



# PRA Group Q3 2024 Conference Call Presentation



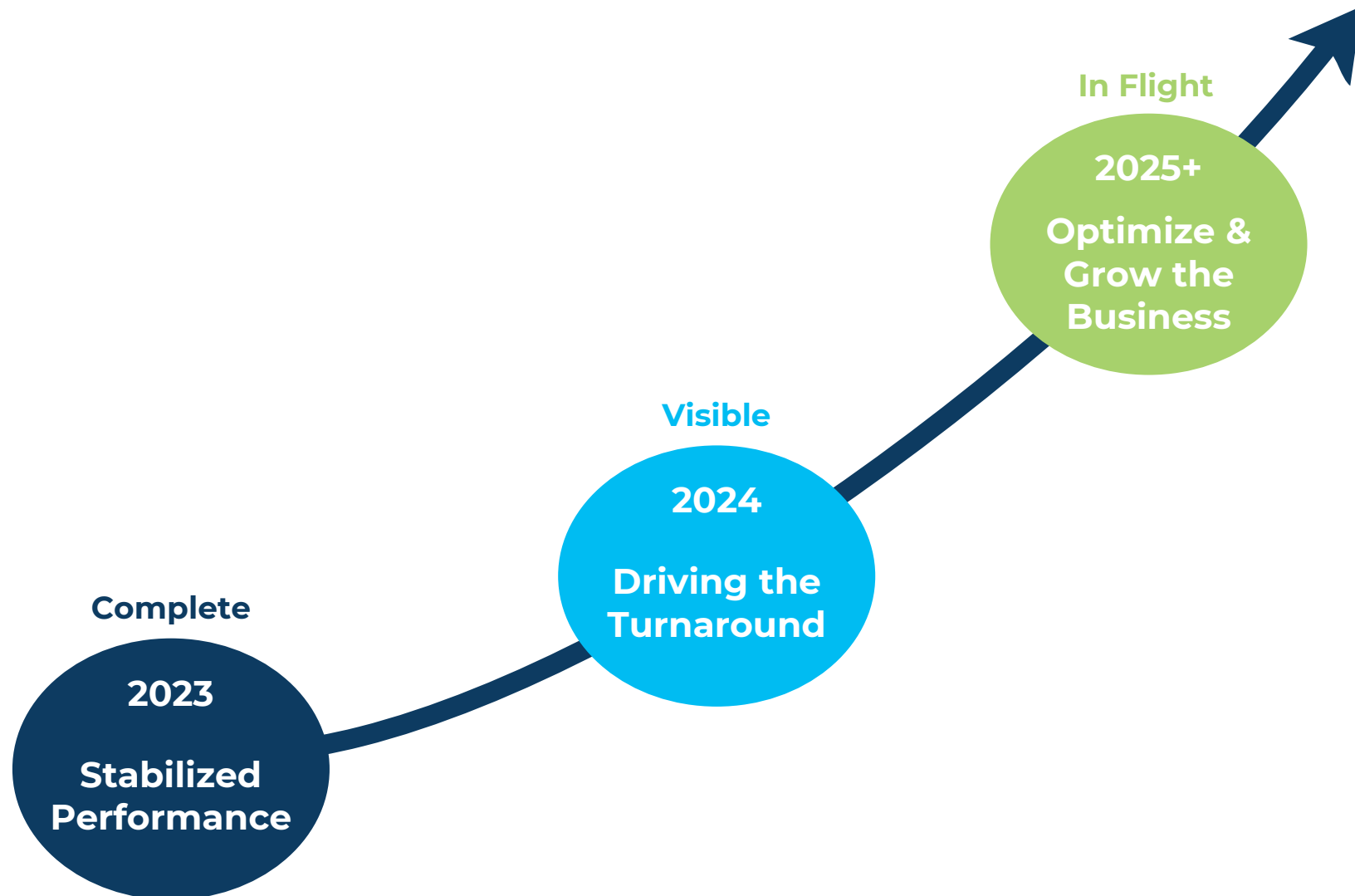
# Forward-Looking Statements

Statements in this presentation, other than statements of historical fact, are forward-looking statements, which are based on our current beliefs, projections, assumptions and expectations concerning future operations and financial performance. Such statements involve uncertainties and risks, some of which are not currently known to us, and may be superseded by future events that could cause actual results to differ materially from those expressed or implied in this presentation.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this presentation and are qualified in their entirety by these cautionary statements.

Information regarding risks and other factors that could cause our actual results to differ materially from our expectations can be found in our most recent Annual Report on Form 10-K and in subsequent SEC filings and should be considered when evaluating the forward-looking statements in this presentation. Except as required by law, we assume no obligation to update or revise these statements to reflect changes in the events, conditions, or circumstances upon which any such forward-looking statements are based.

# Transformation in U.S. Business Is Well Underway

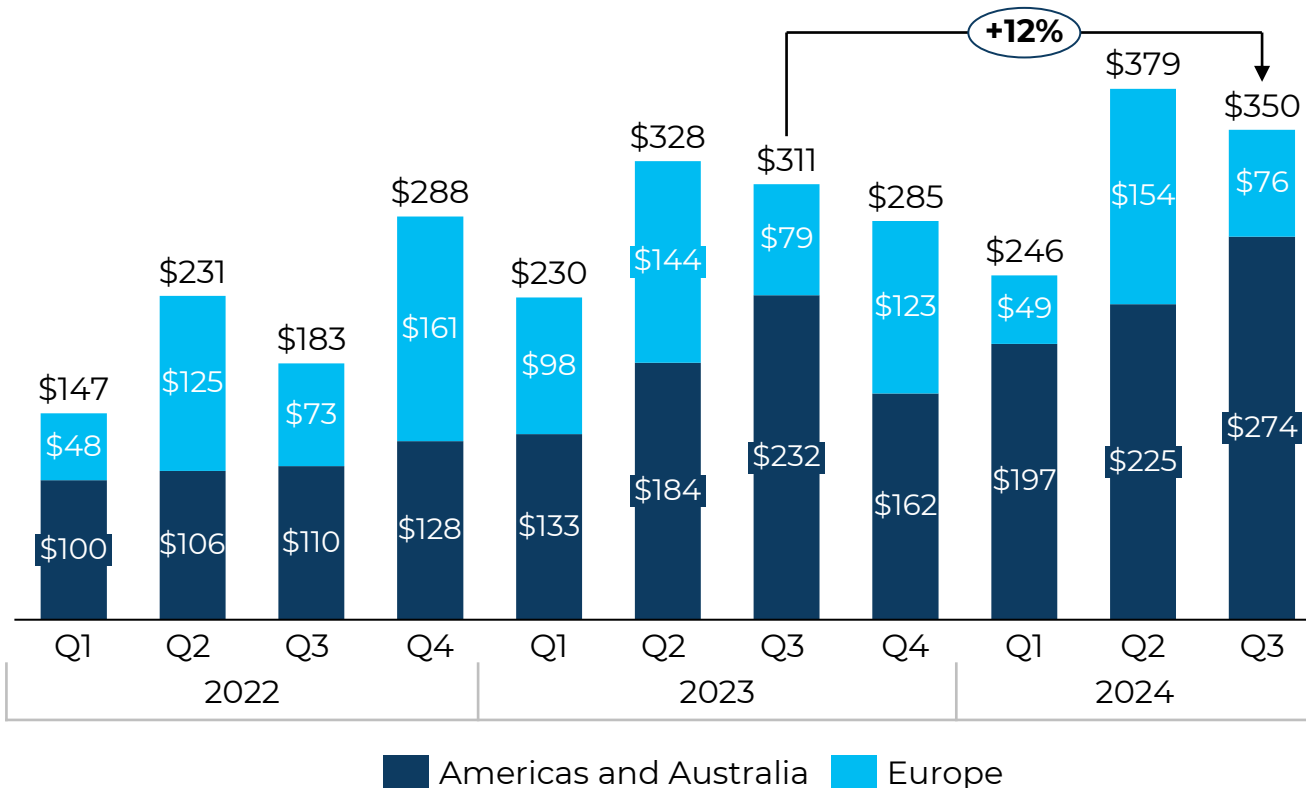


# Q3 2024 Investments of \$350 Million, Up 12% YoY

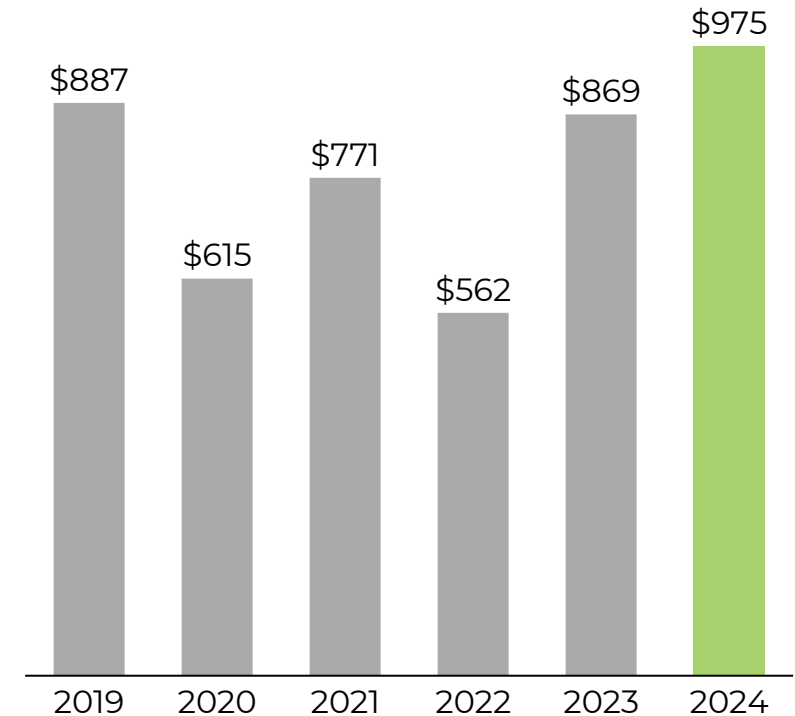
## Record Year-to-Date 2024 Investments of \$975 Million

\$ in millions

### Quarterly Investments



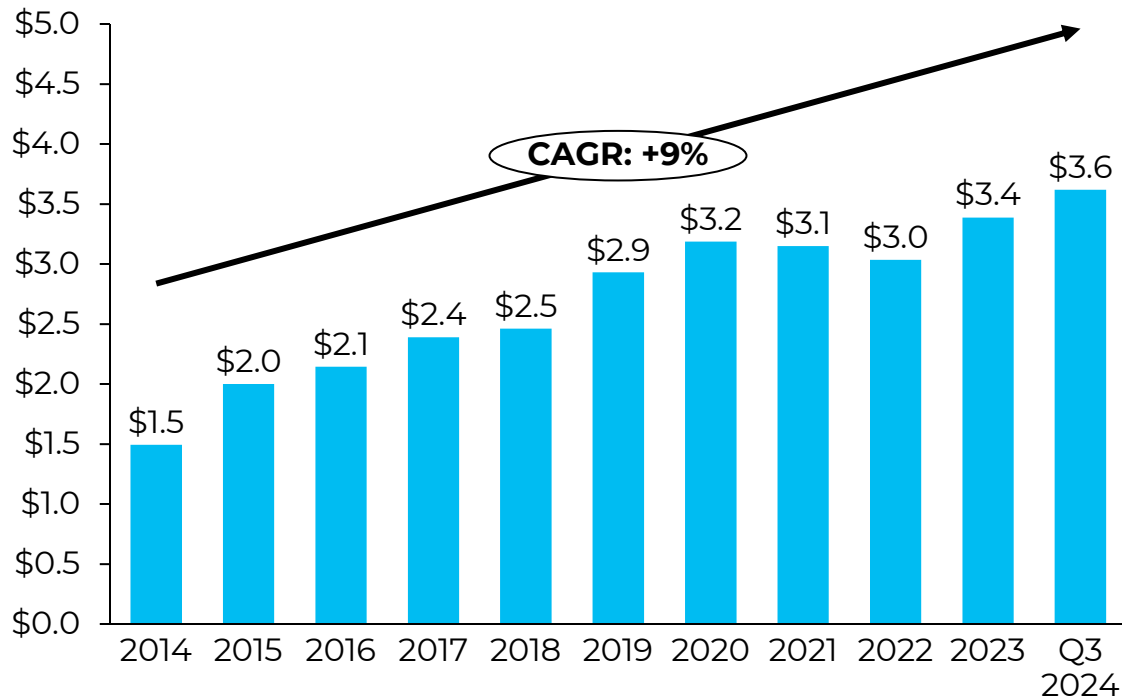
### Year-to-Date Investments<sup>1</sup>



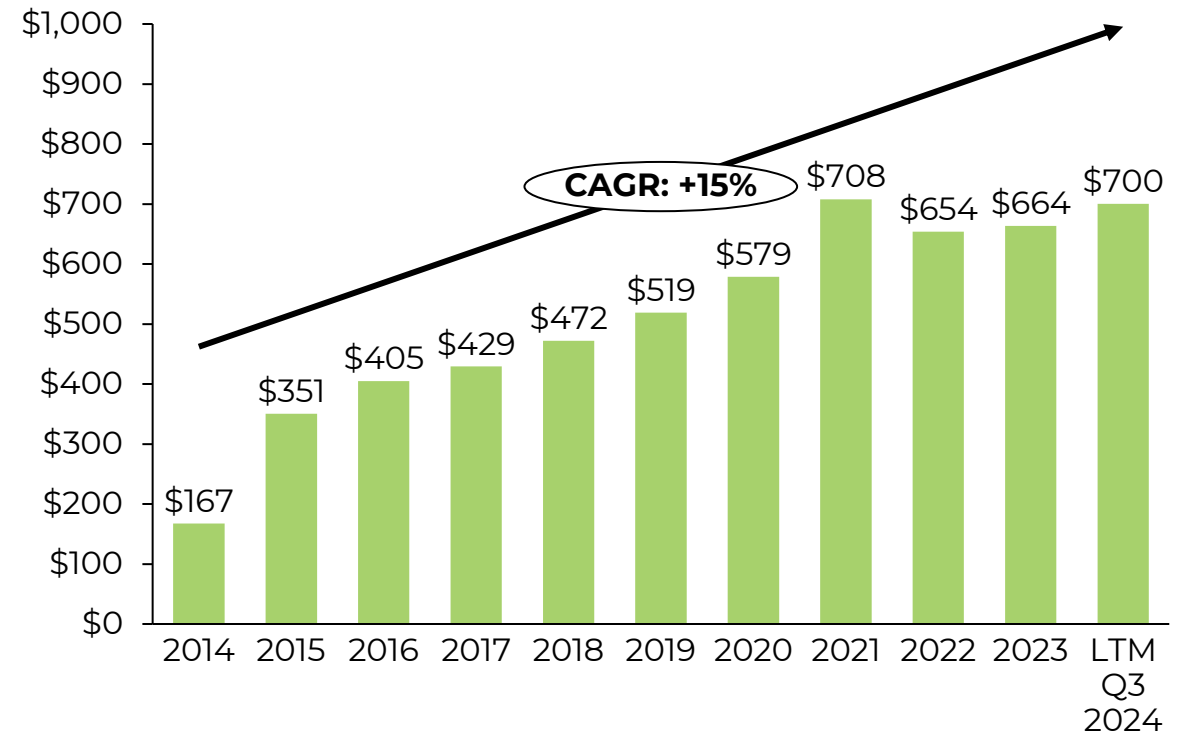
# PRA Europe

A Growing and Differentiated Business with Consistent ERC & Collections Growth

### PRA Europe ERC<sup>1</sup>



### PRA Europe Cash Collections<sup>2</sup>



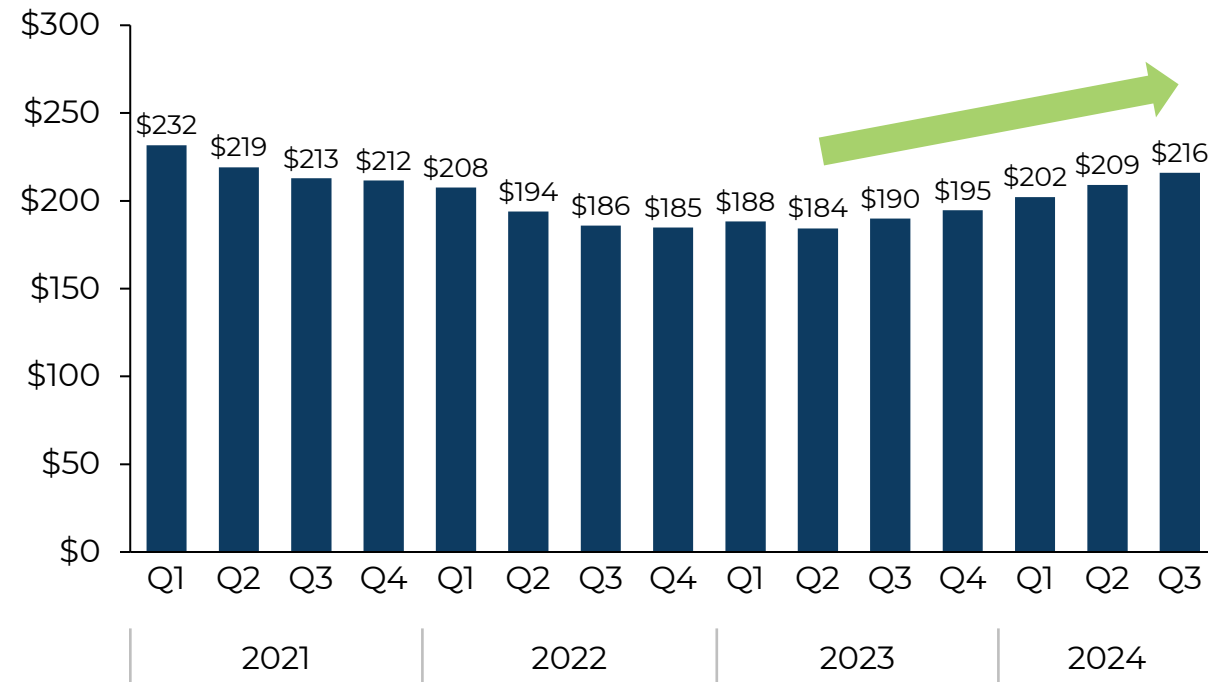
# The Two Components of Portfolio Revenue

Both Represent an Important Part of Revenue & Profitability

\$ in millions

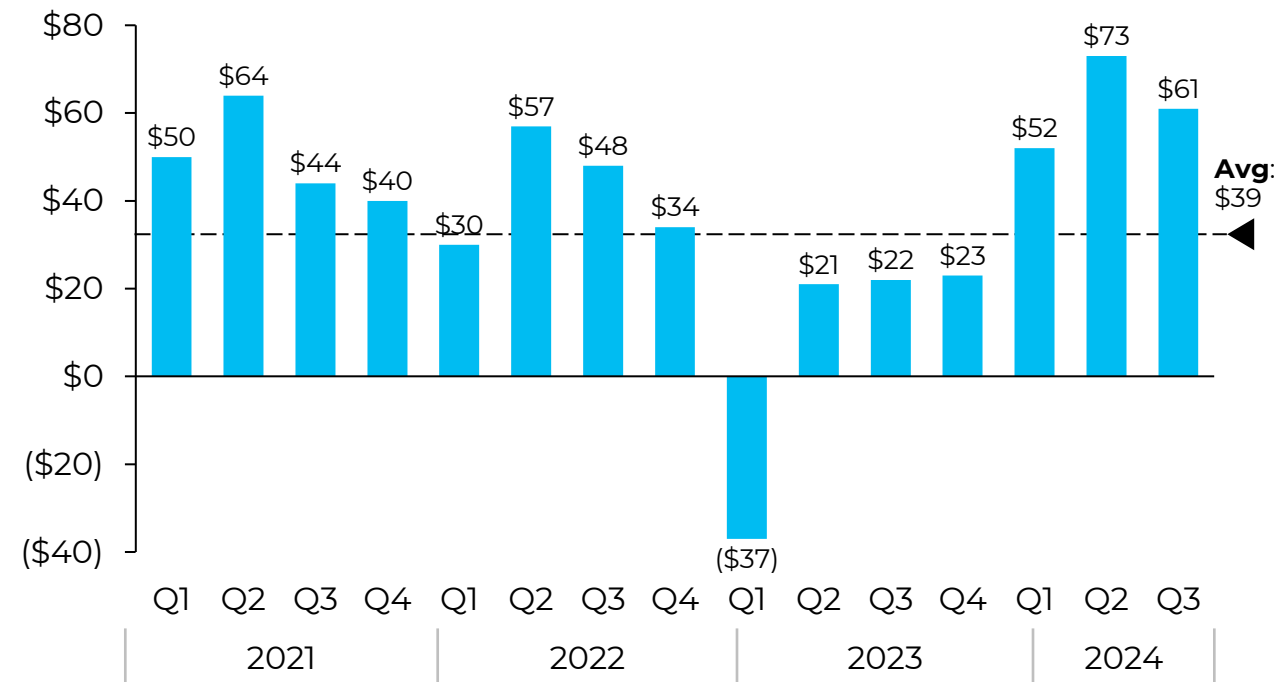
## Portfolio Income

*Portfolio Income Continues to Grow*



## Changes in Expected Recoveries

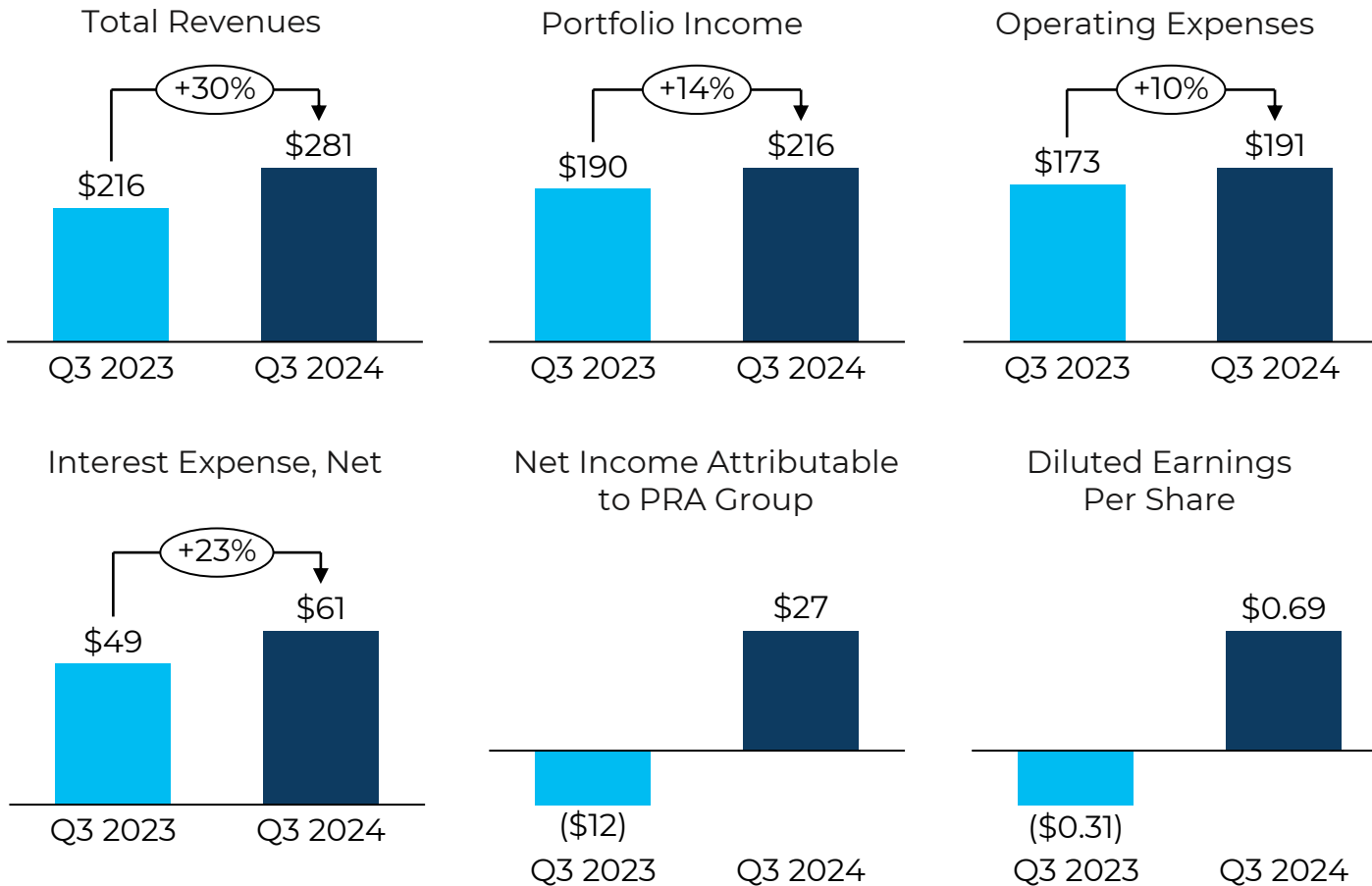
*Changes in Expected Recoveries Trend Positive Over Time*



# Q3 2024 Financial Results

\$ in millions, except per share amounts

## Q3 2023 vs Q3 2024



### Total Revenues:

- Increase driven by higher changes in expected recoveries and portfolio income

### Portfolio Income:

- Increase driven by higher recent purchases and improved pricing

### Operating Expenses:

- Increase driven primarily by higher:

- Legal collection costs
- Compensation & employee services
- Legal collection fees

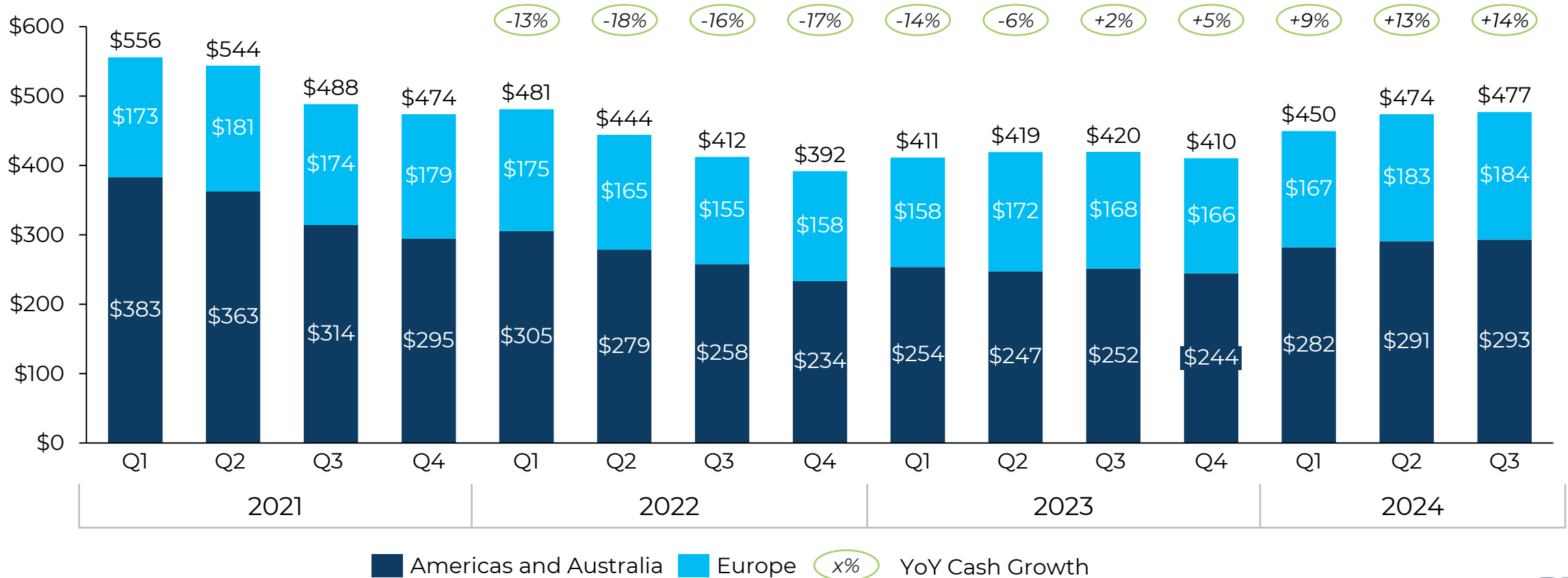
### Interest Expense, Net:

- Increase driven primarily by higher debt balances to support portfolio investments

# Cash Collections Increased 14% Year-Over-Year

\$ in millions

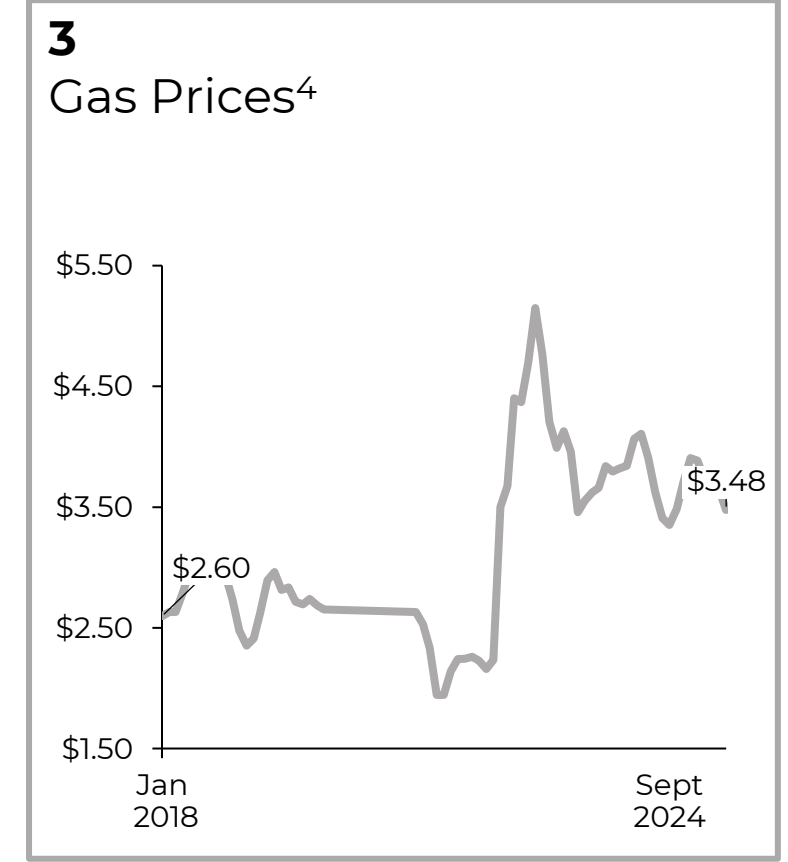
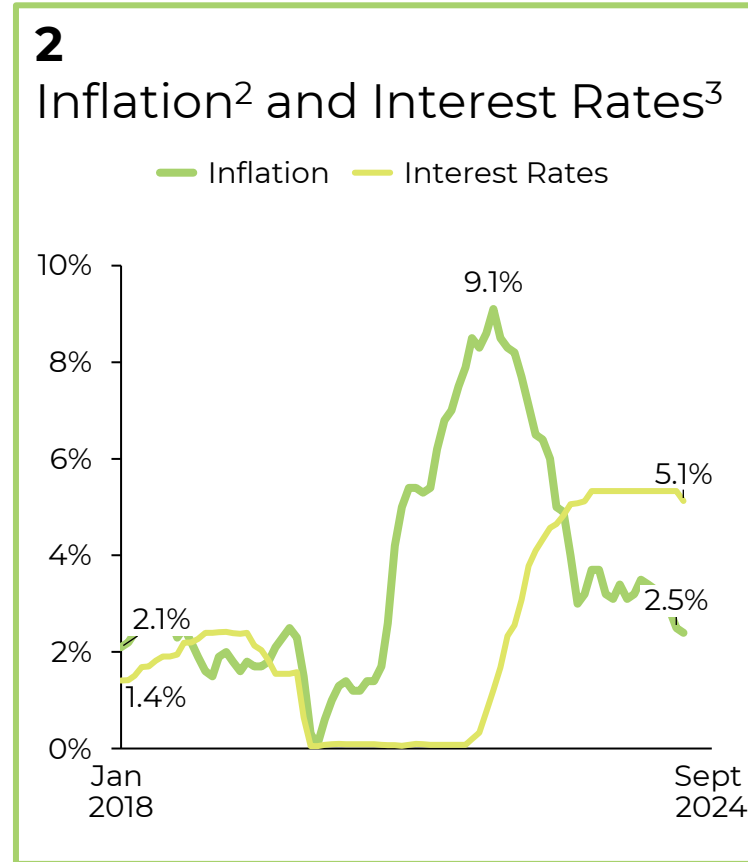
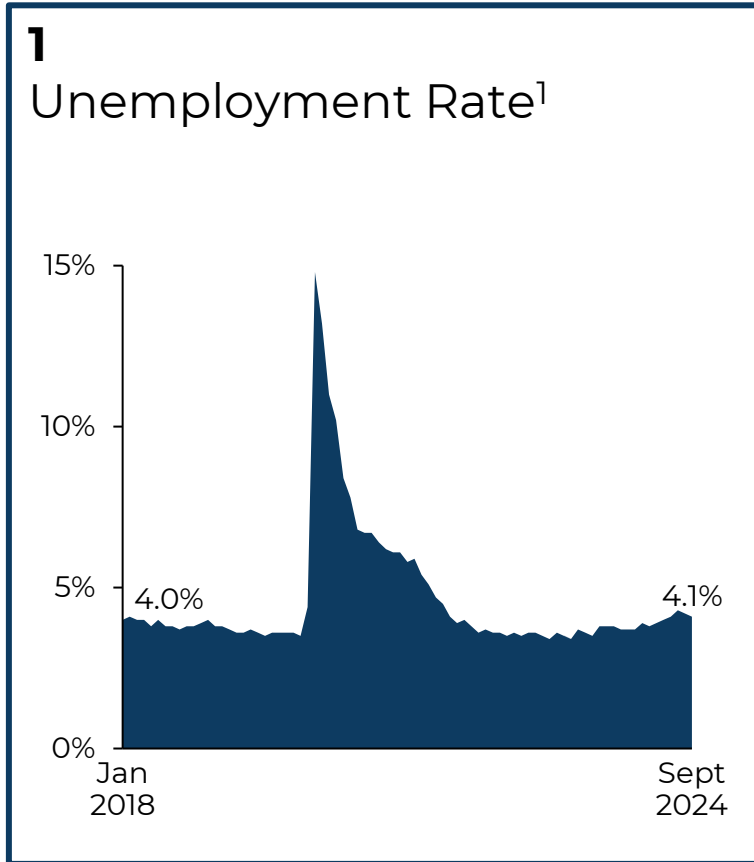
## Cash Collections



Americas and Australia
  Europe
 x% YoY Cash Growth



# Select U.S. Economic Indicators



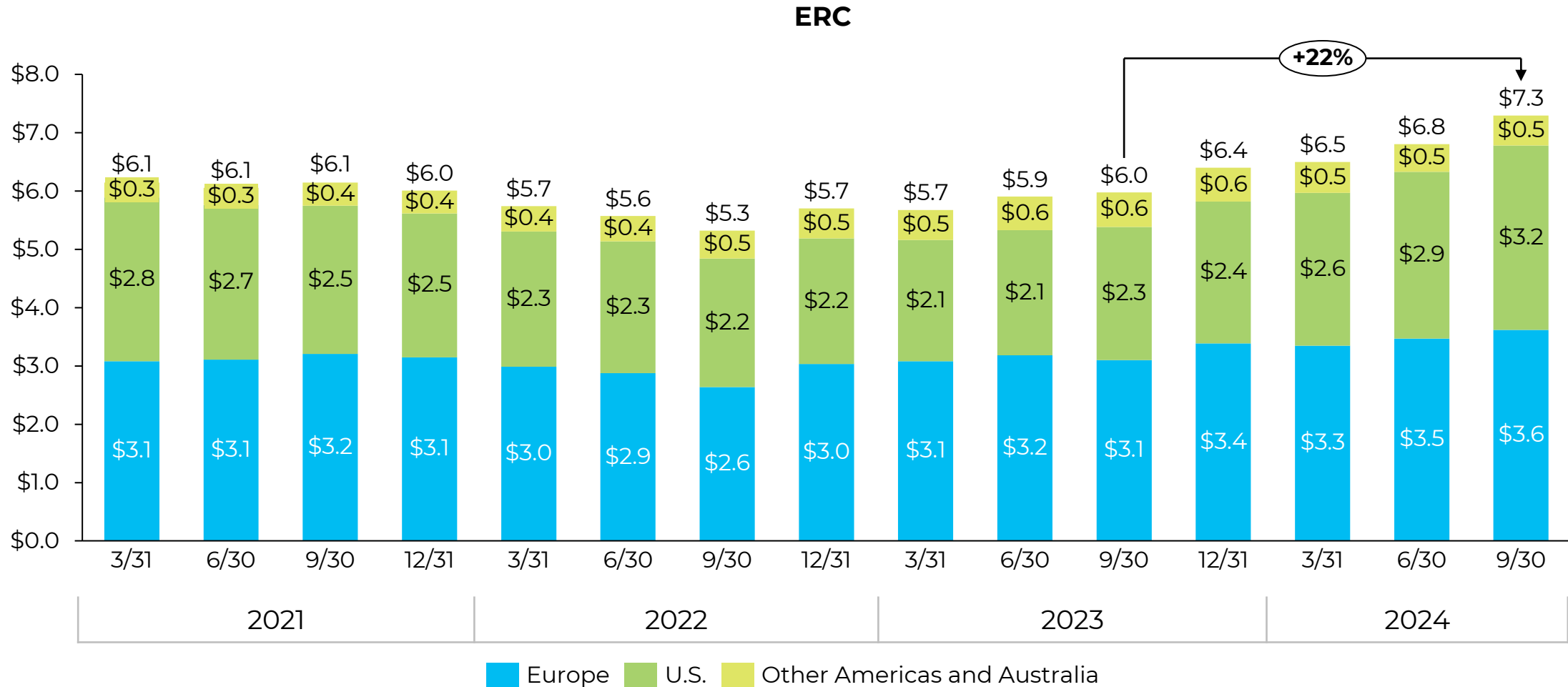
1. U.S. Bureau of Labor Statistics. 2. BLS, 12-month percentage change, Consumer Price Index. 3. FRED, Federal Funds Effective Rate.

4. FRED, Average Price: Gasoline, All Types (Cost Per Gallon/3.785 Liters) in U.S. City Average

# ERC Increased 22% Year-over-Year to a Record \$7.3 Billion

## Up \$491 Million Sequentially

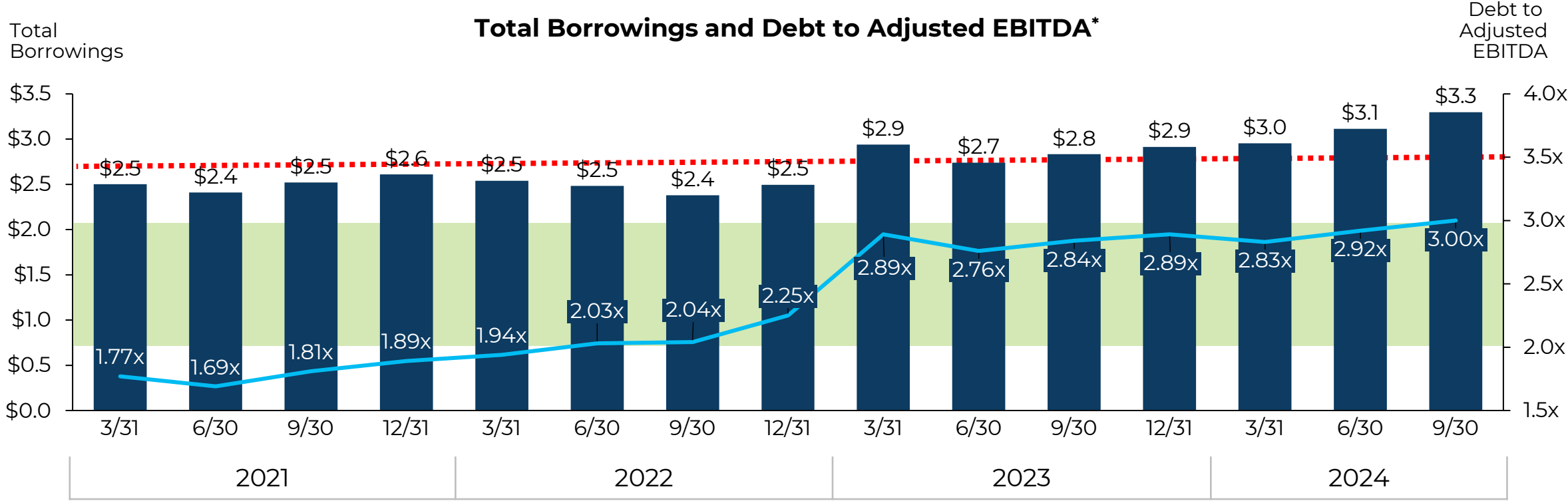
\$ in billions



# Increased Leverage to Support Higher Portfolio Purchases

\$ in billions

**Total Borrowings and Debt to Adjusted EBITDA\***



— Debt to Adjusted EBITDA\*   ■ Total Borrowings   ■ Target Debt to Adjusted EBITDA\* (2-3x)   - - - Debt to Adjusted EBITDA\* Covenant Limit

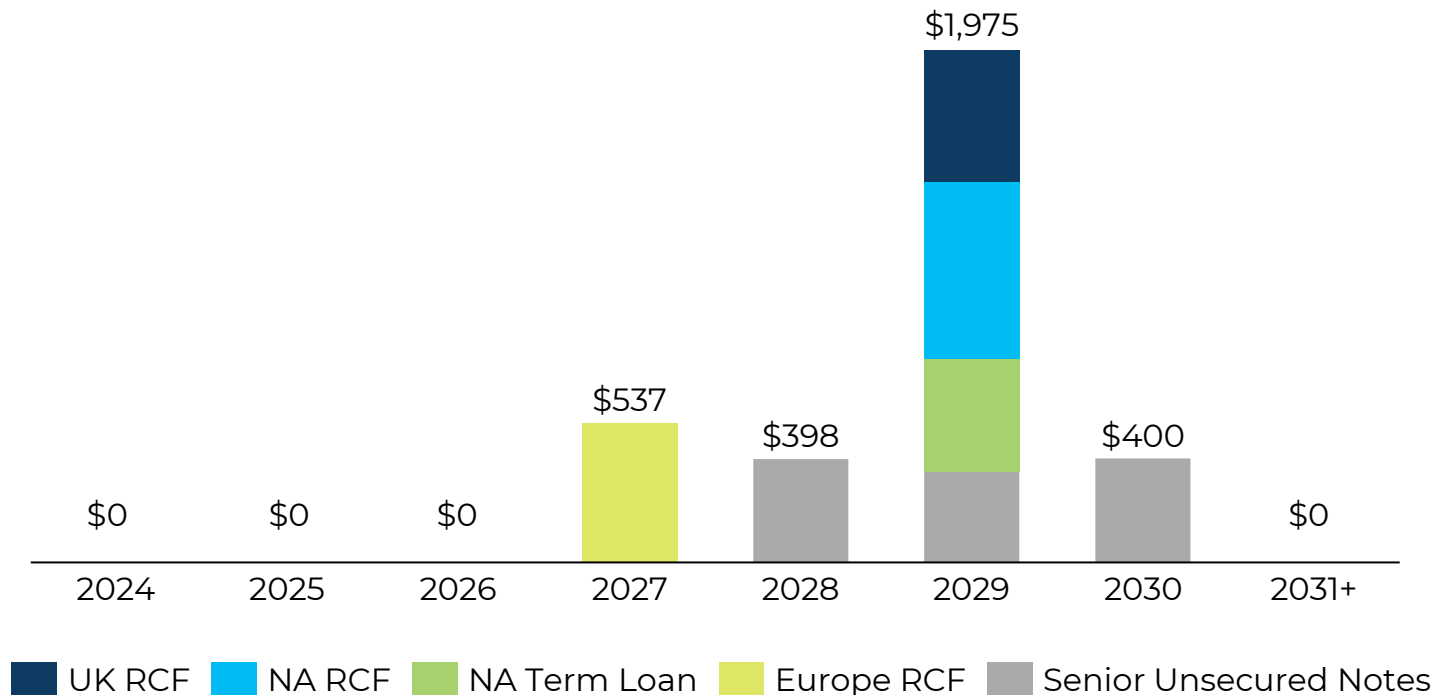
\*A reconciliation of net income, the most directly comparable financial measure calculated and reported in accordance with GAAP, to Adjusted EBITDA can be found at the end of this presentation.

# Strong Capital Structure

## Well-Positioned to Continue Capitalizing on Strong Portfolio Supply

\$ in millions

### Pro Forma Debt Maturity Profile<sup>1</sup>



- **\$1.0 billion** available under our credit facilities as of September 30, 2024
  - **\$412 million** available based on current ERC
  - **\$587 million** of additional availability subject to borrowing base and debt covenants, including advance rates
- **Strong relationships with creditors** going back several years
- Bank covenant structure provides the **financial flexibility to drive future growth**

# Driving the Business Forward Through Multiple Initiatives

## 1 Capitalize on improved U.S. supply at attractive returns

- ✓ U.S. portfolio investments for 2024 expected to exceed levels achieved in 2023
- ✓ Purchase price multiples experienced improvement compared to 2023 levels
- ✓ Deepened seller relationships

## 2 Turn around U.S. Business

- ✓ U.S. cash collections and ERC up 17% and 38%, respectively, in Q3 YTD 2024 vs. Q3 YTD 2023
- ✓ Improved call center operations and enhanced internal legal collection processes
- ✓ Leveraging third parties to complement capabilities across all channels and technology

## 3 Leverage third parties to launch offshore collection capabilities

- ✓ Established 2 low-cost third-party sites in Asia, with collectors performing to expectations and making up ~25% of U.S.-focused collector workforce
- ✓ Moving closer towards optimal mix of domestic/offshore collections, with an opportunity to further reduce cost and increase effectiveness

## 4 Leverage strengths of European franchise

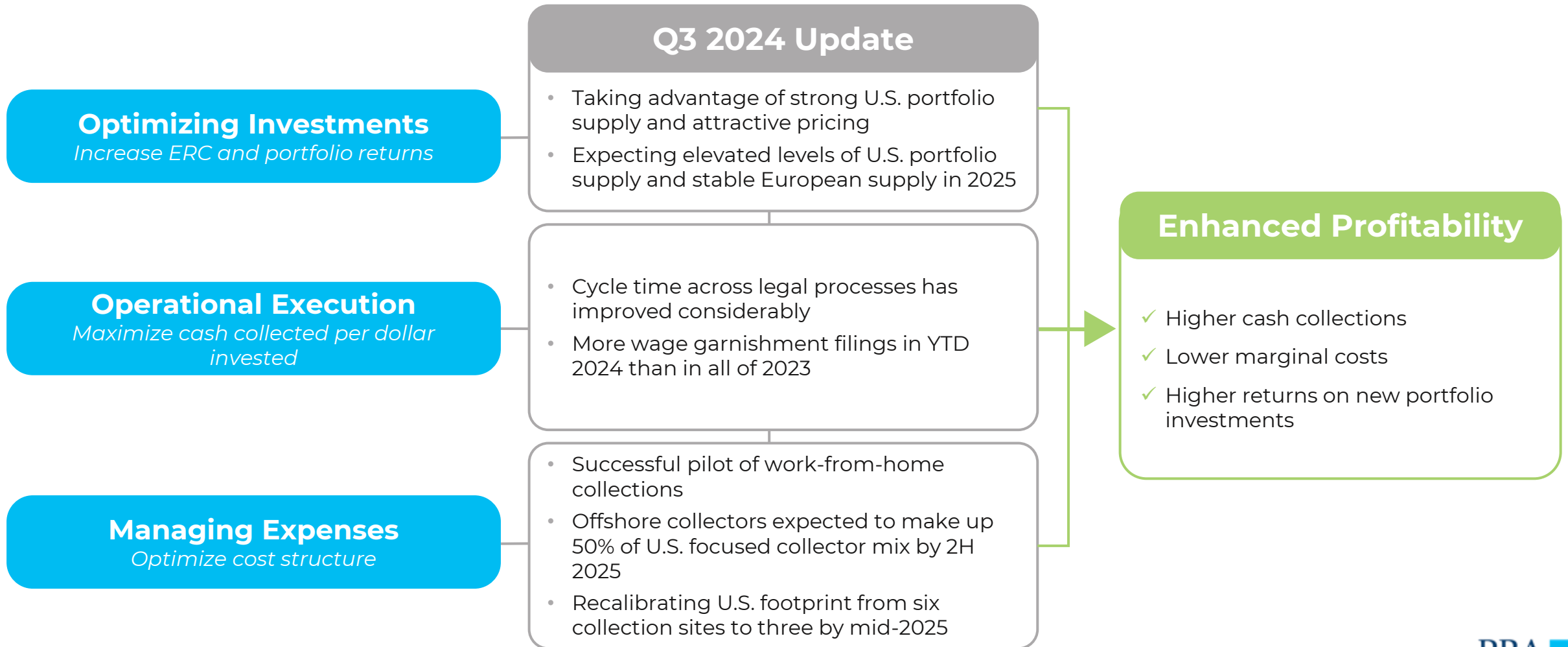
- ✓ Expanded on successful track record of disciplined growth across multiple countries
- ✓ Continued to differentiate business from industry peers
- ✓ Deepened seller relationships

## 5 Stabilize the business and rebuild profitability

- ✓ Net income attributable to PRA of \$52 million in Q3 YTD 2024 vs. (\$75) million loss in Q3 YTD 2023

# Roadmap to Enhanced Profitability

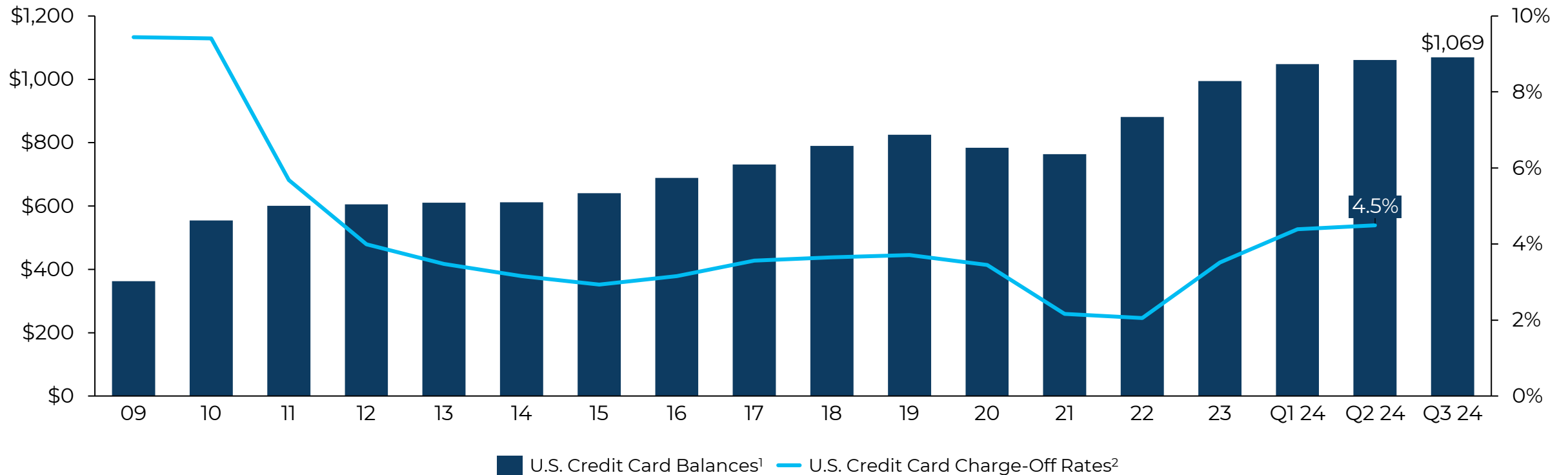
## Value Creation from Higher Cash Collections While Reducing Marginal Costs



# Expecting Elevated U.S. Portfolio Supply Levels in 2025

\$ in billions

## U.S. Credit Card Balances<sup>1</sup> and Charge-Off Rates<sup>2</sup>



1. FRED, Consumer Loans: Credit Cards and Other Revolving Plans, All Commercial Banks

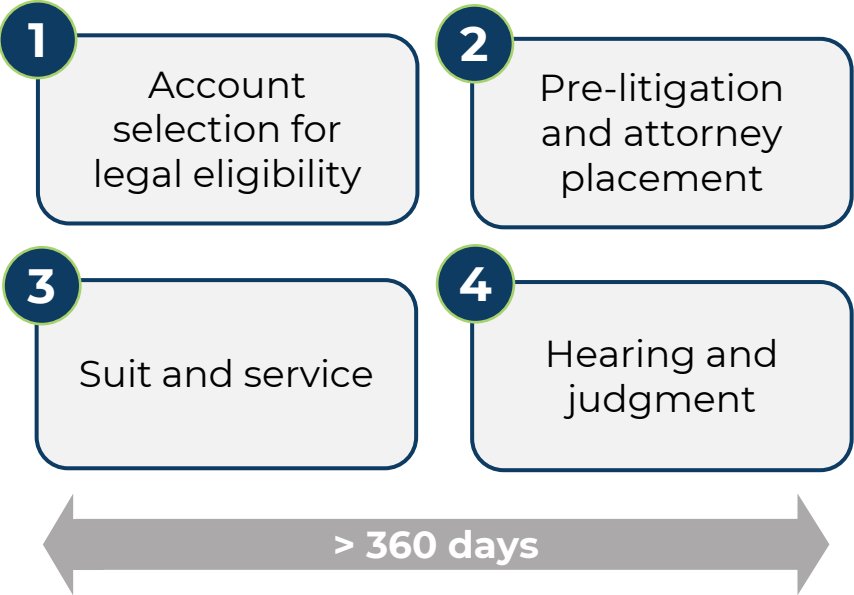
2. Board of Governors of the Federal Reserve Board, Charge-Off and Delinquency Rates on Loans and Leases at Commercial Banks

# Elements of the U.S. Legal Collections Process

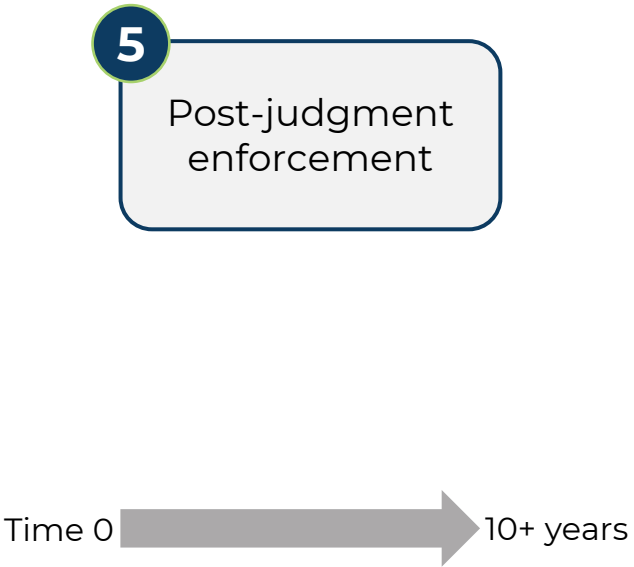
Successfully Reducing Cycle Time, Increasing Wage Garnishments & Driving Cash

\$ in millions

## Stages of the U.S. Legal Collections Process



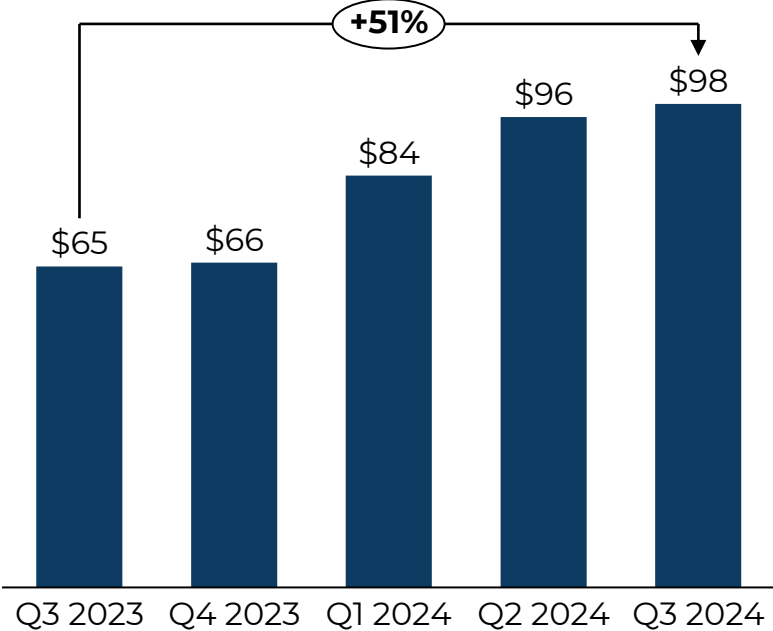
**Reduced cycle times by 15-50%** in Q3 2024 relative to Q1 2022



**Increasing speed and execution**

- Wage garnishment filings
- Leveraging 3<sup>rd</sup> parties

## U.S. Legal Cash Collections

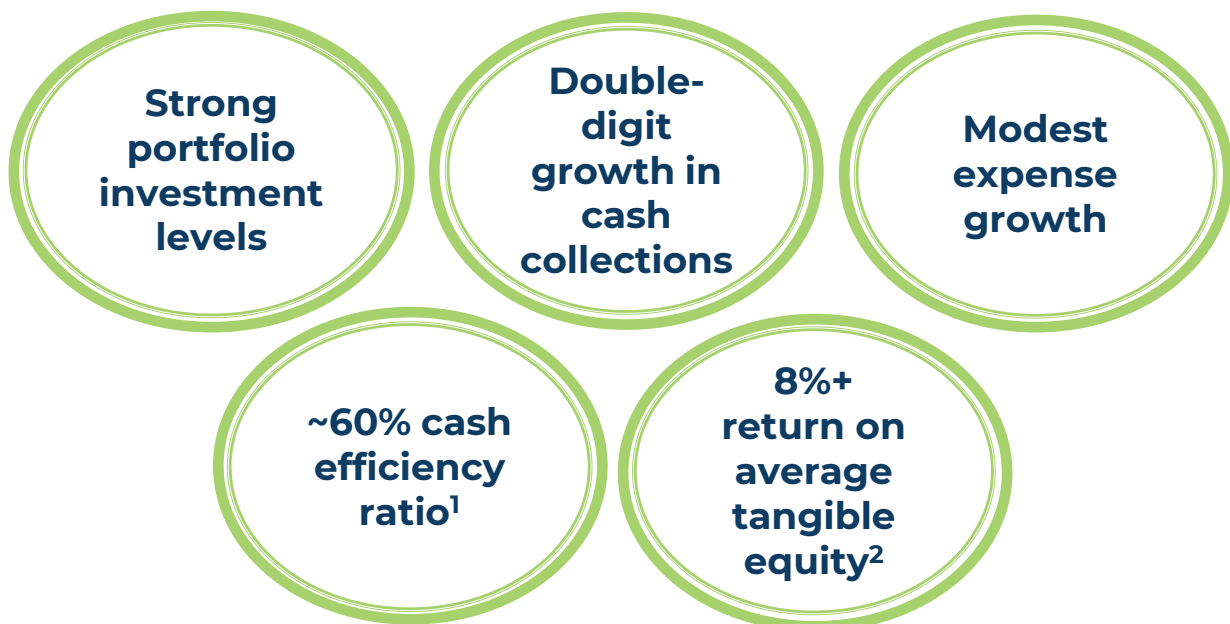




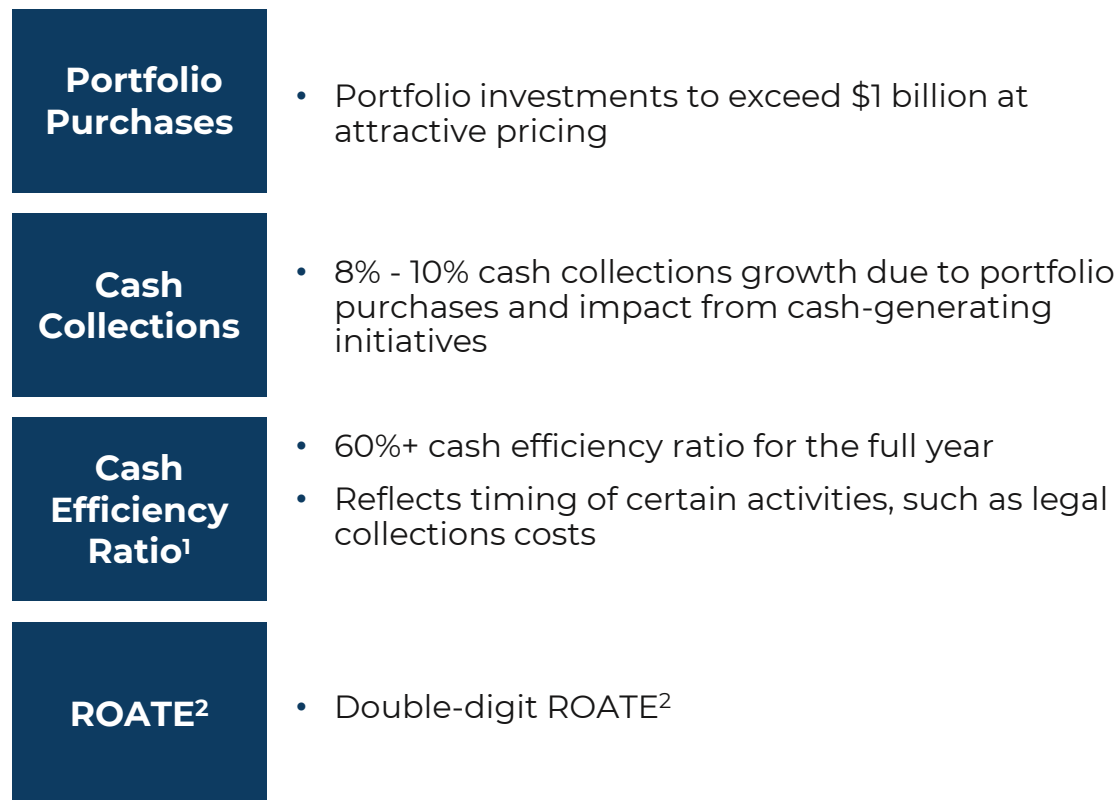
# Financial Outlook

On Track to Deliver 2024 Targets and Accelerating Progress in 2025

## 2024 TARGETS



## 2025 TARGETS



1. Cash efficiency ratio = (cash receipts – operating expenses)/cash receipts

2. Return on average tangible equity (ROATE) = annualized net income attributable to PRA Group, Inc. divided by average tangible equity.  
Average tangible equity = average total stockholders' equity - PRA Group, Inc. less average goodwill and average other intangible assets

# Q&A



# Reconciliation of Non-GAAP Financial Measures to GAAP

\$ in millions

## Use of Non-GAAP Financial Measures

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management uses certain non-GAAP financial measures, including Adjusted EBITDA, internally to evaluate the Company's performance and to set performance goals. Adjusted EBITDA is calculated as net income (or loss) attributable to PRA Group, Inc. plus income tax expense (or less income tax benefit); plus foreign exchange loss (or less foreign exchange gain); plus interest expense, net; plus other expense (or less other income); plus depreciation and amortization; plus impairment of real estate; plus net income attributable to noncontrolling interests; and plus recoveries applied to negative allowance less changes in expected recoveries. Adjusted EBITDA is a supplemental measure of performance that is not required by, or presented in accordance with, GAAP. The Company presents Adjusted EBITDA because the Company considers it an important supplemental measure of operational and financial performance. Management believes Adjusted EBITDA helps provide enhanced period-to-period comparability of the Company's operational and financial performance and is useful to investors as other companies in the industry report similar financial measures. Adjusted EBITDA should not be considered as an alternative to net income determined in accordance with GAAP. Set forth below is a reconciliation of net income, the most directly comparable financial measure calculated and reported in accordance with GAAP, to Adjusted EBITDA for the last twelve months (LTM) as of March 31, 2021 through the LTM as of September 30, 2024. The calculation of Adjusted EBITDA below may not be comparable to the calculation of similarly titled measures reported by other companies. Additionally, the Company evaluates its business using certain ratios that use Adjusted EBITDA. Debt to Adjusted EBITDA is calculated by dividing borrowings by Adjusted EBITDA. The following table also reflects the Company's Debt to Adjusted EBITDA for the LTM as of March 31, 2021 through the LTM as of September 30, 2024.

	LTM Ended														
	2021				2022				2023				2024		
	3/31	6/30	9/30	12/31	3/31	6/30	9/30	12/31	3/31	6/30	9/30	12/31	3/31	6/30	9/30
<b>Net Income/(Loss) Attributable to PRA Group, Inc.</b>	\$ 189	\$ 187	\$ 179	\$ 183	\$ 165	\$ 145	\$ 135	\$ 117	\$ 19	\$ (22)	\$ (59)	\$ (83)	\$ (21)	\$ 4	\$ 43
(+) Income Tax Expense/(Benefit)	55	53	58	55	42	44	43	37	14	1	(8)	(16)	5	12	10
(+) Foreign Exchange Loss (Gain)	—	2	1	1	1	(1)	—	(1)	(2)	(1)	(1)	—	(1)	—	1
(+) Interest Expense, Net and Other	137	131	126	124	124	126	129	132	138	150	168	183	198	209	221
(+) Depreciation and Amortization	18	18	17	15	15	15	15	15	15	15	14	13	13	12	11
(+) Impairment of Real Estate	—	—	—	—	—	—	—	—	—	—	5	5	5	5	—
(+) Net Income Attributable to Noncontrolling Interests	19	20	17	12	4	2	2	1	11	13	15	17	20	19	17
(+) Recoveries Applied to Negative Allowance less Changes in Expected Recoveries	997	1,017	993	988	958	893	842	806	820	837	864	888	825	804	797
<b>LTM Adjusted EBITDA</b>	<b>\$ 1,416</b>	<b>\$ 1,428</b>	<b>\$ 1,392</b>	<b>\$ 1,378</b>	<b>\$ 1,309</b>	<b>\$ 1,224</b>	<b>\$ 1,167</b>	<b>\$ 1,107</b>	<b>\$ 1,015</b>	<b>\$ 993</b>	<b>\$ 998</b>	<b>\$ 1,007</b>	<b>\$ 1,044</b>	<b>\$ 1,065</b>	<b>\$ 1,100</b>
Borrowings	\$ 2,501	\$ 2,409	\$ 2,521	\$ 2,609	\$ 2,539	\$ 2,482	\$ 2,380	\$ 2,495	\$ 2,938	\$ 2,740	\$ 2,832	\$ 2,914	\$ 2,953	\$ 3,114	\$ 3,296
<b>Debt to LTM Adjusted EBITDA</b>	<b>1.77x</b>	<b>1.69x</b>	<b>1.81x</b>	<b>1.89x</b>	<b>1.94x</b>	<b>2.03x</b>	<b>2.04x</b>	<b>2.25x</b>	<b>2.89x</b>	<b>2.76x</b>	<b>2.84x</b>	<b>2.89x</b>	<b>2.83x</b>	<b>2.92x</b>	<b>3.00x</b>

# Reconciliation of Non-GAAP Financial Measures to GAAP (Cont.)

## Use of Non-GAAP Financial Measures (Cont.)

In addition, the Company uses return on average tangible equity (ROATE), which is a supplemental measure of performance that is not required by, or presented in accordance with, GAAP, to monitor and evaluate operating performance relative to the Company's equity. Management believes ROATE is a useful financial measure for investors in evaluating the effective use of equity, and is an important component of its long-term shareholder return. Average tangible equity (ATE) is defined as average Total stockholders' equity - PRA Group, Inc. less average goodwill and average other intangible assets. ROATE is calculated by dividing annualized Net income/(loss) attributable to PRA Group, Inc. by ATE. The following table displays the Company's ROATE and provides a reconciliation of Total stockholders' equity - PRA Group, Inc. as reported in accordance with GAAP to ATE for the periods indicated (amounts in thousands, except for ratio data):

	Balance as of Period End		Average Balance			
			Third Quarter		Year-to-Date	
	September 30, 2024	September 30, 2023	2024	2023	2024	2023
<b>Total stockholders' equity - PRA Group, Inc.</b>	\$ 1,218,882	\$ 1,115,590	\$ 1,182,173	\$ 1,140,558	\$ 1,165,196	\$ 1,166,780
Less: Goodwill	423,011	412,513	419,329	413,709	420,517	420,997
Less: Other intangible assets	1,620	1,670	1,609	1,753	1,656	1,797
<b>Average tangible equity</b>			\$ 761,235	\$ 725,096	\$ 743,023	\$ 743,986
<b>Net income/(loss) attributable to PRA Group, Inc.</b>			\$ 27,154	\$ (12,262)	\$ 52,145	\$ (74,695)
<b>Return on average tangible equity<sup>1</sup></b>			14.3%	(6.8)%	9.4%	(13.4)%



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