

Portfolio Recovery Associates Inc

S&P Capital IQ Recommendation



S&P Capital IQ Equity Analyst Erik Oja

Price
\$57.49 (as of Sep 12, 2014 4:00 PM ET)

12-Mo. Target Price
\$66.00

Report Currency
USD

Investment Style
Small-Cap Growth

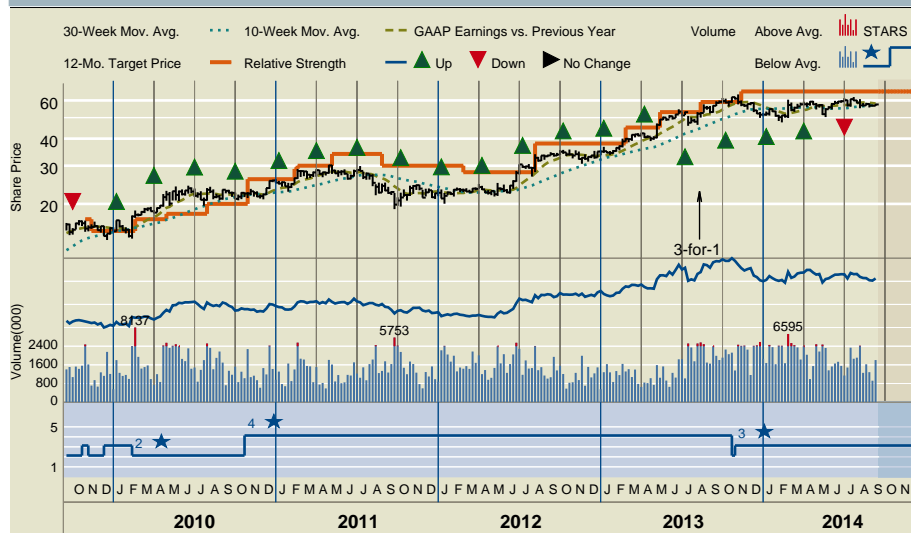
GICS Sector Financials
Sub-Industry Consumer Finance

Summary This company purchases and manages portfolios of defaulted consumer receivables and provides a broad range of accounts receivable management services.

Key Stock Statistics (Source S&P Capital IQ, Vickers, company reports)

52-Wk Range	\$63.96– 47.53	S&P Oper. EPS 2014E	3.99	Market Capitalization(B)	\$2.879	Beta	0.91
Trailing 12-Month EPS	\$3.40	S&P Oper. EPS 2015E	5.07	Yield (%)	Nil	S&P 3-Yr. Proj. EPS CAGR(%)	35
Trailing 12-Month P/E	16.9	P/E on S&P Oper. EPS 2014E	14.4	Dividend Rate/Share	Nil	S&P Quality Ranking	B+
\$10K Invested 5 Yrs Ago	\$35,946	Common Shares Outstg. (M)	50.1	Institutional Ownership (%)	NM		

Price Performance



Past performance is not an indication of future performance and should not be relied upon as such.

Analysis prepared by Equity Analyst Erik Oja on Jun 27, 2014 11:19 AM, when the stock traded at \$59.38.

Highlights

- We think higher cash receipts from the cash collection and fee-based divisions will drive 19% revenue growth in 2014, a slowdown from the fast 24% and 29% growth rates of the last two years. We forecast that the commission business will play an increasing role in PRAA's attempts to diversify its revenue stream through its IGS fee-for-service business and government processing business. We see PRAA's move into new areas of the collections business, such as secured bankruptcy claims, helping longer-term growth.
- We see PRAA benefiting from the consolidation of the debt-buying marketplace in the U.S., as fewer competitors are able to buy in the U.S. since sellers are increasingly restricting bidders to those with comprehensive compliance programs. In the 2014 first quarter, the company invested about \$153 million in new portfolio purchases from U.S and U.K. creditors, down from about \$215 million in the year-ago period. We see PRAA's U.K. and fee businesses and increased productivity/well controlled expenses helping.
- Our EPS estimates are \$3.99 for 2014 and \$5.07 in 2015.

Investment Rationale/Risk

- Although we expect PRAA to continue generating robust growth, we think this optimism is almost fully reflected in the share price. We believe the company's improving cash collection and low purchase price of defaulted consumer receivables portfolios will generate strong revenue and earnings growth over the short to medium term. Even with the economy recovering and credit trends generally improving, we think PRAA will be able to purchase profitable portfolios of charged-off assets.
- Risks to our recommendation and target price include a significant decrease in the price of defaulted consumer receivables portfolios, low impairment charges, and regulatory changes that would decrease the cost of collections.
- Our 12-month target price of \$66 is equal to 15.5X our forward four-quarter EPS estimate of \$4.25, a discount to the average for the past two quarters but still above the three-year average P/E. After recent sharp gains, we expect the valuation to moderate as growth eventually slows. However, near term, we still see continued favorable operating trends, helped by a better economy.

Analyst's Risk Assessment

LOW **MEDIUM** **HIGH**

Our risk assessment reflects our view of the company's solid track record of purchasing distressed debt at attractive prices and, over time, earning an attractive return on these assets. This is offset, however, by the possibility that new legislation could result in lower return rates.

Revenue/Earnings Data

Revenue (Million \$)

	1Q	2Q	3Q	4Q	Year
2014	193.9	197.3	--	--	--
2013	169.6	183.0	197.8	184.9	735.1
2012	140.2	147.9	150.5	154.3	592.8
2011	111.8	114.8	114.3	118.1	458.9
2010	83.38	93.03	95.54	100.8	372.7
2009	68.20	71.11	68.57	73.22	281.1

Earnings Per Share (\$)

	1Q	2Q	3Q	4Q	Year
2014	0.81	0.74	E1.02	E1.03	E3.99
2013	0.75	0.85	0.93	0.91	3.45
2012	0.49	0.62	0.65	0.70	2.46
2011	0.45	0.49	0.49	0.51	1.95
2010	0.30	0.38	0.36	0.40	1.45
2009	0.22	0.25	0.22	0.27	0.96

Fiscal year ended Dec. 31. Next earnings report expected: Late October. EPS Estimates based on S&P Capital IQ Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

A \$1.00 a share (not adjusted) special dividend was paid in June 2007.

Past performance is not an indication of future performance and should not be relied upon as such.

Please read the Required Disclosures and Analyst Certification on the last page of this report.

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Portfolio Recovery Associates Inc

Business Summary June 27, 2014

Portfolio Recovery Associates (PRAA) is a full-service provider of outsourced receivables management and related services. It primarily buys, collects and manages portfolios of defaulted consumer receivables. These receivables are individuals' unpaid obligations to credit originators, which include banks, credit unions, consumer and auto-finance companies, and retail merchants. Such receivables are purchased from sellers of defaulted consumer debt. PRAA also provides a broad range of contingent and fee-based services, including collateral-location services for credit originators through PRA Location Services, LLC (IGS), fee-based collections through audit and debt discovery/recovery services for government entities through PRA Government Services, LLC (RDS), and MuniServices LLC (MuniServices). From its inception in 1996 through 2013, the company acquired 3,098 portfolios, with a face value of \$78.6 billion, for a purchase price of \$3.3 billion.

Since its formation, PRAA has purchased accounts from approximately 150 debt owners. It has acquired portfolios at various price levels, depending on the age of the portfolio, geographic distribution, its historical experience with a certain asset type or credit originator, and similar factors. A typical defaulted consumer receivables portfolio ranges from \$1 million to \$150 million in face value and contains defaulted consumer receivables from diverse geographic locations with average initial individual account balances of \$400 to \$7,000.

As of December 31, 2013, the company's life-to-date-owned portfolio -- which represents the original face amount purchased from sellers and not decremented by any adjustments, including payments and repurchases -- totaled \$64.6 billion, up from \$64.6 billion a year earlier. The life-to-date-owned portfolio by face value broke down by asset types as follows: major credit cards 69% (versus 70% at the end of 2012); consumer finance 11% (11%); private label credit cards 14% (13%); and auto deficiency 6% (6%).

PRAA acquires portfolios from debt owners through auctions and negotiated sales. In an auction process, the seller will assemble a portfolio of receivables and will either broadly offer the portfolio to the market or seek purchase prices from specifically invited potential purchasers. In a privately negotiated sale process, the debt owner will contact known purchasers directly, take bids and negotiate the terms of sale. It also acquires accounts in forward flow contracts. Under a forward flow contract, it agrees to purchase defaulted consumer receivables from a debt owner on a periodic basis, at a set percentage of face value of the receivables over a specified time period, generally from three to twelve months. These agreements often contain a provision requiring that the attributes and selection criteria of the receivables to be sold will not significantly change each month. If this provision is not adhered to, the contract will typically allow for the early termination of the forward flow contract by the purchaser or other appropriate remedies as mutually agreed upon. Forward flow contracts provide receivable owners with a consistent source of value for defaulted accounts, and provide the debt buyer with a steady and reliable source of consumer receivables for its collection operation.

In addition to acquiring receivables portfolios, the company has made several business acquisitions. In January 2012, it acquired 100% of the equity interest of Scotland-based Mackenzie Hall Holdings, Limited, and its subsidiaries for about \$51 million; Mackenzie Hall is in the accounts receivable management industry, which includes collecting on both their owned portfolios and for third-party originators on a contingent fee basis. In March 2010, PRAA acquired 62% of the membership units of CCB. CCB was founded in 1996 and is a leading provider of class action claims settlement recovery services and related payment processing to corporate clients.

FINANCIAL TRENDS. Between 2008 and 2013, PRAA's revenues increased about 179%, a 23% average annual rate, while net income advanced 286%, a 31% average annual rate, reflecting well controlled costs. The company's debt burden increased from \$268 million at the end of 2008 to \$452 million at the end of 2013. However, much of the debt was associated with purchasing income-producing assets, and the debt-to-assets ratio improved to 28% at the end of 2013, from 41% at the end of 2008.

Corporate Information

Office

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Telephone

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Fax

757-518-0901.

Website

<http://www.portfoliorecovery.com>

Officers

Chrmn, CEO & Pres

S.D. Fredrickson

**CFO, Chief Admin
Officer, Chief Acctg
Officer & Treas**

K.P. Stevenson

COO

N. Stern

EVP, Secy & General Counsel

J.S. Scott

Board Members

M. M. Connelly
S. D. Fredrickson
J. A. Nussle
S. M. Tabakin

J. H. Fain
P. W. Kyle
D. N. Roberts
J. M. Voss

Domicile

Delaware

Founded

1996

Employees

3,543

Stockholders

30,340

Portfolio Recovery Associates Inc

Quantitative Evaluations

S&P Capital IQ Fair Value Rank	5+	1	2	3	4	5
		LOWEST				HIGHEST

Based on S&P Capital IQ's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).

Fair Value Calculation **\$67.50** Analysis of the stock's current worth, based on S&P Capital IQ's proprietary quantitative model suggests that PRAA is slightly undervalued by \$10.01 or 17.4%.

Investability Quotient Percentile	85
	LOWEST = 1 HIGHEST = 100

PRAA scored higher than 85% of all companies for which an S&P Capital IQ Report is available.

Volatility	LOW	AVERAGE	HIGH
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Technical Evaluation **BEARISH** Since August, 2014, the technical indicators for PRAA have been BEARISH.

Insider Activity	NA	UNFAVORABLE	NEUTRAL	FAVORABLE
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For further clarification on the terms used in this report, please visit www.standardandpoors.com/stockreportguide

Expanded Ratio Analysis

	2013	2012	2011	2010
Price/Sales	3.66	3.09	2.53	3.41
Price/Pretax Income	9.50	8.84	6.95	10.50
P/E Ratio	15.33	14.45	11.52	17.19
% LT Debt to Capitalization	NA	0.32	0.26	0.37
Avg. Diluted Shares Outstg (M)	50.9	51.4	51.7	50.7

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Net Income	38.49	32.56	33.92	20.45

Ratio Analysis (Annual Avg.)	12.13	10.88	9.40	11.24
Return on Assets (%)	12.13	10.88	9.40	11.24
Return on Equity (%)	22.22	20.09	18.49	19.03

Company Financials Fiscal Year Ended Dec. 31

Per Share Data (\$)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Tangible Book Value	15.01	11.38	10.08	7.99	6.31	5.28	4.65	4.63	3.55	2.98
Earnings	3.45	2.46	1.95	1.45	0.96	0.99	1.02	0.92	0.76	0.58
S&P Capital IQ Core Earnings	3.53	2.46	1.94	1.45	0.96	0.99	1.02	0.92	0.76	0.58
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	0.33	Nil	Nil	Nil
Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	33%	Nil	Nil	Nil
Prices:High	63.96	35.67	30.32	26.00	16.83	17.58	21.89	17.66	16.13	13.93
Prices:Low	33.68	20.04	18.92	13.83	6.47	8.23	12.09	12.74	10.53	7.96
P/E Ratio:High	19	14	16	18	18	18	21	19	21	24
P/E Ratio:Low	10	8	10	10	7	8	12	14	14	14

Income Statement Analysis (Million \$)	NA	531	402	310	216	206	185	163	135	106
Interest on Loans	NA	531	402	310	216	206	185	163	135	106
Other Investment Income	NA	62.2	57.0	63.0	64.5	57.0	36.0	25.0	13.9	7.14
Total Investment Income	NA	593	459	373	281	263	221	188	149	113
Interest Expense	NA	9.04	10.6	9.05	7.91	11.2	3.70	0.38	0.28	0.27
Net Before Taxes	283	207	167	121	72.7	73.8	77.9	72.2	59.9	44.8
Effective Tax Rate	37.5%	39.1%	39.6%	12.4%	39.1%	38.5%	38.4%	38.4%	38.6%	38.8%
Net Income	175	127	101	73.9	44.3	45.4	48.2	44.5	36.8	27.5
S&P Capital IQ Core Earnings	179	127	100	73.5	44.3	45.4	48.2	44.5	36.8	27.5

Balance Sheet & Other Financial Data (Million \$)	1,601	1,289	1,071	996	794	658	476	293	248	175
Total Assets	1,601	1,289	1,071	996	794	658	476	293	248	175
Cost of Investments	NA	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	24.0
Cash	162	32.7	26.7	41.1	20.3	13.9	16.7	25.1	16.0	24.5
Loans Receivable	NA	1,079	927	831	693	564	410	226	194	105
Loans/Equity	NA	1.5	1.6	1.8	2.0	1.9	1.3	0.9	1.0	0.7
Capitalization:Debt	NA	328	221	302	321	268	168	0.69	16.5	2.50
Capitalization:Equity	869	708	595	491	335	284	235	247	195	151
Capitalization:Total	NA	1,036	852	807	656	552	403	248	234	168
% Return on Revenue	NA	21.3	22.0	19.8	15.8	17.2	21.9	23.6	24.7	24.3
% Return on Assets	12.1	10.7	9.8	8.3	6.1	8.0	12.5	16.4	17.3	18.2
% Return on Equity	22.2	19.4	18.6	17.9	14.3	17.5	20.0	20.1	21.2	20.4
Price Times Book Value:High	NA	3.1	3.0	3.3	2.7	3.3	4.7	3.8	4.5	4.7
Price Times Book Value:Low	NA	1.8	1.9	1.7	0.3	1.6	2.6	2.8	3.0	2.7

Data as originally reported in Company reports.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Portfolio Recovery Associates Inc

Sub-Industry Outlook

Our fundamental outlook for the consumer finance sub-industry is positive, as we believe companies are positioned well to capture rewards of an improving economic environment. A dramatic improvement in credit quality that began in 2011 continued through 2014 due to tight underwriting standards employed through the downturn. We believe overall credit quality trends will be stable in 2014 and 2015, and we expect card spending to grow at a faster rate than consumer loans. While the industry is now under a higher level of regulatory scrutiny, we believe companies will act prudently. And with credit at historically strong levels, we see management's time as focused on strategic growth initiatives.

Of the types of consumer loans offered by companies within this sub-industry, the biggest emphasis is on credit cards as auto finance and private student loan portfolios are relatively smaller markets. The U.S. credit card industry is relatively mature, but its players are experienced with competition, and balancing account growth, margin and expenses. These companies are sophisticated information-rich marketers and we expect them to develop innovative new products. The most significant area of development is in mobile payments, which brings new industry competitors.

We forecast a slight gain in receivables and loans for 2014, and that companies will continue to modestly loosen credit standards over the next couple of years. Industry receivables growth and discount revenues for the card networks will likely continue to be moderate due to cautious attitudes toward debt and lackluster spending. We think receivables growth and spending should pick up as consumer confidence and employment levels improve. For the longer term, we think pricing pressure and competition will remain intense and

we expect the larger consumer finance companies to continue to look to develop new niches.

We believe the consumer finance sub-industry will outperform the Financials sector in the next twelve months, due to relatively less capital markets exposure, relatively more transparent business models and dynamic and compelling growth strategies that should blossom as the economy improves.

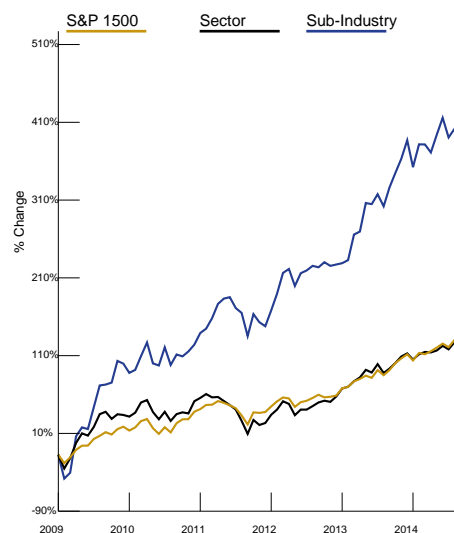
In 2014, year to date through September 5, the S&P Consumer Finance Index was up just 3.5% versus an 8.2% rise in the S&P 1500 Index. However, in 2013, the S&P Consumer Finance Index was up 46% versus a 30% rise in the S&P 1500 Index, and in 2012, the sub-industry index increased 30%, versus a 14% advance for the S&P 1500.

--Erik Oja

Industry Performance

GICS Sector: Financials
Sub-Industry: Consumer Finance

Based on S&P 1500 Indexes
Five-Year market price performance through Sep 13, 2014



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Past performance is not an indication of future performance and should not be relied upon as such.

Sub-Industry : Consumer Finance Peer Group*: Based on market capitalizations within GICS Sub-Industry

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Portfolio Recovery Assoc	PRAA	2,879	57.49	63.96/47.53	0.91	Nil	17	67.50	B+	85	NA	26.0
Asta Funding	ASFI	108	8.29	8.95/7.94	0.09	Nil	10	NA	B-	65	NA	25.6
Atlantius Holdings	ATLC	32	2.32	3.90/1.92	1.94	Nil	NM	NA	C	10	NA	43.4
Credit Acceptance	CACC	2,678	124.00	150.89/107.25	0.50	Nil	12	168.10	B+	83	NA	33.0
Currency Exchange Intl	CXIC	75	13.99	13.99/8.50	1.71	Nil	24	NA	NR	NA	NA	NA
Encore Capital Group	ECPG	1,160	45.24	51.95/40.62	1.34	Nil	14	66.60	B	82	NA	50.2
Green Dot 'A'	GDOT	741	18.47	26.87/16.53	0.85	Nil	23	23.70	NR	60	NA	NA
Imperial Holdings	IFT	145	6.76	7.21/4.71	1.53	Nil	12	NA	NR	9	NA	NA
JGWPT Holdings	JGW	164	12.83	19.88/9.43	NA	Nil	NM	NA	NR	37	NA	NA
Nelnet Inc 'A'	NNI	1,507	43.22	45.91/34.86	0.83	0.9	7	NA	B	86	NA	96.8
Nicholas Financial	NICK	152	12.39	17.20/10.64	0.72	3.9	10	NA	B+	80	19.2	78.7
QC Holdings	QCCO	39	2.22	2.85/1.61	0.67	9.0	NM	NA	B-	34	NA	0.2
Regional Management	RM	240	18.90	36.23/13.93	1.70	Nil	10	21.60	NR	34	NA	NA
SLM Corp	SLM	3,788	8.96	9.48/8.19	NA	Nil	19	11.60	NR	56	NA	16.4
Springleaf Holdings	LEAF	3,931	34.23	35.90/18.51	NA	Nil	65	NA	NR	83	NA	NA

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Portfolio Recovery Associates Inc

S&P Capital IQ Analyst Research Notes and other Company News

May 23, 2014

06:46 am ET ... PORTFOLIO RECOVERY ASSOCIATES INC. (PRAA 53.03) UNCHANGED, JANNEY CAPITAL UPGRADES PORTFOLIO RECOVERY ASSOCIATES, INC. TO BUY, MAINTAINS \$6... Janney Capital upgrades Portfolio Recovery Associates, Inc.(NASDAQ: PRAA) from Neutral to Buy and maintains \$60.00 PT. 2014 Benzinga.com. Benzinga does not provide investment advice. All rights reserved.Acquire Media

April 16, 2014

Portfolio Recovery Associates Inc. has appointed Laura White, formerly chief risk and compliance officer for Allianz Global Assistance, Americas, as new chief compliance officer. In her role with Allianz Global Assistance she was responsible for risk management and compliance, including operational risk, internal controls, business continuity and regulatory compliance. White was previously senior manager of corporate planning for the Federal Reserve Bank of Richmond and was a commissioned bank examiner for the Federal Reserve System.

April 10, 2014

Portfolio Recovery Associates Inc. announced that Darby Schoenfeld has been named director of investor relations. She will support PRA outreach to stock analysts and institutional investors. Prior to joining PRA, Schoenfeld was the director of investor relations at JTH Holding Inc., where she established and implemented an investor relations program shortly after the company was listed on the NASDAQ. Previously, she was a member of the investor relations team at Amerigroup Corporation which was traded on the NYSE.

April 3, 2014

Portfolio Recovery Associates Inc. announced that Laura White, formerly chief risk and compliance officer for Allianz Global Assistance, Americas, has been named chief compliance officer for PRA. Prior to holding these positions, White served as a senior financial analyst for Capital One Financial Corporation. White has more than 20 years of leadership experience in the financial services industry.

November 4, 2013

11:03 am ET ... S&P CAPITAL IQ KEEPS HOLD OPINION ON SHARES OF PORTFOLIO RECOVERY ASSOCIATES (PRAA 59.11***): We raise our target price to \$66 from \$59 on revised P/E analysis. After reporting Q3 EPS of \$0.93, vs. \$0.65, which topped our previously published Capital IQ consensus estimate of \$0.89, the '13 Capital IQ consensus estimate rose to \$3.49 from our previously published \$3.36, and to \$3.99 from \$3.79 for '14. We are optimistic that PRAA will benefit from the consolidation of the debt buying marketplace in the U.S. amid more stringent regulatory scrutiny, which combined with active buying in the UK and contributions from the growing fee based businesses, should help earnings. /RMcMillan

October 31, 2013

12:23 pm ET ... S&P CAPITAL IQ RAISES OPINION ON SHARES OF PORTFOLIO RECOVERY TO HOLD FROM SELL (PRAA 58.88***): PRAA reports Q3 EPS of \$0.93, vs. \$0.65, which topped our previously published Capital IQ consensus forecast of \$0.89. Revenues rose 31% and cash collections jumped 27%. We expect operating trends for the company to remain robust, driven by ongoing strength in the cash collection and commission businesses, contributions from new businesses and management's ability to acquire defaulted loans at attractive prices. After today's decline below our \$59 target price, we think the shares are fairly valued. /RMcMillan

October 24, 2013

02:27 pm ET ... S&P CAPITAL IQ LOWERS OPINION ON PORTFOLIO RECOVERY ASSOCIATES TO SELL FROM BUY (PRAA 61.96**): The Capital IQ consensus estimate for '13 fell to \$3.36 from \$3.41, likely on higher expenses, while '14's rose to \$3.89 from \$3.79. Shares of PRAA have jumped more than 16% since the start of September and are now above our \$59 target price which we maintain. We expect operating trends for the company to remain robust, driven by ongoing strength in the cash collection and commission businesses, contributions from new businesses and management's ability to acquire defaulted loans at attractive prices. Nevertheless, we think our optimism is more than reflected in the shares. /RMcMillan

September 17, 2013

Portfolio Recovery Associates Inc. announced that Marjorie M. Connelly has been appointed by the company's board of directors to serve as PRA's seventh independent director. Connelly, 51, brings to the board more than 25 years experience in financial services, largely focused on leading global credit card operations.

August 5, 2013

10:15 am ET ... S&P KEEPS BUY OPINION ON SHARES OF PORTFOLIO RECOVERY ASSOCIATES (PRAA 52.25****): We up our target price by \$6 to \$59 (adjusted for 3-for-1 stock split). After reporting Q2 EPS of \$0.85, vs. \$0.62, which matched our previously published Capital IQ consensus estimate, the Capital IQ consensus estimate has gone to \$3.41 from our previously published \$3.00 for '13 and to \$3.79 from \$3.41 for '14. We are optimistic that PRAA will continue to benefit from the consolidation of the debt buying marketplace in the U.S., which combined with active buying in the UK and contributions from the growing fee based businesses, should propel earnings going forward. /RMcMillan

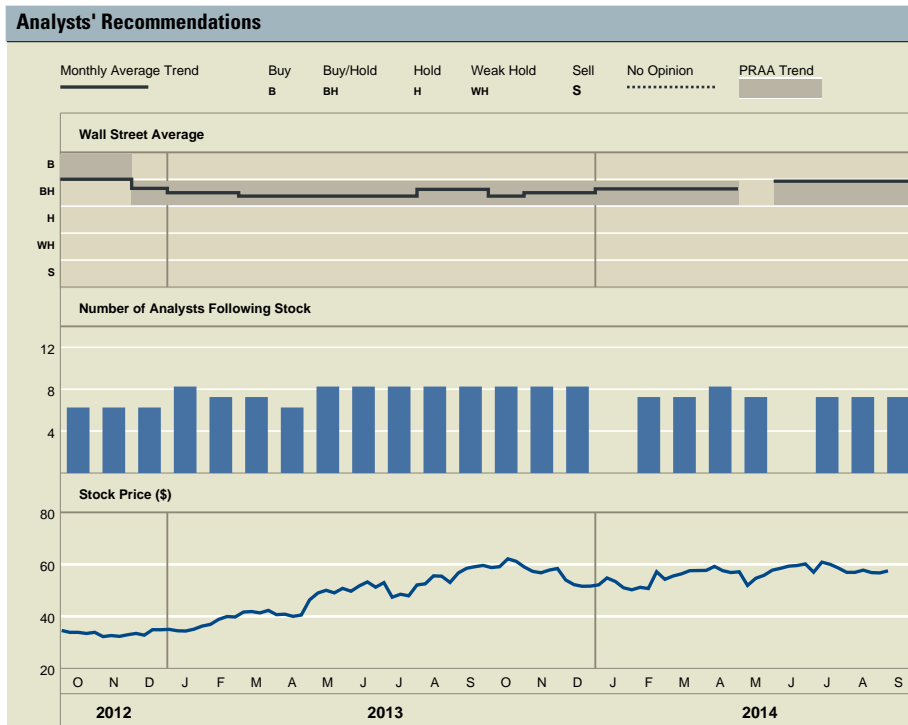
June 6, 2013

Portfolio Recovery Associates Inc. announced that James A. Nussle has been appointed by the company's board of directors to serve as an independent director. Nussle, is president of The Nussle Group, a public policy and strategic consulting company. Prior to his years in the Bush Administration, Nussle served in the U.S. House of Representatives as a congressman from Iowa for 16 years.

May 6, 2013

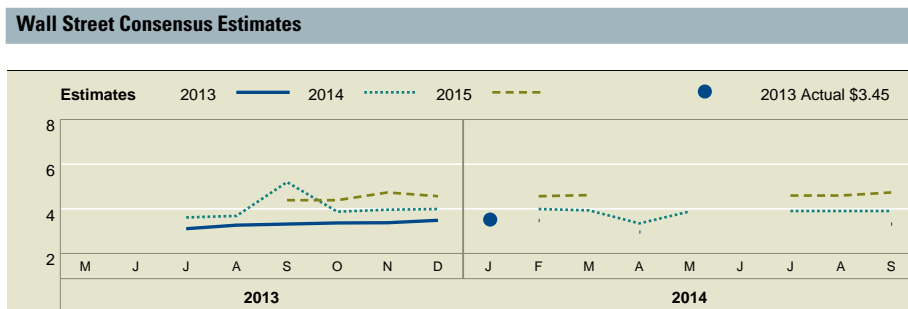
12:30 pm ET ... S&P KEEPS BUY OPINION ON SHARES OF PORTFOLIO RECOVERY ASSOCIATES (PRAA 138.835****): We raise our target price to \$158 from \$134 on revised P/E analysis. After reporting Q1 EPS of \$2.26, vs. \$1.47 last year, which was above our previously published Capital IQ consensus estimate of \$2.09, the Capital IQ consensus estimate has gone to \$9.01 from our previously published \$8.90 for '13 and to \$10.23 from \$9.99 for '14. Although we expect portfolio pricing to tighten as the economy improves, we are optimistic PRAA will be able to purchase delinquent loan portfolios at attractive prices. New businesses, such as bankruptcy claims, should also help growth. /RMcMillan

Portfolio Recovery Associates Inc



Of the total 7 companies following PRAA, 7 analysts currently publish recommendations.

	No. of Recommendations	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	0	0	4	0
Buy/Hold	0	0	2	0
Hold	1	14	1	0
Weak Hold	2	29	0	0
Sell	4	57	0	0
No Opinion	0	0	0	0
Total	7	100	7	0



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2015	4.76	5.07	4.46	8	12.1
2014	3.92	3.99	3.84	7	14.7
2015 vs. 2014	▲ 21%	▲ 27%	▲ 16%	▲ 14%	▼ -18%
Q3'15	1.21	1.25	1.15	4	47.5
Q3'14	1.09	1.14	1.03	7	52.7
Q3'15 vs. Q3'14	▲ 11%	▲ 10%	▲ 12%	▼ -43%	▼ -10%

A company's earnings outlook plays a major part in any investment decision. S&P Capital IQ organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Wall Street Consensus Opinion

WEAK HOLD

Companies Offering Coverage

- First Analysis Securities Corporation
- JMP Securities
- Janney Montgomery Scott LLC
- Raymond James & Associates
- Sidoti & Company, LLC
- SunTrust Robinson Humphrey, Inc.
- William Blair & Company L.L.C.

Wall Street Consensus vs. Performance

For fiscal year 2014, analysts estimate that PRAA will earn US\$ 3.92. For the 2nd quarter of fiscal year 2014, PRAA announced earnings per share of US\$ 0.74, representing 19% of the total annual estimate. For fiscal year 2015, analysts estimate that PRAA's earnings per share will grow by 21% to US\$ 4.76.

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Glossary

S&P Capital IQ STARS

Since January 1, 1987, S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs (American Depositary Receipts), and ADSs (American Depositary Shares) based on a given equity's potential for future performance. Similarly, S&P Capital IQ Equity Research has ranked Asian and European equities since June 30, 2002. Under proprietary STARS (STock Appreciation Ranking System), S&P Capital IQ equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350® Index or S&P 500® Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Capital IQ Quality Ranking

(also known as **S&P Capital IQ Earnings & Dividend Rankings**) - Growth and stability of earnings and dividends are deemed key elements in establishing S&P Capital IQ's earnings and dividend rankings for common stocks, which are designed to encapsulate the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Capital IQ EPS Estimates

S&P Capital IQ earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P Capital IQ EPS estimates reflect either forecasts of S&P Capital IQ equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to S&P Capital IQ Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Capital IQ Core Earnings

S&P Capital IQ Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the S&P Capital IQ definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

S&P Capital IQ 12-Month Target Price

The S&P Capital IQ equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Capital IQ Fair Value.

S&P Capital IQ Equity Research

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Abbreviations Used in S&P Capital IQ Equity Research Reports

CAGR - Compound Annual Growth Rate
CAPEX - Capital Expenditures
CY - Calendar Year
DCF - Discounted Cash Flow
DDM - Dividend Discount Model

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization
EPS - Earnings Per Share
EV - Enterprise Value
FCF - Free Cash Flow
FFO - Funds From Operations
FY - Fiscal Year
P/E - Price/Earnings
P/NAV - Price to Net Asset Value
PEG Ratio - P/E-to-Growth Ratio
PV - Present Value
R&D - Research & Development
ROCE - Return on Capital Employed
ROE - Return on Equity
ROI - Return on Investment
ROIC - Return on Invested Capital
ROA - Return on Assets
SG&A - Selling, General & Administrative Expenses
SOTP - Sum-of-The-Parts
WACC - Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

S&P Capital IQ Qualitative Risk Assessment

Reflects an S&P Capital IQ equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The S&P Capital IQ Qualitative Risk Assessment is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★★☆☆ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★★★☆☆ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the S&P Europe 350 Index and the S&P Asia 50 Index, respectively.

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S&P Capital IQ Global STARS Distribution as of March 31, 2014

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Hold	52.3%	43.3%	54.3%	51.0%
Sell	12.3%	20.9%	3.8%	12.8%
Total	100%	100%	100%	100%

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