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# Portfolio Recovery Associates Reports First Quarter 2009 Results

NORFOLK, VA, Apr 28, 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 \$10.1 million, or \$0.66 per diluted share, for the quarter ended March 31, 2009.

The Company's first-quarter 2009 profit represents a 15% decline from net income of \$11.9 million, or \$0.78 per diluted share, in the same period a year earlier.

Total revenue in the first quarter of 2009 increased 6% to \$68.2 million, up from \$64.1 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 2009, the Company applied 42.9% of cash collections to reduce the carrying basis of its owned debt portfolios, compared with 33.7% in the first quarter of 2008. The 2009 amortization rate included a \$6.2 million allowance charge, equivalent to approximately \$3.8 million after tax, or 25 cents per diluted share, against certain pools of finance receivables accounts. During the first quarter, the Company recorded a one-time equity compensation expense of \$1.4 million, equivalent to approximately \$900,000 after tax, or 6 cents per diluted share, related to the renewal of approximately 10 executive employment agreements.

"Despite a difficult collections environment brought on by the recession, Portfolio Recovery Associates' core businesses continued to perform well to start off 2009. The Company was able to produce record cash collections of nearly \$90 million in the first quarter, as our efforts to improve collector productivity delivered results. Net income was hindered by an allowance charge related to several underperforming pools, but given the state of the overall economy, our performance represents yet another solid effort as we build Portfolio Recovery Associates for success over the long term," said Steven D. Fredrickson, Chairman, President and Chief Executive Officer.

### Financial and Operating Highlights

- Cash collections rose 13% to \$89.9 million in the first quarter of 2009, up from \$79.4 million in the year-ago period. Call center and other collections increased 13%, external legal collections decreased 19%, internal legal collections grew 95% and purchased bankruptcy collections gained 63% when compared with the year-earlier period.

The table below displays our cash collections by source, by quarter for the past five quarters:

Cash Collection Source (\$ in thousands)	Q12009	Q42008	Q32008	Q22008	Q12008
Call Center & Other Collections	\$50,914	\$41,268	\$43,949	\$46,892	\$44,883
External Legal Collections	17,790	18,424	21,590	22,471	21,880
Internal Legal Collections	3,539	2,652	2,106	1,947	1,819
Purchased Bankruptcy	17,628	16,904	15,362	13,732	10,820

- Productivity, as measured by cash collections per hour paid, the Company's key measure of collector performance, finished at \$147.45 for the first quarter 2009 versus \$131.29 for all of 2008. Excluding the impact of trustee remittances from purchased bankrupt accounts, the comparison is \$120.18 for the first quarter 2009 as compared with \$109.82 for all of 2008. Excluding trustee remittances on purchased bankrupt accounts and legal collections, the comparison is \$90.30 for Q1 2009 and \$75.47 for all of 2008.
- Revenue was \$68.2 million in the first quarter, up 6% from \$64.1 million in the same period a year ago. This was driven by record cash receipts of \$106.8 million, up 18% from \$90.9 million a year earlier. Cash receipts are comprised of both cash collections and revenue from the Company's fee-based businesses.
- The Company purchased \$961 million of face-value debt during the first quarter of 2009 for \$52 million. This debt was acquired in 87 portfolios from 19 different sellers.
- The Company's fee-for-service businesses generated revenue of \$16.9 million in the first quarter of 2009, up 48% from \$11.5 million in the same period a year ago. These businesses accounted for 24.8% of the Company's overall revenue in the first quarter of 2009, up from 17.9% in Q1 2008.
- The Company's cash balances were \$16.5 million as of March 31, 2009, up from \$13.9 million as of December 31, 2008. During the quarter, the Company made net repayments of \$2.0 million on its line of credit, leaving it with \$266.3 million in outstanding borrowings at quarter's end. Remaining borrowing availability under the line was \$98.7 million at March 31, 2009.

"Portfolio Recovery Associates turned in a solid performance from our core businesses in the first quarter, highlighted by a healthy improvement in cash collections per hour paid, our key measure of collector performance. While earnings were impacted by an allowance charge that resulted in 25 cents a share of EPS impact, this allowance was largely confined to just several underperforming pools. Heading into the balance of 2009, Portfolio Recovery Associates continues to produce strong cash flows, has a strong balance sheet and, therefore, ample resources to continue making portfolio acquisitions when we find good opportunities in the market," said Kevin P. Stevenson, Chief Financial and Administrative Officer.

### Conference Call Information

The Company will hold a conference call with investors tonight, Tuesday, April 28, 2009, at 5:30 p.m. EDT to discuss its first quarter 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 11134172.

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 26792016. 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 Ended March 31, 2009	Three Months Ended March 31, 2008
Revenues:		
Income recognized on finance receivables, net	\$ 51,276	\$ 52,628
Commissions	16,927	11,476
Total revenues	68,203	64,104
Operating expenses:		
Compensation and employee services	26,663	21,127
Legal and agency fees and costs	12,118	12,252
Outside fees and services	2,111	2,321
Communications	3,472	2,869
Rent and occupancy	1,082	838
Other operating expenses	1,988	1,356
Depreciation and amortization	2,275	1,470
Total operating expenses	49,709	42,233
Income from operations	18,494	21,871
Other income and (expense):		
Interest income	3	30
Interest expense	(1,978)	(2,499)
Income before income taxes	16,519	19,402
Provision for income taxes	6,447	7,530
Net income	\$ 10,072	\$ 11,872

Net income per common share:

Basic	\$ 0.66	\$ 0.78
Diluted	\$ 0.66	\$ 0.78

Weighted average number of shares outstanding:

Basic	15,334	15,170
Diluted	15,367	15,237

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

	March 31, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 16,549	\$ 13,901
Finance receivables, net	576,600	563,830
Income taxes receivable	3,289	3,587
Property and equipment, net	23,106	23,884
Goodwill	27,646	27,546
Intangible assets, net	12,761	13,429
Other assets	12,372	11,663
Total assets	\$ 672,323	\$ 657,840

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

Accounts payable and accrued liabilities	\$ 14,224	\$ 17,602
Deferred tax liability	94,118	88,070
Line of credit	266,300	268,300
Long term debt and capital leases	1,983	5
Total liabilities	376,625	373,977

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, 15,451 issued and 15,339 outstanding shares at March 31, 2009, and 15,398 issued and 15,286 outstanding shares at December 31, 2008	153	153
Additional paid-in capital	76,647	74,574
Retained earnings	219,119	209,047
Accumulated other comprehensive (loss)/income, net of tax	(221)	89
Total stockholders' equity	295,698	283,863

Total liabilities and stockholders' equity	\$ 672,323	\$ 657,840
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Portfolio Recovery Associates, Inc.  
Unaudited Consolidated Summary Statements of Cash Flows  
(in thousands)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Cash flows from operating activities:		
Net income	\$ 10,072	\$ 11,872
Adjustments to reconcile net income to net cash provided by operating activities:		

Amortization of share-based compensation	1,998	739
Depreciation and amortization	2,275	1,470
Deferred tax expense	6,189	7,082
Changes in operating assets and liabilities:		
Other assets	(798)	498
Accounts payable and accrued liabilities	(3,740)	(2,020)
Income tax receivable	298	231
Net cash provided by operating activities	16,294	19,872
Cash flows from investing activities:		
Purchases of property and equipment	(829)	(1,568)
Acquisition of finance receivables, net of buybacks	(51,365)	(94,231)
Collections applied to principal on finance receivables	38,595	26,774
Contingent payment made for acquisition	(100)	-
Net cash used in investing activities	(13,699)	(69,025)
Cash flows from financing activities:		
Proceeds from exercise of options	84	261
Income tax (shortfall)/benefit from share-based compensation	(9)	211
Proceeds from line of credit	15,000	48,800
Principal payments on line of credit	(17,000)	-
Proceeds from long-term debt	2,036	-
Principal payments on long-term debt	(53)	-
Principal payments on capital lease obligations	(5)	(33)
Net cash provided by financing activities	53	49,239
Net increase in cash and cash equivalents	2,648	86
Cash and cash equivalents, beginning of year	13,901	16,730
Cash and cash equivalents, end of period	\$ 16,549	\$ 16,816
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Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,069	\$ 2,587
Cash paid for income taxes	\$ 1	\$ 1
Noncash investing and financing activities:		
Net unrealized change in fair value of derivative instrument	\$ (451)	\$ -

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

SOURCE: Portfolio Recovery Associates, Inc.  
mailto:info@portfoliorecovery.com

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