JOSHUA STEINER, CFA
JONATHAN CASTELEYN, CFA
PATRICK STAUDT, CFA

HEDGEYE

PRA Group™

PRAA

LATE CYCLE GRAVITY

November 2015

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PLEASE SUBMIT QUESTIONS* TO

QA@HEDGEYE.COM

**ANSWERED AT THE END OF THE CALL*

PRA GROUP

1

CYCLE TWILIGHT → RISING HEADWINDS

Debt collector cyclicality has been strong since coming public ~15 years ago. The supply & demand environment for debt collectors has been deteriorating for a few years and remains unfavorable today. The outlook is bleak and poised to deteriorate further.

2

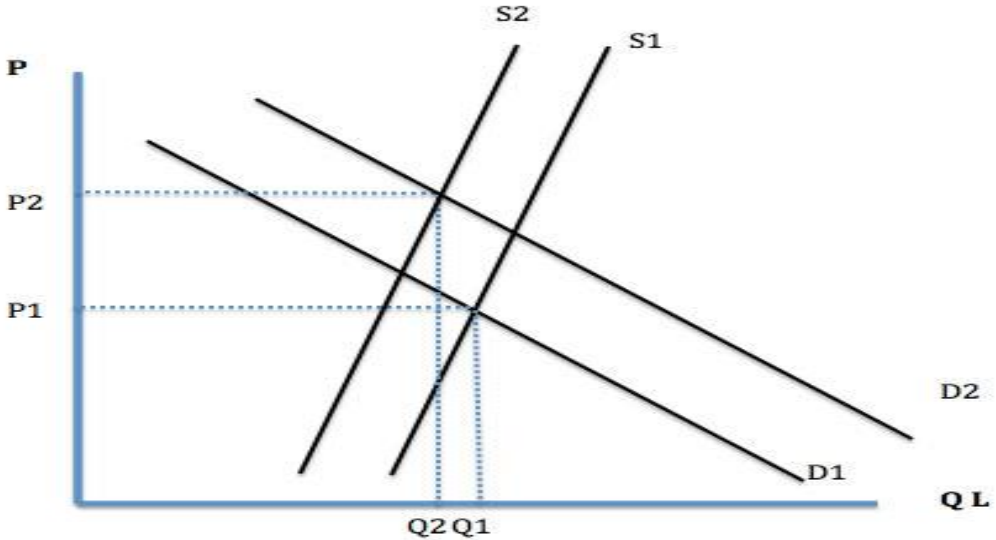
TENUOUS VALUATION & GROWING LEVERAGE

PRA's NPV supports just 20% of the current valuation, and closer to zero without the Aktiv Goodwill boost to revenue/earnings. Fundamentals are beginning to deteriorate on the margin. Meanwhile, what had been the best balance sheet in the industry is now chasing the pack down the leverage rabbit hole as debt exceeds the net value of the current book.

3

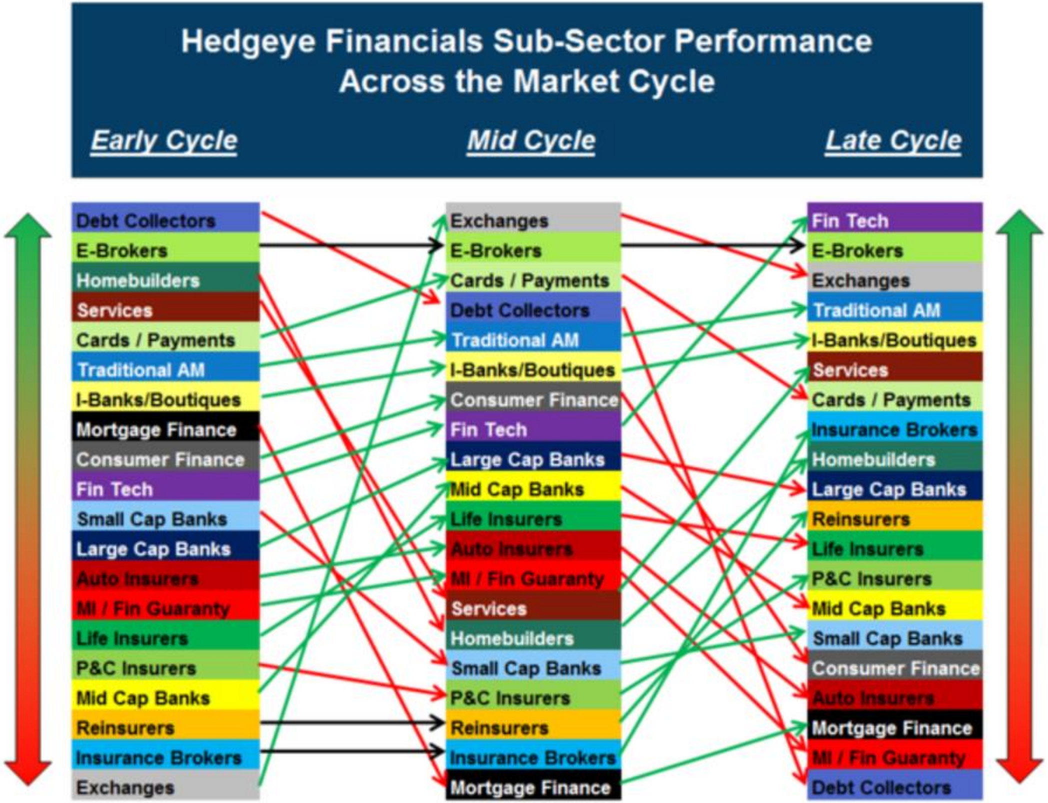
REGULATORY RISK

Sweeping reform in the debt collection industry through the OCC, CFPB enforcement actions, and upcoming CFPB rulemaking have all increased the cost of doing business.



1. CYCLE TWILIGHT

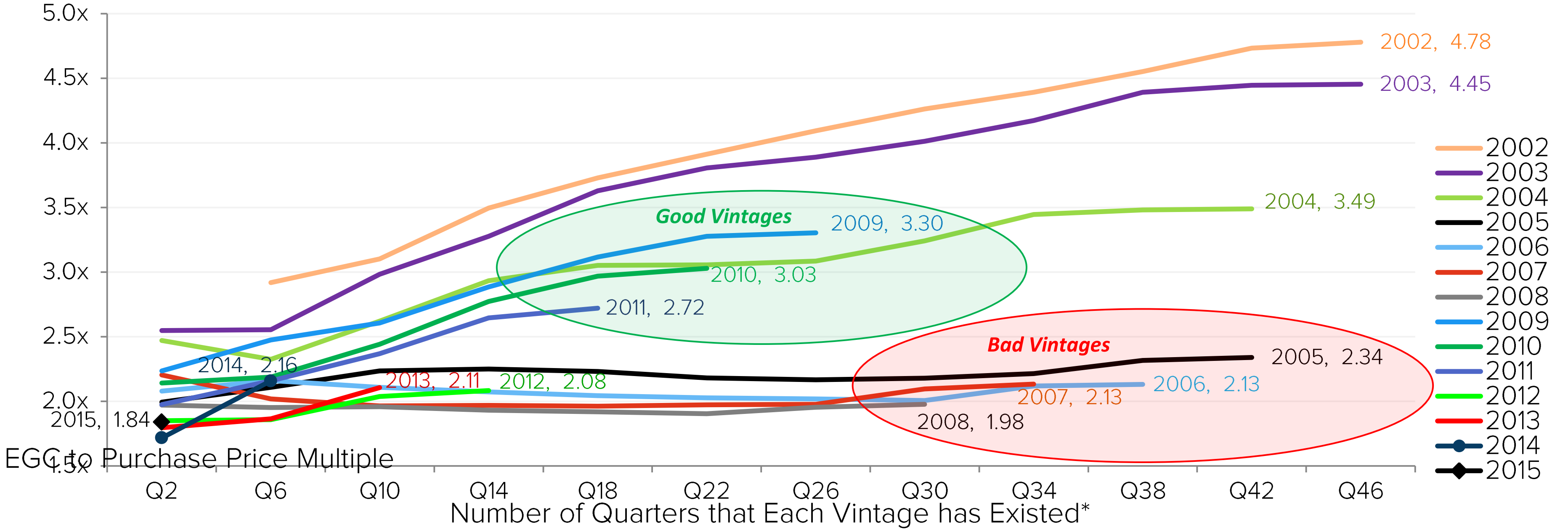
THE CYCLE DOES NOT ABIDE



* Performance based on the last two cycles (Oct '90 - Mar '00 & Oct '02 - Oct '07).
Source: Hedgeye, Factset

Debt collectors have historically been the best performing early cycle subsector within financials, the 4th best mid-cycle performer and dead last in the late cycle. Let's take a look at why that is.

EGC MULTIPLE EVOLUTION BY VINTAGE



*E.g. 2014's Q2 figure is the EGC multiple as of 2Q 2014.

Source: Company Filings, Hedgeye analysis

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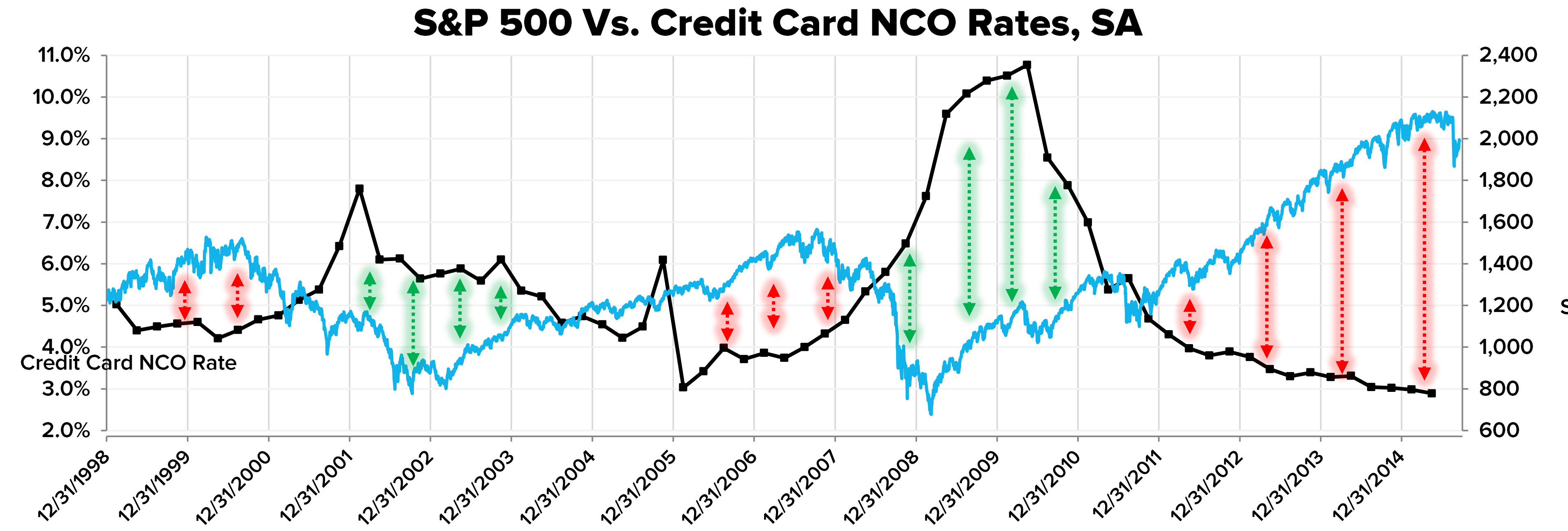
COMPARING 2005-2008 TO 2009-2011

Vintages originated in the late cycle (when claims are at/near trough levels, i.e. 2005-2008) fail to generate improved performance while those originated early cycle (claims ➔ falling, i.e. 2009-2011) exceed initial expectations and lead to higher revenue & earnings.

SUPPLY & DEMAND



Source: FactSet, Federal Reserve

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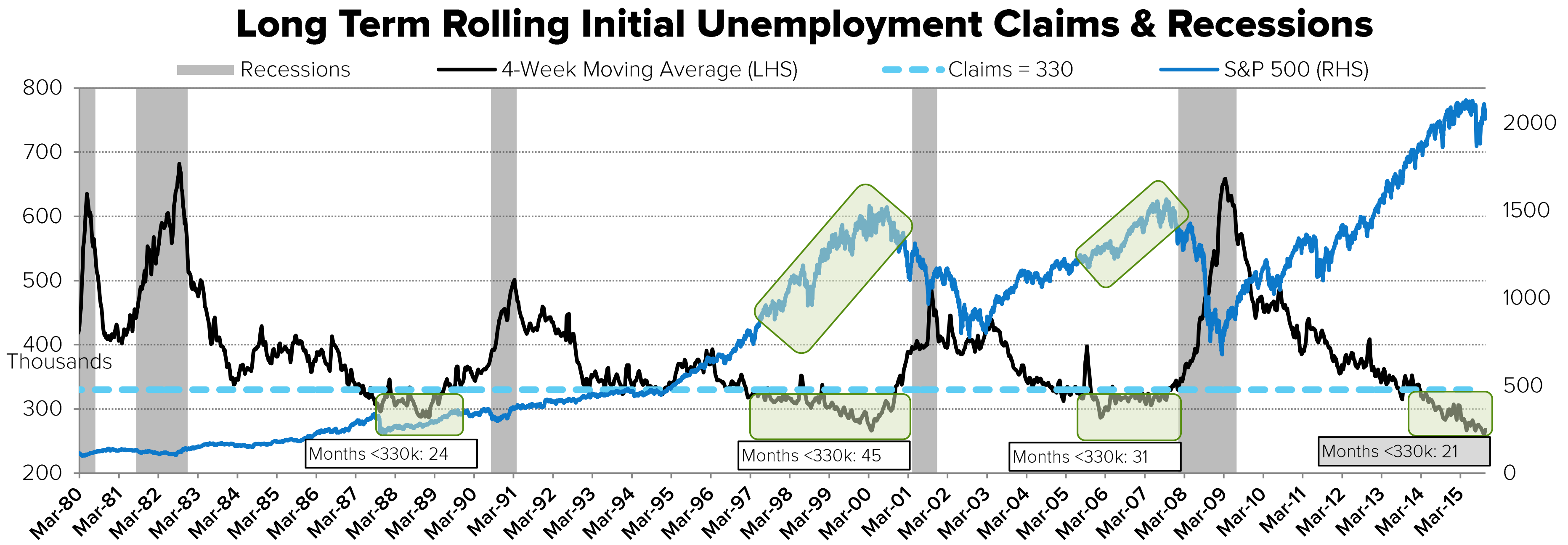
THIS IS HOW WE THINK SUPPLY & DEMAND LOOKS TODAY

Demand correlates with the market. While simplistic, the relationship makes intuitive sense. Demand for paper is pro-cyclical as the capital available for chasing paper rises amidst general asset inflation. Unfortunately, supply is counter-cyclical.

The gap between supply and demand, by this measure, has never been wider.

SUPPLY OUTLOOK

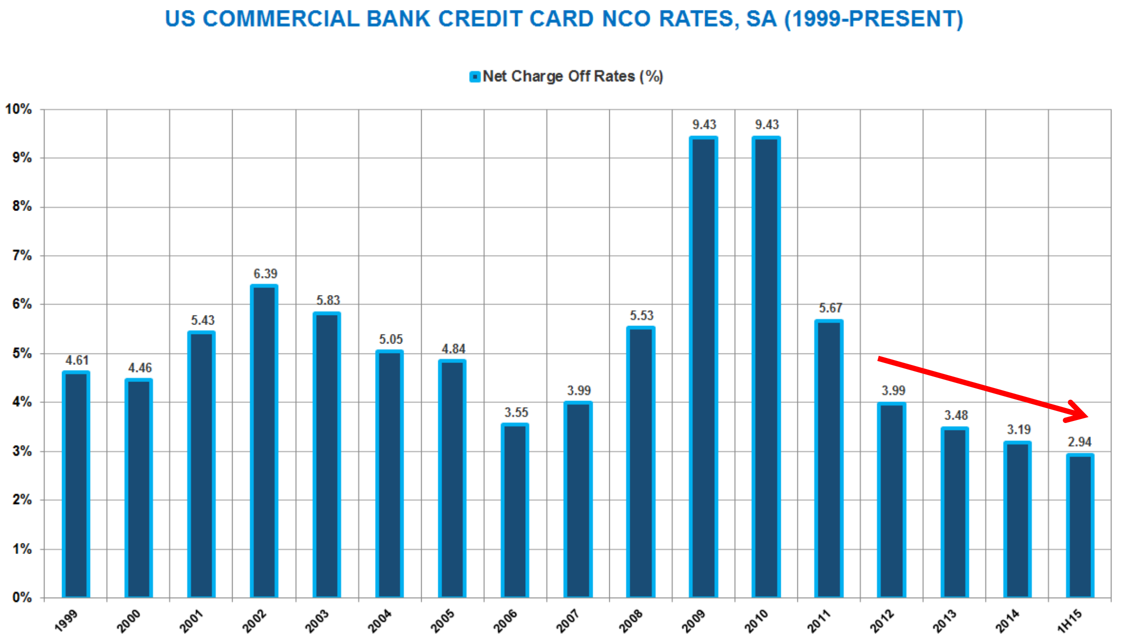


Source: DOL, NBER, Hedgeye

WHERE WE ARE IN THE SUPPLY CYCLE

New supply comes from recently unemployed borrowers. In the last three cycles initial jobless claims have run at a sub-330k level for an average of 33 months. We're now 21 months into the current cycle.

SUPPLY PROXY - ANNUAL



DATA SOURCE: FEDERAL RESERVE, COMPANY DOCUMENTS

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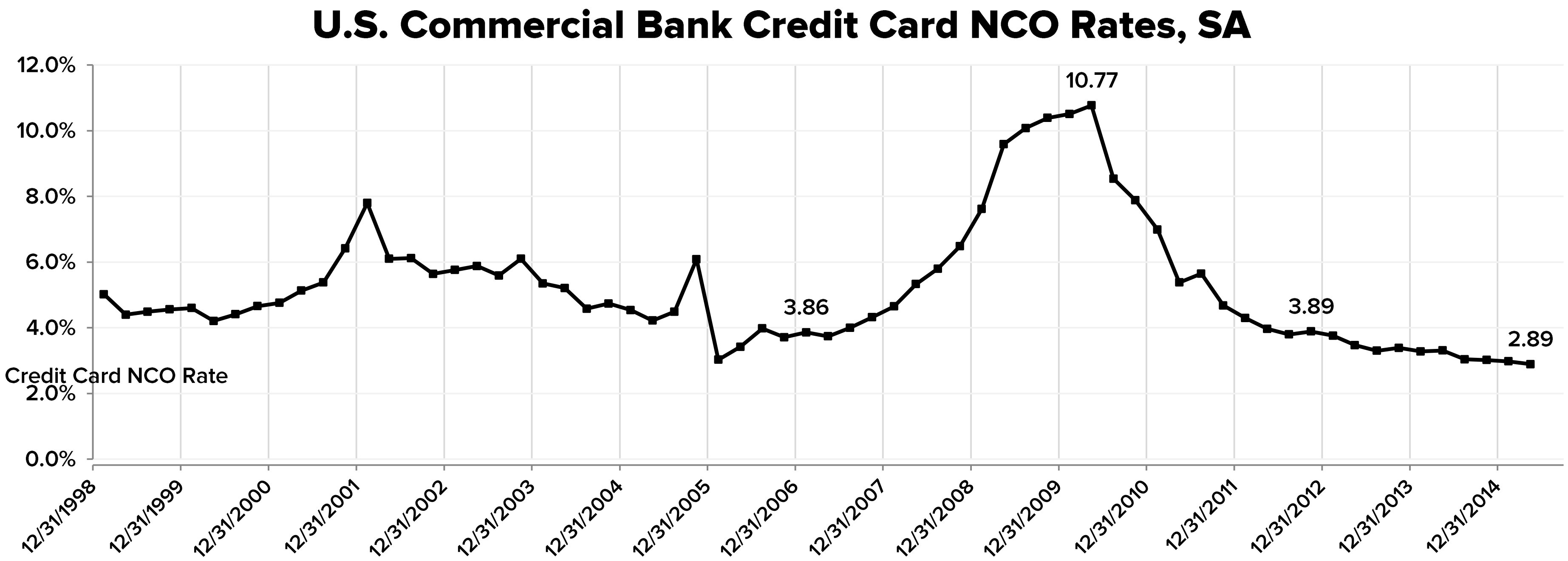
SUPPLY'S PROXY IS CREDIT CARD CHARGE-OFFS AND SUPPLY IS TIGHT

PRA Group primarily buys defaulted credit card receivables. The environment for buyers is brutal as net charge-off rates for credit cards have been in decline since 2010.

SUPPLY PROXY - QUARTERLY



Source: FactSet, Federal Reserve

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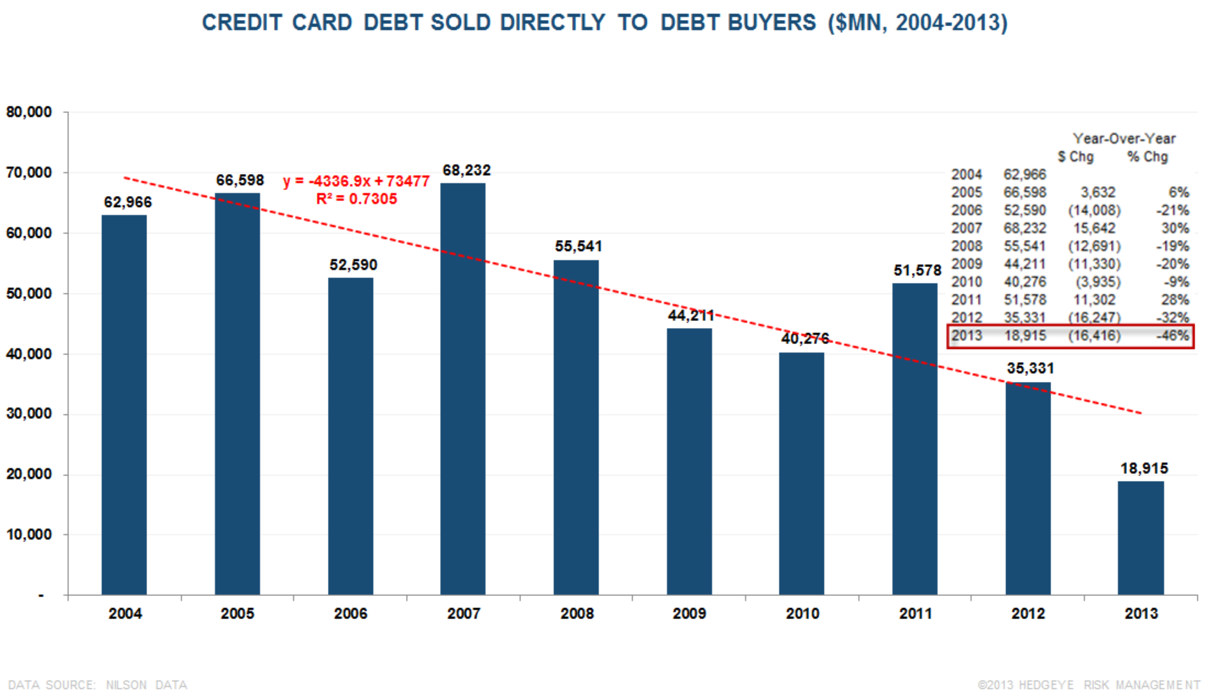
BAD PAPER IS HARD TO FIND

New supply of bad paper is down around 75% from levels 5 years ago and 25% from levels 3 years ago.

FURTHER SUPPLY ISSUES

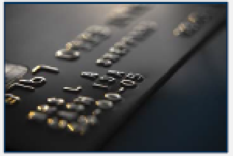


		$ Chg	% Chg
2004	62,966		
2005	66,598	3,632	6%
2006	52,590	(14,008)	-21%
2007	68,232	15,642	30%
2008	55,541	(12,691)	-19%
2009	44,211	(11,330)	-20%
2010	40,276	(3,935)	-9%
2011	51,578	11,302	28%
2012	35,331	(16,247)	-32%
2013	18,915	(16,416)	-46%

LONG-TERM HEADWINDS

While some of the recent decline is attributable to sidelined sellers, the amount of debt being sold directly to buyers has been trending lower for a long time.

PRA'S TAKE ON THE MARKET

NOT GOOD	Competitive Pricing	Deep data set and analytical excellence allowing us to price effectively	
NOT GOOD	Reduced Supply	When U.S. consumer lending thaws, well positioned to capture our market share of receivable sales	
This was somewhat relieved by the CFPB's settlement with PRA. However, the CFPB has yet to complete its broad rulemaking activities.	Regulatory Uncertainty	Industry adapting to OCC rules regarding receivable sales; regulation driving industry consolidation and barriers to entry; in discussions with CFPB based on wide ranging market investigation	

Source: PRA Group Conference Presentation, March 3, 2015

REDUCED SALES BY BANKS → 1 YEAR AGO

With increased regulatory scrutiny, banks are reducing their bad debt sales.

AMERICAN BANKER

Chase Halts Card Debt Sales Ahead of Crackdown

by Maria Aspan and Jeff Horwitz
JUL 1, 2013 3:29pm ET

N.Y.'s Lawsky Joins Debt Collection Crackdown

by MARIA ASPAN
JUL 25, 2013 5:51pm ET

AMERICAN BANKER

CFPB Moves Full Bore Against Debt Collectors, Bank Partners

by Rachel Witkowski
JUL 12, 2013 3:29pm ET

AMERICAN BANKER

OCC Pressures Banks to Clean Up Card Debt Sales

by Jeff Horwitz and Maria Aspan
JUL 2, 2013 1:24pm ET

AMERICAN BANKER

Wells Fargo Halts Card Debt Sales as Scrutiny Mounts

by Maria Aspan
JUL 28, 2013 10:00pm ET

Calif. sues JPMorgan Chase over debt collection

AP 7:26 p.m. EDT May 9, 2013

Sworn Documents, Debt Sales and Collection Litigation Practices. The Firm has been responding to formal and informal inquiries from various state and federal regulators regarding practices involving credit card collections litigation (including with respect to sworn documents), the sale of consumer credit card debt and securities backed by credit card receivables.

Separately, the Consumer Financial Protection Bureau and multiple state Attorneys General are conducting investigations into the Firm's collection and sale of consumer credit card debt. The California and Mississippi Attorneys General have filed separate civil actions against JPMorgan Chase & Co., Chase Bank USA, N.A. and Chase BankCard Services, Inc. alleging violations of law relating to debt collection practices.

JPMorgan 10-Q (9/30/14)

WHY DID SUPPLIERS LEAVE THE MARKET?

JPMorgan, Citi and Wells Fargo all stepped back from the market a few years ago. Their primary motivation? Regulatory risk. **These firms represent roughly a third of all credit card outstandings in the US.**

REDUCED SALES BY BANKS → TODAY

JPMorgan has made some headway with settlements.

Sworn Documents, Debt Sales and Collection Litigation Practices. In July 2015, the Firm announced a series of settlements with the Consumer Financial Protection Bureau ("CFPB") and 47 state Attorneys General (and the District of Columbia) regarding practices involving credit card collections litigation (including with respect to sworn documents) and the sale of consumer credit card debt. Under the settlements, the Firm agreed to pay $96 million to the state Attorneys General (as well as $11 million for investigative costs) and $30 million to the CFPB. The Office of the Comptroller of the Currency also imposed a $30 million civil money penalty on the Firm arising out of its 2013 Consent Order covering the same matters. Under the settlements, the Firm will also complete remediation of affected consumers. The California and Mississippi state Attorneys General filed separate civil actions against the Firm alleging violations of law relating to debt collection practices. In October 2015, the Firm reached a settlement with the California state Attorney General, agreeing to pay $50 million and to complete a remediation of affected customers. This settlement is subject to court approval. The Mississippi case remains pending.

- JPMorgan 10-Q (9/30/15), filed 11/2/15

Q

And shifting to the U.S. market, can you give us an update on kind of the timing we should think about for the two sidelined issuers and their potential return to the market?

A

Kenneth A. Vecchione
President & Chief Executive Officer

Yeah. I will say one of the two to me is far along in doing all the due diligence it needs to do and setting up its processes and reaching out to issuers and doing everything one would have to do to come back to the market. I also think that with some of the recent clarity in the debt buying industry with the two settlements that were recently announced, I think with a little bit more clarity, maybe to a particular institution's own flows and processes, I think those things are all good that they get it behind them. They know what is expected of them and then they could prepare themselves, test what they need to test of their processes and then the roll-out selling. So how long that – what that means is sometime in 2016, we will be ready for them when they come.

- Encore Capital 3Q15 Conference Call, 11/5/15

Q

I would be remiss if I didn't ask you, what's your latest opinion on the large side lined issues, if you commented it on earlier I missed it, but obviously they're still out there. Any update on when you think those guys could be coming back?

A

Steve Fredrickson
Chairman and Chief Executive Officer

No. That it is a fool's errand to try and predict when they are going to return, and I'm just going to stay away from it. They have us engaged. They have – we know other large participants in this market engaged in the qualification process. So that gives us hope that they will be returning at some point. But we have no reliable insight as to when that might be.

- PRA Group 3Q15 Conference Call, 11/5/15

WHEN WILL THEY BE BACK?

The CFPB removed some uncertainty recently by settling with JPM, C, DFS, ECPG, and PRAA. This could make JPM and C in particular more comfortable with returning to consumer debt sales, a short-term positive catalyst for PRAA. The late stage of the credit cycle, however, is the larger challenge.

REDUCED SALES BY BANKS → OUTLOOK

But we wouldn't hold our breath …

Kenneth A. Vecchione
President & Chief Executive Officer

I'll also challenge you on one thing. I don't think when some of the sideline issuers come back, they're going to come back in big bulk. I think what you're going to see is they're going to work their way back in to the market. They've been out of the market for a while, and I think they're going to build their pipeline over time and during the course of the year.

- Encore Capital 2Q15 Conference Call, 8/10/15

Kenneth A. Vecchione
President & Chief Executive Officer

Okay. Yes. So this past quarter, I spent a lot of time on the road visiting with most of the issuers. And I'll say that the two large issuers that everyone refers to, I think, one of the two will come back this year, but that one will only come back at the very, very, very end of the year. Even though, both issuers have spent a lot of time increasing their issuer audits and getting ready, I don't think they are going to come back to the market. Certainly, one is not coming back this year and the other, I think, is coming back at the tail-end of this year.

- Encore Capital 1Q15 Conference Call, 5/7/15

And shifting to the U.S. market, can you give us an update on kind of the timing we should think about for the two sidelined issuers and their potential return to the market?

Kenneth A. Vecchione
President & Chief Executive Officer

Yeah. I will say one of the two to me is far along in doing all the due diligence it needs to do and setting up its processes and reaching out to issuers and doing everything one would have to do to come back to the market. I also think that with some of the recent clarity in the debt buying industry with the two settlements that were recently announced, I think with a little bit more clarity, maybe to a particular institution's own flows and processes, I think those things are all good that they get it behind them. They know what is expected of them and then they could prepare themselves, test what they need to test of their processes and then the roll-out selling. So how long that – what that means is sometime in 2016, we will be ready for them when they come.

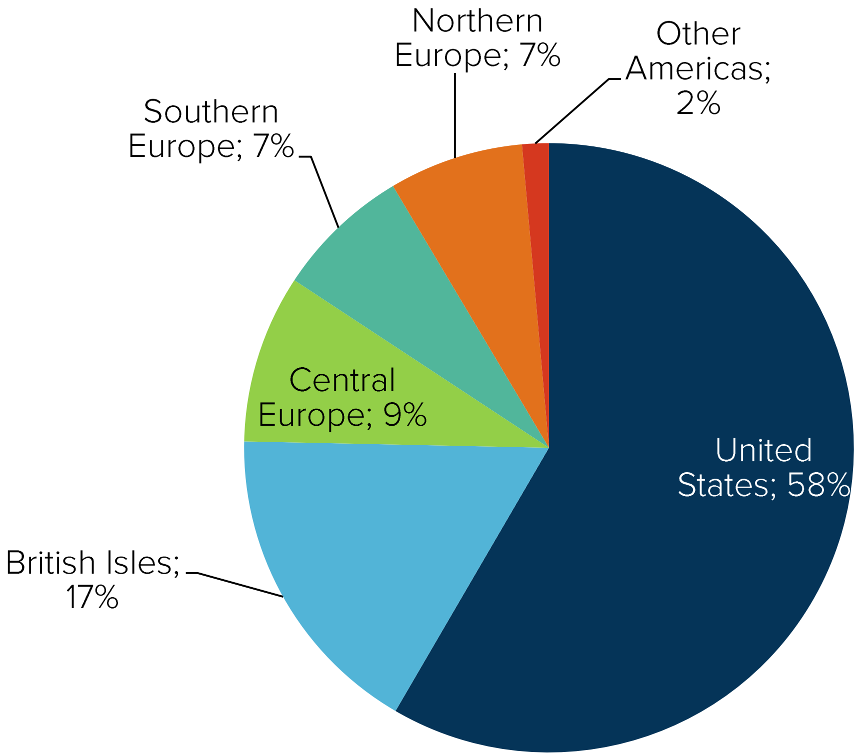
- Encore Capital 3Q15 Conference Call, 11/5/15

THE MESSAGING HAS BEEN CONSISTENT, BUT INCORRECT

Managements within the industry have been talking about the return of select large issuers for a long time now. While we don't doubt their eventual return, based on the number of times the situation has been discussed, we think it's best to take a simple wait and see approach.

GEOGRAPHIC EXPOSURE

ERC GEOGRAPHIC DISTRIBUTION



Source: Company filings

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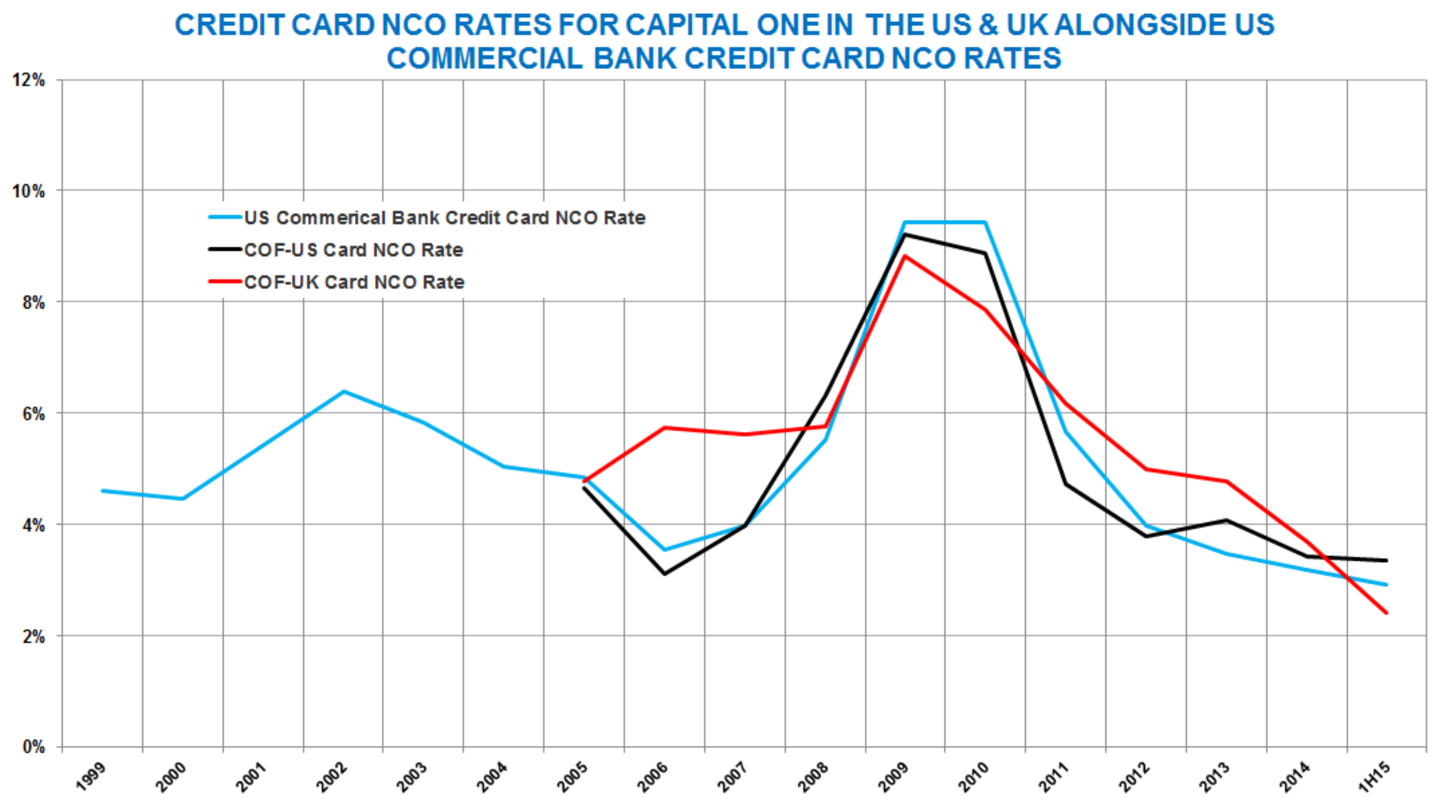
The UK currently represents 17% of total ERC at PRA Group. Together with the US, the two markets account for 75% of ERC.

THE UK LOOKS A LOT LIKE THE US …



DATA SOURCE: FEDERAL RESERVE, COMPANY DOCUMENTS

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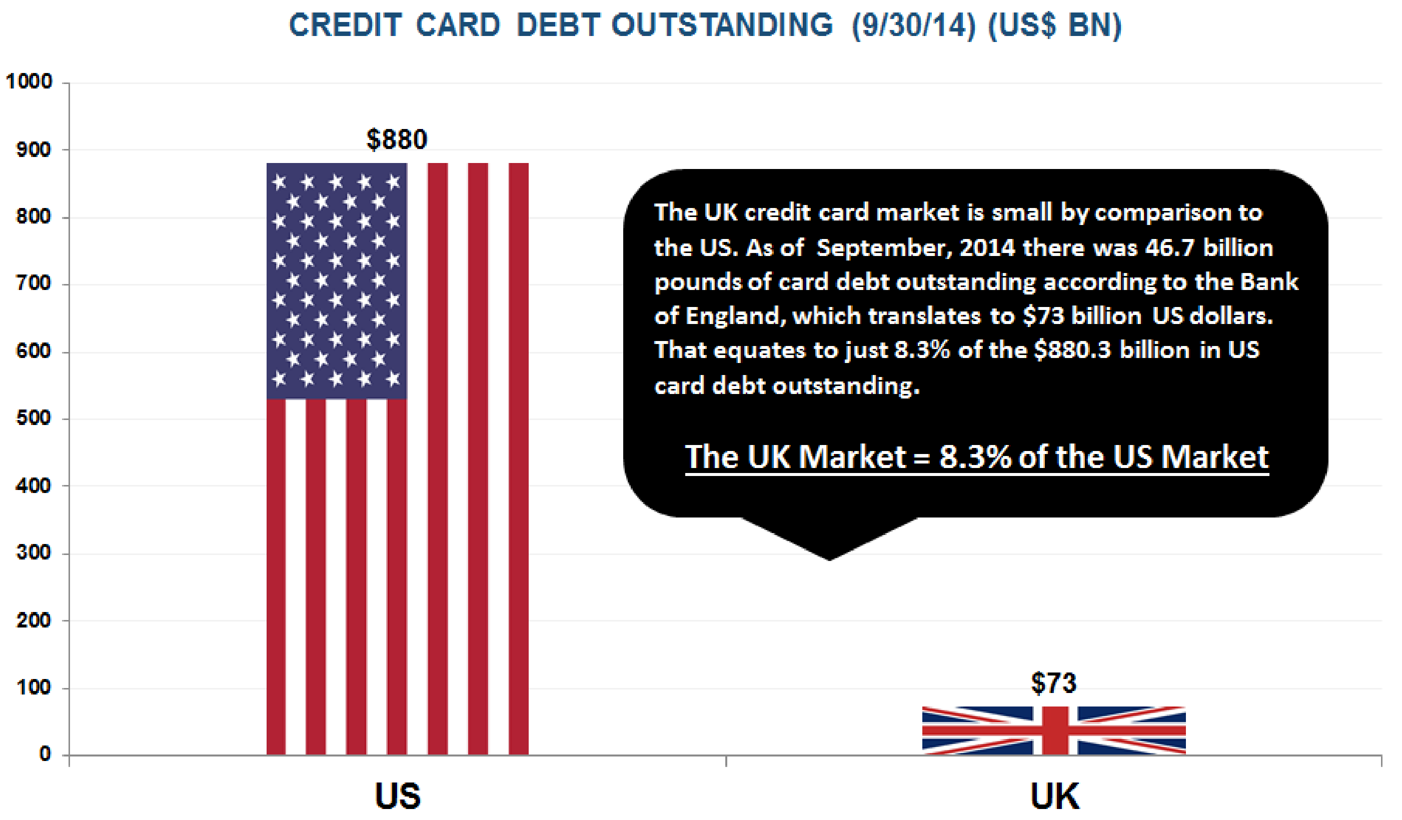
Capital One is a decent proxy for the US market and so we're using its UK business as a broad proxy as well. The Trend in supply in the UK is equally bad, if not worse, as that in the US.

… ONLY SMALLER



DATA SOURCE: FEDERAL RESERVE, BANK OF ENGLAND

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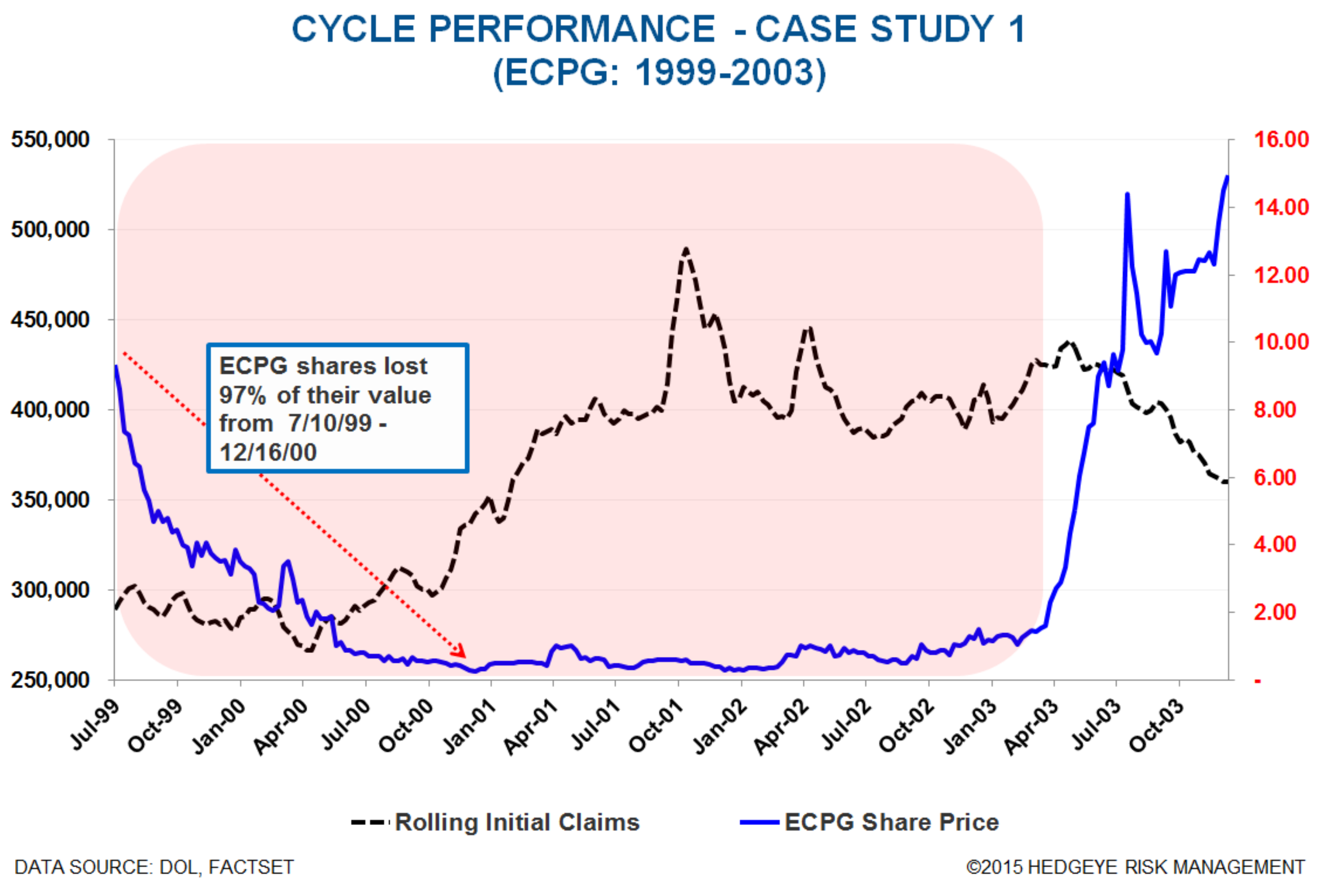
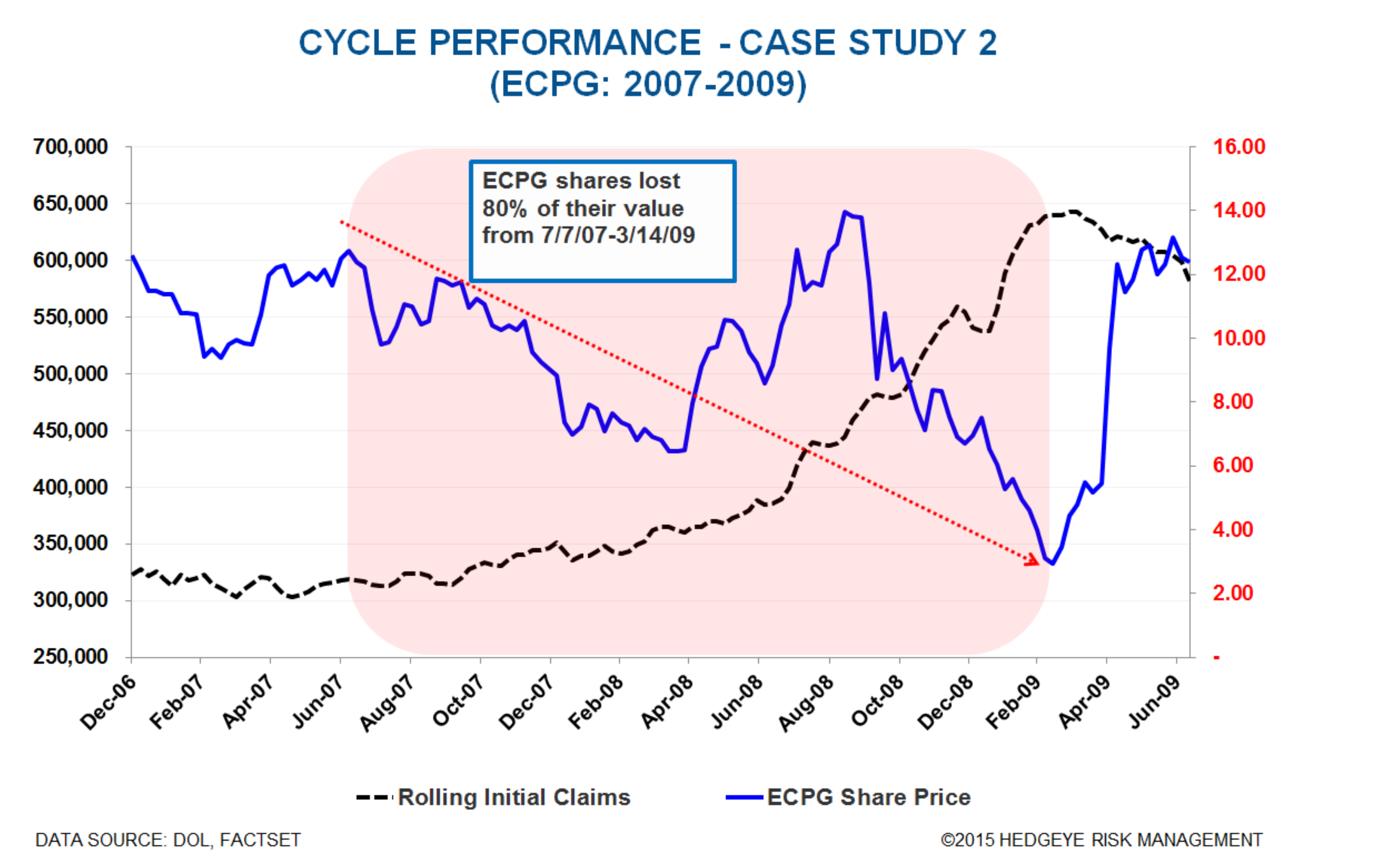
The amount of credit card debt outstanding in the UK is $73 billion, or 8.3% of the $880 billion outstanding in the US.

CYCLE PERFORMANCE—CASE STUDY 1



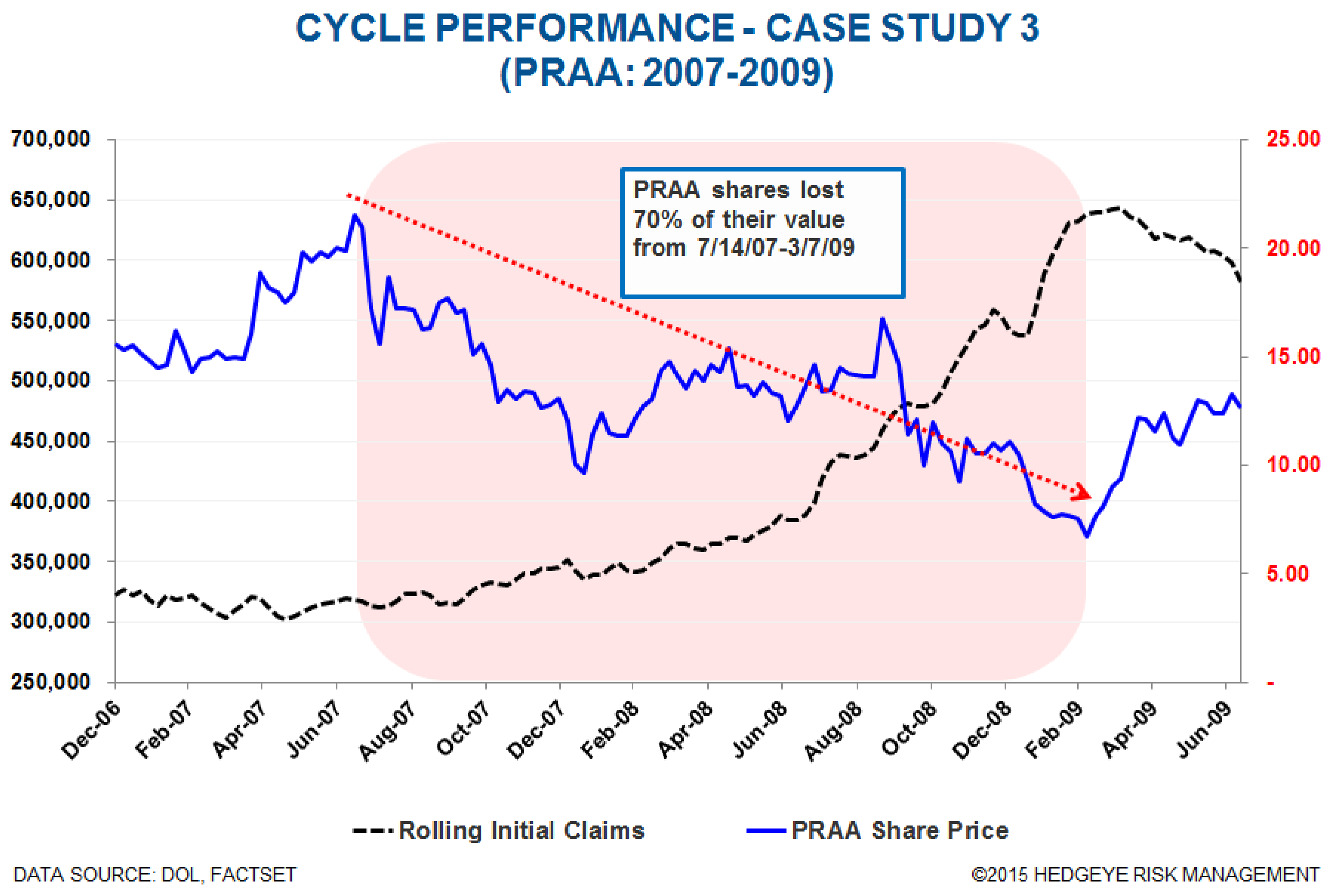
Encore Capital Group lost >90% of its value after its IPO and then stayed suppressed during a rising-claims environment until 2003.

CYCLE PERFORMANCE—CASE STUDY 2



As claims rose from 2007 to 2009, Encore Capital Group again lost a significant portion of its value, falling ~80%.

CYCLE PERFORMANCE—CASE STUDY 3



PRA Group suffered a similar fate in the rising-claims environment of 2007 to 2009. The company's stock lost ~70% of its value.

2.1 VALUATION & LEVERAGE

NET PRESENT VALUE: 2013V

		4Q15 & 2016	2017	2018	2019	2020	2021	2022	2023	2024
Collections		243,531	138,343	90,210	56,915	44,323	34,956	28,299	24,717	19,418
UAB (EOP)	300,942	184,855	124,794	87,432	67,542	51,821	38,811	26,947	13,642	(0)
Revenue		127,443	78,282	52,848	37,026	28,603	21,945	16,436	11,412	5,777
CTC		92,705	52,663	34,340	21,666	16,872	13,307	10,773	9,409	7,392
Interest expense		10,362	7,326	6,520	5,686	4,821	3,925	2,996	2,035	1,038
Income before taxes		**24,377**	**18,294**	**11,987**	**9,674**	**6,909**	**4,714**	**2,666**	**(32)**	**(2,653)**
Taxes (benefit)		9,413	7,064	4,629	3,736	2,668	1,820	1,030	(12)	(1,025)
Net Income		**14,963**	**11,229**	**7,358**	**5,938**	**4,241**	**2,894**	**1,637**	**(20)**	**(1,629)**
Collections		243,531	138,343	90,210	56,915	44,323	34,956	28,299	24,717	19,418
CTC		92,705	52,663	34,340	21,666	16,872	13,307	10,773	9,409	7,392
Debt service		37,067	29,653	29,653	29,653	29,653	29,653	29,653	29,653	29,653
Taxes (benefit)		9,413	7,064	4,629	3,736	2,668	1,820	1,030	(12)	(1,025)
Net equity cash flow	**(71,198)**	**104,346**	**48,962**	**21,588**	**1,860**	**(4,871)**	**(9,824)**	**(13,156)**	**(14,333)**	**(16,602)**

NPV	**47,789**

* NPV Analysis assumes: Cost of Debt: 3.8%, Cost of Equity: 10.0%, Blended capital structure: 76% Debt, 24% Equity (in-line with the company's current EV composition).

Source: SEC Filings, Hedgeye Estimates

NET PRESENT VALUE SAMPLE: 2014V

		4Q15 & 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Collections		672,363	434,024	321,514	209,652	132,274	103,008	81,239	65,769	57,444	45,129
UAB (EOP)	967,081	653,941	462,824	313,225	219,921	169,337	129,229	95,992	65,879	32,906	(0)
Revenue		359,222	242,906	171,916	116,348	81,690	62,900	48,002	35,656	24,471	12,223
CTC		255,948	165,220	122,391	79,808	50,353	39,212	30,925	25,036	21,867	17,179
Interest expense		33,298	23,896	21,603	19,227	16,766	14,216	11,574	8,836	6,000	3,061
Income before taxes		**69,977**	**53,791**	**27,922**	**17,312**	**14,571**	**9,472**	**5,503**	**1,784**	**(3,396)**	**(8,018)**
Taxes (benefit)		27,022	20,772	10,782	6,685	5,627	3,658	2,125	689	(1,311)	(3,096)
Net Income		**42,955**	**33,019**	**17,140**	**10,627**	**8,944**	**5,814**	**3,378**	**1,095**	**(2,085)**	**(4,922)**
Collections		672,363	434,024	321,514	209,652	132,274	103,008	81,239	65,769	57,444	45,129
CTC		255,948	165,220	122,391	79,808	50,353	39,212	30,925	25,036	21,867	17,179
Debt service		109,304	87,443	87,443	87,443	87,443	87,443	87,443	87,443	87,443	87,443
Taxes (benefit)		27,022	20,772	10,782	6,685	5,627	3,658	2,125	689	(1,311)	(3,096)
Net equity cash flow	(228,796)	280,088	160,589	100,898	35,715	(11,149)	(27,305)	(39,255)	(47,399)	(50,555)	(56,397)
NPV	**137,247**										

* NPV Analysis assumes: Cost of Debt: 3.8%, Cost of Equity: 10.0%, Blended capital structure: 76% Debt, 24% Equity (in-line with the company's current EV composition).

Source: SEC Filings, Hedgeye Estimates

NET PRESENT VALUE SAMPLE: 2014V (ADJ)

		4Q15 & 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Collections	967,081 +507,248	672,363	434,024	321,514	209,652	132,274	103,008	81,239	65,769	57,444	45,129
UAB (EOP)	1,474,329	1,004,584	708,621	484,493	341,425	256,074	188,258	132,891	85,386	39,677	(0)
Revenue		202,618	138,061	97,386	66,584	46,922	35,192	25,872	18,263	11,735	5,453
CTC		255,948	165,220	122,391	79,808	50,353	39,212	30,925	25,036	21,867	17,179
Interest expense		33,298	23,896	21,603	19,227	16,766	14,216	11,574	8,836	6,000	3,061
Income before taxes		**(86,628)**	**(51,055)**	**(46,607)**	**(32,451)**	**(20,196)**	**(18,236)**	**(16,627)**	**(15,609)**	**(16,132)**	**(14,788)**
Taxes (benefit)		(33,452)	(19,715)	(17,998)	(12,531)	(7,799)	(7,042)	(6,420)	(6,028)	(6,230)	(5,711)
Net Income		**(53,176)**	**(31,339)**	**(28,610)**	**(19,920)**	**(12,397)**	**(11,194)**	**(10,206)**	**(9,581)**	**(9,903)**	**(9,078)**
Collections		672,363	434,024	321,514	209,652	132,274	103,008	81,239	65,769	57,444	45,129
CTC		255,948	165,220	122,391	79,808	50,353	39,212	30,925	25,036	21,867	17,179
Debt service		109,304	87,443	87,443	87,443	87,443	87,443	87,443	87,443	87,443	87,443
Taxes (benefit)	228,796 +507,248	(33,452)	(19,715)	(17,998)	(12,531)	(7,799)	(7,042)	(6,420)	(6,028)	(6,230)	(5,711)
Net equity cash flow	**(736,044)**	**340,563**	**201,076**	**129,678**	**54,932**	**2,277**	**(16,605)**	**(30,709)**	**(40,683)**	**(45,637)**	**(53,783)**
NPV	**(189,184)**										

- Including $507M Aktiv goodwill in the purchase price decreases revenue by -$507M and NPV by -$326M
- The 2014V NPV is **negative** when goodwill is included in the purchase price.

* NPV Analysis assumes: Cost of Debt: 3.8%, Cost of Equity: 10.0%, Blended capital structure: 76% Debt, 24% Equity (in-line with the company's current EV composition).

Source: SEC Filings, Hedgeye Estimates

ZERO TO 20

NVP BY VINTAGE

Aktiv Deal - As Reported			Aktiv - Goodwill Excluded*		
Vintage	NPV	% of ERC	Vintage	NPV	% of ERC
1996-2004	2,809	0.2%	1996-2004	2,809	0.2%
2005	1,714	0.3%	2005	1,714	0.3%
2006	790	0.2%	2006	790	0.2%
2007	4,505	0.8%	2007	4,505	0.8%
2008	2,566	0.8%	2008	2,566	0.8%
2009	14,626	1.4%	2009	14,626	1.4%
2010	20,583	2.3%	2010	20,583	2.3%
2011	25,968	4.2%	2011	25,968	4.2%
2012	23,108	7.1%	2012	23,108	7.1%
2013	47,789	14.1%	2013	47,789	14.1%
2014	137,247	44.0%	2014	(189,184)	44.0%
2015	34,521	24.6%	2015	34,521	24.6%
Total	**316,225**	**100.0%**	**Total**	**(10,206)**	**100.0%**

*Excluding Aktiv goodwill in 2014V's purchase price reverses the vintage's NPV.

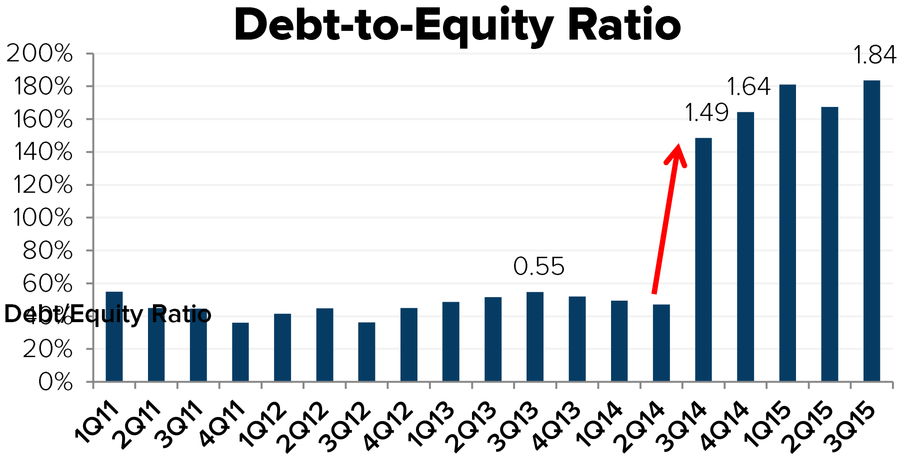
Source: SEC Filings, Hedgeye Estimates

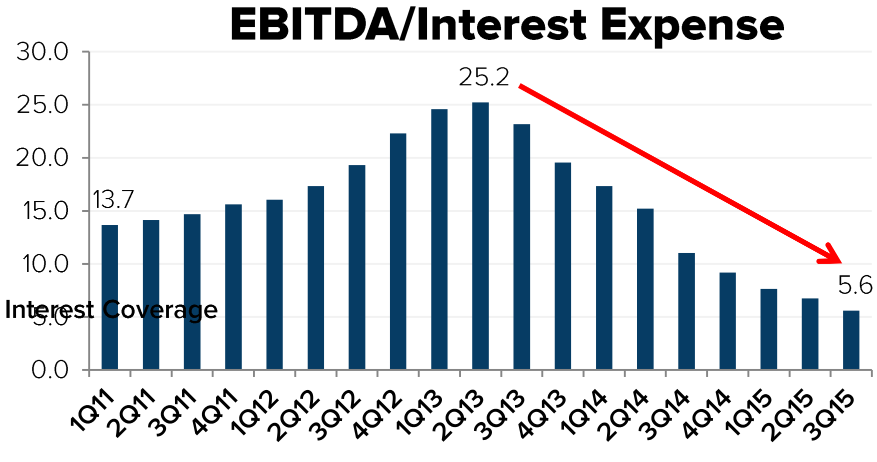
- PRA's current book of business using current collection estimates supports ~20% of its current $1,742M market cap.
- The other 80% of PRA's value is based on the market's expectations for future purchases& upward revisions to collection estimates.

RISING LEVERAGE

Comfortable with 164% Debt to Equity at 12/31/14

- Conference Presentation, March 3, 2015





Source: Company filings

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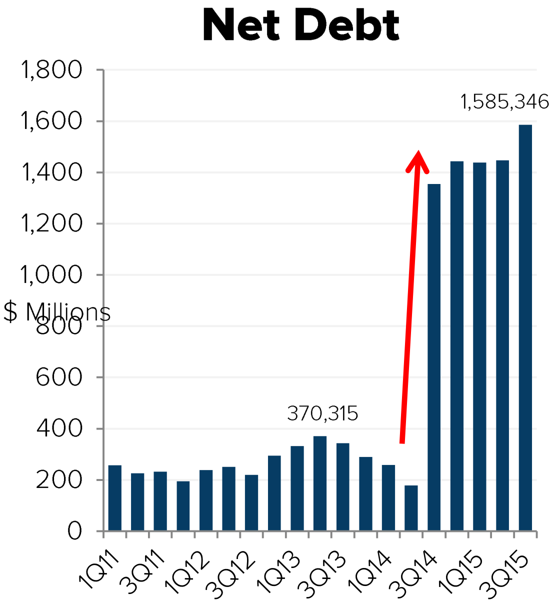
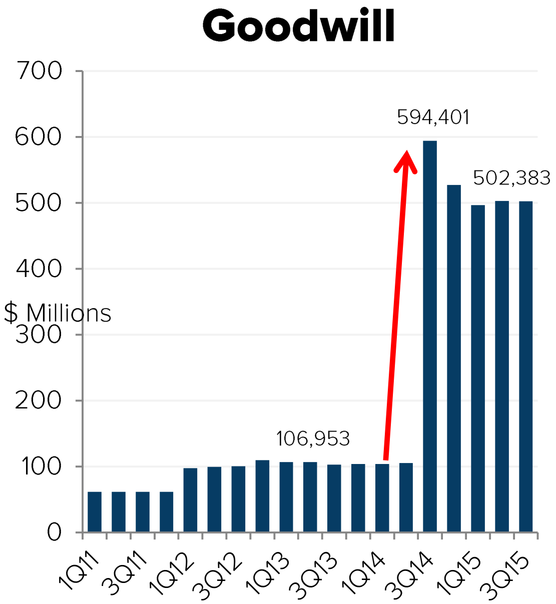
WE ARE LESS SANGUINE

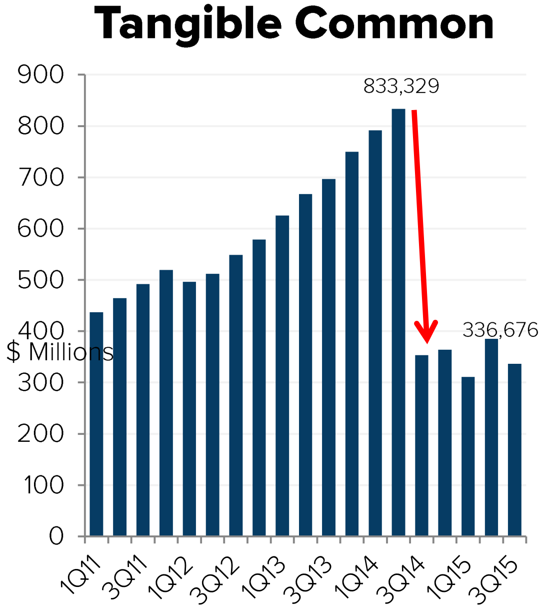
PRA Group seems comfortable levering up late in the cycle.

It's not that we think the company's debt levels aren't manageable – they are (for now). Rather, we're flagging the marked shift in the capital structure toward indebtedness.

RISING LEVERAGE







Source: Company filings

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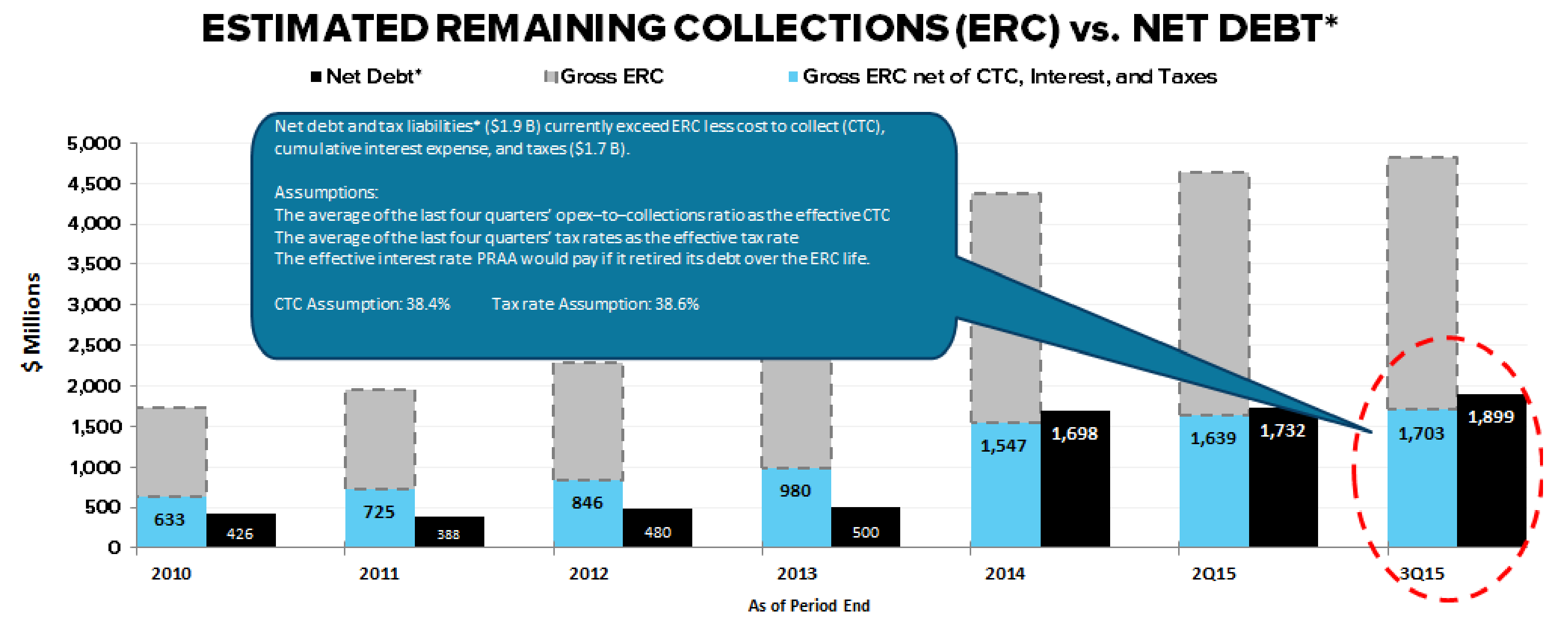
Roughly 50% of the $1.2 B net debt increase went to fund goodwill.

This, in turn, caused a ~60% decrease in tangible common equity

NET DEBT NOW EXCEEDS NET ERC



*Net debt includes a deferred tax liability of $268 million for underreporting taxable income from 2005-2012. PRA has appealed this ruling.

Source: Hedgeye Estimates, company filings

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NET DEBT AND LIABILITIES NOW EXCEED NET ERC BY ~$200M

The company's debt has grown substantially. While it's not yet at problematic levels from a servicing/coverage standpoint, it is notable that net debt now exceeds net ERC.

2.2 FUNDAMENTALS & OUTLOOK

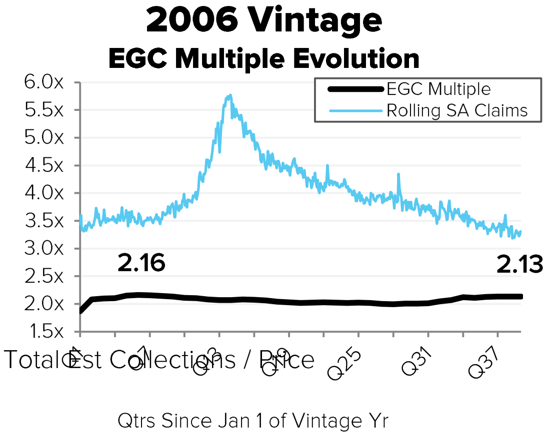
WILL '13/14/15V IMPROVE? NOT LIKELY

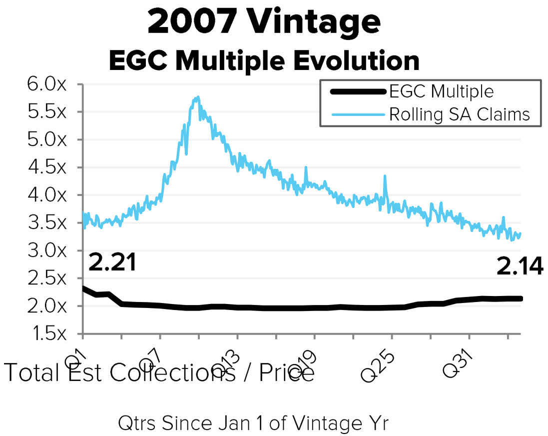
Expensive Debt

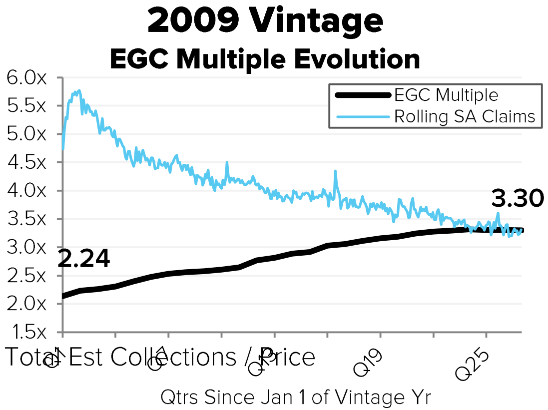
The expected gross collections multiple ("EGC") is the ratio of total expected collections vs price paid. The multiple can change over a debt pool's life as it seasons. **When debt is purchased late cycle, however, upward revision to the EGC multiple is unlikely.**

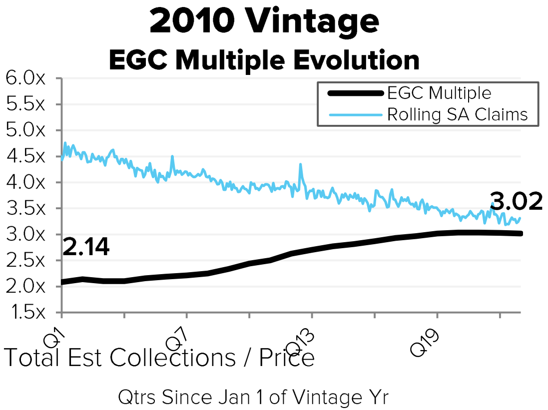
Cheap Debt

When debt is purchased early cycle, multiples rise as the company realizes better than expected results.





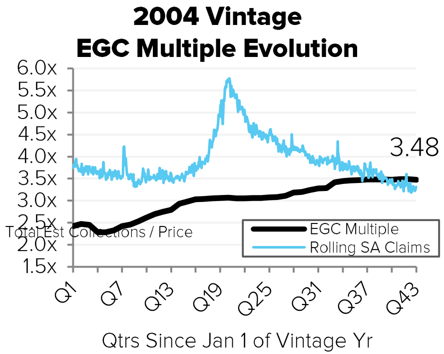


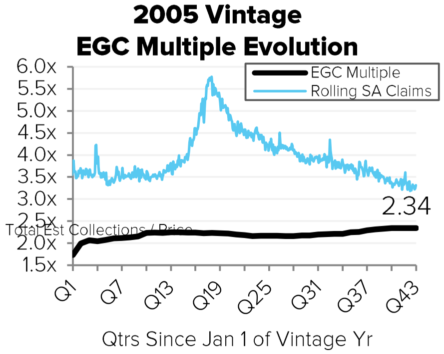


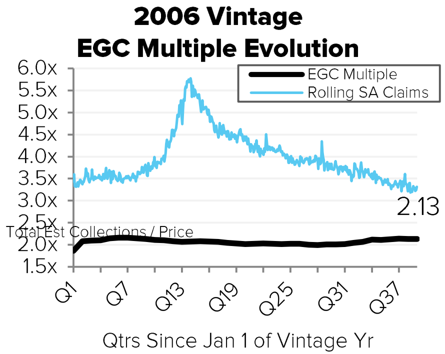
See Appendix for charts on all vintages

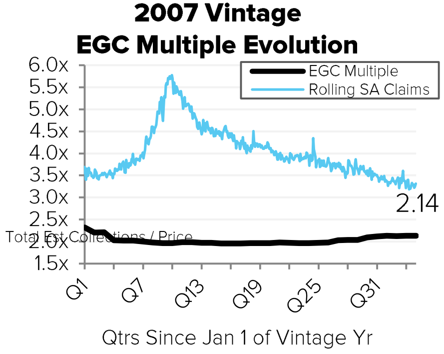
Source: Company filings, Department of Labor

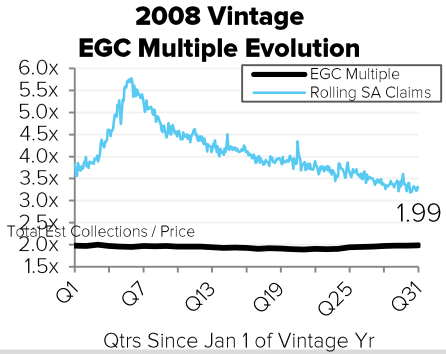
CLAIMS AND COLLECTIONS ('04 - '11)

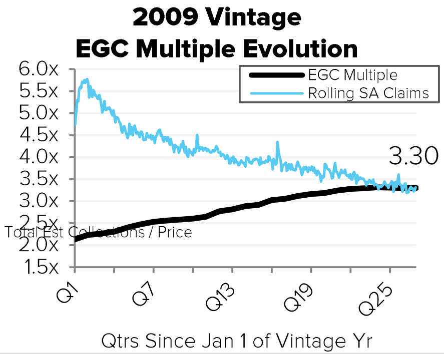


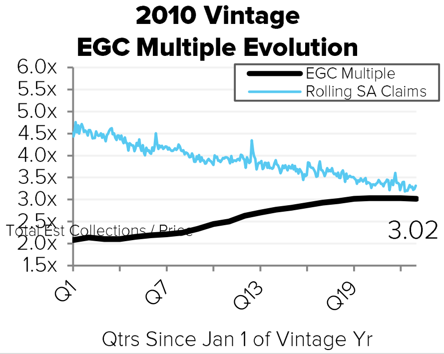


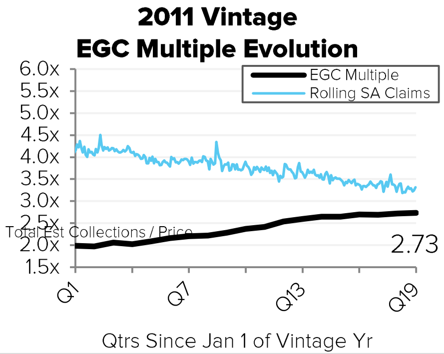










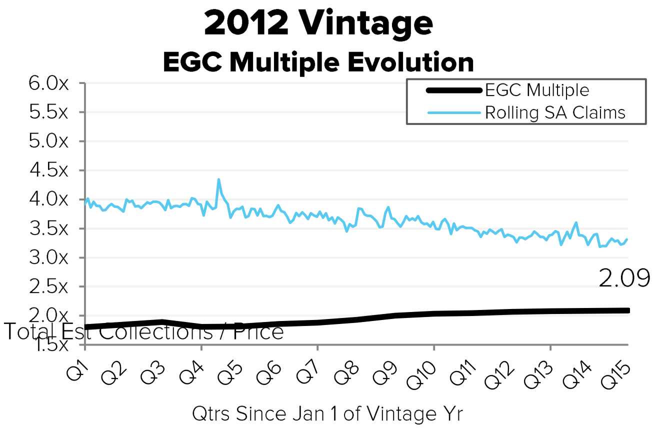


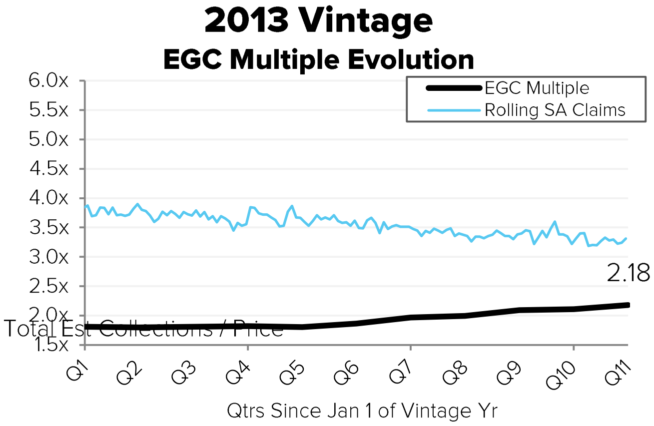
COMPARE 2005, 2006, 2007, AND 2008 TO 2009, 2010, AND 2011.

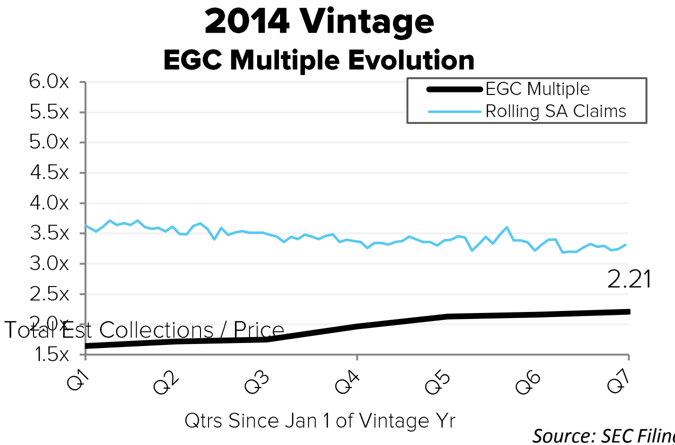
Vintages originated at troughs in the claims cycle ('05, '06, '07, '08) generally flatline while those originated while claims are falling from a peak ('09, '10, '11) exceed initial collections expectations.

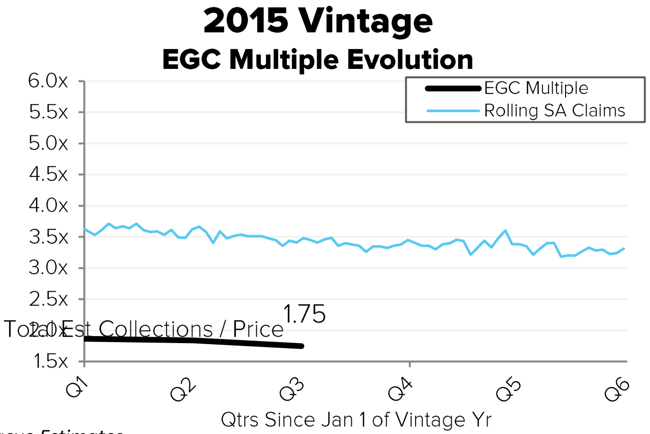
Source: SEC Filings, Hedgeye Estimates

JOBLESS CLAIMS AND COLLECTIONS





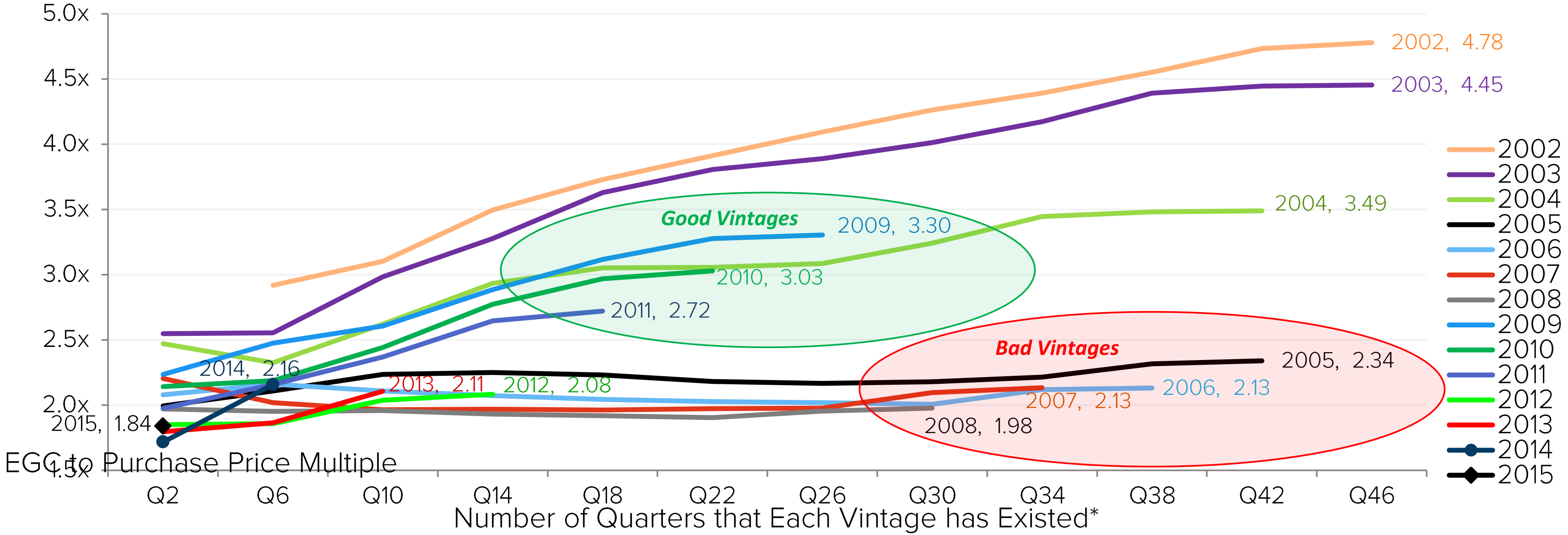




Source: SEC Filings, Hedgeye Estimates

With jobless claims at the historical trough, recent vintages are unlikely to improve.

EGC MULTIPLE EVOLUTION BY VINTAGE



*E.g. 2014's Q2 figure is the EGC multiple as of 2Q 2014.

Source: Company Filings, Hedgeye analysis

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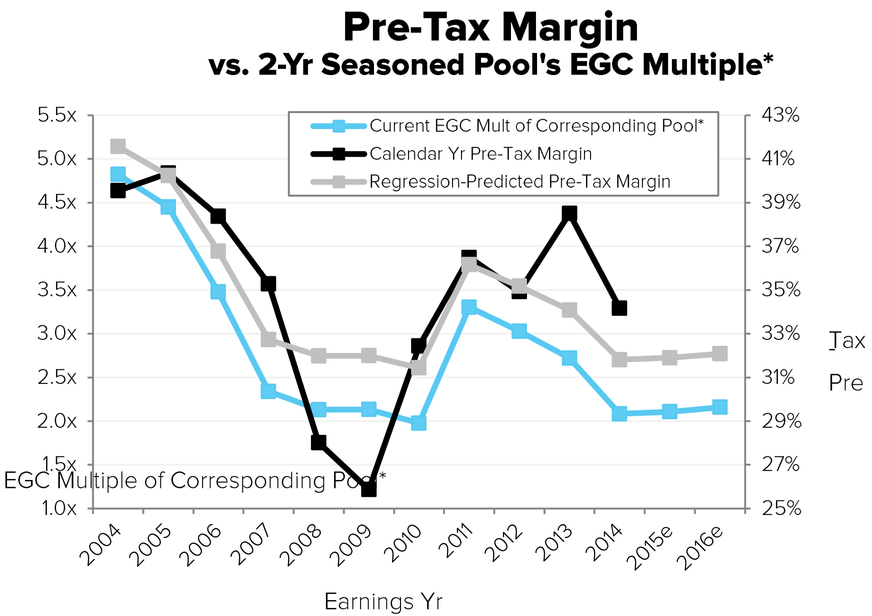
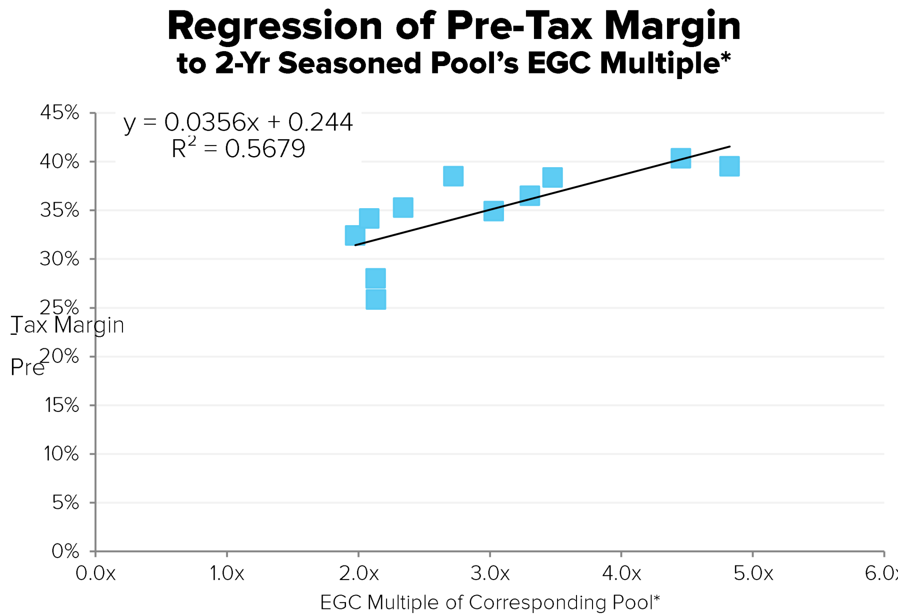
COMPARE 2005-2008 TO 2009-2011.

Vintages originated in the late cycle (when claims are at/near trough levels) (2005-2008) fail to generate improved performance (higher revenue) while those originated early cycle (claims → falling) (2009-2011) exceed initial collections expectations and lead to higher revenue & earnings.

MULTIPLES DRIVE MARGINS





*E.g. The 2009 margin lines up with the 2007 vintage EGC multiple.

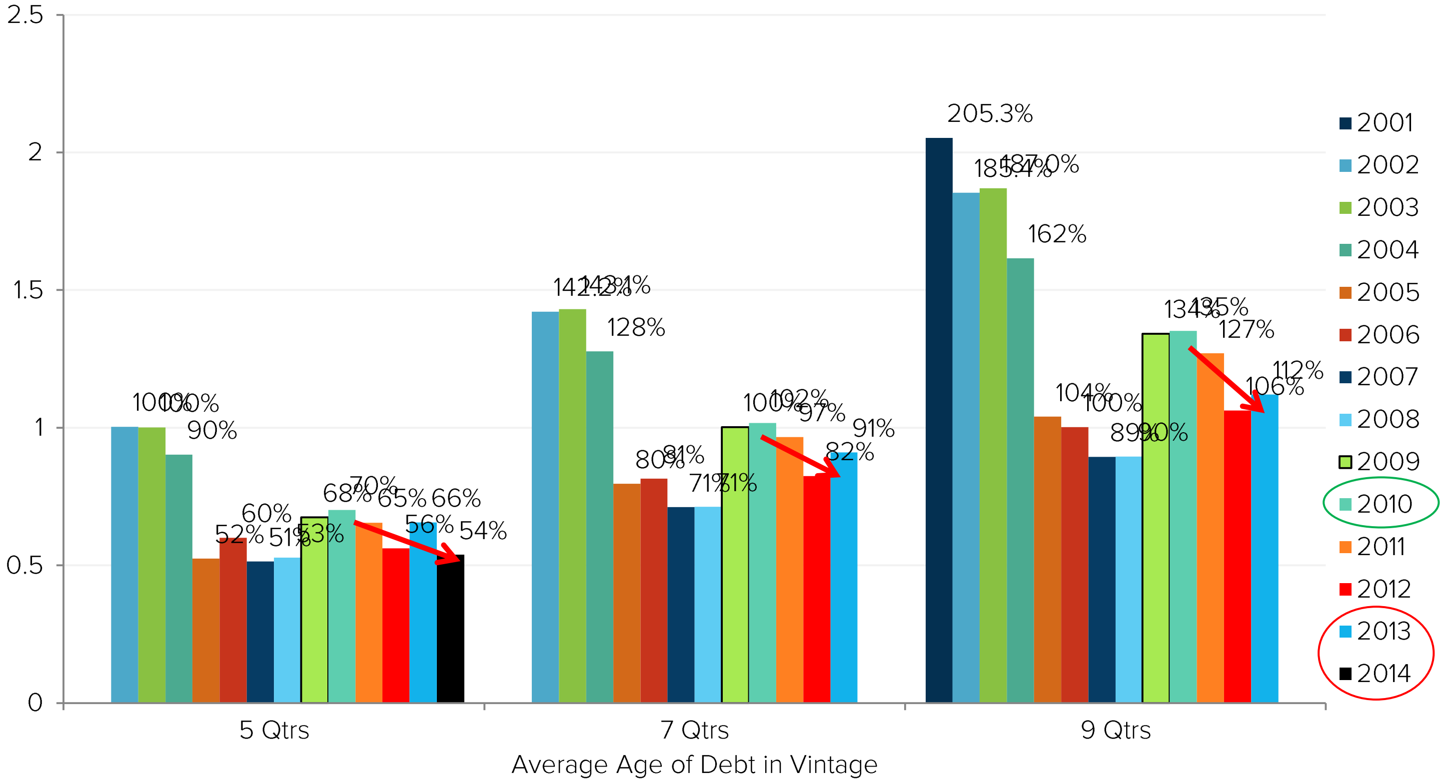
Source: Company filings

PRETAX MARGINS TEND TO FOLLOW VINTAGE EGC MULTIPLES ON A 2-YR LAG.

Looking back at vintages that did poorly, poor margins followed the inception of those vintages two years later. Multiples are now stagnating around cyclical lows, and margins should gravitate downward.

SLOWER COLLECTIONS → LOWER RETURNS

CUMULATIVE % OF PURCHASE PRICE COLLECTED



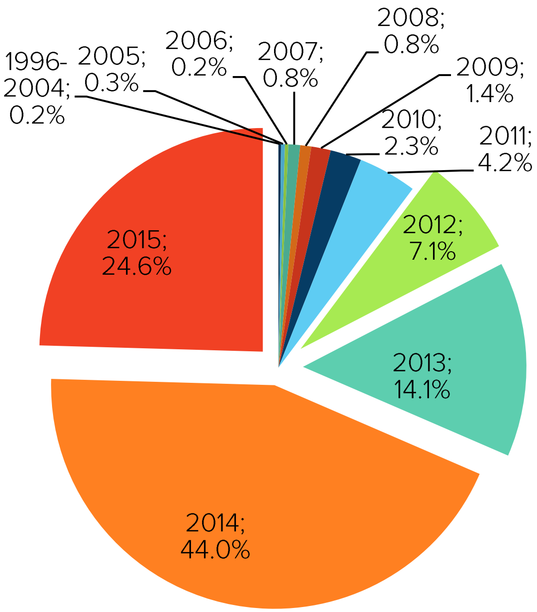
The speed at which PRA recovers its purchase price through collections is slowing.

At 5 qtrs of age, the 2014 vintage (2014V) recovery rate is 1600 bps lower than 2010V. At 9 qtrs, 2013V's rate is 2300 bps lower than 2010V.

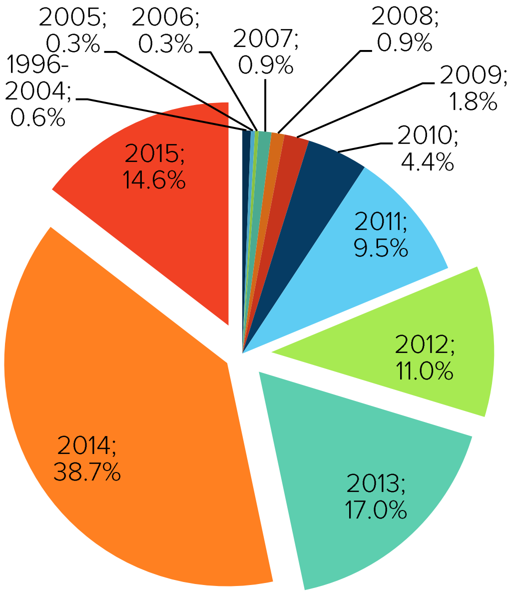
THE BULK OF PRA'S OPERATION

LESS LUCRATIVE VINTAGES INCREASINGLY ARE DRIVING PRA'S BUSINESS

% of ERC in Each Vintage



% of 3Q15 Collections from Each

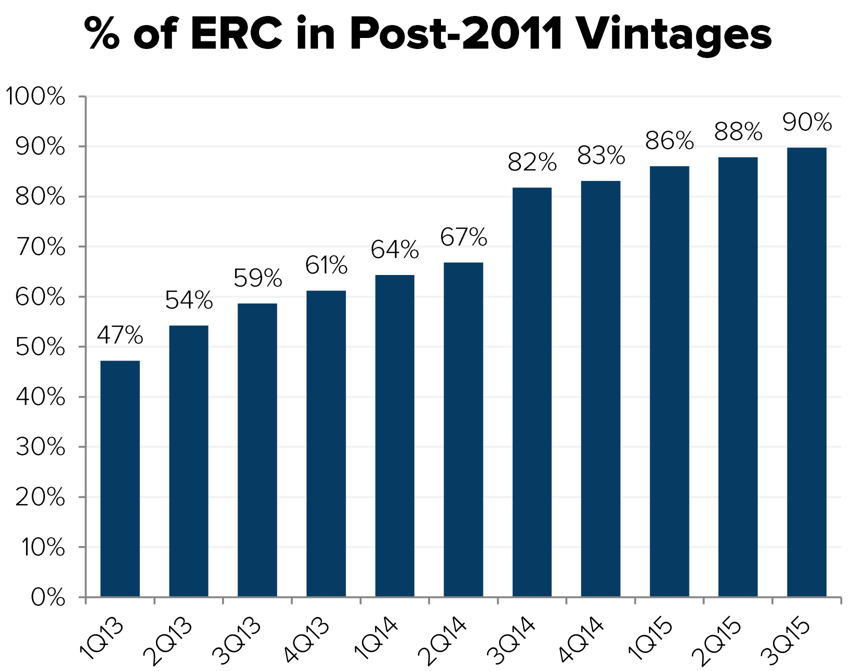


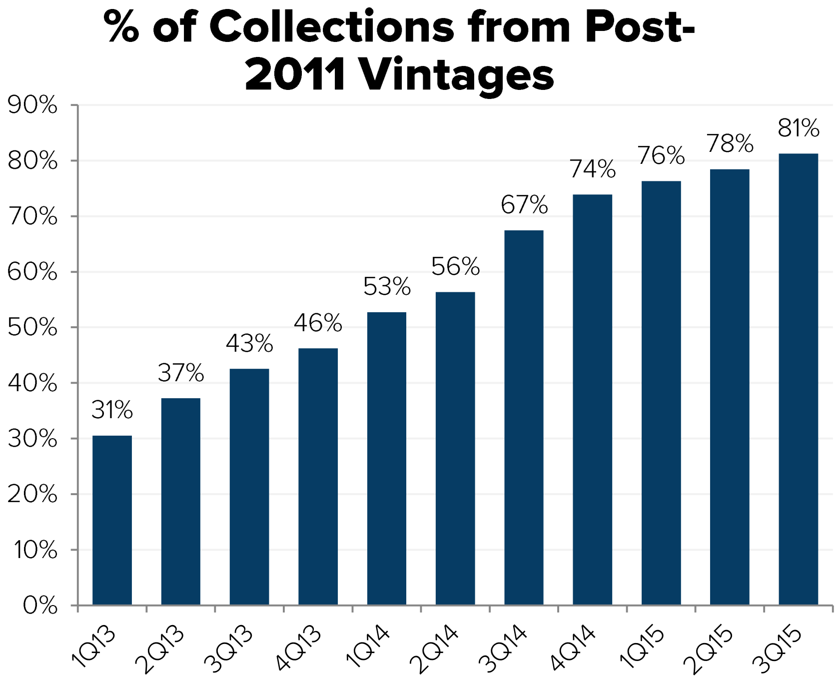
Source: Company filings

Recent vintages' returns are not as attractive as older vintages. PRA still has those older vintages to support earnings, but that support is dwindling.

- 88% of ERC is in post-2011 vintages
- 81% of 3Q15 cash collections came from post-2011 vintages

INCREASINGLY DRIVEN BY RECENT VINTAGES





Source: Company filings

As older vintages become a smaller part of PRA Group's business, expect less lucrative collections from newer vintages to put negative pressure on the firm's earnings.

INTEREST METHOD ACCOUNTING—101

PRAA's Goodwill Method	
Purchase price	1,888
Goodwill	507
Stated purchase price	1,380
Expected collections	3,052
Multiple	2.21

With Goodwill →

Year	0	1	2	3	4	5	6	7	Total
Investment flows	(1,380)	445	908	683	443	279	179	116	**1,671**
Annual Gross IRR	34%								
Revenue		463	469	322	201	120	67	29	**1,671**
Cost to collect		171	348	262	170	107	69	44	**1,171**
Interest expense		66	58	49	40	30	21	10	**273**
Pretax income		226	63	11	(9)	(17)	(22)	(26)	**227**
Net income		139	39	7	(5)	(11)	(14)	(16)	**139**

Source: SEC Filings, Hedgeye Estimates

Aggregate Purchase Price Method	
Purchase price	1,888
Goodwill	-
Stated purchase price	1,888
Expected collections	3,052
Multiple	1.62

Without Goodwill →

Year	0	1	2	3	4	5	6	7	Total
Investment flows	(1,888)	445	908	683	443	279	179	116	**1,164**
Annual Gross IRR	18%								
Revenue		344	326	220	135	79	43	18	**1,164**
Cost to collect		171	348	262	170	107	69	44	**1,171**
Interest expense		66	58	49	40	30	21	10	**273**
Pretax income		107	(80)	(91)	(75)	(58)	(46)	(37)	**(281)**
Net income		66	(49)	(56)	(46)	(36)	(29)	(23)	**(172)**

- **The tables show the '14 vintage with (above) & without (below) Goodwill.**
- **The combination of <u>Acquisitions</u> & <u>Interest Method</u> accounting creates the ultimate [bad] incentive to book purchase price as goodwill as it increases revenue & earnings. <u>The more goodwill → the higher the earnings!!</u>**

- The two collection streams to the left represent the same \$1,888mn investment.
- The cash payments and inflows from both calculations are the exact same.
- The top method excludes goodwill from the stated purchase price, increasing the IRR, revenue and **<u>net income to +\$139mn</u>**.
- The bottom method reflects goodwill as part of the purchase price, reducing IRR, revenue and **<u>net income to -\$172mn</u>**.

AKTIV'S MULTIPLE IN CONTEXT

"AKTIV" ACCOUNTING

	Europe 2014 Vintage	Total PRA 2014 Vintage
Price Recorded for Fin Receivables ($M)	810	1,380
GW Created by Aktiv ($M)	507	507
GW as % of Px	63%	37%
Total Price Paid ($M, 100% GW Reclassification)	1,318	1,888
EGC ($M)	1,943	3,052
Stated Multiple	2.40x	2.21x
Adjusted Multiple	1.47x	1.62x

$507 M revenue difference

As the previous slide shows, a vintage generates a lifetime net loss at a 1.62x multiple.

Source: SEC Filings, Hedgeye Estimates

- PRAA has few choices but to expand globally due to dwindling domestic supply.
- Our qualm is that by allocating 63% of the amount booked for Aktiv as Goodwill, PRAA has arguably inflated revenue and earnings by making the deal less expensive under GAAP.
- The effect is not small, as the delta with and without Goodwill is over $300mn.

AKTIV CAPITAL

- Norway-based collector acquired on July 16, 2014
- $1.3 billion EV
- PRAA booked $728 M of unamortized balance ("UAB") in finance receivables
- Booked $507 M of goodwill
- By PRAA's method, the Euro 2014V is at a 2.4x EGC multiple
- Removing goodwill and assuming the full purchase price, the EGC multiple is only 1.5x

INFLECTION POINT IN ALLOWANCES?

PRAA Allowances by Vintage

Calendar Year:	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015TD
Vintage											
1996-2004	200	275	705	1,180	(975)	(170)	(15)	-	-	-	-
2005	-	825	1,885	3,040	4,190	6,877	1,129	(4,258)	(2,933)	(2,665)	(40)
2006	-	-	340	7,170	4,860	7,045	1,000	2,100	(1,800)	(2,900)	(190)
2007	-	-	-	7,380	3,435	7,500	1,150	3,410	(2,195)	(3,160)	(250)
2008	-	-	-	620	16,125	3,900	6,900	5,300	2,800	(3,800)	(550)
2009	-	-	-	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-	325	2,540	1,120
2011	-	-	-	-	-	-	-	-	-	3,050	3,575
2012	-	-	-	-	-	-	-	-	-	896	10,550
2013	-	-	-	-	-	-	-	-	-	-	2,084
2014	-	-	-	-	-	-	-	-	-	1,104	1,551
2015	-	-	-	-	-	-	-	-	-	-	-
Total PRA Group	**200**	**1,100**	**2,930**	**19,390**	**27,635**	**25,152**	**10,164**	**6,552**	**(3,803)**	**(4,935)**	**17,850**

Source: SEC Filings

PRAA STOCK HAS DROPPED SIGNIFICANTLY FOLLOWING 3Q15 EARNINGS

Allowances, which represent collections the company no longer believes it can make, turned up sharply in the most recent quarter.

ALLOWANCES FOR PRACTICE CHANGES

REGULATORY ISSUES DROVE THE ALLOWANCE BUILD

Steve Fredrickson
Chairman and Chief Executive Officer

A

Yeah. So, Hugh, I think the way to think about this is related less specifically to the CFPB take and buy itself, and more holistically the regulatory issues that we're facing across the board as it relates especially to legal activity. So that would include things like the CFPB consent decree. It would include changes that we're seeing at the court level on document requirements, as well as what we're seeing from the OCC.

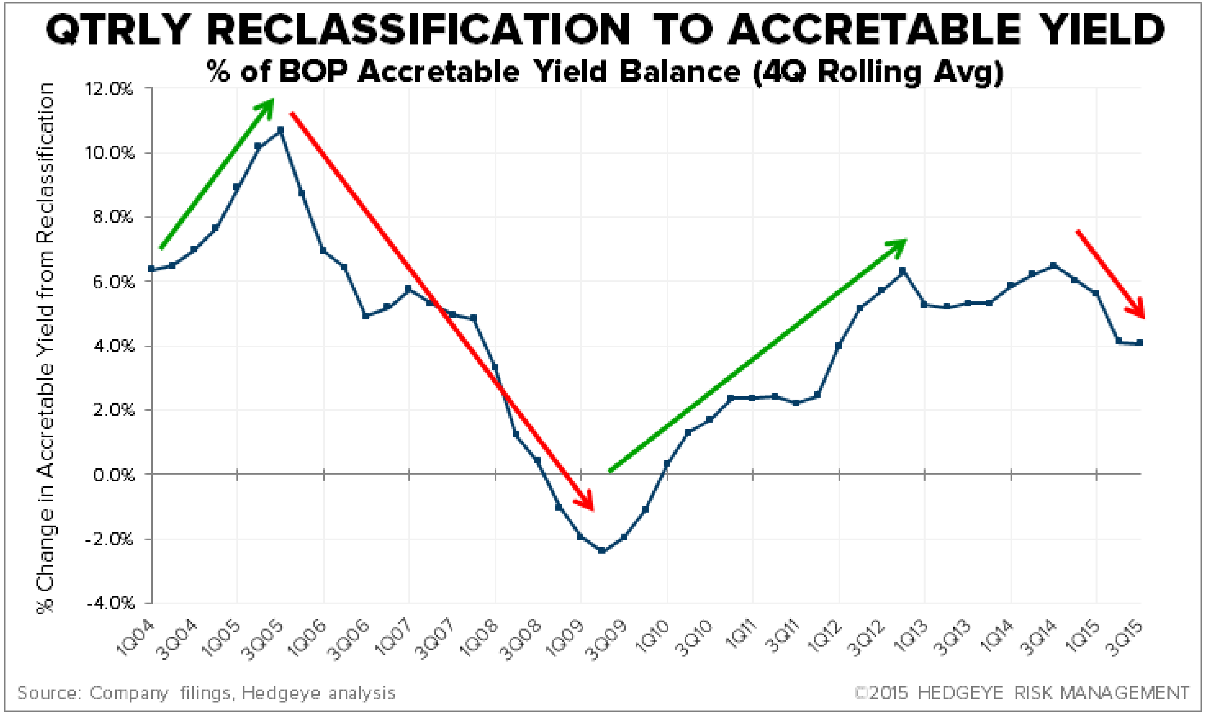
So those things taken together definitely influenced the allowance charge. But to parse it down to a specific number is a level of specificity that we just don't feel comfortable providing. We just don't think we can get a completely accurate number for you on that.

-3Q15 earnings call

- The cost of the evolving regulatory environment is a hot-button issue for investors. We've been vocal about the cost of business going up, and this is yet another (unexpected) facet on that front.

PRAA cited that it has taken $11.3 million in allowances charges, largely in its '10-'12 vintages. The allowance charge was influenced by the regulatory issues the company is facing.

MEANWHILE → MORE SIGNS OF SLOWING



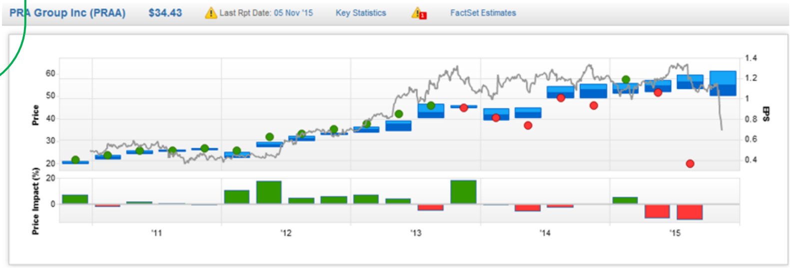
ARE ACCRETABLE YIELD TRENDS INFLECTING?

This chart shows the net reclassifications from nonaccretable difference on a 4Q rolling basis as a % of Beginning Balance. Two takeaways: A) The series autocorrelates. B) The series appears to be rolling over.

EARNINGS SURPRISE HISTORY

Period	Event Date	After Event	Mean	Surp (%)	Num of Est	Low	High	Price Imp (%)
Q3 2015	06-Nov-15	0.36	1.16	-69.0	5	1.10	1.23	-12.2
Q2 2015	11-Aug-15	1.06	1.13	-6.2	5	1.07	1.18	-11.2
Q1 2015	07-May-15	1.19	1.09	9.4	4	1.05	1.15	5.2
Q4 2014	03-Mar-15	0.93	1.09	-14.5	5	1.01	1.14	-1.1
Q3 2014	11-Nov-14	1.01	1.06	-4.7	3	1.01	1.12	-3.4
Q2 2014	06-Aug-14	0.74	0.87	-14.7	4	0.81	0.91	-6.1
Q1 2014	01-May-14	0.81	0.84	-4.0	6	0.79	0.90	-1.2
Q4 2013	20-Feb-14	0.91	0.92	-0.7	3	0.91	0.93	17.7
Q3 2013	31-Oct-13	0.93	0.87	7.2	6	0.81	0.95	-5.5
Q2 2013	31-Jul-13	0.85	0.75	13.6	6	0.69	0.78	3.6
Q1 2013	01-May-13	0.75	0.70	7.8	5	0.67	0.72	6.6
Q4 2012	14-Feb-13	0.70	0.66	5.9	4	0.65	0.67	5.4
Q3 2012	31-Oct-12	0.65	0.61	6.5	3	0.59	0.63	4.4
Q2 2012	02-Aug-12	0.62	0.55	13.3	4	0.53	0.57	17.4
Q1 2012	08-May-12	0.49	0.44	10.9	4	0.42	0.48	10.2
Q4 2011	17-Feb-12	0.51	0.50	1.8	4	0.50	0.51	-1.3
Q3 2011	28-Oct-11	0.49	0.49	0.7	5	0.48	0.50	0.6
Q2 2011	29-Jul-11	0.49	0.47	4.0	7	0.46	0.49	1.6
Q1 2011	05-May-11	0.45	0.43	4.3	7	0.41	0.45	-2.4
Q4 2010	16-Feb-11	0.40	0.37	7.0	6	0.36	0.39	6.9
Q3 2010	28-Oct-10	0.36	0.35	1.6	9	0.29	0.39	3.5
Q2 2010	30-Jul-10	0.38	0.31	23.2	10	0.29	0.32	3.9
Q1 2010	28-Apr-10	0.30	0.29	6.1	9	0.27	0.30	5.4
Q4 2009	12-Feb-10	0.27	0.23	17.4	4	0.22	0.24	18.3
Q3 2009	30-Oct-09	0.22	0.26	-15.6	9	0.24	0.27	-5.7
Q2 2009	30-Jul-09	0.25	0.24	3.8	9	0.23	0.26	7.5
Q1 2009	29-Apr-09	0.22	0.25	-13.4	11	0.22	0.28	-3.7
Q4 2008	13-Feb-09	0.23	0.23	-0.7	11	0.20	0.25	10.8
Q3 2008	30-Oct-08	0.25	0.26	-4.1	10	0.25	0.27	9.5
Q2 2008	30-Jul-08	0.25	0.27	-8.0	9	0.26	0.29	-4.2
Q1 2008	29-Apr-08	0.26	0.27	-3.9	8	0.25	0.29	5.5

Period	Event Date	After Event	Mean	Surp (%)	Num of Est	Low	High	Price Imp (%)
Q4 2007	21-Feb-	0.23	0.25	-6.2	6	0.23	0.27	0.2
Q3 2007	29-Oct-	0.27	0.27	-0.2	8	0.25	0.28	0.8
Q2 2007	24-Jul-	0.27	0.27	0.2	8	0.25	0.27	-2.6
Q1 2007	24-Apr-	0.27	0.26	3.5	7	0.25	0.27	1.0
Q4 2006	-	-	-	-	-	-	-	-
Q3 2006	31-Oct-	0.23	0.23	1.2	6	0.22	0.23	5.0
Q2 2006	03-Aug-	0.23	0.23	0.2	8	0.23	0.23	-2.3
Q1 2006	25-Apr-	0.22	0.21	5.3	8	0.17	0.23	0.5
Q4 2005	14-Feb-	0.19	0.19	4.0	8	0.17	0.19	2.4
Q3 2005	25-Oct-	0.19	0.18	6.1	6	0.17	0.19	-1.0
Q2 2005	26-Jul-	0.19	0.18	1.1	5	0.18	0.19	2.0
Q1 2005	21-Apr-	0.18	0.17	7.8	5	0.17	0.17	0.5
Q4 2004	22-Feb-	0.16	0.15	7.5	3	0.15	0.15	3.3
Q3 2004	21-Oct-	0.15	0.14	5.6	3	0.14	0.14	-1.2
Q2 2004	22-Jul-	0.14	0.13	10.3	3	0.13	0.13	0.9
Q1 2004	20-Apr-	0.13	0.12	3.6	3	0.12	0.12	-0.9
Q4 2003	10-Feb-	0.12	0.11	1.9	3	0.11	0.12	-7.6
Q3 2003	28-Oct-	0.12	0.11	1.9	3	0.11	0.12	13.8
Q2 2003	30-Jul-	0.11	0.10	5.3	3	0.10	0.11	-1.9
Q1 2003	23-Apr-	0.10	0.08	16.0	1	0.08	0.08	0.2



PRAA has missed earnings expectations in 7 of the last 8 quarters and the cycle hasn't even turned yet.

Source: FactSet

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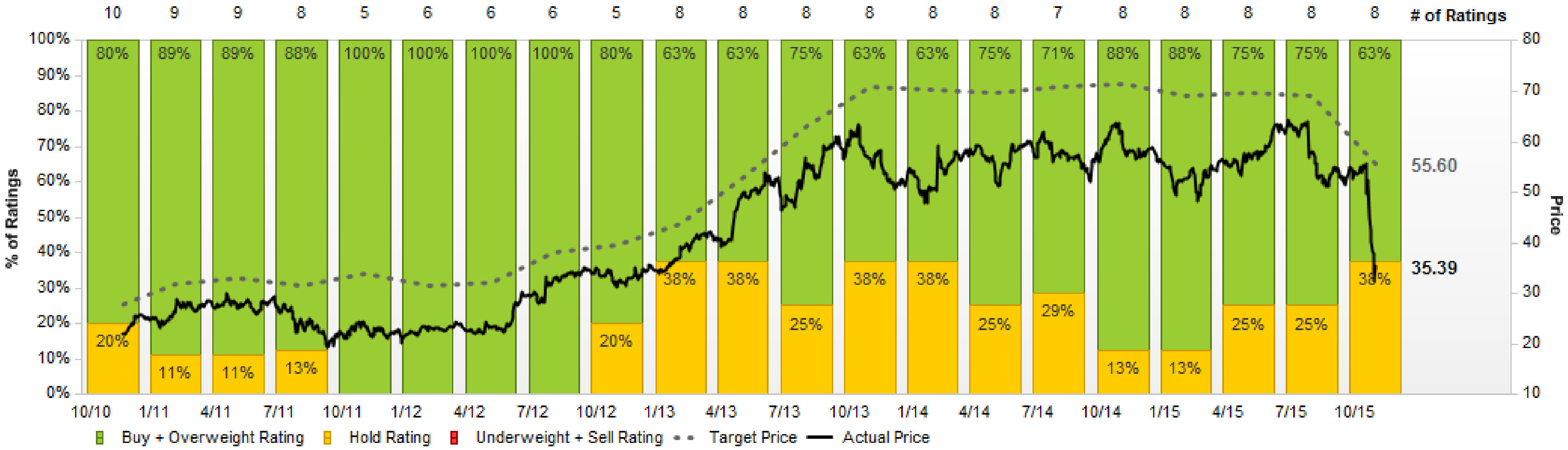
SELL SIDE SENTIMENT—STILL BULLISH

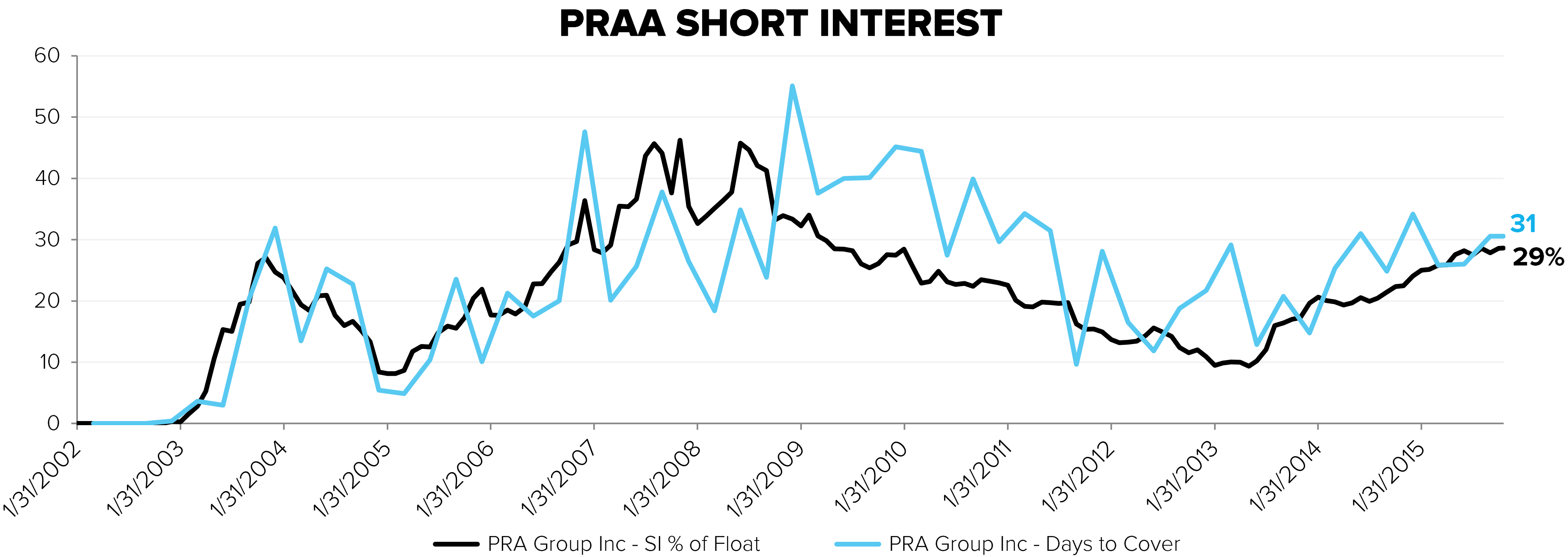


Source: FactSet

OF COURSE, 5 OUT OF 8 SELL SIDE ANALYSTS STILL SAY "BUY". THE OTHER 3 SAY "HOLD".

That was, up until this morning, when one more moved from Hold to Strong Buy.

BUY SIDE SENTIMENT — STILL BEARISH



Source: FactSet

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SHORT INTEREST IS HIGH

While there's no real change here (short interest has been high forever), this is a risk to our short thesis.

INSIDE SENTIMENT — STILL BEARISH

INSIDER SELLING HAS BEEN PERVASISVE. INSIDER BUYING NON-EXISTENT.

Breadth of concentrated selling is historically a good indication of trend/tail inflections.

INSIDE SENTIMENT — STILL BEARISH

Insider Trading History

PRA Group Inc

PRAA 69354N106 BSHZ3P9 NASDAQ Common stock

Insider Trading

Start Date: End of Last Year End Date: Latest

Date	Insider	Title	Transaction	Shares	Price	Value
16-Jul-15	OLSEN GEIR	CEO-PRA Group Europe	Disposition By Opt. Ex.	-439	$ 0.00	0
13-Jul-15	SCOTT JUDITH S	EVP-General Counsel,	Open Market Sale	-1,500	64.00	96,000
10-Jul-15	SCOTT JUDITH S	EVP-General Counsel,	Open Market Sale	-1,500	63.22	94,830
07-Jul-15	SCOTT JUDITH S	EVP-General Counsel,	Open Market Sale	-1,500	62.32	93,480
06-Jul-15	STERN NEAL	EVP of Operations	Open Market Sale	-3,512	62.37	219,043
06-Jul-15	SCOTT JUDITH S	EVP-General Counsel,	Open Market Sale	-1,500	62.43	93,645
01-Jul-15	FREDRICKSON STEVEN D	President, CEO,	Open Market Sale	-7,500	63.28	474,600
23-Jun-15	STERN NEAL	EVP of Operations	Open Market Sale	-3,902	62.88	245,358
19-Jun-15	GRAVES CHRISTOPHER B	EVP, Core Acquisitions	Open Market Sale	-5,000	62.01	310,050
16-Jun-15	GRAVES CHRISTOPHER B	EVP, Core Acquisitions	Open Market Sale	-4,000	59.76	239,040
08-Jun-15	STERN NEAL	EVP of Operations	Open Market Sale	-4,336	57.84	250,794
26-May-15	STERN NEAL	EVP of Operations	Open Market Sale	-4,818	57.82	278,577
08-May-15	GRAVES CHRISTOPHER B	EVP, Core Acquisitions	Open Market Sale	-4,000	57.76	231,040
09-Apr-15	GRAVES CHRISTOPHER B	EVP, Core Acquisitions	Open Market Sale	-12,000	56.27	675,240
31-Mar-15	PETIT MICHAEL J	Pres-Insolvency	Disposition By Opt. Ex.	-17,705	0.00	0
20-Mar-15	MCCAMMON PETER KENT	EVP-Strategy and	Open Market Sale	-5,000	54.13	270,650
20-Mar-15	MCCAMMON PETER KENT	EVP-Strategy and	Open Market Sale	-5,000	54.19	270,950
20-Mar-15	MCCAMMON PETER KENT	EVP-Strategy and	Open Market Sale	-5,000	54.34	271,700
09-Mar-15	GRAVES CHRISTOPHER B	EVP, Core Acquisitions	Disposition By Opt. Ex.	-6,291	0.00	0
09-Mar-15	PETIT MICHAEL J	Pres-Insolvency	Disposition By Opt. Ex.	-10,622	0.00	0
09-Mar-15	STERN NEAL	EVP of Operations	Disposition By Opt. Ex.	-8,253	0.00	0
09-Mar-15	MCCAMMON PETER KENT	EVP-Strategy and	Disposition By Opt. Ex.	-6,700	0.00	0
09-Mar-15	SCOTT JUDITH S	EVP-General Counsel,	Disposition By Opt. Ex.	-4,238	0.00	0
09-Mar-15	FREDRICKSON STEVEN D	President, CEO,	Disposition By Opt. Ex.	-35,410	0.00	0
09-Mar-15	STEVENSON KEVIN P	EVP, CFO, Treasurer,	Disposition By Opt. Ex.	-10,622	0.00	0

Current Identifier: 69354N10

GETTING OUT OF THE WAY

Year to date, there have been numerous Form 4 executives at PRA Group who have unloaded significant holdings in open market transactions.

3. REGULATORY RISK

FAIR DEBT COLLECTION PRACTICES ACT

IT ALL STARTED HERE ...

- Congress enacted the FDCPA in 1977 to protect consumers against abusive and deceptive debt collection practices.
- The <u>**FTC was granted authority to enforce** </u>the FDCPA rules. However, the FDCPA prohibited the FTC from issuing rules with respect to the collection of debts by debt collectors.
- **In 2010, the Dodd-Frank Act created the Consumer Financial Protection Bureau (CFPB), the first Federal agency with authority to issue comprehensive rules for debt collectors.**

[1]*CFPB ANPR* 78 FR 67847*, citing 15 U.S.C. 1692l(d) November 12, 2013*

CFPB – "REGULATION F"

BUT NOW THERE'S A NEW SHERIFF IN TOWN

- **<u>The CFPB is expected to roll out its new regulations for the debt collection industry some time in 2016.</u>**

- While it's unclear exactly what the new rules will entail, it looks likely that they'll revolve around the following key areas:
  - Verifying the accuracy of information being transferred from debt sellers to debt buyers.
  - Ensuring that debtors have a better understanding of their rights in dealing with debt collectors.
  - Enforcing compliance vis-à-vis communication methods with debtors.

- The comment period ended on February 28, 2014.
- The next step is for the CFPB to convene a **Small Business Advocacy Review (SBAR) panel**
- Pre-rule activities (analyzing comments and drafting the rules) are scheduled to last until **December 2015**.

CFPB Debt Collection Rules May Move in Unprecedented Direction

by RACHEL WITKOWSKI
NOV 6, 2013 12:01am ET

PRINT
EMAIL
REPRINTS

WASHINGTON — The Consumer Financial Protection Bureau is considering new rules to govern debt collection practices that could for the first time include banks and

Rick Reinhard

Debt collection is quickly becoming the topic that draws the most complaints of all the consumer financial products, CFPB Director Cordray said.

OCC

OFFICE OF THE COMPTROLLER OF THE CURRENCY

August 2014

- **Provided explicit guidance on its expectations for banks that engage in debt sales**
  - Ensure sufficient internal policies to govern debt-sale arrangements
  - Perform appropriate due diligence when selecting a debt buyer
  - Ensure all important considerations are covered in debt-sale arrangements
  - Provide accurate and comprehensive information regarding each debt sold
  - Understand that certain types of debt are inappropriate for sale
  - Comply with applicable laws
  - Implement appropriate oversight of the debt-sale arrangement
- **The OCC will take enforcement action when warranted upon discovery of ineffective debt sales controls.**

REGULATORY SMACKDOWN

THE COST OF DOING BUSINESS IS GOING UP

- **OCC:** The OCC has issued new guidelines for sellers of bad debt, further shriveling an already small market.
- **CFPB**: The CFPB is going to roll out new regulations, expected in 2016. The costs and compliance burden of these new regulations are yet to be determined. However, the Bureau's recent enforcement actions against PRA Group and Encore Capital Group provide a preview on a few areas of focus.
  - E.g. Legitimacy of debt
  - Integrity of litigation practices
  - Harassment in collection practices
- **Other**: There are also interesting developments on the courtroom front. For instance:

AMERICAN BANKER

Top New York Judge Toughens Debt-Collection Lawsuit Rules

by Maria Aspan
APR 30, 2014 6:39pm ET

State Courts Join Widening Debt-Collection Crackdown

by MARIA ASPAN
MAY 8, 2014 2:51pm ET

PRINT
EMAIL
REPRINTS
COMMENT (1)

State courts around the country are starting to reform the ways they handle lawsuits over unpaid bills, widening the regulatory overhaul of banks' and third parties' debt-collection practices.

JUDICIAL REVIEW: New York's Lippman (left) wants his proposed reforms to create a "fair and equitable" process for debt-collection lawsuits. Maryland's Morrissey says the state's courts have "made numerous changes" to its controversial resolution dockets.

ENFORCEMENT ACTION SEPTEMBER 9, 2015

PRA GROUP VIOLATIONS

- Attempted to collect on unsubstantiated or inaccurate debt.
  - E.g. Debt sellers notified PRAA that balances were approximate, but PRAA collected on the debt without investigating accuracy or enforceability
- Misled debtors to believe they were at risk of being sued
- Filed deceiving and robo-signed affidavits
- Misled debtors to making payments past the statute of limitations
- Engaged in abusive collection practices

ENFORCEMENT ACTION

- Pay $19 million in refunds
- Cease collection on debt amounting to $3.4 million in face value

PRA's violations are examples of practices that increased profitability in the past but which **it can no longer employ**.

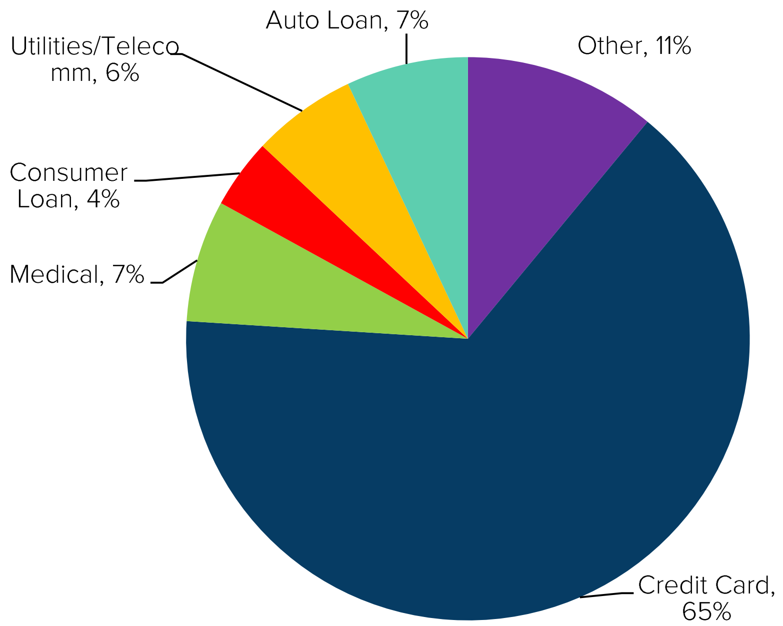
Expect PRA's **cost to collect** and **collection efficiency to decrease** as it complies with new standards and regulations.

INDUSTRY 101

MARKET COMPOSITION

Type of Debt Acquired by Large Debt Buyers

(% of Total Face Value)



Top 10 Buyers of Credit Card Debt in 2013				
	Direct		Total	
Buyer	Purchases	Change	Purchases	Change
Sherman Financial Group	4,299	-53%	6,230	-45%
Portfolio Recovery	3,960	-27%	7,860	18%
SquareTwo Financial	3,000	-12%	3,000	-25%
Encore Capital	2,820	-64%	71,300	285%
Ophrys	2,815	2%	3,860	20%
Unifund	650	-38%	1,400	33%
Fourscore	401	-45%	1,145	-27%
JH Capital Group	244	-42%	542	-21%
Oliphant Financial	244	54%	263	-27%
Atlantic Credit & Finance	146	-56%	414	-14%
Other	337		2,024	
Total	**18,915**	**-47%**	**98,039**	**76%**

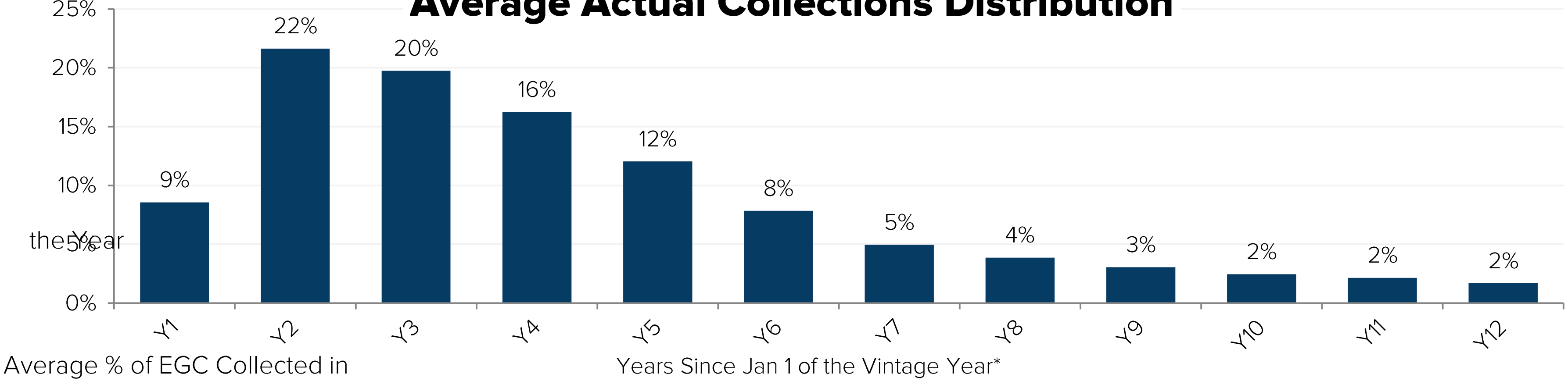
THE TEN BIGGEST DEBT PURCHASERS BOUGHT 98% OF THE MARKET IN 2013.

Source: The Structure and Practices of the Debt Buying Industry, FTC 2013

COLLECTION SCHEDULE

- PRA estimates collections occur over an 7-to-10-year period.
  - Actual collections extend out as far as 12+ yrs
- Most collections occur in the first few years.
- Collection success dwindles in later years as PRA exhausts potential collections from the debtors who are likely to pay.

Average Actual Collections Distribution



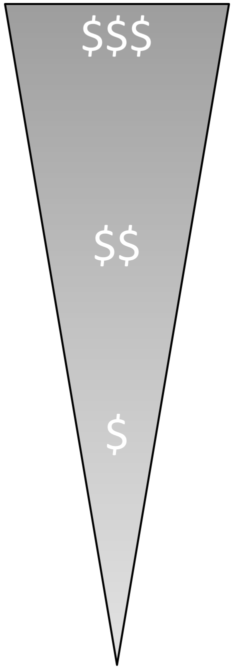
*E.g. Y1 for 2014V represents collections from Jan 1 2014 through Dec 31, 2014 for the 2014 vintage

Source: Company filings

CHARGE-OFF PRICES

Given that later collections are less successful, older charge-offs are less expensive

Price/Face Value



Fresh debt ≤ 6 months in age

Original creditors made no collection attempt post charge-off

Primary debt Up to 12 months

Original creditors attempted to collect through a third-party collector

Secondary and tertiary debt

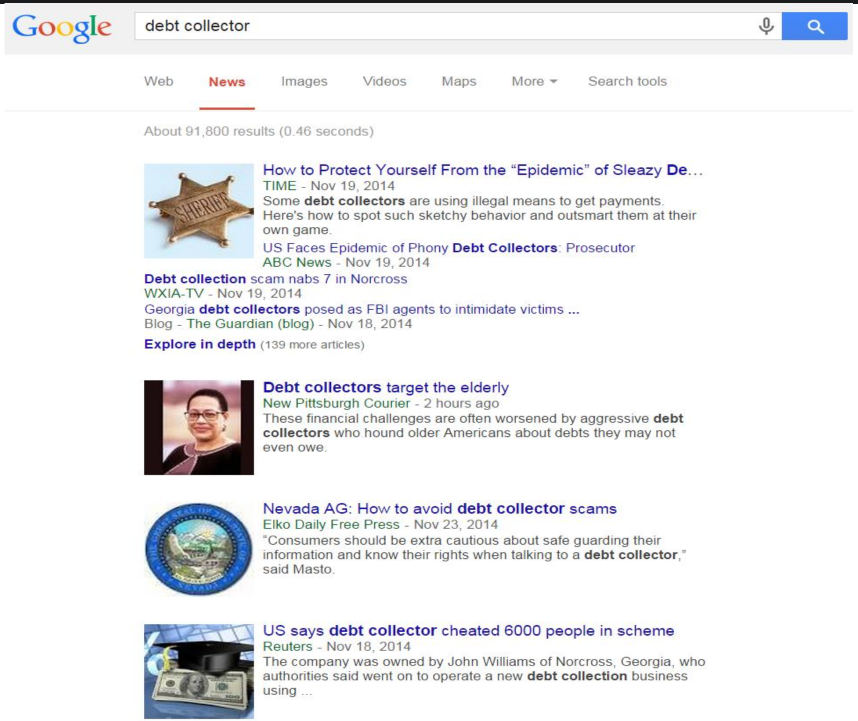
18 and 30 months, respectively

Original creditors attempted to collect through two or more third parties

THIS MIGHT BE OUR FAVORITE SLIDE

Customer Focused

- Foster a consistent, long-term relationship
- Work with a customer in a patient way to resolve their unpaid debt
- No fees or interest[a] are charged on domestic accounts, fixing the amount customers will repay over time
- No resale of accounts - treat our customers with respect and not like traded securities



PRA IS A DEBT COLLECTOR

APPENDIX

DECREASED SALES BY BANKS—DETAILS

J.P. MORGAN CHASE (~19% OF CARD OUTSTANDINGS) [1,2]

– JPMorgan has halted most debt sales to third party collectors.
– Bank executives cited reputational concerns regarding debt sales.
– 2013 court records showed Chase debt sales dropping off.
– Collections industry observers noted that Chase stopped its regular credit card debt sales in 2013.
– JPM is involved in an ongoing lawsuit with California regarding unlawful debt collection practices.

WELLS FARGO (~5% OF CARD OUTSTANDINGS) [3,4]

– Stopped renewing its contracts with debt buyers in mid-2012.
– Alex Dunlap, Wells' former head of debt sales departed the bank in July 2013 due to its lack of debt sales activity.

CITIGROUP (~13% OF CARD OUTSTANDINGS) [3]

– Slowed sales of charged-off consumer loans to third-party buyers.

[1] *Chase Halts Card Debt Sales Ahead of Crackdown*, American Banker, July 2013
[2] *Calif. Rips Chase's Defenses in Abusive Debt-Collection Row, Law 360, April 2014*
[3] *Wells Fargo Halts Card Debt Sales*, American Banker, July 2013
[4] *Wells Fargo's Head of Debt Sales Departs*, American Banker, August 2013

FOR MORE INFORMATION, CONTACT US AT:

SALES@HEDGEYE.COM
(203) 562-6500