

PRA GROUP INC
 Form 10-Q
 August 10, 2015
 UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-50058

PRA Group, Inc.
 (Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	75-3078675 (I.R.S. Employer Identification No.)
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120 Corporate Boulevard, Norfolk, Virginia (Address of principal executive offices) (888) 772-7326 (Registrant's telephone number, including area code)	23502 (zip code)
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of August 5, 2015
Common Stock, \$0.01 par value	48,336,415

PRA GROUP, INC.
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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

PRA GROUP, INC.

CONSOLIDATED BALANCE SHEETS

June 30, 2015 and December 31, 2014

(unaudited)

(Amounts in thousands, except per share amounts)

	June 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$56,811	\$39,661
Investments	88,295	89,703
Finance receivables, net	2,012,552	2,001,790
Other receivables, net	18,443	12,959
Income taxes receivable	1,580	—
Net deferred tax asset	125	6,126
Property and equipment, net	46,215	48,258
Goodwill	503,001	527,445
Intangible assets, net	9,450	10,933
Other assets	47,284	41,876
Total assets	\$2,783,756	\$2,778,751
Liabilities and Equity		
Liabilities:		
Accounts payable	\$3,933	\$4,446
Accrued expenses	77,007	89,361
Income taxes payable	9,758	11,020
Other liabilities	5,933	5,962
Net deferred tax liability	252,638	255,587
Interest bearing deposits	33,248	27,704
Borrowings	1,503,363	1,482,456
Total liabilities	1,885,880	1,876,536
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, par value \$0.01, authorized shares, 2,000, issued and outstanding shares - 0	—	—
Common stock, par value \$0.01, 100,000 authorized shares, 48,333 issued and outstanding shares at June 30, 2015, and 49,577 issued and outstanding shares at December 31, 2014	483	496
Additional paid-in capital	35,360	111,659
Retained earnings	1,015,570	906,010
Accumulated other comprehensive (loss)	(153,537) (115,950
Total stockholders' equity	897,876	902,215
Total liabilities and equity	\$2,783,756	\$2,778,751

The accompanying notes are an integral part of these consolidated financial statements.

PRA GROUP, INC.

CONSOLIDATED INCOME STATEMENTS

For the three and six months ended June 30, 2015 and 2014

(unaudited)

(Amounts in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Income recognized on finance receivables, net	\$220,064	\$182,518	\$448,467	\$360,488
Fee income	13,878	14,510	26,931	30,118
Other revenue	3,255	315	7,005	659
Total revenues	237,197	197,343	482,403	391,265
Operating expenses:				
Compensation and employee services	68,320	52,461	133,591	103,846
Legal collection fees	14,114	11,371	27,805	22,204
Legal collection costs	19,556	25,429	40,410	51,962
Agent fees	7,784	1,464	16,045	2,914
Outside fees and services	12,466	12,113	25,263	22,904
Communication	8,073	7,765	18,491	16,728
Rent and occupancy	3,479	2,411	7,039	4,749
Depreciation and amortization	4,916	4,211	9,526	8,158
Other operating expenses	9,610	7,681	19,188	13,781
Total operating expenses	148,318	124,906	297,358	247,246
Income from operations	88,879	72,437	185,045	144,019
Other income and (expense):				
Interest expense	(13,452)	(5,067)	(28,228)	(9,926)
Net foreign currency transaction gain/(loss)	3,584	(6,197)	10,373	(6,189)
Income before income taxes	79,011	61,173	167,190	127,904
Provision for income taxes	27,586	23,666	57,630	49,557
Net income	\$51,425	\$37,507	\$109,560	\$78,347
Net income per common share:				
Basic	\$1.06	\$0.75	\$2.26	\$1.57
Diluted	\$1.06	\$0.74	\$2.25	\$1.55
Weighted average number of shares outstanding:				
Basic	48,325	50,065	48,525	49,997
Diluted	48,529	50,437	48,790	50,400

The accompanying notes are an integral part of these consolidated financial statements.

PRA GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and six months ended June 30, 2015 and 2014

(unaudited)

(Amounts in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$51,425	\$37,507	\$109,560	\$78,347
Other comprehensive income/(loss):				
Change in foreign currency translation, net of tax	25,112	1,911	(37,587)) 2,359
Total other comprehensive income/(loss)	25,112	1,911	(37,587)) 2,359
Comprehensive income	\$76,537	\$39,418	\$71,973	\$80,706

The accompanying notes are an integral part of these consolidated financial statements.

PRA GROUP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

For the six months ended June 30, 2015

(unaudited)

(Amounts in thousands)

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Paid-in	Earnings	Other	Stockholders'
			Capital		Comprehensive	Equity
					Loss	
Balance at December 31, 2014	49,577	\$496	\$111,659	\$906,010	\$ (115,950)	\$902,215
Components of comprehensive income:						
Net income	—	—	—	109,560	—	109,560
Foreign currency translation adjustment	—	—	—	—	(37,587)	(37,587)
Vesting of nonvested shares	234	2	(2)	—	—	—
Repurchase and cancellation of common stock	(1,478)	(15)	(77,787)	—	—	(77,802)
Amortization of share-based compensation	—	—	7,665	—	—	7,665
Income tax benefit from share-based compensation	—	—	4,140	—	—	4,140
Employee stock relinquished for payment of taxes	—	—	(10,315)	—	—	(10,315)
Balance at June 30, 2015	48,333	\$483	\$35,360	\$1,015,570	\$ (153,537)	\$897,876

The accompanying notes are an integral part of these consolidated financial statements.

PRA GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2015