

SMALL TALK

Portfolio Recovery
Associates, Inc. (PRAA)

Jan. 22, 2014

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All stock references are meant to be used for educational purposes. No recommendation for purchase or sale is intended or implied

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What PRAA does

To Quote Hoover's—When times are tough, businesses find the going a little easier with [Portfolio Recovery Associates](#) (PRAA).

PRIMARY BUSINESS

- Collections on behalf of clients in the US and Scotland.
- Buying charged-off and bankrupt consumer debt portfolios and then collecting the debts on its own behalf.

SUBSIDIARIES

- Claims Compensation Bureau--class action claims monitoring
- PRA Location Services—location & skip tracing
- PRA Government Services—government accounts receivable management

(3)

How is the industry is doing?

- M* = covers IT Services mostly
- VL = Covers credit cards to pawnshops
 - Good growth prospects
 - Slow macroeconomic growth
 - Swings in the market affect them
 - Economic uncertainty

(4)

How is the economy doing?

- The FED is beginning to move from Quantitative Easing
- Unemployment rate is coming down slowly
- Exports are up, particularly oil
- Banks are expected to do more lending
- Consumers are spending more

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Competitors

- ASFI—Asta Funding, Inc.
- ECPG--Encore Capitol Group, Inc.
- AACCC--Asset Acceptance Capital Group

- None of which passed visual analysis on SSG

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Strengths

- Focuses on long term efficiencies
- Focuses on diversifying through acquisitions
- Focuses on expanding its internal legal collections and bankruptcy business
- Focuses on acquiring debt portfolios

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Weaknesses

- Business efficiencies can only go so far
- If slow economic recovery speeds up
- If unemployment drops

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Opportunities

- Rebounding housing and auto business
- Continued slow hiring
- Continued political stagnation undercuts recovery

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Threats

- Housing and auto rebound falters
- Full employment
- Saving habits begun in recession continue

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- Let's look at the SSG for PRAA