

Portfolio Recovery Associates, Inc.

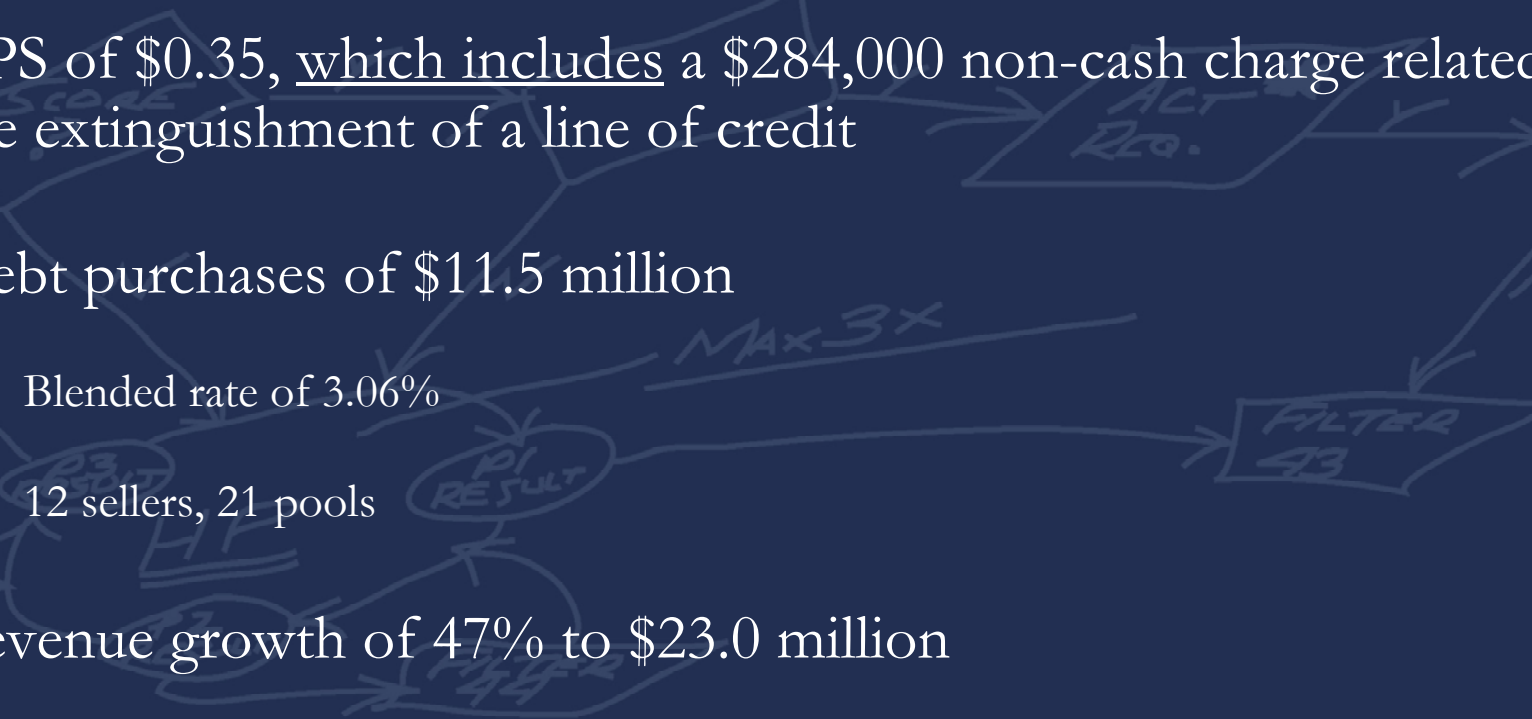
We're giving debt collection a good name

Fourth Quarter and Full-Year 2003 Review  
February 9, 2004

# Safe Harbor Statement

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, 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 cast. The forward-looking statements contained herein 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 Registration Statements on Form S-1, its annual report on Form 10-K for the year ended December 31, 2002, and any subsequent quarterly reports on Form 10-Q, 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. 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.

# Solid Fourth-Quarter Growth...

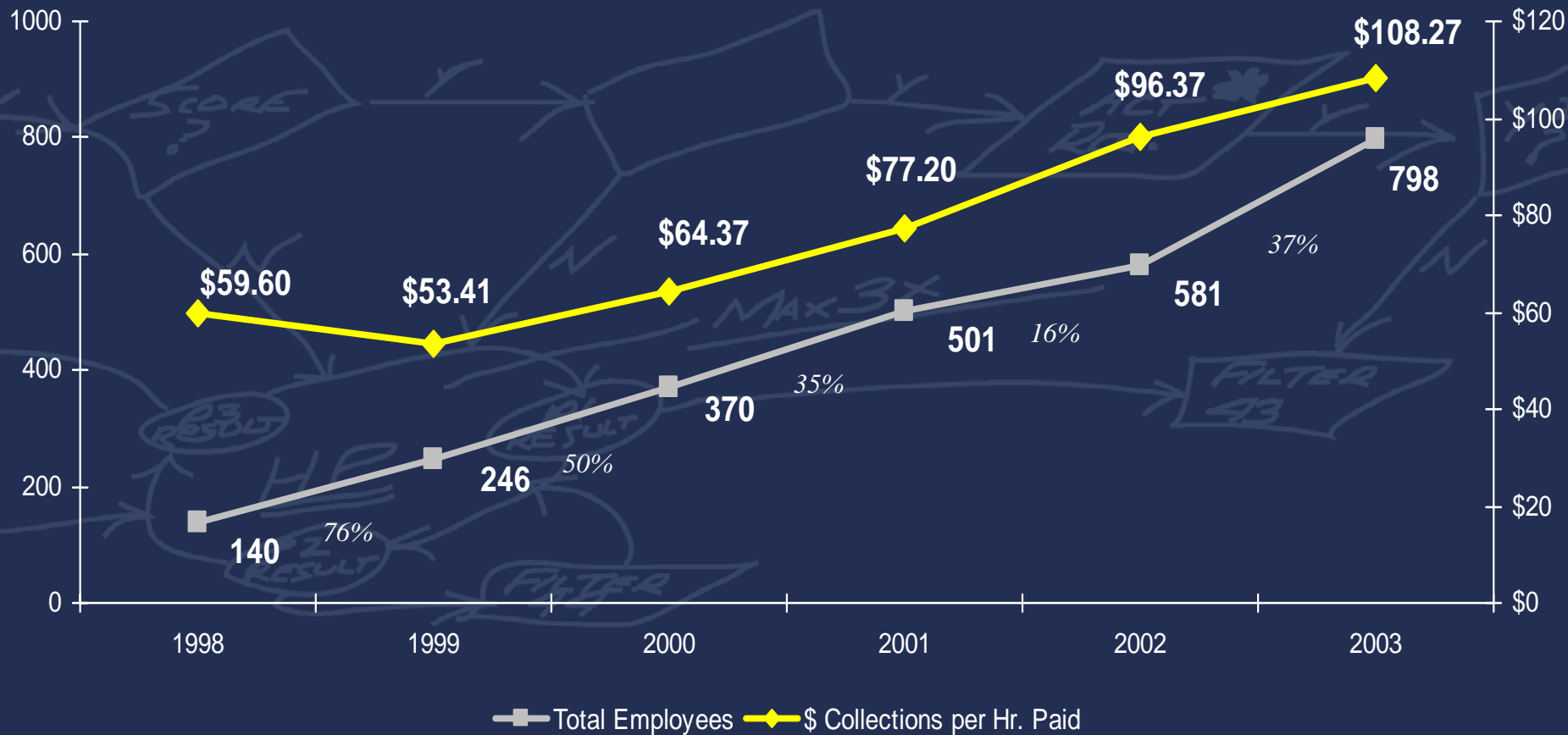
- Net income of \$5.4 million, up 63% over Q4 2002
  - EPS of \$0.35, which includes a \$284,000 non-cash charge related to the extinguishment of a line of credit
  - Debt purchases of \$11.5 million
    - Blended rate of 3.06%
    - 12 sellers, 21 pools
  - Revenue growth of 47% to \$23.0 million
- 

# ... Rounds Out Company's Best Year Ever

- Net income of \$20.7 million, up 82% over 2002
- Revenue of \$84.9 million up 52% from prior year
- Debt purchases of \$61.8 million, up 46% over 2002
- Productivity up 12% to \$108.27 per hour paid, despite collector head count growth of 43%
- Substantial expansion of workforce from 581 to 798
- Ending cash balances of \$24.9 million

# Productivity a Core Driver of Near-term Profits

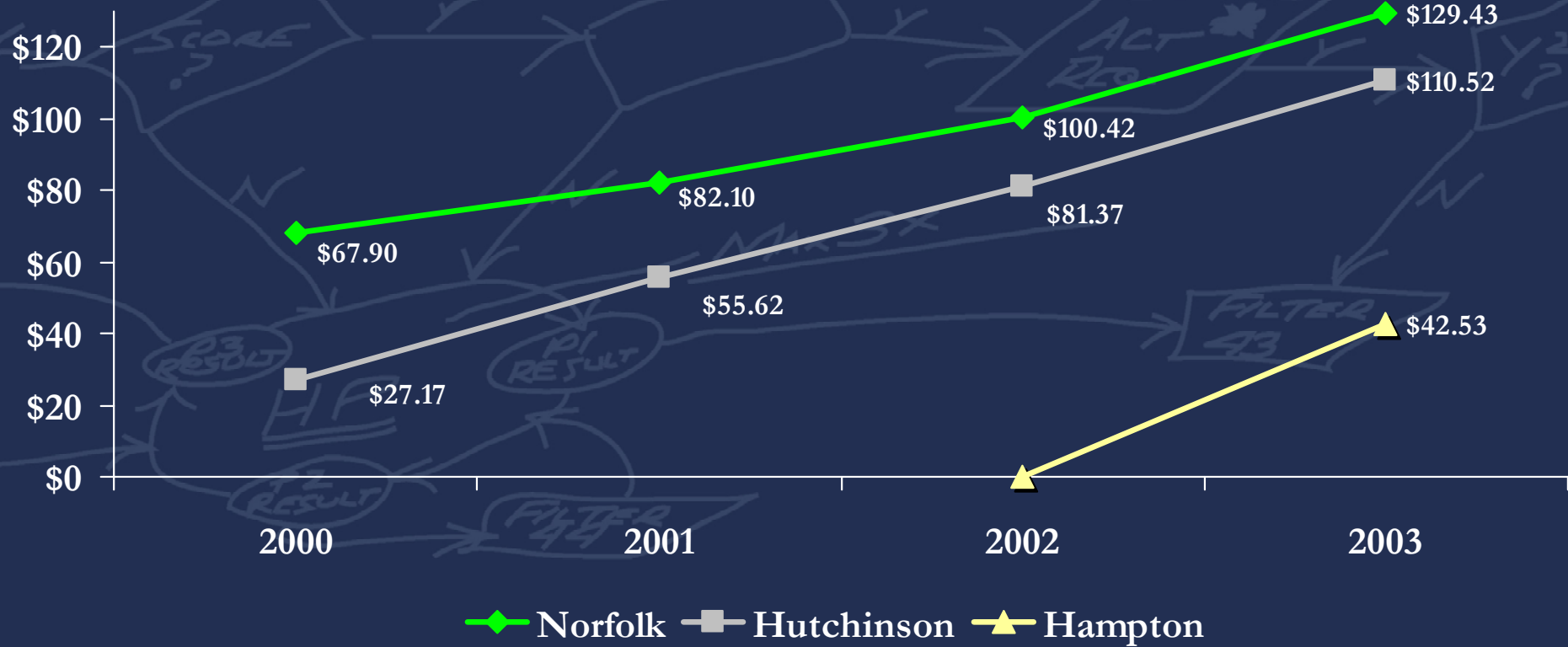
## Productivity Increases Achieved, Despite Substantial Headcount Growth



Fiscal year ended  
December 31

# Solid 1<sup>st</sup> Year for Hampton; Tenure is Key

## Cash Collections per Collector Hour Paid

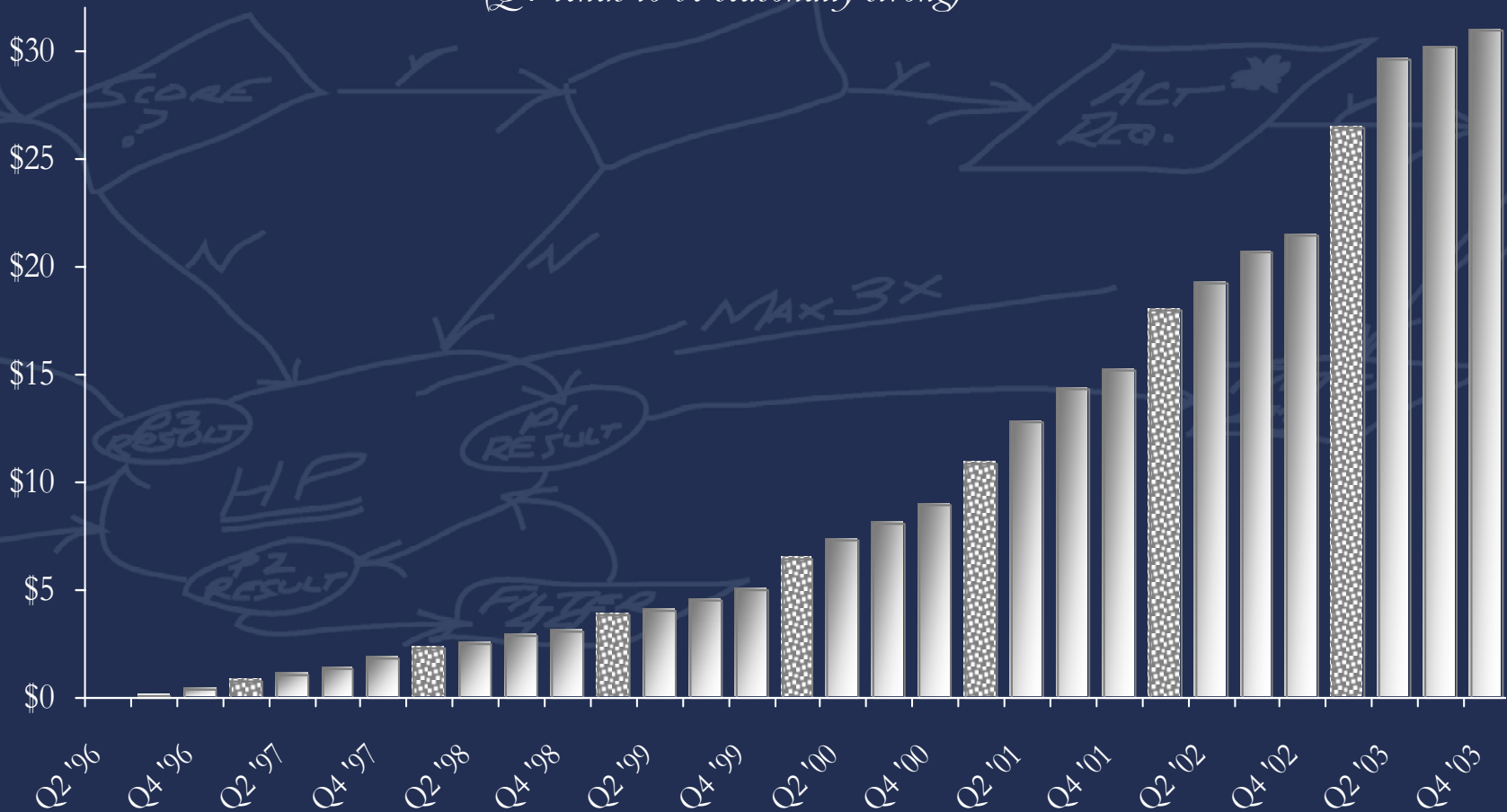


# The Result of our Collector-Centric Model

(\$ in millions)

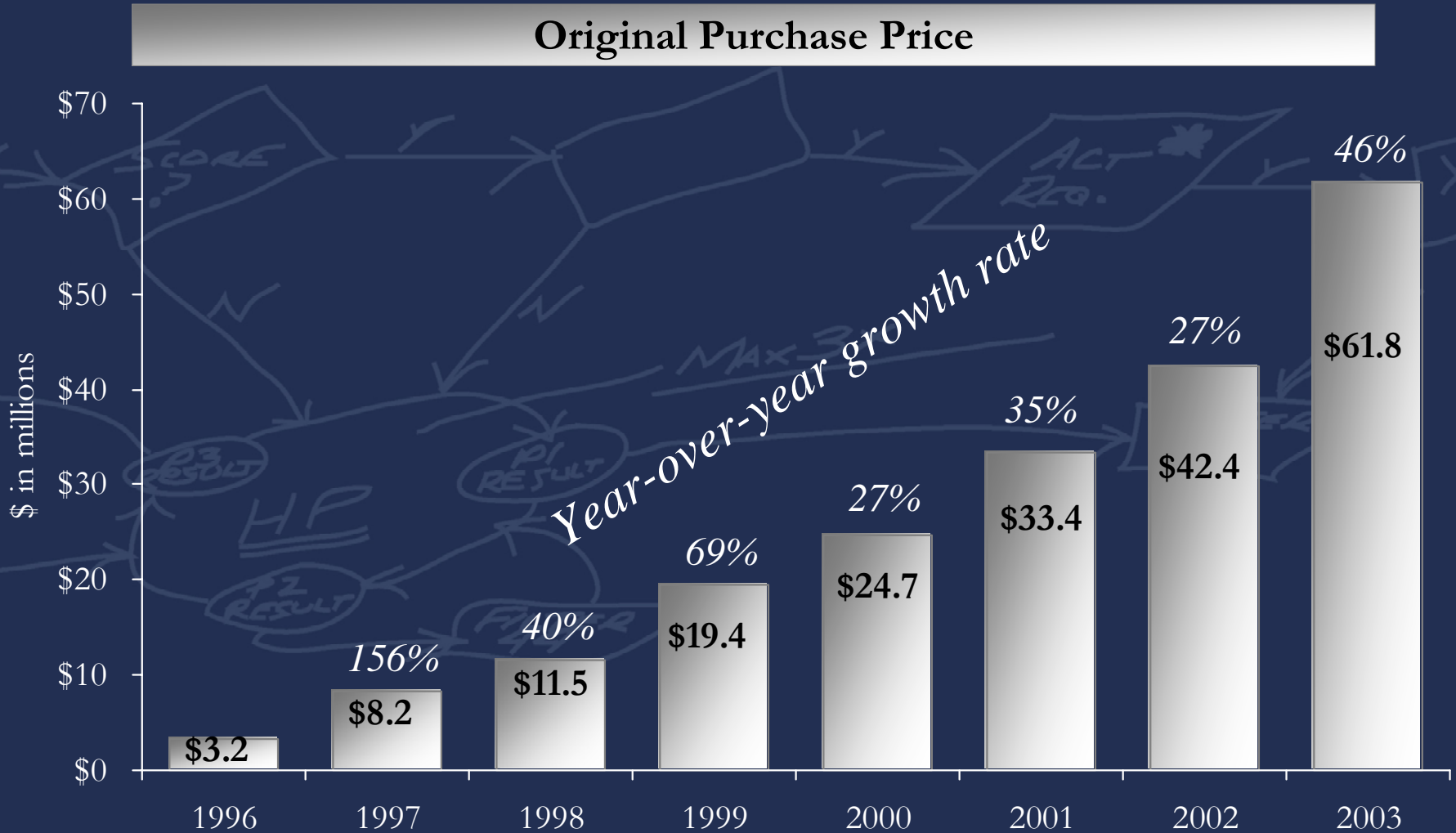
## Cash Collections

*(Q1 tends to be seasonally strong)*



# Disciplined Buying Drives Long-term Results

*Firm foundation for future cash collections*



# Portfolios Generate Cash Over 5 to 7 Years

(\$ in thousands)

## Collection Statistics

Purchase Period

	<u>Purchase Price</u>	<u>Actual Cash Collections</u>	<u>ERCs *</u>	<u>Total Est. Collections</u>	<u>Total Est. Collections to Price</u>
1996	\$3,080	\$8,980	\$244	9,224	299%
1997	7,685	21,387	544	21,931	285%
1998	11,122	28,945	1,655	30,600	275%
1999	18,912	47,924	6,630	54,554	288%
2000	25,068	62,960	17,074	80,034	319%
2001	33,538	75,373	36,692	112,064	334%
2002	42,588	51,331	73,098	124,429	292%
2003	62,640	24,308	131,729	156,037	249%

\* Estimated Remaining Collections

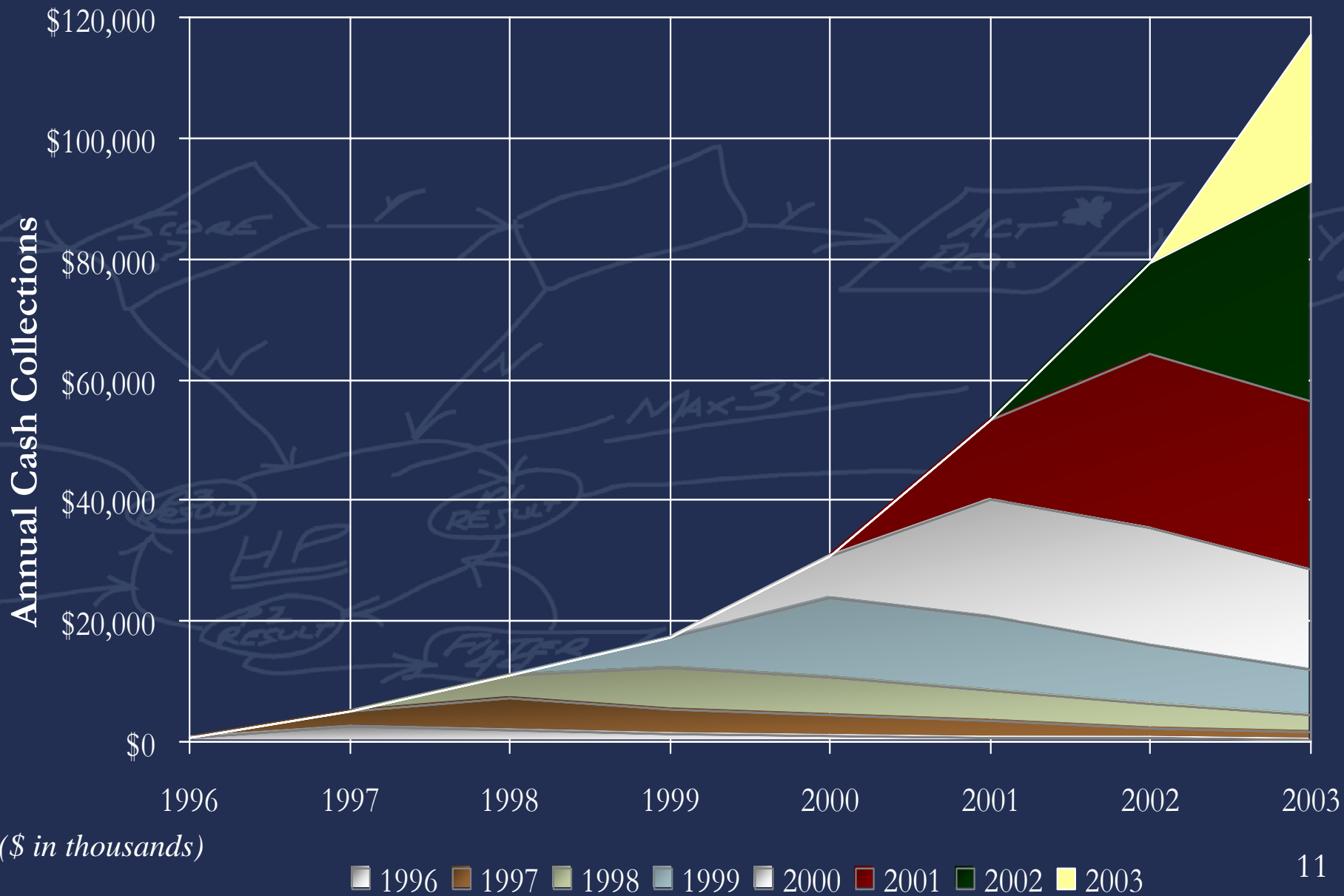
# Layering Effect Drives Consistent Growth

(\$ in thousands)

	<u>Price</u>	<u>Collection Year</u>							
		<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>1996</u>	\$3,080	\$ 548	\$ 2,484	\$1,890	\$1,347	\$1,025	\$730	\$496	\$398
<u>1997</u>	7,685		2,507	5,215	4,069	3,347	2,630	1,829	1,324
<u>1998</u>	11,122			3,776	6,807	6,398	5,152	3,948	2,797
<u>1999</u>	18,912				5,139	13,069	12,090	9,598	7,336
<u>2000</u>	25,068					6,894	19,498	19,478	16,628
<u>2001</u>	33,538						13,047	28,833	28,003
<u>2002</u>	42,588							15,072	36,258
<u>2003</u>	62,640								24,307

Purchase Period

# Building a Strong Foundation for the Future



# Continually Developing the Business

- Opened second Norfolk building (25,000 SF) as planned on January 12, 2004
  - Creates room to grow Anchor by about 100% to 112 collectors
  - Anchor relocation gives owned portfolio operations 56 more seats in Norfolk
- Closed on new \$25 million credit facility (RBC Centura)
  - Provides better financing terms, annual savings
  - Replaces existing line
  - \$284,000 non-cash charge for extinguishment of existing line

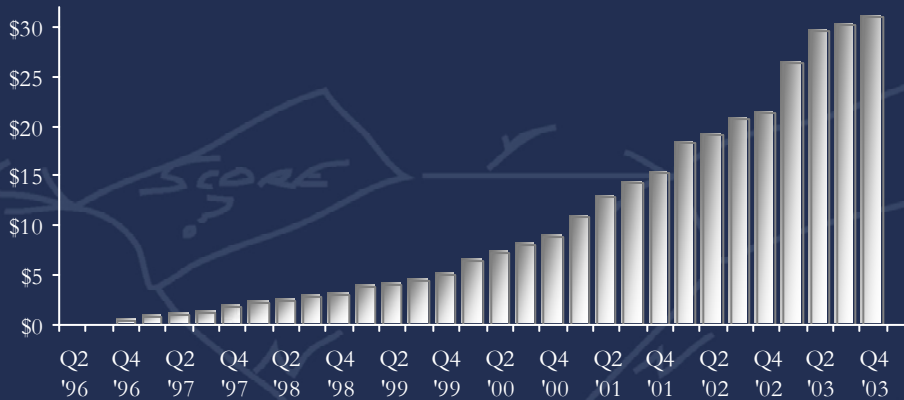
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## Financial Overview

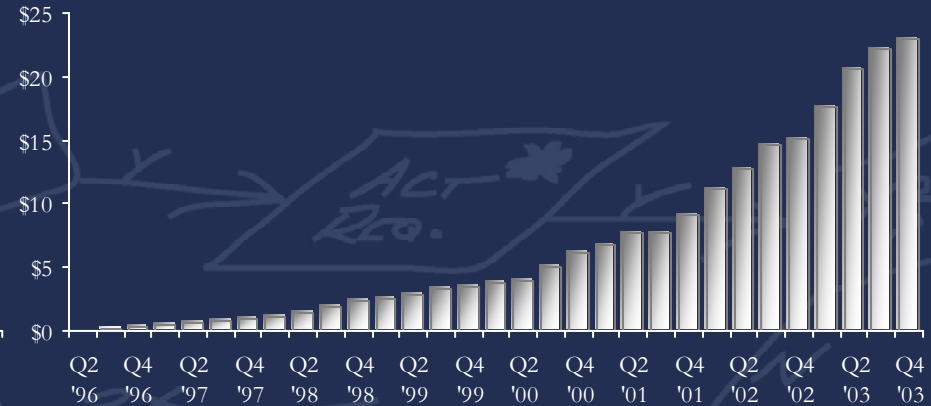
# Disciplined Approach to Growth, Expenses...

(\$ in Millions)

## Quarterly Cash Collections



## Quarterly Revenues

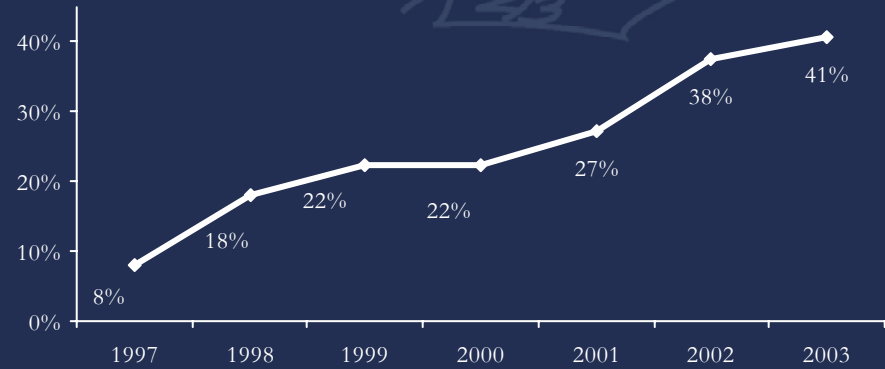


## Net Income



Pro forma NI

## Operating Margin



Fiscal Year ended  
December 31,

Fiscal Year ended  
December 31,

# Produces Solid Year-to-Year Results

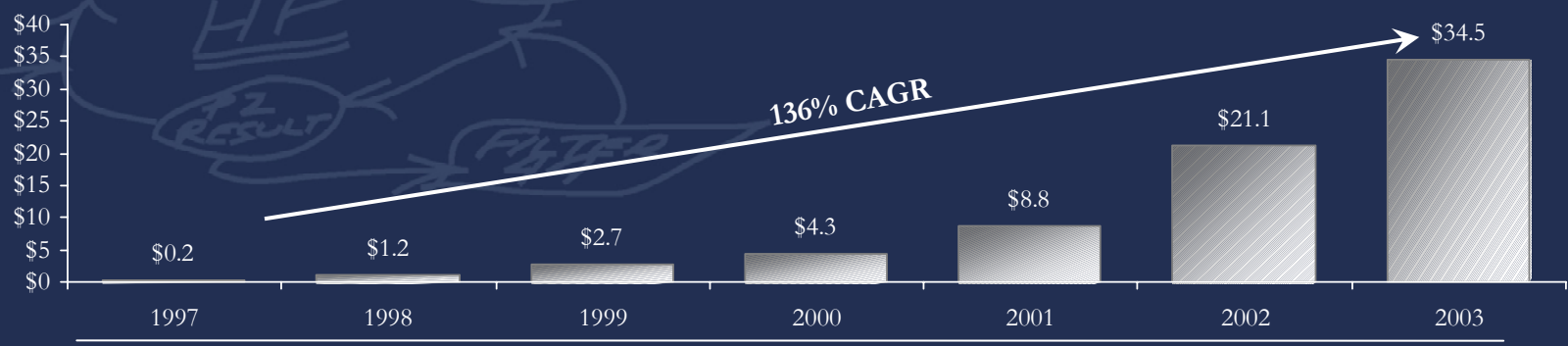
(\$ in millions)

## Revenue



Fiscal Year ended December 31,

## Operating Income



Fiscal Year ended December 31,

# Amortization Rate Is Based on Individual Pools

- Amortization Rate = Total Payments Applied to Principal / Total Cash Collections
- Both revenue & payments applied to principal based on a pool by pool analysis all rolled together
- Goal is to ensure each pool is fully amortized by the end of its economic life

# Fully-Amortized Deals Lower Overall Rate

- Fully amortized deals lower our stated amortization rate
- To find core amortization rate (that actually applied to deals on the balance sheet), back out recoveries from fully amortized deals
- During 2003, we had approximately \$15 million in recoveries from fully amortized pools

Amortization Rate Excluding Fully Amortized Transactions



# PRA's Earnings Quality

- Revenue equals cash collections over the life of the portfolio minus cash paid for the portfolio
  - Cash collections allocated between revenue and purchase price amortization
  - Conservative administration minimizes impairment events
- No securitizations of portfolios
- Expensing of option program
- No pension accounting issues
- Expense all legal recovery costs in current period

# Solid Capitalization = Financial Flexibility

- \$24.9 million in cash
- \$25 million of availability on operating lines (zero balance at 12/31/2003)
- Remaining \$2.0 million cash benefit on taxes as income is earned (from options)

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