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Portfolio Recovery Associates Reports First Quarter 2006 Results

NORFOLK, VA, Apr 25, 2006 -- Portfolio Recovery Associates, Inc. (NASDAQ: PRAA), a company that purchases and manages portfolios of defaulted consumer receivables and provides a broad range of accounts receivable management services, today reported net income of \$10.7 million, or \$0.67 per diluted share, for the quarter ended March 31, 2006.

The Company's first-quarter 2006 earnings represent growth of 20% from net income of \$8.9 million, or \$0.55 per diluted share, in the same period a year earlier.

Total revenue increased 27% to \$45.3 million in the first quarter of 2006, up from \$35.8 million in the year-earlier period. Total revenue consists of cash collections reduced by amounts applied to the Company's owned debt portfolios plus commissions from its fee-for-service businesses. During the first quarter of 2006, the Company applied 32.7% of cash collections to reduce the carrying basis of its owned debt portfolios. This included a \$175,000 allowance charge against two pools of accounts.

"Portfolio Recovery Associates celebrated 10 years in business on March 20th, and our performance in the first quarter is representative of the success we have had over that period. Cash collections rose 22% in the quarter to \$58.5 million, and in March we set a monthly collections record -- surpassing \$20 million for the first time ever. On the purchasing side, we spent a solid \$16.2 million, returning to more historical debt-acquisition levels following our remarkable fourth quarter. While portfolio pricing remains very competitive, deal flow was good during the period," said Steven D. Fredrickson, Chairman, President and Chief Executive Officer.

Financial and Operating Highlights

- Cash collections rose 22% to \$58.5 million in the first quarter of 2006, up from \$47.8 million in the year-ago period.
- Productivity, as measured by cash collections per hour paid, the Company's key measure of collector performance, stands at a record \$151.60 for the first three months of 2006, up from \$133.39 for all of 2005. Excluding the impact of trustee remittances from purchased bankrupt accounts, the comparison is \$140.74 for the first quarter of 2006 vs. \$132.03 in the year-earlier period and \$128.02 for all of 2005.
- The Company purchased \$3.87 billion of face-value debt during the first quarter of 2006 for \$16.2 million. This debt was acquired in 36 pools from 16 different sellers.
- The Company's fee-for-service businesses generated record revenue of \$6 million in the first quarter of 2006, up from \$3.5 million in the same period a year ago.
- The Company's cash balances were \$23.4 million as of March 31, 2006, up from \$16 million as of December 31, 2005. During the 2006 first quarter, the Company completely repaid the \$15 million outstanding on its \$75 million line of credit. No amount was outstanding on the line as of March 31, 2006.

"Portfolio Recovery Associates continued to demonstrate the value of our long-term, disciplined approach to debt purchasing and collection in the first quarter. Cash collections were strong, and despite solid debt purchases we were able to completely repay the \$15 million that had been outstanding on our line of credit at year-end 2005. In addition, we were able to build our cash balances to \$23.4 million by quarter's end. Our fee-for-service businesses executed nicely, producing record revenue of \$6 million in the quarter. We remain pleased with the progress of these businesses," said Kevin P. Stevenson, Chief Financial and Administrative Officer.

Conference Call Information

The Company will hold a conference call with investors today, April 25, 2006, at 5:30 p.m. EDT to discuss its first quarter results. Investors can access the call live by dialing 888-396-2356 for domestic callers or 617-847-8709 for international callers using the pass code 84866765.

In addition, investors may listen to the call via a taped replay, which will be available for seven days, by dialing 888-286-8010 for domestic callers and 617-801-6888 for international callers using the pass code 60743463. The replay will be available approximately two hours after today's conference call ends. Investors may also listen via webcast, both live and archived, at the Company's website, www.portfoliorecovery.com.

About Portfolio Recovery Associates, Inc.

Portfolio Recovery Associates is a full-service provider of outsourced receivables management and related services. The company's primary business is the purchase, collection and management of portfolios of defaulted consumer receivables. These are the unpaid obligations of individuals to credit originators, which include banks, credit unions, consumer and auto finance companies, and retail merchants. Portfolio Recovery Associates also provides a broad range of collection services, including revenue administration for government entities through its RDS business, collateral-location services for credit originators via IGS Nevada, and fee-based collections through Anchor Receivables Management.

Statements herein which are not historical, including Portfolio Recovery Associates' or management's intentions, hopes, beliefs, expectations, representations, projections, plans or predictions of the future, including statements with respect to future contribution of IGS Nevada and RDS to earnings and future portfolio-purchase opportunities, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include references to Portfolio Recovery Associates' presentations and web casts. The forward-looking statements in this press release are based upon management's beliefs, assumptions and expectations of the Company's future operations and economic performance, taking into account currently available information. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties, some of which are not currently known to us. Actual events or results may differ from those expressed or implied in any such forward-looking statements as a result of various factors, including the risk factors and other risks that are described from time to time in the Company's filings with the Securities and Exchange Commission including but not limited to its annual reports on Form 10-K, its quarterly reports on Form 10-Q and its current reports on Form 8-K, filed with the Securities and Exchange Commission and available through the Company's website, which contain a more detailed discussion of the Company's business, including risks and uncertainties that may affect future results. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. Information in this press release may be superseded by more recent information or statements, which may be disclosed in later press releases, subsequent filings with the Securities and Exchange Commission or otherwise. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or to reflect any change in events, conditions or circumstances on which any such forward-looking statements are based, in whole or in part.

Portfolio Recovery Associates, Inc.

Unaudited Consolidated Income Statements
(in thousands, except per share amounts)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenues:		
Income recognized on finance receivables	\$ 39,373	\$ 32,250
Commissions	5,968	3,529
Total revenue	45,341	35,779
Operating expenses:		
Compensation and employee services	14,097	10,861
Outside legal and other fees and services	9,060	7,162
Communications	1,614	1,058
Rent and occupancy	560	476
Other operating expenses	1,076	753
Depreciation and amortization	1,253	941
Total operating expenses	27,660	21,251
Income from operations	17,681	14,528
Other income and (expense):		
Interest income	73	96
Interest expense	(168)	(64)
Income before income taxes	17,586	14,560
Provision for income taxes	6,856	5,640
Net income	\$ 10,730	\$ 8,920
Net income per common share		
Basic	\$ 0.68	\$ 0.57
Diluted	\$ 0.67	\$ 0.55

Weighted average number of shares outstanding

Basic	15,872	15,532
Diluted	16,065	16,152

Portfolio Recovery Associates, Inc.
Unaudited Consolidated Summary Balance Sheets
(in thousands, except share amounts)

	March 31, 2006	December 31, 2005
ASSETS		
Cash and cash equivalents	\$ 23,352	\$ 15,985
Finance receivables, net	189,847	193,645
Property and equipment, net	7,569	7,186
Goodwill	18,288	18,288
Intangible assets, net	8,455	9,023
Other assets	3,748	3,646
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Total assets	\$ 251,259	\$ 247,773

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:		
Accounts payable and accrued liabilities	16,805	13,569
Deferred tax liability	23,378	22,346
Revolving line of credit	-	15,000
Long-term debt & capital lease obligations	1,380	1,535
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Total liabilities	41,563	52,450
Stockholders' equity:		
Preferred stock, par value \$0.01, authorized shares, 2,000,000, issued and outstanding shares - 0	-	-
Common stock, par value \$0.01, authorized shares, 30,000,000, issued and outstanding shares - 15,879,763 at March 31, 2006 and 15,767,443 at December 31, 2005	159	158
Additional paid in capital	111,706	108,064
Retained earnings	97,831	87,101
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Total stockholders' equity	209,696	195,323
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Total liabilities and stockholders' equity	\$ 251,259	\$ 247,773

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SOURCE: Portfolio Recovery Associates, Inc.
