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# Portfolio Recovery Associates Reports First Quarter 2008 Results

NORFOLK, VA, Apr 28, 2008 -- Portfolio Recovery Associates, Inc. (NASDAQ: PRAA), a company that purchases, collects and manages portfolios of defaulted consumer receivables and provides a broad range of accounts receivable management services, today reported net income of \$11.9 million, or \$0.78 per diluted share, for the quarter ended March 31, 2008.

The Company's first-quarter 2008 profit represents a decline of 8% from net income of \$12.9 million, or \$0.80 per diluted share, in the same period a year earlier. Pretax income during the 2008 quarter was reduced by approximately \$2.4 million, or 10 cents a diluted share, of additional interest expense, net of tax, compared with the prior year. This stemmed from both the Company's substantial recent portfolio purchasing activity and its 2007 capital structure optimization plan.

Total revenue in the first quarter of 2008 increased 19% to a record \$64.1 million, up from \$54.0 million in the year-earlier period. Total revenue consists of cash collections reduced by amounts applied to principal on the Company's owned debt portfolios, plus commissions earned from its fee-for-service businesses. During the first quarter of 2008, the Company applied 33.7% of cash collections to reduce the carrying basis of its owned debt portfolios. This included a \$2.8 million allowance charge, equivalent to approximately \$1.7 million after tax, or 11 cents a diluted share, against certain pools of finance receivables accounts.

"Portfolio Recovery Associates continued during the first quarter to capitalize on improved market conditions in the defaulted consumer debt market, spending a near-record \$95.4 million on portfolio acquisitions. Despite record cash collections of \$79.4 million, higher interest expense and a non-cash allowance charge held back our bottom-line performance for the quarter. However, our substantial portfolio purchasing activity combined with progress on the collector-productivity front helps position Portfolio Recovery Associates well for future growth," said Steven D. Fredrickson, Chairman, President and Chief Executive Officer.

## Financial and Operating Highlights

- Cash collections rose 18% to a record \$79.4 million in the first quarter of 2008, up from \$67.3 million in the year-ago period. Call center collections and other increased 19%, legal collections grew 5% and purchased bankruptcy collections gained 50% when compared with the year-earlier period.

The table below displays our cash collections by source, by quarter

Cash Collection Source (\$ in thousands)

Q12008 Q42007 Q32007 Q22007 Q12007

	Q12008	Q42007	Q32007	Q22007	Q12007
Call Center Collections & Other	\$ 46,702	\$ 36,994	\$ 37,450	\$ 37,464	\$ 39,241
Legal	21,880	20,861	21,384	20,911	20,844
Purchased Bankruptcy	10,820	7,245	6,317	6,231	7,223

Cash Collection Source (\$ in thousands)

Q42006 Q32006 Q22006 Q12006

	Q42006	Q32006	Q22006	Q12006
Call Center Collections & Other	\$ 32,437	\$ 32,686	\$ 33,736	\$ 36,436
Legal	19,762	19,607	19,058	17,606
Purchased Bankruptcy	6,581	7,390	6,645	4,447

- Productivity, as measured by cash collections per hour paid, the Company's key measure of collector performance, finished at \$133.31 for Q1 2008, down from \$135.77 for all of 2007. Excluding the impact of trustee remittances from purchased bankrupt accounts, the comparison is \$116.35 for Q1 2008 vs. \$123.10 for all of 2007.

- The Company purchased \$1.5 billion of face-value debt during the first quarter of 2008 for \$95.4 million, the second-largest amount the Company has spent on debt acquisitions in a single quarter. This debt was acquired in 69 portfolios from 21 different sellers.

- The Company's fee-for-service businesses generated revenue of \$11.5 million in the first quarter of 2008, up 34% from \$8.5 million in the same period a year ago.

- The Company's cash balances were \$16.8 million as of March 31, 2008, up slightly from \$16.7 million as of December 31, 2007. Also during the quarter, the Company made draws of \$48.8 million on its line of credit, leaving it with \$216.8 million in outstanding borrowings at quarter's end. Remaining borrowing availability under the line was \$53.2 million at quarter's end.

"In the first quarter of 2008, Portfolio Recovery Associates continued to execute its long-term plan. We made progress on a number of key operating initiatives, particularly improving collector productivity at our new Jackson, Tenn. call center. Despite the improved buyers' market for defaulted consumer debt, we continue to approach portfolio acquisitions in a disciplined and deliberate manner," said Kevin P. Stevenson, Chief Financial and Administrative Officer.

## Conference Call Information

The Company will hold a conference call with investors tonight, Monday, April 28, 2008, at 5:30 p.m. EDT to discuss its first quarter results. Investors can access the call live by dialing 888-680-0892 for domestic callers or 617-213-4858 for international callers using the pass code 39592562.

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 40861522. 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 Ended	Three Months Ended
	March 31, 2008	March 31, 2007

Revenues:			
Income recognized on finance receivables, net	\$ 52,628	\$ 45,466	
Commissions	11,476	8,542	
Total revenues	64,104	54,008	
Operating expenses:			
Compensation and employee services	21,127	16,435	
Outside legal and other fees and services	14,573	11,437	
Communications	2,869	1,884	
Rent and occupancy	838	659	
Other operating expenses	1,356	1,383	
Depreciation and amortization	1,470	1,295	
Total operating expenses	42,233	33,093	
Income from operations	21,871	20,915	
Other income and (expense):			
Interest income	30	179	
Interest expense	(2,499)	(67)	
Income before income taxes	19,402	21,027	
Provision for income taxes	7,530	8,146	
Net income	\$ 11,872	\$ 12,881	

Net income per common share:		
Basic	\$ 0.78	\$ 0.81
Diluted	\$ 0.78	\$ 0.80
Weighted average number of shares outstanding:		
Basic	15,170	15,993
Diluted	15,237	16,140

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

	March 31, 2008	December 31, 2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 16,816	\$ 16,730
Finance receivables, net	477,754	410,297
Income taxes receivable	2,791	3,022
Property and equipment, net	16,631	16,171
Goodwill	18,620	18,620
Intangible assets, net	4,684	5,046
Other assets	5,923	6,421
Total assets	\$ 543,219	\$ 476,307
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 13,325	\$ 15,345
Deferred tax liability	64,661	57,579
Line of credit	216,800	168,000
Obligations under capital lease	70	103
Total liabilities	294,856	241,027
Stockholders' equity:		
Preferred stock, par value \$0.01, authorized shares, 2,000, issued and outstanding shares - 0	-	-
Common stock, par value \$0.01, authorized shares, 30,000, issued and outstanding shares - 15,183 at March 31, 2008 and 15,159 at December 31, 2007	152	152
Additional paid-in capital	72,654	71,443
Retained earnings	175,557	163,685
Total stockholders' equity	248,363	235,280
Total liabilities and stockholders' equity	\$ 543,219	\$ 476,307

Portfolio Recovery Associates, Inc.  
Unaudited Consolidated Statements of Cash Flows  
(in thousands)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Cash flows from operating activities:		
Net income	\$ 11,872	\$ 12,881
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of share-based compensation	739	527
Depreciation and amortization	1,470	1,295
Deferred tax expense	7,082	4,396
Changes in operating assets and liabilities:		
Other assets	498	(532)
Accounts payable	(47)	1,329
Income taxes	231	3,468
Accrued expenses	28	407
Accrued payroll and bonuses	(2,001)	(2,042)
Net cash provided by operating activities	19,872	21,729
Cash flows from investing activities:		
Purchases of property and equipment	(1,568)	(1,813)
Acquisition of finance receivables, net of buybacks	(94,231)	(38,964)
Collections applied to principal on finance receivables	26,774	21,843
Net cash used in investing activities	(69,025)	(18,934)
Cash flows from financing activities:		

Proceeds from exercise of options	261	67	
Income tax benefit from share-based compensation	211	71	
Proceeds from line of credit	48,800	-	
Principal payments on long-term debt	-	(118)	
Principal payments on capital lease obligations	(33)	(34)	
Net cash provided by/(used in) financing activities	49,239	(14)	
Net increase in cash and cash equivalents	86	2,781	
Cash and cash equivalents, beginning of period	16,730	25,101	
Cash and cash equivalents, end of period	\$ 16,816	\$ 27,882	
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 2,587	\$ 67	
Cash paid for income taxes	\$ 1	\$ 87	

Contact:  
Investor Relations  
757-519-9300 ext. 13010  
info@portfoliorecovery.com

SOURCE: Portfolio Recovery Associates, Inc.

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