Press Releases

Portfolio Recovery Associates Reports Third Quarter 2007 Results

NORFOLK, VA, Oct 29, 2007 (MARKET WIRE via COMTEX News Network) -- 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 $11.7 million, or $0.75 per diluted share, for the quarter ended September 30, 2007.

Separately, the Company announced that it recently reached agreement with its bank group to increase its credit line to $270 million, from the existing $150 million, under terms similar to its prior facility.

The Company's third-quarter 2007 earnings represent growth of 4% from net income of $11.2 million, or $0.70 per diluted share, in the same period a year earlier. Net income during the quarter was reduced by approximately $665,000, or 4 cents a diluted share, of additional interest expense, net of tax, compared with the prior year, stemming from both the Company's debt purchasing activity and its capital structure optimization plan, which included the third-quarter repurchase of 900,000 shares of common stock at an average price of $50.41 a share. This stock repurchase completed Portfolio Recovery Associates' previously announced 1 million share buyback program.

Total revenue in the third quarter of 2007 increased 14% to $54.6 million, up from $47.8 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 third quarter of 2007, the Company applied 29.2% of cash collections to reduce the carrying basis of its owned debt portfolios. This included a $1.2 million net allowance charge, equivalent to approximately $730,000 after tax, or 5 cents a diluted share, against certain pools of finance receivables accounts.

"Portfolio Recovery Associates turned in a solid third quarter of 2007, though not the performance we desired. Increased interest expense, a higher-than-normal allowance charge, and sharply increased staffing during the quarter combined to limit earnings growth. However, we have taken significant steps to address collector productivity and had a very substantial portfolio-buying quarter, spending a total of $57.4 million. Already, this represents a record full year for portfolio acquisitions and underscores both the underlying strength and growth prospects for our business," said Steven D. Fredrickson, Chairman, President and Chief Executive Officer.

The Company's earnings for the first nine months of 2007 totaled $37.6 million, or $2.35 per diluted share, compared with $33.1 million, or $2.06 per diluted share, for the first nine months of 2006. Revenue for the first nine months of 2007 was $163.4 million, compared with $139.4 million in first nine months of 2006.

Financial and Operating Highlights

-- Cash collections rose 9% to $65.2 million in the third quarter of 2007, up from $59.7 million in the year-ago period. Call center collections increased 15%, legal collections increased 9% and purchased bankruptcy collections fell 15% when compared with the year earlier period.

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

(in thousands)

Cash Collection Source	Q32007	Q22007	Q12007	Q32006	Q22006	Q12006
Call Center Collections & Other	$ 37,450	$ 37,464	$ 39,241	$ 32,686	$ 33,736	$ 36,436
Legal	$ 21,384	$ 20,911	$ 20,844	$ 19,607	$ 19,058	$ 17,606
Purchased Bankruptcy	$ 6,317	$ 6,231	$ 7,223	$ 7,390	$ 6,645	$ 4,447

-- Productivity, as measured by cash collections per hour paid, the Company's key measure of collector performance, stands at $142.26 for the first nine months of 2007, down just slightly from $146.03 for all of 2006. Excluding the impact of trustee remittances from purchased bankrupt accounts, the comparison is $129.35 for the first nine months of 2007 vs. $132.15 for all of 2006.

-- The Company purchased $2.6 billion of face-value debt during the third quarter of 2007 for $57.4 million, the third-largest amount the Company has spent on debt acquisitions in a single quarter. This debt was acquired in 59 portfolios from 23 different sellers. Portfolio spending for the first nine months of 2007 was a record $160 million, higher than any previous full-year total.

-- The Company's fee-for-service businesses generated revenue of $8.5 million in the third quarter of 2007, up 40% from $6.1 million in the same period a year ago.

-- The Company's cash balances were $14.5 million as of September 30, 2007, down from $15.0 million as of June 30, 2007, as a result of the strong portfolio buying and the share repurchase completed during the third quarter. Also during the quarter, the Company drew $62.0 million on its line of credit, leaving it with $100 million in outstanding debt at quarter's end.

-- The Company's RDS subsidiary made a small acquisition during the quarter, acquiring a majority of the assets of a Louisiana-based firm that specializes in insurance premium tax administration. The acquisition gives RDS not only a new business expertise, premium tax administration, but also more than 100 new clients and a new geographic footprint in the state of Louisiana.

"In the third quarter of 2007, Portfolio Recovery Associates kept its sights on the long term. To begin, we followed through on our share repurchase program, buying back the final 900,000 shares of our planned 1 million share buyback. At the same time, in an opportune buying environment we were able to deploy more than $57 million on new purchases of charged-off debt at what we believe should be good returns. Finally, aggressive staffing in response to already record-breaking 2007 debt purchases increased compensation expense but positioned us to move a greater volume of debt through our collection operations in the quarters and years to come," said Kevin P. Stevenson, Chief Financial and Administrative Officer.

Conference Call Information

The Company will hold a conference call with investors today, Monday, October 29, 2007, at 5:30 p.m. EDT to discuss its third quarter results. Investors can access the call live by dialing 800-510-0178 for domestic callers or 617-614-3450 for international callers using the pass code 11570423.

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 25920547. 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 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 September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Revenues:				
Income recognized on finance receivables, net	$ 46,111	$ 41,760	$ 137,964	$ 121,528
Commissions	8,529	6,076	25,460	17,835
Total revenues	54,640	47,836	163,424	139,363
Operating expenses:				
Compensation and employee services	17,322	14,550	50,438	42,982
Outside legal and other fees and services	11,847	10,582	34,530	29,383
Communications	2,038	1,474	5,927	4,392
Rent and occupancy	819	573	2,217	1,693
Other operating expenses	1,606	1,212	4,467	3,494
Depreciation and amortization	1,455	1,279	4,112	3,771
Total operating expenses	35,087	29,670	101,691	85,715
Income from operations	19,553	18,166	61,733	53,648
Other income and (expense):				
Interest income	65	171	364	415
Interest expense	(1,138)	(66)	(1,543)	(309)
Income before income taxes	18,480	18,271	60,554	53,754
Provision for income taxes	6,787	7,027	22,991	20,678
Net income	$ 11,693	$ 11,244	$ 37,563	$ 33,076
Net income per common share:				
Basic	$ 0.76	$ 0.71	$ 2.37	$ 2.08
Diluted	$ 0.75	$ 0.70	$ 2.35	$ 2.06
Weighted average number of shares outstanding:				
Basic	15,451	15,915	15,816	15,895
Diluted	15,577	16,071	15,962	16,074

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

ASSETS	September 30, 2007	December 31, 2006
Cash and cash equivalents	$ 14,464	$ 25,101
Finance receivables, net	326,476	226,447
Income tax receivable	2,621	1,513
Property and equipment, net	15,217	11,193
Goodwill	18,620	18,288
Intangible assets, net	5,399	6,754
Other assets	4,435	4,082
Total assets	$ 387,232	$ 293,378
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	$ 12,874	$ 11,715
Deferred tax liability	51,018	33,453
Lines of credit	100,000	-
Long-term debt and obligations under capital lease	138	932
Total liabilities	164,030	46,100
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 - 15,107,554 at September 30, 2007 and 15,987,432 at December 31, 2006	151	160
Additional paid-in capital	70,044	115,528
Retained earnings	153,007	131,590
Total stockholders' equity	223,202	247,278
Total liabilities and stockholders' equity	$ 387,232	$ 293,378

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

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Cash flows from operating activities:		
Net income	$ 37,563	$ 33,076
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of share-based compensation	2,218	1,544
Depreciation and amortization	4,112	3,771
Deferred tax expense	17,566	6,625
Changes in operating assets and liabilities:		
Other assets	(352)	801
Accounts payable	(77)	431
Income taxes	(918)	(3,717)
Accrued expenses	958	400
Accrued payroll and bonuses	200	575
Net cash provided by operating activities	61,270	43,506
Cash flows from investing activities:		
Purchases of property and equipment	(6,655)	(2,613)
Acquisition of finance receivables, net of buybacks	(159,130)	(74,203)
Collections applied to principal on finance receivables	59,102	56,084
Acquisition of The Palmer Group, including acquisition costs	(409)	-
Net cash used in investing activities	(107,092)	(20,732)
Cash flows from financing activities:		
Dividends paid	(16,070)	-
Proceeds from exercise of options and warrants	1,461	1,690
Income tax benefit from share-based compensation	1,145	1,665
Proceeds from lines of credit	103,000	-
Principal payments on lines of credit	(3,000)	(15,000)
Repurchase of common stock	(50,557)	-
Principal payments on long-term debt	(690)	(346)
Principal payments on capital lease obligations	(104)	(106)
Net cash provided by/(used in) financing activities	35,185	(12,097)
Net (decrease)/increase in cash and cash equivalents	(10,637)	10,677
Cash and cash equivalents, beginning of period	25,101	15,985
Cash and cash equivalents, end of period	$ 14,464	$ 26,662
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,096	$ 323
Cash paid for income taxes	$ 5,285	$ 16,105
Noncash investing and financing activities:		
Acquisition of The Palmer Group-Common stock issued	$ 50	-
SFAS 123R adoption reclass of payroll liability to additional paid in capital	$ -	$ 427

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