

## Press Releases

# Portfolio Recovery Associates Reports Third Quarter 2009 Results

NORFOLK, VA, Oct 29, 2009 (MARKETWIRE 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 \$0.65 per diluted share, for the quarter ended September 30, 2009.

The Company's third-quarter 2009 profit represents a 12% decrease from net income of \$11.5 million, or \$0.75 per diluted share, in the same period a year earlier.

Total revenue in the third quarter of 2009 was unchanged from the year-earlier period at \$68.6 million. 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 2009, the Company applied 41.2% of cash collections to reduce the carrying basis of its owned debt portfolios, compared with 36.5% in the third quarter of 2008. The third quarter 2009 amortization rate included an \$8.0 million net allowance charge, equivalent to approximately \$4.8 million after tax, or 31 cents per diluted share, against certain pools of finance receivables accounts. During the third quarter of 2009, the Company recorded ongoing non-cash equity-based compensation expense of \$589,000, equivalent to approximately \$350,000 after tax, or 2 cents per diluted share.

"Portfolio Recovery Associates continued to perform solidly in the third quarter of 2009, despite an economy still struggling to recover from recession. Not only did the Company produce strong results operationally, but we continued to build for the future -- further refining our best-in-class platform and taking advantage of our access to capital to make significant portfolio acquisitions. An \$8 million net allowance charge, equivalent to 31 cents a share, did undermine earnings growth. Nevertheless, Portfolio Recovery Associates is well-positioned to emerge from this economic downturn a stronger and more efficient competitor," said Steven D. Fredrickson, Chairman, President and Chief Executive Officer.

Based on the quantity and quality of portfolios purchased over the past 18 months, continued advances in collections efficiency, and the level of expertise and scale achieved in the bankruptcy business, Portfolio Recovery Associates is budgeting internally for substantial revenue and earnings growth in 2010.

### Financial and Operating Highlights

- Cash collections rose 11% to a record \$92.4 million in the third quarter of 2009, up from \$83.0 million in the year-ago period. Call center and other collections increased 11%, external legal collections decreased 29%, internal legal collections grew 194%, and purchased bankruptcy collections gained 45% 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)	Q32009	Q22009	Q12009	Q42008	Q32008
Call Center & Other Collections	\$ 48,590	\$ 50,052	\$ 50,914	\$ 41,268	\$ 43,949
External Legal Collections	15,330	16,527	17,790	18,424	21,590
Internal Legal Collections	6,196	4,263	3,539	2,652	2,106
Purchased Bankruptcy	22,251	19,637	17,628	16,904	15,362

- Productivity, as measured by cash collections per hour paid, the Company's key measure of collector performance, finished at \$144.69 for the first nine months of 2009 vs. \$131.29 for all of 2008. Excluding the impact of trustee remittances from purchased bankrupt accounts, the comparison is \$115.02 for the first nine months of 2009, compared with \$109.82 for all of 2008. Excluding trustee remittances on purchased bankrupt accounts and legal collections, the comparison is \$88.08 for the first nine months of 2009 and \$75.47 for all of 2008.

- Revenue was \$68.6 million in the third quarter, flat compared with the same period a year ago. This was driven by near-record cash receipts of \$106.6 million, up 7.8% from \$98.9 million a year earlier. Cash receipts are comprised of both cash collections and revenue from the Company's fee-based businesses.

- The net allowance charge totaled \$8.0 million in the third quarter. The table below displays the Company's net allowance charges incurred by quarter, by buying period since 2005:

(\$ in thousands)

	Purchase Period						
Allowance 1996-Period	2000	2001	2002	2003	2004	2005	
Q1 05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Q2 05	-	-	-	-	-	-	-
Q3 05	-	-	-	-	-	-	-
Q4 05	-	200	-	-	-	-	-
Q1 06	-	-	-	-	175	-	-
Q2 06	-	75	-	-	125	-	-
Q3 06	-	200	-	-	75	-	-
Q4 06	-	-	-	-	450	-	-
Q1 07	-	(245)	-	-	610	-	-
Q2 07	-	70	-	20	-	-	-
Q3 07	-	50	-	150	320	660	-
Q4 07	-	-	-	190	150	615	-
Q1 08	-	-	-	120	650	910	-
Q2 08	-	(140)	-	400	720	-	-
Q3 08	-	(30)	-	(60)	60	325	-
Q4 08	-	(75)	-	(325)	(140)	1,805	-
Q1 09	-	(105)	-	(120)	35	1,150	-
Q2 09	-	-	-	(230)	(220)	495	-
Q3 09	-	-	-	(25)	(190)	1,170	-
Total	\$ -	\$ -	\$ -	\$ 120	\$ 1,385	\$ 8,565	-

(\$ in thousands)

Purchase Period

Allowance	YTD				
Period	2006	2007	2008	2009	Total
Q1 05	\$ -	\$ -	\$ -	\$ -	-
Q2 05	-	-	-	\$ -	-
Q3 05	-	-	-	\$ -	-
Q4 05	-	-	-	\$ 200	
Q1 06	-	-	-	\$ 175	
Q2 06	-	-	-	\$ 200	
Q3 06	-	-	-	\$ 275	
Q4 06	-	-	-	\$ 450	
Q1 07	-	-	-	\$ 365	
Q2 07	-	-	-	\$ 90	
Q3 07	-	-	-	\$ 1,180	
Q4 07	340	-	-	\$ 1,295	
Q1 08	1,105	-	-	\$ 2,785	
Q2 08	2,330	650	-	\$ 3,960	
Q3 08	1,135	2,350	-	\$ 3,780	
Q4 08	2,600	4,380	620	\$ 8,865	
Q1 09	910	2,300	2,050	\$ 6,220	
Q2 09	765	685	2,425	\$ 3,920	
Q3 09	1,965	340	4,750	\$ 8,010	
Total	\$ 11,150	\$ 10,705	\$ 9,845	\$ -	\$ 41,770

- The Company purchased \$1.75 billion of face-value debt during the third quarter of 2009 for \$76.7 million. This debt was acquired in 100 portfolios from 12 different sellers.
- The Company's fee-for-service businesses generated revenue of \$14.2 million in the third quarter of 2009, down 10.1% from \$15.8 million in the same period a year ago. These businesses accounted for 20.8% of the Company's overall revenue in the third quarter of 2009, down from 23.1% in Q3 2008.
- The Company's cash balances were \$19.9 million as of September 30, 2009, up from \$15.7 million as of June 30, 2009. During the quarter, the Company made net borrowings of \$16.5 million on its line of credit, leaving it with \$306.3 million in outstanding borrowings at quarter's end. Remaining borrowing availability under the line was \$58.7 million at September 30, 2009.

"Portfolio Recovery Associates turned in a strong third-quarter operating performance overall, highlighted by record cash collections of \$92.4 million, year-over-year productivity improvements at all call centers, and portfolio acquisitions totaling \$76.7 million even in a tight credit environment. The weak economy did impact our fee-for-service businesses, particularly in the government services area, and contributed to an \$8 million net allowance charge. However, we remain extremely confident in our strategy of developing Portfolio Recovery Associates' businesses for the long term and look forward to emerging from this recession a stronger competitor than ever," said Kevin P. Stevenson, Chief Financial and Administrative Officer.

For the first nine months of 2009, the Company's earnings totaled \$31.9 million, or \$2.07 per diluted share, compared with \$34.8 million, or \$2.27 per diluted share, for the first nine months of 2008. Year-to-date 2009 revenue was \$207.9 million, compared with \$196.3 million in the first nine months of 2008.

#### Conference Call Information

The Company will hold a conference call with investors tonight, Thursday, October 29, 2009, at 5:30 p.m. EDT to discuss its third quarter results. Investors can access the call live by dialing 888-713-4209 for domestic callers or 617-213-4863 for international callers using the pass code 60750066.

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 10218295. 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 its IGS subsidiary.

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 future revenue and earnings growth, 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 September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenues:				
Income recognized on finance receivables, net	\$ 54,336	\$ 52,738	\$ 159,650	\$ 158,412
Commissions	14,229	15,831	48,225	37,874
Total revenues	68,565	68,569	207,875	196,286
Operating expenses:				

Compensation and employee services	26,844	22,983	79,940	64,983
Legal and agency fees and costs	11,296	14,386	34,460	39,530
Outside fees and services	2,284	2,323	6,854	6,870
Communications	3,472	2,263	11,157	7,535
Rent and occupancy	1,270	1,123	3,515	2,830
Other operating expenses	2,341	1,912	6,565	4,863
Depreciation and amortization	2,269	2,162	6,874	5,138
Total operating expenses	49,776	47,152	149,365	131,749
Income from operations	18,789	21,417	58,510	64,537
Other income and (expense):				
Interest income	-	34	3	67
Interest expense	(1,964)	(3,066)	(5,891)	(8,215)
Income before income taxes	16,825	18,385	52,622	56,389
Provision for income taxes	6,729	6,930	20,730	21,638
Net income	\$ 10,096	\$ 11,455	\$ 31,892	\$ 34,751

Net income per common share:

Basic	\$ 0.65	\$ 0.75	\$ 2.07	\$ 2.28
Diluted	\$ 0.65	\$ 0.75	\$ 2.07	\$ 2.27

Weighted average number of

shares outstanding:

Basic	15,466	15,267	15,392	15,210
Diluted	15,502	15,336	15,428	15,280

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

	September 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 19,874	\$ 13,901
Finance receivables, net	660,879	563,830
Accounts receivable, net	6,909	8,278
Income taxes receivable	5,893	3,587
Property and equipment, net	22,093	23,884
Goodwill	29,299	27,546
Intangible assets, net	11,425	13,429
Other assets	3,310	3,385
Total assets	\$ 759,682	\$ 657,840

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

Accounts payable and accrued liabilities	\$ 19,280	\$ 17,602
Deferred tax liability	110,333	88,070
Line of credit	306,300	268,300
Long term debt and capital leases	1,663	5
Total liabilities	437,576	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, 15,573 issued and 15,491 outstanding shares at September 30, 2009, and 15,398 issued and 15,286 outstanding shares at December 31, 2008	155	153
Additional paid-in capital	81,358	74,574
Retained earnings	240,939	209,047
Accumulated other comprehensive (loss)/income, net of tax	(346)	89
Total stockholders' equity	322,106	283,863

Total liabilities and stockholders' equity	\$ 759,682	\$ 657,840
--	------------	------------

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

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Cash flows from operating activities:		
Net income	\$ 31,892	\$ 34,751
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of share-based compensation	3,240	442
Depreciation and amortization	6,874	5,138
Deferred tax expense	22,000	23,771
Changes in operating assets and liabilities:		
Other assets	(14)	182
Accounts receivable	1,369	(77)
Accounts payable and accrued liabilities	1,112	2,365
Income taxes	(2,306)	(513)
Net cash provided by operating activities	64,167	66,059

Cash flows from investing activities:			
Purchases of property and equipment	(3,079)	(4,041)	
Acquisition of finance receivables, net of buybacks	(210,116)	(214,172)	
Collections applied to principal on finance receivables	113,067	89,039	
Acquisitions, including acquisition costs and net of cash acquired	(100)	(25,791)	
	-----	-----	
Net cash used in investing activities	(100,228)	(154,965)	
Cash flows from financing activities:			
Proceeds from exercise of options	1,630	594	
Income tax benefit from share-based compensation	746	368	
Proceeds from line of credit	84,500	146,300	
Principal payments on line of credit	(46,500)	(47,000)	
Proceeds from long-term debt	2,036	-	
Principal payments on long-term debt	(373)	-	
Principal payments on capital lease obligations	(5)	(80)	
	-----	-----	
Net cash provided by financing activities	42,034	100,182	
	-----	-----	
Net increase in cash and cash equivalents	5,973	11,276	
Cash and cash equivalents, beginning of year	13,901	16,730	
	-----	-----	
Cash and cash equivalents, end of period	\$ 19,874	\$ 28,006	
	=====	=====	
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 6,028	\$ 8,272	
Cash paid for income taxes	\$ 321	\$ 3	
Noncash investing and financing activities:			
Common stock issued for acquisition	\$ 1,170	\$ 1,847	
Net unrealized change in fair value of derivative instrument	\$ (655)	\$ -	

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

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