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## Portfolio Recovery Associates Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator instructions) Your first question comes from the line of Bob Napoli from Piper Jaffray. Please proceed.

#### Bob Napoli – Piper Jaffray

Question on the impairments in trying to forecast impairments. You didn't have any impairments from 05 and we've been most concerned about 05, 06, and early 07, and the way SOP03-3 works, I understand there's likely to be more. It is \$0.16 cents per share if you had a quarter where your impairments were, we're far lower obviously which changes the numbers and it looks like volatility may be for awhile as those 06 and early 07 pools sort out could be high. I don't know if you could put some color around other than ripping apart the queue, which we do, but even doing that it's hard to say, because we don't have the individual pools that you're looking at, Kevin. How can we get a feel for what you feel could be left in the impairments in those pools and when you would decide to move up yields in say the 08 pools?

#### Kevin Stevenson

I can answer part of that. Some of what you're asking is giving you some guidance on your modeling, which you know we don't do; however, as you pointed out we did not incur allowances on that Q105 deal, which I think was excellent news. Additionally, the allowances on the bankruptcy pools were about halved, which again I think is also good news. The 2006 and early 2007 pools as you mentioned certainly come from a high price environment and leaves little room for price or operation error. The way this works is that as we see data coming in, what we're trying to do is match these curves that are forecasted to the data points we have, so every month goes by we know something more than we did in the prior month. One of the reasons I'm trying to give you guys a lot of granularity as to where these allowances are coming from and actually where they're not coming from. I think as time moves on, I'm going to keep providing that data for you guys to digest.

#### Bob Napoli – Piper Jaffray

Essentially, what you're doing is you're putting on pools, you're paying apples for apples, theoretically 30% less or maybe even more at the same evaluation as these pools where the evaluations are much tighter. Is that a fair characterization?

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