

## [Press Releases](#)

# Portfolio Recovery Associates Reports Fourth Quarter and Full Year 2008 Results

NORFOLK, VA, Feb 12, 2009 (MARKET WIRE via COMTEX) -- 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 \$10.6 million, or \$0.69 per diluted share, for the quarter ended December 31, 2008.

The Company's fourth-quarter 2008 profit represents a 1% decline from net income of \$10.7 million, or \$0.70 per diluted share, in the same period a year earlier.

Total revenue in the fourth quarter of 2008 increased 17% to \$67.0 million, up from \$57.3 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 fourth quarter of 2008, the Company applied 39.3% of cash collections to reduce the carrying basis of its owned debt portfolios, compared with 28.2% in the fourth quarter of 2007. The 2008 amortization rate included an \$8.9 million allowance charge, equivalent to approximately \$5.4 million after tax, or 35 cents per diluted share, against certain pools of finance receivables accounts.

"In the face of a credit crunch and an economy falling into recession, Portfolio Recovery Associates held its ground -- and more -- in 2008. The Company's continued diversification into fee-based businesses, including the acquisitions of MuniServices and Broussard Partners' assets during the year, helped mitigate the effects of a slowing economy on owned-portfolio collections. While allowance charges did impact our bottom-line results, business remained solid and cash flows were strong, allowing us to spend a record \$280 million on portfolio purchases for the full year and position the Company for long-term growth," said Steven D. Fredrickson, Chairman, President and Chief Executive Officer.

The Company's full year 2008 earnings totaled \$45.4 million, or \$2.97 per diluted share, compared with \$48.2 million, or \$3.06 per diluted share, for all of 2007. Full year 2008 revenue was \$263.3 million, up 19.3% from \$220.7 million in 2007.

### Financial and Operating Highlights

-- Cash collections rose 22% to \$79.2 million in the fourth quarter of 2008, up from \$65.1 million in the year-ago period. Call center and other collections increased 16%, external legal collections decreased 12%, internal legal collections grew 84% and purchased bankruptcy collections gained 133% when compared with the year-earlier period. The table below displays our cash collections by source, by quarter for the past several years.

Cash Collection Source  
(\$ in thousands)

	Q42008	Q32008	Q22008	Q12008	Q42007
Call Center & Other Collections	\$ 41,268	\$ 43,949	\$ 46,892	\$ 44,883	\$ 35,551
External Legal Collections	18,424	21,590	22,471	21,880	20,861
Internal Legal Collections	2,652	2,106	1,947	1,819	1,443
Purchased Bankruptcy	16,904	15,362	13,732	10,820	7,245

Call Center & Other Collections  
(\$ in thousands)

	Q32007	Q22007	Q12007	Q42006
Call Center & Other Collections	\$ 36,001	\$ 36,107	\$ 37,841	\$ 31,266
External Legal Collections	21,384	20,911	20,844	19,762
Internal Legal Collections	1,449	1,357	1,400	1,171
Purchased Bankruptcy	6,317	6,231	7,223	6,581

-- Full year cash receipts increased 28.6% to \$383.5 million and 2008 cash collections on pools of owned accounts increased 24.6% to \$326.7 million.

-- Productivity, as measured by cash collections per hour paid, the Company's key measure of collector performance, finished at \$131.29 for the full year 2008, down 3% from \$135.77 for all of 2007. Excluding the impact of trustee remittances from purchased bankrupt accounts, the comparison is \$111.17 for the full year 2008 vs. \$123.10 for all of 2007.

-- Revenue was \$67.0 million in the fourth quarter, up 17% from \$57.3 million in the same period a year ago. This was driven by cash receipts of \$98.1 million, up 30% from \$75.7 million a year earlier. Cash receipts is comprised of both cash collections and revenue from the Company's fee-based businesses.

-- The Company purchased \$1.3 billion of face-value debt during the fourth quarter of 2008 for \$61.5 million. This debt was acquired in 77 portfolios from 20 different sellers. For the full year, the Company acquired \$4.59 billion of face value debt for \$280.3 million.

-- The Company's fee-for-service businesses generated record revenue of \$18.9 million in the fourth quarter of 2008, up 79% from \$10.6 million in the same period a year ago. These businesses accounted for a record 28.2% of the Company's overall revenue in the fourth quarter of 2008, up from 18.5% in Q4 2007. For the full year, the fee businesses generated revenue of \$56.8 million, up 57.6% from \$36.0 million in 2007.

-- The Company's cash balances were \$13.9 million as of December 31, 2008, down from \$28.0 million as of September 30, 2008. During the quarter, the Company made net draws of \$1.0 million on its line of credit, leaving it with \$268.3 million in outstanding borrowings at quarter's end. Remaining borrowing availability under the line was \$96.7 million at December 31, 2008.

"Portfolio Recovery Associates performed solidly in the fourth quarter of 2008, concluding a year that saw more than its share of economic turbulence. The Company's strong cash flow allowed us to invest more than \$60 million in pools of distressed debt, while only making net draws of \$1 million on our line of credit. Results were negatively impacted by a sizable \$8.9 million allowance charge. However, our fee businesses hit on all cylinders, posting record revenue in the fourth quarter and helping keep EPS nearly even with 2007 despite a significant deterioration in economic conditions," said Kevin P. Stevenson, Chief Financial and Administrative Officer.

### Conference Call Information

The Company will hold a conference call with investors tonight, Thursday, February 12, 2009, at 5:30 p.m. EST to discuss its fourth quarter and full year results. Investors can access the call live by dialing 888-679-8038 for domestic callers or 617-213-4850 for international callers using the pass code 94774250.

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 14189690. 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 and MuniServices businesses, and collateral-location services for credit originators via IGS.

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, RDS and MuniServices 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 Year  
Ended Ended Ended Ended  
December 31, December 31, December 31, December 31,  
2008 2007 2008 2007

Revenues:

Income recognized on finance receivables, net	\$ 48,073	\$ 46,741	\$ 206,486	\$ 184,705
Commissions	18,898	10,583	56,789	36,043
Total revenues	66,971	57,324	263,275	220,748

Operating expenses:

Compensation and employee services	23,091	18,584	88,073	69,022
Outside legal and other fees and services	15,352	12,944	61,752	47,474
Communications	2,769	2,603	10,304	8,531
Rent and occupancy	1,078	888	3,908	3,105
Other operating expenses	2,114	1,448	6,977	5,915
Depreciation and amortization	2,285	1,405	7,424	5,517
Total operating expenses	46,689	37,872	178,438	139,564

Income from operations	20,282	19,452	84,837	81,184
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Other income and (expense):

Interest income	10	55	60	419
Interest expense	(2,937)	(2,161)	(11,151)	(3,704)

Income before income taxes	17,355	17,346	73,746	77,899
Provision for income taxes	6,746	6,667	28,384	29,658

Net income	\$ 10,609	\$ 10,679	\$ 45,362	\$ 48,241
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Net income per common share:

Basic	\$ 0.69	\$ 0.71	\$ 2.98	\$ 3.08
Diluted	\$ 0.69	\$ 0.70	\$ 2.97	\$ 3.06

Weighted average number of shares outstanding:

Basic	15,283	15,136	15,229	15,646
Diluted	15,329	15,230	15,292	15,779

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

ASSETS	December 31, 2008	December 31, 2007
Cash and cash equivalents	\$ 13,901	\$ 16,730
Finance receivables, net	563,830	410,297
Income taxes receivable	3,587	3,022
Property and equipment, net	23,884	16,171
Goodwill	27,546	18,620
Intangible assets, net	13,429	5,046
Other assets	11,663	6,421
Total assets	\$ 657,840	\$ 476,307

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

Accounts payable and accrued liabilities	\$ 17,602	\$ 15,345
Deferred tax liability	88,070	57,579
Line of credit	268,300	168,000
Obligations under capital lease	5	103
Total liabilities	373,977	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 shares, 15,398, outstanding shares, 15,286 at December 31, 2008, and 15,159 issued and outstanding at December 31, 2007	153	152
Additional paid-in capital	74,574	71,443
Retained earnings	209,047	163,685
Accumulated other comprehensive income	89	-

Total stockholders' equity 283,863 235,280

Total liabilities and stockholders'

equity \$ 657,840 \$ 476,307

Portfolio Recovery Associates, Inc.

Unaudited Consolidated Summary Statements of Cash Flows  
(in thousands)

	Year Ended December 31, 2008	Year Ended December 31, 2007
Cash flows from operating activities:		
Net income	\$ 45,362	\$ 48,241
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of share-based compensation	141	2,575
Depreciation and amortization	7,424	5,517
Deferred tax expense	30,854	24,126
Changes in operating assets and liabilities:		
Other assets	(2,218)	(2,339)
Accounts payable and accrued liabilities	540	3,554
Income tax receivable	(385)	(1,319)
Net cash provided by operating activities	81,718	80,355
Cash flows from investing activities:		
Purchases of property and equipment	(6,140)	(8,661)
Acquisition of finance receivables, net of buybacks	(273,746)	(261,310)
Collections applied to principal on finance receivables	120,213	77,461
Acquisitions, including acquisition costs and net of cash acquired	(26,041)	(409)
Net cash used in investing activities	(185,714)	(192,919)
Cash flows from financing activities:		
Dividends paid	-	(16,070)
Proceeds from exercise of options	607	2,074
Income tax benefit from share-based compensation	357	1,575
Proceeds from line of credit	171,300	171,000
Principal payments on line of credit	(71,000)	(3,000)
Repurchase of common stock	-	(50,557)
Principal payments on long-term debt	-	(690)
Principal payments on capital lease obligations	(97)	(139)
Net cash provided by financing activities	101,167	104,193
Net decrease in cash and cash equivalents	(2,829)	(8,371)
Cash and cash equivalents, beginning of year	16,730	25,101
Cash and cash equivalents, end of year	\$ 13,901	\$ 16,730
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 11,322	\$ 2,779
Cash paid for income taxes	\$ 3	\$ 5,289
Noncash investing and financing activities:		
Common stock issued for acquisition	\$ 1,847	\$ 50
Basis - swap contract	\$ 89	\$ -

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