



July 29, 2009

## Portfolio Recovery Associates Reports Second Quarter 2009 Results

### EPS Totals \$0.76 in Quarter as Cash Collections Rise 6% to Record \$90.5 Million; Revenue Up 12% to \$71.1 Million; Portfolio Acquisitions Total \$85 Million

NORFOLK, VA, Jul 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 \$11.7 million, or \$0.76 per diluted share, for the quarter ended June 30, 2009.

The Company's second-quarter 2009 profit represents a 3% increase from net income of \$11.4 million, or \$0.75 per diluted share, in the same period a year earlier.

Total revenue in the second quarter of 2009 increased 12% to \$71.1 million, up from \$63.6 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 second quarter of 2009, the Company applied 40.3% of cash collections to reduce the carrying basis of its owned debt portfolios, compared with 37.6% in the second quarter of 2008. The second quarter 2009 amortization rate included a \$3.9 million allowance charge, equivalent to approximately \$2.4 million after tax, or 15 cents per diluted share, against certain pools of finance receivables accounts. During the second quarter, the Company recorded on-going non-cash equity compensation expense of \$654,000, equivalent to approximately \$400,000 after tax, or 3 cents per diluted share.

"Portfolio Recovery Associates completed the first half of 2009 with another solid quarter, despite the continued impact of a difficult economy on collections. Our collector workforce deserves a great deal of credit for driving record cash collections in this recessionary environment. The Company's fee-for-service businesses demonstrated impressive growth in the second quarter and portfolio acquisitions totaled a strong \$85 million, building a solid foundation for growth in the years to come," said Steven D. Fredrickson, Chairman, President and Chief Executive Officer.

#### Financial and Operating Highlights

-- Cash collections rose 6% to \$90.5 million in the second quarter of 2009, up from \$85.0 million in the year-ago period. Call center and other collections increased 7%, external legal collections decreased 26%, internal legal collections grew 119%, and purchased bankruptcy collections gained 43% 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)	Q22009	Q12009	Q42008	Q32008	Q22008
	=====	=====	=====	=====	=====
Call Center & Other Collections	\$ 50,052	\$ 50,914	\$ 41,268	\$ 43,949	\$ 46,892
External Legal Collections	16,527	17,790	18,424	21,590	22,471
Internal Legal Collections	4,263	3,539	2,652	2,106	1,947
Purchased Bankruptcy	19,638	17,628	16,904	15,362	13,732

-- Productivity, as measured by cash collections per hour paid, the Company's key measure of collector performance, finished at \$145.20 for the first six months of 2009 vs. \$131.29 for all of 2008. Excluding the impact

of trustee remittances from purchased bankrupt accounts, the comparison is \$116.94 for the first six months of 2009 as compared with \$109.82 for all of 2008. Excluding trustee remittances on purchased bankrupt accounts and legal collections, the comparison is \$88.65 for the first six months of 2009 and \$75.47 for all of 2008.

-- Revenue was \$71.1 million in the second quarter, up 12% from \$63.6 million in the same period a year ago. This was driven by record cash receipts of \$107.5 million, up 12.5% from \$95.6 million a year earlier. Cash receipts are comprised of both cash collections and revenue from the Company's fee-based businesses.

-- Reserve allowances totaled \$3.9 million in the current quarter. The table below displays our allowance charges incurred, by quarter, by buying period since 2005:

(\$ 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
Total	\$ -	\$ -	\$ -	\$145	\$1,575	\$7,395

(\$ in thousands)

Allowance Period	Purchase Period				
	2006	2007	2008	YTD 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
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Total	\$9,185	\$10,365	\$5,095	\$ -	\$33,760
	=====	=====	=====	=====	=====

- The Company purchased \$3.38 billion of face-value debt during the second quarter of 2009 for \$84.7 million. This debt was acquired in 119 portfolios from 15 different sellers.
- The Company's fee-for-service businesses generated revenue of \$17.1 million in the second quarter of 2009, up 61.5% from \$10.6 million in the same period a year ago. These businesses accounted for 24% of the Company's overall revenue in the second quarter of 2009, up from 16.6% in Q2 2008.
- The Company's cash balances were \$15.7 million as of June 30, 2009, down from \$16.5 million as of March 31, 2009. During the quarter, the Company made net borrowings of \$23.5 million on its line of credit, leaving it with \$289.8 million in outstanding borrowings at quarter's end. Remaining borrowing availability under the line was \$75.2 million at June 30, 2009.

"Portfolio Recovery Associates posted a solid second-quarter 2009 performance, despite the impact of a still-weak economy. Improved collector productivity together with strong overall growth from our fee-for-service businesses, which saw revenue rise 62% to \$17.1 million from a year ago, were key drivers of the Company's performance. We did record a \$3.9 million allowance charge in the quarter, resulting in 15 cents of per-share earnings impact. However, this was a significantly smaller charge than those taken in the prior two quarters and was largely confined to several underperforming pools," said Kevin P. Stevenson, Chief Financial and Administrative Officer.

The Company's first-half 2009 earnings totaled \$21.8 million, or \$1.42 per diluted share, compared with \$23.3 million, or \$1.53 per diluted share, for the first six months of 2008. First-half 2009 revenue was \$139.3 million, compared with \$127.7 million in the first half of 2008.

#### Conference Call Information

The Company will hold a conference call with investors tonight, Wednesday, July 29, 2009, at 5:30 p.m. EDT to discuss its second quarter results. Investors can access the call live by dialing 888-680-0890 for domestic callers or 617-213-4857 for international callers using the pass code 60801363.

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 75346996. 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 June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenues:				
Income recognized on finance receivables, net	\$ 54,038	\$ 53,047	\$ 105,314	\$ 105,675
Commissions	17,069	10,567	33,996	22,043
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Total revenues	71,107	63,614	139,310	127,718
Operating expenses:				
Compensation and employee services	26,434	20,872	53,097	41,999
Legal and agency fees and costs	11,047	12,892	23,164	25,144
Outside fees and services	2,459	2,226	4,570	4,547
Communications	4,213	2,403	7,685	5,272
Rent and occupancy	1,163	869	2,245	1,707
Other operating expenses	2,236	1,595	4,224	2,951
Depreciation and amortization	2,330	1,507	4,605	2,976
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Total operating expenses	49,882	42,364	99,590	84,596
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Income from operations	21,225	21,250	39,720	43,122
Other income and (expense):				
Interest income	-	3	3	33
Interest expense	(1,949)	(2,649)	(3,928)	(5,149)
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Income before income taxes	19,276	18,604	35,795	38,006
Provision for income taxes	7,554	7,178	14,001	14,708
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Net income	\$ 11,722	\$ 11,426	\$ 21,794	\$ 23,298
	=====	=====	=====	=====
Net income per common share:				
Basic	\$ 0.76	\$ 0.75	\$ 1.42	\$ 1.53

Diluted	\$	0.76	\$	0.75	\$	1.42	\$	1.53
Weighted average number of shares outstanding:								
Basic		15,377		15,193		15,355		15,182
Diluted		15,415		15,268		15,391		15,252

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

ASSETS	June 30, 2009	December 31, 2008
Cash and cash equivalents	\$ 15,661	\$ 13,901
Finance receivables, net	624,592	563,830
Accounts receivable, net	7,315	8,278
Income taxes receivable	4,213	3,587
Property and equipment, net	22,112	23,884
Goodwill	28,815	27,546
Intangible assets, net	12,093	13,429
Other assets	4,037	3,385
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Total assets	\$ 718,838	\$ 657,840
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	\$ 16,076	\$ 17,602
Deferred tax liability	102,001	88,070
Line of credit	289,800	268,300
Long term debt and capital leases	1,824	5
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Total liabilities	409,701	373,977
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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, 15,509 issued and 15,397 outstanding shares at June 30, 2009, and 15,398 issued and 15,286 outstanding shares at December 31, 2008	154	153
Additional paid-in capital	78,274	74,574
Retained earnings	230,841	209,047
Accumulated other comprehensive (loss)/income, net of tax	(132)	89
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Total stockholders' equity	309,137	283,863
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Total liabilities and stockholders' equity	\$ 718,838	\$ 657,840
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Portfolio Recovery Associates, Inc.  
Unaudited Consolidated Summary Statements of Cash Flows  
(in thousands)

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Cash flows from operating activities:		
Net income	\$ 21,794	\$ 23,298
Adjustments to reconcile net income to net cash provided by operating activities:		

Amortization of share-based compensation	2,652	1,163
Depreciation and amortization	4,605	2,976
Deferred tax expense	14,015	14,998
Changes in operating assets and liabilities:		
Other assets	(741)	(123)
Accounts receivable	963	769
Accounts payable and accrued liabilities	(2,911)	(1,235)
Income tax receivable	(626)	(517)
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Net cash provided by operating activities	39,751	41,329
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Cash flows from investing activities:		
Purchases of property and equipment	(1,497)	(3,413)
Acquisition of finance receivables, net of buybacks	(135,798)	(163,839)
Collections applied to principal on finance receivables	75,036	58,769
Contingent payment made for acquisition	(100)	-
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Net cash used in investing activities	(62,359)	(108,483)
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Cash flows from financing activities:		
Proceeds from exercise of options	725	297
Income tax (shortfall)/benefit from share-based compensation	324	218
Proceeds from line of credit	51,000	83,800
Principal payments on line of credit	(29,500)	(17,500)
Proceeds from long-term debt	2,036	-
Principal payments on long-term debt	(212)	-
Principal payments on capital lease obligations	(5)	(58)
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Net cash provided by financing activities	24,368	66,757
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Net increase in cash and cash equivalents	1,760	(397)
Cash and cash equivalents, beginning of year	13,901	16,730
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Cash and cash equivalents, end of period	\$ 15,661	\$ 16,333
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 4,069	\$ 5,205
Cash paid for income taxes	\$ 321	\$ 2
Noncash investing and financing activities:		
Acquisition contingent purchase price earned and accrued	\$ 1,170	\$ -
Net unrealized change in fair value of derivative instrument	\$ (304)	\$ -

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