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# Portfolio Recovery Associates Reports First Quarter 2010 Results

NORFOLK, VA, Apr 27, 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 receivables management and payments processing services, today reported record net income of \$14.8 million, or \$0.91 per diluted share, for the quarter ended March 31, 2010.

The Company's first-quarter 2010 profit represents a 47% increase from net income of \$10.1 million, or \$0.66 per diluted share, in the same period a year earlier.

Total revenue in the first quarter of 2010 was up 22% from the year-earlier period to a record \$83.4 million. Total revenue consists of cash collections reduced by amounts applied to principal on the Company's owned debt portfolios, plus fee income earned from its fee-for-service businesses. During the first quarter of 2010, the Company applied 43.0% of cash collections to reduce the carrying basis of its owned debt portfolios, compared with 42.9% in the first quarter of 2009. The first quarter 2010 amortization rate included a \$6.9 million net allowance charge, equivalent to approximately \$4.2 million after tax, or 26 cents per diluted share, against certain pools of finance receivables accounts. During the first quarter of 2010, the Company recorded ongoing non-cash equity-based compensation expense of \$880,000, equivalent to approximately \$536,000 after tax, or 3 cents per diluted share.

"Portfolio Recovery Associates began 2010 with strong financial performances across the board, highlighted by record first-quarter cash collections, cash receipts, revenue, net income and EPS. In addition, the Company took several important steps to build for the future, demonstrating the long-term focus we have always advocated. These efforts include \$102.6 million in first-quarter portfolio acquisitions, our March purchase of a controlling interest in Claims Compensation Bureau, or CCB, and a successful offering of common stock in February that raised \$72.0 million," said Steven D. Fredrickson, Chairman, President and Chief Executive Officer.

**Financial and Operating Highlights**

- Cash collections rose 33% to a record \$119.2 million in the first quarter of 2010, up from \$89.9 million in the year-ago period. Call center and other collections increased 12%, external legal collections increased 3%, internal legal collections grew 203%, and purchased bankruptcy collections gained 88% 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)

	Q12010	Q42009	Q32009	Q22009	Q12009
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Cash Collection Source (\$ in thousands)	Q12010	Q42009	Q32009	Q22009	Q12009
Call Center & Other Collections	\$ 56,987	\$ 45,365	\$ 48,590	\$ 50,052	\$ 50,914
External Legal Collections	18,276	15,496	15,330	16,527	17,790
Internal Legal Collections	10,713	7,570	6,196	4,263	3,539
Purchased Bankruptcy	33,219	26,855	22,251	19,637	17,628

- Productivity, as measured by cash collections per hour paid, the Company's key measure of collector performance, finished at a record \$182.02 for the first quarter of 2010 vs. \$145.44 for all of 2009. Excluding the impact of trustee remittances from purchased bankrupt accounts, the comparison is \$134.70 for first quarter of 2010, compared with \$113.42 for all of 2009. Excluding trustee remittances on purchased bankrupt accounts and external legal collections, the comparison is \$106.40 for the first quarter of 2010 and \$87.13 for all of 2009.

- Revenue was a record \$83.4 million in the first quarter, up 22% when compared with the same period a year ago. This was driven by record cash receipts of \$134.6 million, up 26.1% from \$106.8 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 \$6.9 million in the first quarter. The table below displays net allowance charges incurred by quarter, by buying period since 2005 as well as 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
Q1 10	-	-	-	-	-	2,795
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,385</b>	<b>\$ 12,735</b>

**Portfolio**

Purchases, net \$65,772 \$33,481 \$42,325 \$61,448 \$59,179 \$142,172

(\$ in thousands)

	Purchase Period				
	2006	2007	2008	2010	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
Q4 09	1,220	110	6,900	-	\$ 9,485
Q1 10	1,175	2,900	-	-	\$ 6,870

Total \$ 13,545 \$ 13,715 \$ 16,745 \$ - \$ 58,125

#### Portfolio

Purchases, net \$107,731 \$258,341 \$275,189 \$386,153 \$1,431,791

- The Company purchased \$1.9 billion of face-value debt during the first quarter of 2010 for \$102.6 million. This debt was acquired in 84 portfolios from 8 different sellers.
- The Company's fee-for-service businesses generated revenue of \$15.4 million in the first quarter of 2010, down 8.9% from \$16.9 million in the same period a year ago. These businesses accounted for 18.5% of the Company's overall revenue in the first quarter of 2010, down from 24.8% in Q1 2009.
- The Company's cash balances were \$23.0 million as of March 31, 2010. During the first quarter, the Company made net repayments of \$23.0 million on its line of credit, leaving it with \$296.3 million in outstanding borrowings at quarter's end. Remaining borrowing availability under the line was \$68.7 million at March 31, 2010.
- In March, the Company announced it had acquired a controlling interest in substantially all of the assets of Claims Compensation Bureau, or CCB, a company that specializes in recovering funds and processing payments that are due under class action activities.
- The Company announced in March that John Fain and John Fuller had been named to its Board of Directors effective March 1, 2010.
- In February, the Company announced it had closed its previously announced public offering of 1.25 million newly issued shares of common stock with its underwriters exercising their option to purchase an additional 187,500 shares.

"The first quarter of 2010 was a strong one for Portfolio Recovery Associates, driven in large part by the efficiency of our collection operations and the investments we have made in the Company's future. Our core measure of productivity, recoveries per hour paid, finished the first quarter at \$182.02, which is by far the best collections performance we have ever seen. This strength allowed us to overcome a sizeable allowance charge and an economy still suffering the after-effects of our recent recession. We were, of course, also the beneficiaries of the typical seasonal strength we see in the first quarter as well as a shift in our collection mix to bankrupt accounts," said Kevin P. Stevenson, Chief Financial and Administrative Officer.

#### Conference Call Information

The Company will hold a conference call with investors tonight, Tuesday, April 27, 2010, at 5:30 p.m. EDT to discuss its first-quarter results. Investors can access the call live by dialing 888-713-4217 for domestic callers or 617-213-4869 for international callers using the pass code 96053534.

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 51431020. 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' business revolves around the detection, collection, and processing of both unpaid and normal-course receivables originally owed to credit grantors, governments, retailers and others. 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 fee-based services, including collateral-location services for credit originators via its IGS subsidiary, revenue administration, audit and debt discovery/recovery services for government entities through both its RDS and MuniServices businesses and class action claims recovery services and related payment processing through its CCB 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 its subsidiaries 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, 2010	Three Months Ended March 31, 2009
Revenues:		
Income recognized on finance receivables, net	\$ 67,951	\$ 51,276
Fee income	15,427	16,927
Total revenues	83,378	68,203
Operating expenses:		
Compensation and employee services	29,642	26,663
Legal and agency fees and costs	13,338	12,118
Outside fees and services	2,829	2,111
Communications	5,058	3,472
Rent and occupancy	1,252	1,082
Other operating expenses	2,274	1,988
Depreciation and amortization	2,550	2,275
Total operating expenses	56,943	49,709
Income from operations	26,435	18,494
Other income and (expense):		
Interest income	36	3
Interest expense	(2,180)	(1,978)
Income before income taxes	24,291	16,519
Provision for income taxes	9,486	6,447
Net income	\$ 14,805	\$ 10,072

Less net income attributable to Noncontrolling interest	(5)	-
Net income attributable to Portfolio Recovery Associates, Inc.	\$ 14,800	\$ 10,072

Net income per common share attributable to Portfolio Recovery Associates, Inc.:		
Basic	\$ 0.91	\$ 0.66
Diluted	\$ 0.91	\$ 0.66
Weighted average number of shares outstanding:		
Basic	16,191	15,334
Diluted	16,203	15,367

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

	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
Cash and cash equivalents	\$ 23,006	\$ 20,265
Finance receivables, net	742,484	693,462
Accounts receivable, net	8,752	9,169
Income taxes receivable	1,439	4,460
Property and equipment, net	21,925	21,864
Goodwill	49,053	29,299
Intangible assets, net	30,018	10,756
Other assets	5,773	5,158
Total assets	\$ 882,450	\$ 794,433
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 20,450	\$ 20,948
Deferred tax liability	126,234	117,206
Line of credit	296,300	319,300
Long term debt	1,334	1,499
Total liabilities	444,318	458,953
Stockholders' equity:		
Portfolio Recovery Associates, Inc. stockholders' equity:		
Preferred stock, par value \$0.01, authorized shares, 2,000, issued and outstanding	-	-
Common stock, par value \$0.01, authorized shares, 30,000, 17,041 issued and 16,959 outstanding shares at March 31, 2010, and 15,596 issued and 15,514 outstanding shares at December 31, 2009	170	155
Additional paid-in capital	154,975	82,400
Retained earnings	268,153	253,353
Accumulated other comprehensive loss, net of taxes	(494)	(428)
Total Portfolio Recovery Associates, Inc.'s stockholders' equity	422,804	335,480
Noncontrolling Interest	15,328	-
Total stockholders' equity	438,132	335,480
Total liabilities and stockholders' equity	\$ 882,450	\$ 794,433

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Cash flows from operating activities:		
Net income	\$ 14,805	\$ 10,072
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of share-based compensation	880	1,998
Depreciation and amortization	2,550	2,275
Deferred tax expense	9,070	6,189
Changes in operating assets and liabilities:		
Other assets	(613)	(459)
Accounts receivable	417	(339)
Accounts payable and accrued liabilities	(2,606)	(3,740)
Income taxes receivable	3,021	298
Net cash provided by operating activities	27,524	16,294
Cash flows from investing activities:		
Purchases of property and equipment	(1,706)	(829)
Acquisition of finance receivables, net of buybacks	(100,266)	(51,365)
Collections applied to principal on finance receivables	51,244	38,595
Company acquisitions, net of cash acquired	(22,500)	-
Contingent payment made for acquisition	(100)	(100)
Net cash used in investing activities	(73,328)	(13,699)
Cash flows from financing activities:		
Proceeds from exercise of options	-	84
Income tax benefit/(shortfall) from share-based compensation	22	(9)
Proceeds from line of credit	70,500	15,000
Principal payments on line of credit	(93,500)	(17,000)
Proceeds from offering, net of offering costs	71,688	-
Proceeds from long-term debt	-	2,036
Principal payments on long-term debt	(165)	(53)

Principal payments on capital lease obligations	-	(5)
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Net cash provided by financing activities	48,545	53
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Net increase in cash and cash equivalents	2,741	2,648
Cash and cash equivalents, beginning of period	20,265	13,901
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Cash and cash equivalents, end of period	\$ 23,006	\$ 16,549
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Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,151	\$ 2,069
Cash paid for income taxes	\$ 61	\$ 1
Noncash investing and financing activities:		
Net unrealized change in fair value of derivative instrument	\$ (108)	\$ (451)

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