctuations from movements in foreign exchange rates. Fluctuations in foreign currency exchange rates could adversely affect our financial condition and operating results **.** An outbreak of a contagious disease ~~,such as the COVID- 19 pandemic,~~ or other public health emergency could materially impact our business and results of operations.The COVID- 19 pandemic and resulting containment measures caused economic **,financial** and ~~financial~~ **operational** disruptions that adversely affected **certain aspects of** our business and results of operations.Other public health emergencies could also affect our business and results of operations and any impact would depend on future developments that we are not able to predict,including the duration,spread and severity of the public health emergency;the nature,extent and effectiveness of containment measures;the extent and duration of the effect on the economy;and how quickly and to what extent normal economic and **operating conditions resumed** . Risks Related to Government Regulation and Litigation Our business is subject to extensive laws and regulations, which have increased and may continue to increase. As noted in detail in " Item 1- Part 1- Business- Government Regulation " of this Annual Report on Form 10- K, extensive laws and regulations directly apply to key portions of our business. These laws and regulations are also subject to review from time to time and may be subject to significant change. Changes in laws and regulations applicable to our operations, or the manner in which they are interpreted or applied, could limit our activities in the future or could significantly increase the cost of regulatory compliance. These negative effects could result from changes in collection laws and guidance, laws related to credit reporting, consumer bankruptcy laws, laws related to the management and enforcement of consumer debt, court and enforcement procedures, the statute of limitation for debts, accounting standards, taxation requirements, employment laws, communications laws, data privacy and protection laws, anti- bribery and corruption laws and anti- money laundering laws. For example, in November 2021, the CFPB final rules in the form of a new Regulation F that implement the Fair Debt Collection Practices Act became effective. Regulation F ~~restates~~ **restated** and ~~clarifies~~ **clarified** prohibitions on harassment and abuse, false or misleading representations, and unfair practices by debt collectors when collecting consumer debt as discussed in more detail under " Part I- Item 1 — Business- Government Regulation. " We sometimes purchase accounts in asset classes that are subject to industry- specific and / or issuer- specific restrictions that limit the collection methods that we can use on those accounts. Further, we have seen a trend in laws, rules and regulations requiring increased availability of historic information about receivables in order to collect. If credit originators or portfolio resellers are unable or unwilling to meet these evolving requirements, we may be unable to collect on certain accounts. Our inability to collect sufficient amounts from these accounts, through available collection methods, could adversely affect our business, financial condition and operating results. In addition, the CFPB has engaged in enforcement activity in sectors adjacent to our industry, impacting credit originators, collection firms, and payment processors, among others. Enforcement activity in these spaces by the CFPB or others, especially in the absence of clear rules or regulatory expectations, may be disruptive to third parties as they attempt to define appropriate business practices. As a result, certain commercial relationships we maintain may be disrupted or impacted by changes in third- parties' business practices or perceptions of elevated risk relating to the debt collection industry, which could reduce our revenues, or increase our expenses, and consequently adversely affect our business, financial condition and operating results. Additional consumer protection or privacy laws, rules and regulations may be enacted, or existing laws, rules or regulations may be **amended,** reinterpreted or enforced in a different manner, imposing additional restrictions or requirements on the collection of receivables. Any of the developments described above may adversely affect our ability to purchase and collect on receivables and may increase our costs associated with regulatory compliance, which could adversely affect our business, financial condition and operating results. Failure to comply with government regulation could result in the suspension, termination or impairment of our ability to conduct business, may require the payment of significant fines and penalties, or require other significant expenditures. The U. S. collections industry is heavily regulated under various federal, state, and local laws, rules, and regulations. Many states and several cities require that we be licensed as a debt collection company. The CFPB, FTC, state Attorneys General and other regulatory bodies have the authority to investigate a variety of matters, including consumer complaints against debt collection companies, and can bring enforcement actions and seek monetary penalties, consumer restitution, and injunctive relief. If we, or our third- party collection agencies or law firms fail to comply with applicable laws, rules, and regulations, including, but not limited to, identity theft, privacy, data security, the use of automated dialing equipment, laws related to consumer protection, debt collection, and laws applicable to specific types of debt, it could result in the suspension or termination of our ability to conduct collection operations, which would adversely affect us. Further, our ability to collect our receivables may be affected by state laws, which require that certain types of account documentation be presented prior to the institution of any collection activities. Our failure or the failure of third- party agencies and attorneys, or the credit originators or portfolio resellers selling receivables to us, to comply with existing or new laws, rules, or regulations could limit our ability to recover on receivables, affect the willingness of financial institutions to sell portfolios to us, cause us to pay damages to consumers or result in fines or penalties, which could reduce our revenues, or increase our expenses, and consequently adversely affect our business, financial condition and operating results. For example, **in** ~~on September 8,~~ 2020, the CFPB filed a lawsuit alleging that Encore and certain of our U. S. subsidiaries had violated a consent order (the " 2015 Consent Order ") pursuant to which we had previously settled allegations raised by the CFPB arising from practices during the period between 2011 and 2015. In the lawsuit, the CFPB alleged that we did not perfectly adhere to certain operational provisions of the 2015 Consent Order, leading to alleged violations of federal consumer financial law. **In** ~~On October 15,~~ 2020, we entered into a stipulated judgment (" Stipulated Judgment ") with the CFPB to resolve the lawsuit. The Stipulated Judgment ~~requires~~ **required** us to, among other things **,** ~~: (1)~~ continue to follow a narrow subset of the operational requirements contained in the 2015 Consent Order, all of which have long been part of the Company' s routine practices **and** ~~; (2)~~ pay a $ 15. 0 million civil monetary penalty ~~; and (3) provide redress of approximately $ 9, 000 to 14 affected consumers, which is in addition to approximately $ 70, 000 of redress that the Company had previously voluntarily provided~~ . In addition, new federal, state or local laws or regulations, or changes in the ways these rules or laws are interpreted or enforced, could limit our activities in the future and / or significantly increase the cost of regulatory compliance. Our operations outside the United States are subject to foreign and U. S. laws and regulations that apply to our international operations, including GDPR, the UK Consumer Credit Act, the Foreign Corrupt Practices Act, the UK Bribery Act and other local laws prohibiting corrupt payments to government officials. Violations of these laws and regulations could result in fines and penalties, criminal sanctions, prohibitions on the conduct of our business and reputational damage. The debt purchase and collections sector and the broader consumer credit industry in the United Kingdom, Ireland and the other European jurisdictions in which we operate are also highly regulated under various laws and regulations. This legislation is principles- based and therefore the interpretation of compliance is complex and may change over time. Failure to comply with any applicable laws, regulations, rules or contractual compliance obligations could result in investigations, information gathering, public censures, financial penalties, disciplinary measures, liability and / or enforcement actions, including licenses or permissions that we need to do business not being granted or being revoked or the suspension or termination of our ability to conduct collections. In addition, our debt purchase contracts with vendors include certain conditions and failure to comply or revocation of a permission or authorization, or other actions taken by us that may damage the reputation of the vendor, may entitle the vendor to terminate any agreements with us. Damage to our reputation, whether because of a failure to comply with applicable laws, regulations or rules, revocation of a permission or authorization, any other regulatory action or our failure to comply with contractual compliance obligations, could deter vendors from choosing us as their debt purchase or collections provider. Compliance with this extensive regulatory framework is expensive and labor- intensive. Any of the foregoing could have an adverse effect on our business, financial condition and operating results. We are subject to ongoing risks of regulatory investigations and litigation, including individual and class action lawsuits, under consumer credit, consumer protection, theft, privacy, collections, and other laws, and we may be subject to awards of substantial damages or be required to make other expenditures or change our business practices as a result. We operate in an extremely litigious climate and currently are, and may in the future be, named as defendants in litigation, including individual and class action lawsuits under consumer credit, consumer protection, theft, privacy, data security, automated dialing equipment, debt collections, and other laws. Many of these cases present novel issues on which there is no clear legal precedent, which increases the difficulty in predicting both the potential outcomes and costs of defending these cases. We are subject to ongoing risks of regulatory investigations, inquiries, litigation, and other actions by the CFPB, FTC, FCA, state Attorneys General, Central Bank of Ireland or other governmental bodies relating to our activities. For example, ~~on~~ **in** September ~~8,~~ 2020 ~~,~~ the CFPB filed a lawsuit alleging that Encore and certain of its US subsidiaries had violated the 2015 Consent Order ~~. On~~ **and in** October ~~15,~~ 2020 ~~,~~ we entered into the Stipulated Judgment with the CFPB to resolve the lawsuit. These litigation and regulatory actions involve potential compensatory or punitive damage claims, fines, costs, sanctions, civil monetary penalties, consumer restitution, or injunctive relief, as well as other forms of relief, that could require us to pay damages, make other expenditures or result in changes to our business practices. Any changes to our business practices could result in lower collections, increased cost to collect or reductions in estimated remaining collections. Actual losses incurred by us in connection with judgments or settlements of these matters may be more than our associated reserves. Further, defending lawsuits and responding to governmental inquiries or investigations, regardless of their merit, could be costly and divert management' s attention from the operation of our business. All of these factors could have an adverse effect on our business, financial condition and operating results. Negative publicity associated with litigation, governmental investigations, regulatory actions, ~~cyber security~~ **cybersecurity** breaches and other public statements could damage our reputation. From time to time there are negative news stories about our industry or company, especially with respect to alleged conduct in collecting debt from consumers. These stories may follow the announcements of litigation or regulatory actions involving us or others in our industry. Negative publicity about our alleged or actual debt collection practices, about the debt collection industry in general or our ~~cyber security~~ **cybersecurity** could adversely affect our stock price, our position in the marketplace in which we compete, and our ability to purchase charged- off receivables, any of which could have an adverse effect on our business, financial condition and operating results. Risks Related to Our Indebtedness and Common Stock Our significant indebtedness could adversely affect our financial health and could harm our ability to react to changes to our business. As described in greater detail in " Note 6: Borrowings " to our consolidated financial statements, as of December 31, ~~2022~~ **2023** , our total long- term indebtedness outstanding was approximately $ ~~2~~ **3** . ~~9~~ **3** billion. Our substantial indebtedness could have important consequences to investors. For example, it could: • increase our vulnerability to general economic downturns and industry conditions; • require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate requirements; • limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • place us at a competitive disadvantage compared to competitors that have less debt; • increase our exposure to market and regulatory changes that could diminish the amount and value of our inventory that we borrow against under our secured credit facilities; and • limit, along with the financial and other restrictive covenants contained in the documents governing our indebtedness, our ability to borrow additional funds, make investments and incur liens, among other things. Any of these factors could adversely affect our business, financial condition and operating results. Servicing our indebtedness requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial indebtedness. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness or to make cash payments in connection with any conversion ~~or exchange~~ of our convertible notes ~~or exchangeable notes, respectively,~~ depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our indebtedness and make necessary capital expenditures. If we are unable to generate adequate cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring indebtedness or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at that time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations which could, in turn, adversely affect our business, financial condition and operating results. Despite our current indebtedness levels, we may still incur substantially more indebtedness or take other actions which would intensify the risks discussed above. Despite our current consolidated indebtedness levels, we and our subsidiaries may be able to incur substantial additional indebtedness in the future. We are not restricted under the terms of the indentures governing our convertible ~~notes or exchangeable~~ notes from incurring additional indebtedness, securing existing or future indebtedness, recapitalizing our indebtedness or taking a number of other actions that could have the effect of diminishing our ability to make payments on our indebtedness. Although our credit facilities and other existing debt currently limit the ability of us and certain of our subsidiaries to incur certain additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, additional indebtedness incurred in compliance with these restrictions, including additional secured indebtedness, could be substantial. Also, these restrictions will not prevent us from incurring obligations that do not constitute indebtedness. To the extent new indebtedness or other new obligations are added to our current levels, the risks described above could intensify. We may not be able to continue to satisfy the covenants in our debt agreements. Our debt agreements impose a number of covenants, including restrictive covenants on how we operate our business. Failure to satisfy any one of these covenants could result in negative consequences including the following, each of which could have an adverse effect on our business, financial condition and operating results: • acceleration or amortization of outstanding indebtedness; • exercise by our lenders of rights with respect to the collateral pledged under certain of our outstanding indebtedness; • our inability to continue to purchase receivables needed to operate our business; • decrease in the level of liquidity that can be accessed under certain of our debt agreements; or • our inability to secure alternative financing on favorable terms, if at all. In particular, the Global Senior Facility also requires the Company and the guarantors to observe certain customary affirmative covenants, including three maintenance covenants. These require the Company to ensure that the LTV Ratio (as defined in the Global Senior Facility) does not exceed 0. 75 and the SSRCF Ratio (as defined in the Global Senior Facility) does not exceed 0. 275. The Company is further required to maintain a Fixed Charge Coverage Ratio (as defined in the Global Senior Facility) of at least 2. 0. These financial covenants are, subject in the case of the LTV Ratio to a minimum drawing requirement, tested quarterly (or with respect to the SSRCF Ratio, monthly). The breach of any of these maintenance covenants could lead to the consequences referred to above. Increases in interest rates could adversely affect our business, financial condition and operating results. Portions of our outstanding debt bear interest at a variable rate. Increases in interest rates could increase our interest expense which would, in turn, lower our earnings. We may periodically evaluate whether to enter into derivative financial instruments, such as interest rate swap agreements, to reduce our exposure to fluctuations in interest rates on variable interest rate debt and their impact on earnings and cash flows. These strategies may not be effective in protecting us against the effects of fluctuations from movements in interest rates. Increases in interest rates could adversely affect our business, financial condition and operating results. 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. 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 portfolios; • our acquisition activity, including our expansion into new markets; • regulatory changes affecting our industry generally or our business and operations; • general financial, domestic, international, economic and other market conditions; and • the number of short positions on our stock at any particular time. The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this Annual Report on Form 10- K, elsewhere in our filings with the SEC from time to time or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. The price of our common stock could also be affected by possible sales of our common stock by investors who view our convertible notes ~~or exchangeable notes~~ as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving 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 securities may adversely affect the market price of our common stock. In the future, we may sell additional shares of our common stock or other equity or equity- related securities to raise capital or issue equity securities to finance acquisitions. In addition, a substantial number of shares of our common stock are reserved for issuance upon conversion of our convertible ~~notes and exchangeable~~ notes. 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 liquidity and trading volume of our common stock is limited. The issuance or sale of substantial amounts of our common stock or other equity or equity- related securities (or the perception that such issuances or sales may occur) could adversely affect the market price of our common stock as well as our ability to raise capital through the sale of additional equity or equity- related securities. We cannot predict the effect that future issuances or sales of our common stock or other equity or equity- related securities would have on the market price of our common stock. We may not have the ability to raise the funds necessary to repurchase our notes upon a fundamental change or change of control or to settle conversions ~~or exchanges~~ in cash, and our future indebtedness may contain limitations on our ability to pay cash upon conversion of our convertible notes. Holders of our notes will have the right to require us to repurchase their notes upon the occurrence of a fundamental change or a change of control at a repurchase price equal to 100 % of their principal amount, plus accrued and unpaid interest, if any. In addition, upon a conversion ~~or exchange~~ of notes we will be required to make cash payments for each $ 1, 000 in principal amount of notes converted ~~or exchanged~~ of at least the lesser of $ 1, 000 and the sum of certain daily conversion values. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the notes surrendered therefor or to settle conversions ~~or exchanges~~ in cash. In addition, certain of our debt agreements contain restrictive covenants that limit our ability to engage in specified types of transactions, which may affect our ability to repurchase our notes. Further, our ability to repurchase our notes or to pay cash upon conversion ~~or exchange~~ may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase the notes or to pay cash upon conversion ~~or exchange~~ of the notes at a time when the repurchase or cash payment upon conversion ~~or exchange~~ is required by any indenture pursuant to which the notes were offered would constitute a default under the relevant indenture. Such default could constitute a default under other agreements governing our indebtedness. If the repayment of any indebtedness were to be accelerated, we may not have sufficient funds to repay such indebtedness and repurchase the notes. 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 transactions involving interested stockholders. We are authorized to issue up to five million shares of 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. We are dependent on our management team for the adoption and implementation of our strategies and the loss of its services could have an adverse effect on our business. Our management team has considerable experience in finance, banking, consumer collections, and other industries. We believe that the expertise of our executives obtained by managing businesses across numerous other industries has been critical to the enhancement of our operations. Our management team has created a culture of new ideas and progressive thinking, coupled with increased use of technology and statistical analysis. The management teams at each of our operating subsidiaries are also important to the success of their respective operations. The loss of the services of one or more key members of management could disrupt our collective operations and seriously impair our ability to continue to acquire or collect on portfolios of charged- off receivables and to manage and expand our business, any of which could have an adverse effect on our business, financial condition and operating results. We may not be able to recruit and retain key employees and workers in a competitive labor market. If we cannot successfully recruit and retain key employees and workers, or if we experience the unexpected loss of those employees, our operations may be negatively affected. In addition, cost inflation may require us to enhance our compensation in order to compete effectively in the hiring and retention of employees. We may make acquisitions that prove unsuccessful and any mergers, acquisitions, dispositions or joint venture activities may change our business and financial results and introduce new risks. From time to time, we may make acquisitions of, or otherwise invest in, other companies that could complement our business, including the acquisition of entities in diverse geographic regions and entities offering greater access to businesses and markets that we do not currently serve. The acquisitions we make may be unprofitable or may take some time to achieve profitability. In addition, we may not successfully operate the businesses that we acquire, or may not successfully integrate these businesses with our own, which may result in our inability to maintain our goals, objectives, standards, controls, policies, culture, or profitability. Through acquisitions, we may enter markets in which we have limited or no experience. Any acquisition may result in a potentially dilutive issuance of equity securities, and the incurrence of additional debt which could reduce our profitability. We also pursue dispositions and joint ventures from time to time. Any such transactions could change our business lines, geographic reach, financial results or capital structure. Our company could be larger or smaller after any such transactions and may have a different investment profile. An impairment of goodwill could negatively impact our financial results. We have a significant amount of goodwill. Goodwill is tested for impairment at the reporting unit level annually and in interim periods if certain events occur that indicate that the fair value of a reporting unit may be below its carrying value. The goodwill test compares the fair value for each of our reporting units to its associated carrying value. Determining the fair value of a reporting unit requires us to make judgments and involves the use of significant estimates and assumptions. Adverse changes in the Company' s actual or expected operating results, market capitalization, business climate, economic factors or other negative events that may be outside the control of management could result in a material non-cash impairment charge in the future. **The annual goodwill impairment analysis performed during the fourth quarter of 2023 resulted in an impairment charge for the Cabot reporting unit of $ 238. 2 million. There can, however, be no assurance that we will not be required to take an additional impairment charge in the future, which could have a material adverse effect on our results of operations.** We may consume resources in pursuing business opportunities, financings or other transactions that are not consummated, which may strain or divert our resources. We anticipate that the investigation of various transactions, and the negotiation, drafting, and execution of relevant agreements, disclosure documents and other instruments with respect to such transactions, will require substantial management time and attention and substantial costs for financial advisors, accountants, attorneys and other advisors. If a decision is made not to consummate a specific transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific transaction, we may fail to consummate the transaction for any number of reasons, including those beyond our control. Any such event could consume significant management time and result in a loss to us of the related costs incurred, which could adversely affect our financial position and our business. Failure to establish and maintain effective internal controls could have a material adverse effect on the accuracy and timing of our financial reporting in future periods. As a publicly traded company, we are subject to the Securities Exchange Act of 1934 (the " Exchange Act ") and the Sarbanes- Oxley Act of 2002 (" Sarbanes- Oxley Act "). The Sarbanes- Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. ~~In our Annual Report on Form 10- K for the year ended December 31, 2021, we reported a material weakness in internal control related to the determination of certain qualitative factors applied to our estimates of future recoveries within our Midland Credit Management operating unit. During 2022 we completed the remedial measures related to the material weakness and concluded that our internal control over financial reporting was effective as of December 31, 2022. For a discussion of our internal controls over financial reporting and a description of the remediation of the material weakness, see " Part II, Item 9A Controls and Procedures " of this Annual Report on Form 10- K. Completion of the remediation does not provide assurance that our remediation or other controls will continue to operate properly.~~ Any failure to maintain such internal controls could adversely impact our ability to report our financial results on a timely and accurate basis. Any such failures could have a material adverse effect on our financial results and investor confidence and the market for our common stock. ~~24~~