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# Portfolio Recovery Associates Reports Fourth Quarter and Full Year 2006 Results

NORFOLK, VA, Feb 14, 2007-- 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 \$11.4 million, or \$0.71 per diluted share, for the quarter ended December 31, 2006.

The Company's fourth-quarter 2006 earnings represent growth of 21% from net income of \$9.4 million, or \$0.58 per diluted share, in the same period a year earlier.

Total revenue increased 25% to \$49.0 million in the fourth quarter of 2006, up from \$39.3 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 fourth quarter of 2006, the Company applied 28.8% of cash collections to reduce the carrying basis of its owned debt portfolios. This included a \$450,000 allowance charge against various pools of accounts.

"Portfolio Recovery Associates had yet another fine year in 2006 with a combination of strong financial performance, robust portfolio buying and the addition of new facilities and staff to position us for future growth. In the fourth quarter, we executed well across the board, operating with great efficiency even as our workforce expansion moved forward. This would not have been possible without the talent and great dedication of our staff in all areas of the Company. Fee-for-service revenue set new records and cash collections remained solid, even with the seasonal headwinds we typically see in the fourth quarter, as portfolio buying remained strong," said Steven D. Fredrickson, Chairman, President and Chief Executive Officer.

The Company's earnings for full-year 2006 totaled \$44.5 million, or \$2.77 per diluted share, compared with \$36.8 million, or \$2.28 per diluted share, for the full year 2005. Revenue for full-year 2006 was \$188.3 million, compared with \$148.5 million in full-year 2005.

## Financial and Operating Highlights

- Cash collections rose 24% to \$58.8 million in the fourth quarter of 2006, up from \$47.2 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 \$146.03 for the full year 2006, up from \$133.39 for all of 2005. Excluding the impact of trustee remittances from purchased bankrupt accounts, the comparison is \$132.15 for the full year 2006 vs. \$128.02 for all of 2005.
- The Company purchased \$1.06 billion of face-value debt during the fourth quarter of 2006 for \$32.7 million. This debt was acquired in 34 pools from 17 different sellers. For the full year, the Company purchased \$7.79 billion of face-value debt for an investment of \$112.4 million.
- The Company's fee-for-service businesses generated record revenue of \$7.1 million in the fourth quarter of 2006, up more than 50% from \$4.7 million in the same period a year ago.
- The Company's cash balances were \$25.1 million as of December 31, 2006, down slightly from \$26.7 million as of September 30, 2006. During the 2006 fourth quarter, the Company made no use of its \$75 million line of credit. No amount was outstanding on the line as of December 31, 2006.

"Portfolio Recovery Associates' strong 2006 performance, even in the face of a challenging pricing environment, speaks directly to our overall approach to this business. We have always strived to continuously improve operating efficiency, acquire and manage our portfolios with an eye toward long-term investment results, invest in good people and new skills, and manage the Company to maximize net income. With net earnings up 21% in 2006 together with increasing productivity and strong portfolio acquisitions, we are moving forward into 2007 with great confidence and enthusiasm," said Kevin P. Stevenson, Chief Financial and Administrative Officer.

## Conference Call Information

The Company will hold a conference call with investors today, February 14, 2007, at 5:30 p.m. EST to discuss its fourth quarter and full-year results. Investors can access the call live by dialing 866-510-0712 for domestic callers or 617-597-5380 for international callers using the pass code 97129043.

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 78742826. 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](http://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 contributions 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 Three Months Year  
Ended Ended Ended Ended  
December 31, December 31, December 31, December 31,  
2006 2005 2006 2005

	2006	2005	2006	2005
Revenues:				
Income recognized on finance receivables	\$ 41,830	\$ 34,614	\$ 163,357	\$ 134,674
Commissions	7,129	4,712	24,965	13,851
Total revenue	48,959	39,326	188,322	148,525
Operating expenses:				
Compensation and employee services	15,160	11,841	58,142	44,332
Outside legal and other fees and services	10,757	7,811	40,139	29,965
Communications	1,483	1,211	5,876	4,424
Rent and occupancy	583	558	2,276	2,101
Other operating				

expenses	1,264	1,108	4,758	3,424
Depreciation and amortization	1,360	1,410	5,131	4,679
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Total operating expenses	30,607	23,939	116,322	88,925
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Income from operations	18,352	15,387	72,000	59,600
Other income and (expense):				
Interest income	169	136	584	611
Interest expense	(70)	(95)	(378)	(281)
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Income before income taxes	18,451	15,428	72,206	59,930
Provision for income taxes	7,038	5,979	27,716	23,159
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Net income	\$ 11,413	\$ 9,449	\$ 44,490	\$ 36,771

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Net income per common share				
Basic	\$ 0.72	\$ 0.60	\$ 2.80	\$ 2.35
Diluted	\$ 0.71	\$ 0.58	\$ 2.77	\$ 2.28

Weighted average number of shares outstanding				
Basic	15,960	15,745	15,911	15,642
Diluted	16,106	16,196	16,082	16,149

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

	December 31, 2006		December 31, 2005	
ASSETS				
Cash and cash equivalents		\$ 25,101	\$ 15,985	
Finance receivables, net		226,447	193,645	
Property and equipment, net		11,193	7,186	
Income tax receivable		1,513	-	
Goodwill		18,288	18,288	
Intangible assets, net		6,754	9,023	
Other assets		4,083	3,646	
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Total assets		\$ 293,379	\$ 247,773	

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LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Accounts payable and accrued liabilities		\$ 11,715	\$ 13,569	
Deferred tax liability		33,453	22,346	
Revolving lines of credit		-	15,000	
Long-term debt & capital lease obligations		932	1,535	
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Total liabilities		46,100	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 - 15,987,432 at December 31, 2006, and 15,767,443 at December 31, 2005		160	158	
Additional paid-in capital		115,528	108,064	
Retained earnings		131,591	87,101	
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Total stockholders' equity		247,279	195,323	
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Total liabilities and stockholders' equity		\$ 293,379	\$ 247,773	
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Contact:  
Investor Relations  
757-519-9300 ext. 13010  
info@portfoliorecovery.com

SOURCE: Portfolio Recovery Associates, Inc.

mailto:info@portfoliorecovery.com