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Portfolio Recovery Associates Reports Fourth Quarter and Full Year 2009 Results

NORFOLK, VA, Feb 11, 2010 (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 and payments processing services, today reported net income of \$12.4 million, or \$0.80 per diluted share, for the quarter ended December 31, 2009.

The Company's fourth-quarter 2009 profit represents a 17% increase from net income of \$10.6 million, or \$0.69 per diluted share, in the same period a year earlier.

Total revenue in the fourth quarter of 2009 was up 9.3% from the year-earlier period to a record \$73.2 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 fourth quarter of 2009, the Company applied 41.3% of cash collections to reduce the carrying basis of its owned debt portfolios, compared with 39.3% in the fourth quarter of 2008. The fourth quarter 2009 amortization rate included a \$9.5 million net allowance charge, equivalent to approximately \$5.9 million after tax, or 38 cents per diluted share, against certain pools of finance receivables accounts. During the fourth quarter of 2009, the Company recorded ongoing non-cash equity-based compensation expense of \$580,000, equivalent to approximately \$358,000 after tax, or 2 cents per diluted share.

"Portfolio Recovery Associates concluded a very challenging 2009 on a high note, producing strong fourth-quarter results that included solid earnings growth, record revenue and record cash collections. This was achieved in the face of a tepid economic recovery, seasonal weakness in consumer collections and a \$9.5 million allowance charge recorded in the fourth quarter. Importantly, the Company was able to build for the future during the quarter, making \$75.1 million in portfolio acquisitions, further improving collector productivity and taking steps to strengthen our fee businesses. I remain excited about the opportunities that lie ahead for Portfolio Recovery Associates in the New Year," said Steven D. Fredrickson, Chairman, President and Chief Executive Officer.

Financial and Operating Highlights

- Cash collections rose 20% to a record \$95.3 million in the fourth quarter of 2009, up from \$79.2 million in the year-ago period. Call center and other collections increased 10%, external legal collections decreased 16%, internal legal collections grew 185%, and purchased bankruptcy collections gained 59% 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)

| | Q42009 | Q32009 | Q22009 | Q12009 | Q42008 |
|--|--------|--------|--------|--------|--------|
|--|--------|--------|--------|--------|--------|

| | | | | | |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Call Center & Other Collections | \$ 45,365 | \$ 48,590 | \$ 50,052 | \$ 50,914 | \$ 41,268 |
| External Legal Collections | 15,496 | 15,330 | 16,527 | 17,790 | 18,424 |
| Internal Legal Collections | 7,570 | 6,196 | 4,263 | 3,539 | 2,652 |
| Purchased Bankruptcy Collections | 26,855 | 22,251 | 19,637 | 17,628 | 16,904 |

- Productivity, as measured by cash collections per hour paid, the Company's key measure of collector performance, finished at \$145.44 for full year 2009 vs. \$131.29 for all of 2008. Excluding the impact of trustee remittances from purchased bankrupt accounts, the comparison is \$113.42 for full year 2009, compared with \$109.82 for all of 2008.

Excluding trustee remittances on purchased bankrupt accounts and legal collections, the comparison is \$87.13 for the full year 2009 and \$75.47 for all of 2008.

- Revenue was \$73.2 million in the fourth quarter, up 9% when compared with the same period a year ago. This was driven by record cash receipts of \$112.5 million, up 14.7% from \$98.1 million a year earlier. Cash receipts are comprised of both cash collections and revenue from the Company's fee-based businesses.

- The Company's net allowance charge totaled \$9.5 million in the fourth quarter. The table below displays net allowance charges incurred by quarter, by buying period since 2005 and purchases of charged-off consumer debt, net of buybacks:

(\$ in thousands)

| Allowance Period | Purchase Period | | | | | |
|------------------|-----------------|-------|------|-------|----------|----------|
| | 1996-2000 | 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 |
| Q4 09 | - | - | - | (120) | - | 1,375 |
| Total | \$ - | \$ - | \$ - | \$ - | \$ 1,385 | \$ 9,940 |

Portfolio

Purchases, net \$ 65,772 \$ 33,481 \$ 42,325 \$ 61,449 \$ 59,179 \$ 143,173

(\$ in thousands)

| Allowance Period | Purchase Period | | | | Total |
|------------------|-----------------|------|------|------|-------|
| | 2006 | 2007 | 2008 | 2009 | |
| 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 |
| Q4 09 | 1,220 | 110 | 6,900 | - | \$ 9,485 |
| Total | \$ 12,370 | \$ 10,815 | \$ 16,745 | \$ - | \$ 51,255 |

Portfolio

Purchases, net \$ 107,743 \$ 258,357 \$ 275,213 \$ 285,834 \$ 1,332,525

- The Company purchased \$2.0 billion of face-value debt during the fourth quarter of 2009 for \$75.1 million. This debt was acquired in 101 portfolios from 13 different sellers. For the year the Company acquired \$8.1 billion of face-value debt for \$289 million.
- The Company's fee-for-service businesses generated revenue of \$17.3 million in the fourth quarter of 2009, down 8.7% from \$18.9 million in the same period a year ago. These businesses accounted for 23.6% of the Company's overall revenue in the fourth quarter of 2009, down from 28.2% in Q4 2008.
- The Company's cash balances were \$20.3 million as of December 31, 2009. During the fourth quarter, the Company made net borrowings of \$13 million on its line of credit, leaving it with \$319.3 million in outstanding borrowings at quarter's end. Remaining borrowing availability under the line was \$45.7 million at December 31, 2009.

"Portfolio Recovery Associates finished 2009 with a strong fourth-quarter performance that included record revenue, record cash receipts and record cash collections. These impressive top-line metrics drove solid bottom-line results, with earnings up 17% in the quarter to \$12.4 million, or 80 cents a diluted share. This represents our highest quarterly net income in two and a half years, and was achieved despite an allowance charge totaling \$9.5 million for the quarter, which was driven primarily by our 2008 vintage purchases. Looking forward, we believe our strong financial position and continued access to capital will help position us well to take advantage of opportunities for continued portfolio acquisitions as we move further into 2010," said Kevin P. Stevenson, Chief Financial and Administrative Officer.

For the full year 2009, the Company's earnings totaled \$44.3 million, or \$2.87 per diluted share, compared with \$45.4 million, or \$2.97 per diluted share, for the full year 2008. Full year 2009 revenue was \$281.1 million, compared with \$263.3 million in 2008.

Conference Call Information

The Company will hold a conference call with investors tonight, Thursday, February 11, 2010, at 5:30 p.m. EST to discuss its fourth quarter and full year results. Investors can access the call live by dialing 888-679-8034 for domestic callers or 617-213-4847 for international callers using the pass code 75743929.

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 42884873. 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, payment processing 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 Three Months Year Year
 Ended Ended Ended Ended
 December 31, December 31, December 31, December 31,
 2009 2008 2009 2008

Revenues:

| | | | | |
|---|-----------|-----------|------------|------------|
| Income recognized on finance receivables, net | \$ 55,962 | \$ 48,073 | \$ 215,612 | \$ 206,486 |
| Commissions | 17,254 | 18,898 | 65,479 | 56,789 |
| Total revenues | 73,216 | 66,971 | 281,091 | 263,275 |

Operating expenses:

| | | | | |
|------------------------------------|--------|--------|---------|--------|
| Compensation and employee services | 26,447 | 23,091 | 106,388 | 88,073 |
| Legal and agency fees and costs | 12,518 | 13,340 | 46,978 | 52,869 |
| Outside fees and services | 2,716 | 2,012 | 9,570 | 8,883 |
| Communications | 3,616 | 2,769 | 14,773 | 10,304 |
| Rent and occupancy | 1,245 | 1,078 | 4,761 | 3,908 |
| Other operating expenses | 2,234 | 2,114 | 8,799 | 6,977 |
| Depreciation and amortization | 2,339 | 2,285 | 9,213 | 7,424 |

| | | | | |
|--------------------------|--------|--------|---------|---------|
| Total operating expenses | 51,115 | 46,689 | 200,482 | 178,438 |
|--------------------------|--------|--------|---------|---------|

| | | | | |
|------------------------|--------|--------|--------|--------|
| Income from operations | 22,101 | 20,282 | 80,609 | 84,837 |
|------------------------|--------|--------|--------|--------|

Other income and (expense):

| | | | | |
|------------------|---------|---------|---------|----------|
| Interest income | - | 9 | 3 | 60 |
| Interest expense | (2,018) | (2,936) | (7,909) | (11,151) |

| | | | | |
|----------------------------|--------|--------|--------|--------|
| Income before income taxes | 20,083 | 17,355 | 72,703 | 73,746 |
| Provision for income taxes | 7,667 | 6,746 | 28,397 | 28,384 |

Net income \$ 12,416 \$ 10,609 \$ 44,306 \$ 45,362

Net income per common

share:
Basic \$ 0.80 \$ 0.69 \$ 2.87 \$ 2.98
Diluted \$ 0.80 \$ 0.69 \$ 2.87 \$ 2.97

Weighted average number
of shares outstanding:

Basic 15,505 15,283 15,420 15,229
Diluted 15,531 15,329 15,454 15,292

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

December 31, December 31,
2009 2008

ASSETS

| | | |
|-----------------------------|------------|------------|
| Cash and cash equivalents | \$ 20,265 | \$ 13,901 |
| Finance receivables, net | 693,462 | 563,830 |
| Accounts receivable, net | 9,169 | 8,278 |
| Income taxes receivable | 4,460 | 3,587 |
| Property and equipment, net | 21,864 | 23,884 |
| Goodwill | 29,299 | 27,546 |
| Intangible assets, net | 10,756 | 13,429 |
| Other assets | 5,158 | 3,385 |
| Total assets | \$ 794,433 | \$ 657,840 |

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

| | | |
|--|-----------|-----------|
| Accounts payable and accrued liabilities | \$ 20,948 | \$ 17,602 |
| Deferred tax liability | 117,206 | 88,070 |
| Line of credit | 319,300 | 268,300 |
| Long term debt and capital leases | 1,499 | 5 |
| Total liabilities | 458,953 | 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, 15,596 issued and 15,514 outstanding shares at December 31, 2009, and 15,398 issued and 15,286 outstanding shares at December 31, 2008 | 155 | 153 |
| Additional paid-in capital | 82,400 | 74,574 |
| Retained earnings | 253,353 | 209,047 |
| Accumulated other comprehensive (loss)/income, net of taxes | (428) | 89 |
| Total stockholders' equity | 335,480 | 283,863 |

Total liabilities and stockholders' equity \$ 794,433 \$ 657,840

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

Year Ended Year Ended
December 31, December 31,
2009 2008

Cash flows from operating activities:

| | | |
|--|-----------|-----------|
| Net income | \$ 44,306 | \$ 45,362 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Amortization of share-based compensation | 3,820 | 141 |
| Depreciation and amortization | 9,213 | 7,424 |
| Deferred tax expense | 28,927 | 30,854 |
| Changes in operating assets and liabilities: | | |
| Other assets | (1,862) | (555) |
| Accounts receivable | (891) | (1,663) |
| Accounts payable and accrued liabilities | 2,645 | 540 |
| Income taxes receivable | (873) | (385) |
| Net cash provided by operating activities | 85,285 | 81,718 |

Cash flows from investing activities:

| | | |
|---|-----------|-----------|
| Purchases of property and equipment | (4,521) | (6,139) |
| Acquisition of finance receivables, net of buybacks | (282,023) | (273,746) |
| Collections applied to principal on finance receivables | 152,391 | 120,213 |
| Acquisitions, including acquisition costs and net of cash acquired | (100) | (26,041) |
| Net cash used in investing activities | (134,253) | (185,713) |

Cash flows from financing activities:

| | | |
|--|----------|----------|
| Proceeds from exercise of options | 1,915 | 607 |
| Income tax benefit from share-based compensation | 923 | 357 |
| Proceeds from line of credit | 123,500 | 171,300 |
| Principal payments on line of credit | (72,500) | (71,000) |
| Proceeds from long-term debt | 2,036 | - |
| Principal payments on long-term debt | (537) | - |
| Principal payments on capital lease obligations | (5) | (98) |
| Net cash provided by financing activities | 55,332 | 101,166 |

| | | |
|---|-----------|-----------|
| Net increase/(decrease) in cash and cash equivalents | 6,364 | (2,829) |
| Cash and cash equivalents, beginning of year | 13,901 | 16,730 |
| Cash and cash equivalents, end of year | \$ 20,265 | \$ 13,901 |

Supplemental disclosure of cash flow information:

| | | | | |
|--|----|-------|----|--------|
| Cash paid for interest | \$ | 8,004 | \$ | 11,322 |
| Cash paid for income taxes | \$ | 365 | \$ | 3 |
| Noncash investing and financing activities: | | | | |
| Common stock issued for acquisition | \$ | 1,170 | \$ | 1,847 |
| Net unrealized change in fair value of derivative instrument | \$ | (790) | \$ | 89 |

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