



July 29, 2010

Portfolio Recovery Associates Reports Second Quarter 2010 Results

EPS Totals \$1.14 in Quarter as Net Income Grows 67% to Record \$19.5 Million; Revenue Up 31% to Record \$93 Million as Cash Collections Rise 42% to \$128 Million; Portfolio Acquisitions Total \$87 Million

NORFOLK, VA, Jul 29, 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 \$19.5 million, or \$1.14 per diluted share, for the quarter ended June 30, 2010.

The Company's second-quarter 2010 profit represents a 67% increase from net income of \$11.7 million, or \$0.76 per diluted share, in the same period a year earlier.

Total revenue in the second quarter of 2010 was up 31% from the year-earlier period to a record \$93 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 second quarter of 2010, the Company applied 40.1% of cash collections to reduce the carrying basis of its owned debt portfolios, compared with 40.3% in the second quarter of 2009. The second quarter 2010 amortization rate included a \$6.3 million net allowance charge, equivalent to approximately \$3.9 million after tax, or 23 cents per diluted share, against certain pools of finance receivables accounts. During the second quarter of 2010, the Company recorded ongoing non-cash equity-based compensation expense of \$1.2 million, equivalent to approximately \$731,000 after tax, or 4 cents per diluted share.

"Portfolio Recovery Associates concluded the first half of 2010 with strong second-quarter results across the board, setting new records for cash collections, cash receipts, revenue, net income and EPS," said Steven D. Fredrickson, chairman, president and chief executive officer. "This performance was the direct result of long-term investments the Company has made over the past several years -- and intends to continue making -- in portfolios, technology and people. Importantly, this financial performance was achieved despite a weak economy that brought with it high unemployment and limited availability of consumer credit."

Financial and Operating Highlights

-- Cash collections rose 42% to a record \$128 million in the second quarter of 2010, up from \$90.5 million in the year-ago period. Call center and other collections increased 9%, external legal collections increased 14%, internal legal collections grew 167%, and purchased bankruptcy collections gained 123% 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)	Q22010	Q12010	Q42009	Q32009	Q22009
Call Center & Other Collections	\$ 54,477	\$ 56,987	\$ 45,365	\$ 48,590	\$ 50,052
External Legal Collections	18,819	18,276	15,496	15,330	16,527
Internal Legal Collections	11,362	10,713	7,570	6,196	4,263
Purchased Bankruptcy	43,748	33,219	26,855	22,251	19,637

-- Internal legal collections, in which the Company uses its own staff attorneys or in select cases third-party attorneys working on a fixed price basis, represent an important, emerging collections channel the Company has been developing over the past 4 years. In the second quarter of 2010, collections from this channel grew 167% from the prior year to \$11.4 million.

- Productivity, as measured by cash collections per hour paid, the Company's key measure of collector performance, finished at a record \$185 for the first half of 2010 vs. \$145 for all of 2009. Excluding the impact of trustee remittances from purchased bankrupt accounts, the comparison is \$131 for first six months of 2010, compared with \$113 for all of 2009. Excluding trustee remittances on purchased bankrupt accounts and external legal collections, the comparison is \$103 for the first half of 2010 and \$87 for all of 2009.
- Revenue was a record \$93.0 million in the second quarter, up 31% when compared with the same period a year ago. This was driven by record cash receipts of \$144.5 million, up 34.4% from \$107.5 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 \$6.3 million in the second 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
Q2 10	-	-	-	-	(80)	1,600
Total	\$ -	\$ -	\$ -	\$ -	\$ 1,305	\$ 14,335
Portfolio						
Purchases, net	\$ 65,772	\$ 33,481	\$ 42,325	\$ 61,448	\$ 59,177	\$ 143,172

Allowance Period	Purchase Period				Total
	2006	2007	2008	2009-2010	
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
Q2 10	2,100	700	2,000	-	6,320

Total	\$ 15,645	\$ 14,415	\$ 18,745	\$ -	\$ 64,445
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Portfolio

Purchases, net	\$ 107,714	\$ 258,306	\$ 275,173	\$ 470,783	\$1,517,351
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-- The Company purchased \$1.67 billion of face-value debt during the second quarter of 2010 for \$86.8 million. This debt was acquired in 78 portfolios from 11 different sellers. The tables below display purchase price amounts by year, net of buybacks, current net finance receivable balance, cash collections to date including sales, estimated remaining collections and purchase price multiples:

(\$ in thousands)

Entire Portfolio

Purchase Period	Purchase Price	Total Estimated Collections	Unamortized Purchase Price Balance at June 30, 2010
1996	\$ 3,080	\$ 10,063	\$ -
1997	7,685	25,206	-
1998	11,089	36,882	-
1999	18,898	68,002	-
2000	25,020	112,872	-
2001	33,481	167,936	-
2002	42,325	185,865	-
2003	61,448	246,521	-
2004	59,177	182,631	534
2005	143,172	312,170	27,246
2006	107,714	220,067	33,030
2007	258,306	508,710	123,845
2008	275,173	538,998	176,809
2009	282,381	698,905	230,682
YTD 2010	188,402	403,544	183,460
Total	\$ 1,517,351	\$ 3,718,372	\$ 775,606

Purchase Period	Actual Cash Collections Including Cash Sales	Estimated Remaining Collections	Total Estimated Collections to Purchase Price
1996	\$ 10,005	\$ 58	327%
1997	25,016	190	328%
1998	36,425	457	333%
1999	66,648	1,354	360%
2000	109,524	3,348	451%

2001	164,614	3,322	502%
2002	181,405	4,460	439%
2003	238,678	7,843	401%
2004	174,080	8,551	309%
2005	260,126	52,044	218%
2006	158,747	61,320	204%
2007	296,515	212,195	197%
2008	221,988	317,010	196%
2009	144,207	554,698	248%
YTD 2010	18,885	384,659	214%

Total	\$ 2,106,863	\$ 1,611,509	245%
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(\$ in thousands)

Purchased Bankruptcy (BK)
Portfolio

Purchase Period	Purchase Price	Total Estimated Collections	Unamortized Purchase Price Balance at June 30, 2010
1996-2003	\$ -	\$ -	\$ -
2004	7,469	14,092	7
2005	29,302	43,028	569
2006	17,643	29,393	279
2007	78,933	113,219	36,110
2008	108,610	183,569	77,555
2009	156,377	354,836	141,780
YTD 2010	114,778	225,538	114,265
Total	\$ 513,112	\$ 963,675	\$ 370,565

Purchase Period	Actual Cash Collections Including Cash Sales	Estimated Remaining Collections	Total Estimated Collections to Purchase Price
1996-2003	\$ -	\$ -	0%
2004	14,064	28	189%
2005	42,277	751	147%
2006	27,585	1,808	167%
2007	68,485	44,734	143%
2008	68,915	114,654	169%
2009	52,137	302,699	227%
YTD 2010	7,847	217,691	196%
Total	\$ 281,310	\$ 682,365	188%

(\$ in thousands)

Entire Portfolio less
Purchased BK

Purchase Period	Purchase Price	Total Estimated Collections	Unamortized Purchase Price Balance at June 30, 2010
1996	\$ 3,080	\$ 10,063	\$ -
1997	7,685	25,206	-
1998	11,089	36,882	-
1999	18,898	68,002	-
2000	25,020	112,872	-
2001	33,481	167,936	-
2002	42,325	185,865	-

2003	61,448	246,521	-
2004	51,708	168,539	527
2005	113,870	269,142	26,677
2006	90,071	190,674	32,751
2007	179,373	395,491	87,735
2008	166,563	355,429	99,254
2009	126,004	344,069	88,902
YTD 2010	73,624	178,006	69,195

Total	\$ 1,004,239	\$ 2,754,697	\$ 405,041
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Purchase Period	Actual Cash Collections Including Cash Sales	Estimated Remaining Collections	Total Estimated Collections to Purchase Price
1996	\$ 10,005	\$ 58	327%
1997	25,016	190	328%
1998	36,425	457	333%
1999	66,648	1,354	360%
2000	109,524	3,348	451%
2001	164,614	3,322	502%
2002	181,405	4,460	439%
2003	238,678	7,843	401%
2004	160,016	8,523	326%
2005	217,849	51,293	236%
2006	131,162	59,512	212%
2007	228,030	167,461	220%
2008	153,073	202,356	213%
2009	92,070	251,999	273%
YTD 2010	11,038	166,968	242%
Total	\$ 1,825,553	\$ 929,144	274%

-- The Company's fee-for-service businesses generated revenue of \$16.1 million in the second quarter of 2010, down 6% from \$17.1 million in the same period a year ago. These businesses accounted for 17.3% of the Company's overall revenue in the second quarter of 2010, down from 24.0% in Q2 2009.

-- The Company's cash balances were \$18.3 million as of June 30, 2010. During the second quarter, the Company made net repayments of \$6.8 million on its line of credit, leaving it with \$289.5 million in outstanding borrowings at quarter's end. Remaining borrowing availability under the line was \$75.5 million at June 30, 2010.

Kevin P. Stevenson, chief financial and administrative officer, said: "The second quarter of 2010 was another strong one for Portfolio Recovery Associates. Driving our performance was the continued maturation of our sizeable investments in bankruptcy portfolios as well as steady improvements in core call center and legal collections. Reflecting those improvements, recoveries per hour paid, our core measure of productivity, finished the first six months of the year at a record \$185. Taken together, these factors allowed us to overcome both a \$6.3 million allowance charge and a still-weakened U.S. economy."

The Company's first-half 2010 earnings totaled \$34.3 million, or \$2.06 per diluted share, compared with \$21.8 million, or \$1.42 per diluted share, for the first six months of 2009. First-half 2010 revenue was \$176.4 million, compared with \$139.3 million in the first half of 2009.

Conference Call Information

The Company will hold a conference call with investors tonight, Thursday, July 29, 2010, at 5:30 p.m. EDT to discuss its second-quarter results. Investors can access the call live by dialing 888-680-0879 for domestic callers or 617-213-4856 for international callers using the pass code 10874783. Investors may also listen via Webcast at the Company's Website,

Following the live call, 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 28795897. The replay will be available approximately two hours after today's conference call ends. There will also be an archived Webcast available at the Company's Website.

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 June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenues:				
Income recognized on finance receivables, net	\$ 76,920	\$ 54,038	\$ 144,871	\$ 105,314
Fee income	16,109	17,069	31,536	33,996
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Total revenues	93,029	71,107	176,407	139,310
Operating expenses:				
Compensation and employee services	30,872	26,434	60,513	53,097
Legal and agency fees and costs	13,488	11,047	26,826	23,164
Outside fees and services	3,155	2,459	5,984	4,570
Communications	4,102	4,213	9,160	7,685
Rent and occupancy	1,297	1,163	2,549	2,245
Depreciation and amortization	3,206	2,330	5,756	4,605

Other operating expenses	2,580	2,236	4,854	4,224
Total operating expenses	58,700	49,882	115,642	99,590
Income from operations	34,329	21,225	60,765	39,720
Other income and (expense):				
Interest income	-	-	35	3
Interest expense	(2,177)	(1,949)	(4,357)	(3,928)
Income before income taxes	32,152	19,276	56,443	35,795
Provision for income taxes	12,474	7,554	21,960	14,001
Net income	\$ 19,678	\$ 11,722	\$ 34,483	\$ 21,794
Less net income attributable to redeemable noncontrolling interest	(150)	-	(155)	-
Net income attributable to Portfolio Recovery Associates, Inc.	\$ 19,528	\$ 11,722	\$ 34,328	\$ 21,794
Net income per common share:				
Basic	\$ 1.15	\$ 0.76	\$ 2.07	\$ 1.42
Diluted	\$ 1.14	\$ 0.76	\$ 2.06	\$ 1.42
Weighted average number of shares outstanding:				
Basic	16,970	15,377	16,581	15,355
Diluted	17,080	15,415	16,641	15,391

Portfolio Recovery Associates, Inc.

Unaudited Consolidated Summary Balance Sheets

(in thousands, except per share amounts)

	June 30, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 18,250	\$ 20,265
Finance receivables, net	775,606	693,462
Accounts receivable, net	8,159	9,169
Income taxes receivable	1,877	4,460
Property and equipment, net	23,230	21,864
Goodwill	61,665	29,299
Intangible assets, net	21,425	10,756
Other assets	4,809	5,158
Total assets	\$ 915,021	\$ 794,433
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	\$ 21,436	\$ 20,948
Deferred tax liability	139,111	117,206
Line of credit	289,500	319,300
Long term debt	1,167	1,499
Total liabilities	451,214	458,953
Redeemable noncontrolling Interest	15,080	-
Stockholders' equity:		

Portfolio Recovery Associates, Inc.

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, 17,049 issued and outstanding shares at June 30, 2010, and 15,596 issued and 15,514 outstanding shares at December 31, 2009	170	155
Additional paid-in capital	161,267	82,400
Retained earnings	287,681	253,353
Accumulated other comprehensive loss, net of taxes	(391)	(428)
	-----	-----
Total stockholders' equity	448,727	335,480
	=====	=====
Total liabilities and stockholders' equity	\$ 915,021	\$ 794,433
	=====	=====

Portfolio Recovery Associates, Inc.

Unaudited Consolidated Summary Statements of Cash Flows

(in thousands)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
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Cash flows from operating activities:		
Net income	\$ 34,483	\$ 21,794
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of share-based compensation	2,074	2,652
Depreciation and amortization	5,756	4,605
Deferred tax expense	21,881	14,015
Changes in operating assets and liabilities:		
Other assets	351	(741)
Accounts receivable	1,010	963
Accounts payable and accrued liabilities	(847)	(2,911)
Income taxes receivable	2,583	(626)
	-----	-----
Net cash provided by operating activities	67,291	39,751
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Cash flows from investing activities:		
Purchases of property and equipment	(4,784)	(1,497)
Acquisition of finance receivables, net of buybacks	(184,874)	(135,798)
Collections applied to principal on finance receivables	102,730	75,036
Business acquisitions, net of cash acquired	(23,000)	-
Contingent payment made for business acquisition	(1,104)	(100)
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Net cash used in investing activities	(111,032)	(62,359)
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Cash flows from financing activities:		
Proceeds from exercise of options	57	725
Income tax benefit from share-based compensation	113	324

Proceeds from line of credit	99,000	51,000
Principal payments on line of credit	(128,800)	(29,500)
Proceeds from stock offering, net of offering costs	71,688	-
Proceeds from long-term debt	-	2,036
Principal payments on long-term debt	(332)	(212)
Principal payments on capital lease obligations	-	(5)
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Net cash provided by financing activities	41,726	24,368
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Net (decrease)/increase in cash and cash equivalents	(2,015)	1,760
Cash and cash equivalents, beginning of period	20,265	13,901
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Cash and cash equivalents, end of period	\$ 18,250	\$ 15,661
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 4,318	\$ 4,069
Cash paid for income taxes	\$ 73	\$ 321
Noncash investing and financing activities:		
Net unrealized change in fair value of derivative instrument	\$ 61	\$ (304)
Acquisition contingent purchase price earned and accrued	\$ 4,950	\$ 1,170

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