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Portfolio Recovery Associates Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) You have a question from the line of Robert Napoli. Please proceed.

Robert Napoli

Thank you. Good afternoon. Kevin, question for you, though Kevin probably, I guess on the charges that you talked in the quarter, and what kind of confidence do you have that they are in fact abnormal hits this quarters? Didn't say one should expect something on a quarterly basis? We have seen small hits out of you, obviously this was much bigger. But what is your confidence that level that this is an abnormal level? And why are you confident in that, if you are?

Kevin Stevenson

Well, what I was getting at is that it's certainly abnormal compared to our past and we booked anywhere from as low as about \$90,000 a quarter up to about \$450,000 last year. So, I kind of standby my comments saying that really any small percentage of really any debt buyers, amortization is going to come from reserves or impairments. So, we are always going to stayed focused on doing our best to limit this things I think that again the \$1 million been about double the largest impairment thus so far to date, but I think still within that normal band that one might expect.

Robert Napoli

Okay.

Kevin Stevenson

Hope that answers your question, or didn't it?

Robert Napoli

No, I guess it's helpful. Let me think about it. Talking about return on equity: you guys focus on ROE certainly makes a lot of sense, but what is your confidence level that you can maintain at least 20% ROE guys have been generating? I mean, you have been done it without leverage, but now you are using some leverage in generating their 20 ROE, I mean would you guys be -- are you confident with 20 ROE? Would you be disappointed if it's below that level?

Steve Fredrickson

Well Bob, as we said, we are trying to focus on several different metrics which we feel are important for long-term. We don't give guidance and so I don't want to be evasive, but I also want to stay consistent with our policy there. We are certainly running the company in such a way as to create good solid ROE for a long time to come.

Robert Napoli

Okay. And on the expense line: I think Kevin talked about being able to bring that compensation number as a percentage of revenue, or cash collections, back. Putting downward pressure on that, I mean, what kind of a target level? How much downward pressure do you think you can put on that, and right now? In order to, I guess, with the rapid growth in collections, would it be prudent to think about that number maybe going up, before it goes down, as you had collectors?

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