

PRA GROUP INC

Form 10-K

March 12, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-K

ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2018

¨ 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

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PRA Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

75-3078675

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

120 Corporate Boulevard, Norfolk, Virginia

23502

(888) 772-7326

(Address of principal executive offices)

(Zip Code)

(Registrant's Telephone No., including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, \$0.01 par value per share NASDAQ Global Select Market

(Title of Class)

(Name of Exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. YES ☐ NO ☒

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 every Interactive Data File required to be submitted 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 such files). YES ☐ NO ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ (Do not check if a smaller reporting company) Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐

YES " NO b

The aggregate market value of the common stock held by non-affiliates of the registrant as of June 30, 2018 was \$1,705,630,140 based on the \$38.55 closing price as reported on the NASDAQ Global Select Market.

The number of shares of the registrant's Common Stock outstanding as of March 6, 2019 was 45,325,738.

Documents incorporated by reference: Portions of the Registrant's definitive Proxy Statement for its 2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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Cautionary Statements Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

This report contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements involve risks, uncertainties and assumptions that could cause our results to differ materially from those expressed or implied by such forward-looking statements. All statements, other than statements of historical fact, are forward-looking statements, including statements regarding overall cash collection trends, gross margin trends, operating cost trends, liquidity and capital needs and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The risks, uncertainties and assumptions referred to above may include the following:

- a prolonged economic recovery or a deterioration in the economic or inflationary environment in the Americas or Europe, including the interest rate environment;
- changes in the credit or capital markets, which affect our ability to borrow money or raise capital;
- our ability to replace our portfolios of nonperforming loans with additional portfolios;
- our ability to purchase nonperforming loans at appropriate prices;
- changes in, or interpretations of, federal, state, local, or foreign laws or the administrative practices of various bankruptcy courts, which may impact our ability to collect on our nonperforming loans;
- our ability to collect sufficient amounts on our nonperforming loans;
- the possibility that we could incur significant allowance charges on our finance receivables;
- changes in, or interpretations of, bankruptcy or collection laws that could negatively affect our business, including by causing an increase in certain types of bankruptcy filings involving liquidations, which may cause our collections to decrease;
- our ability to manage risks associated with our international operations;
- changes in tax laws and interpretations regarding earnings of our domestic and foreign operations;
- the impact of the Tax Cuts and Jobs Act ("Tax Act") including interpretations and determinations by tax authorities;
- the possibility that we could incur goodwill or other intangible asset impairment charges;
- adverse effects from the vote by the United Kingdom ("UK") to leave the European Union ("EU");
- adverse outcomes in pending litigation or administrative proceedings;
- our loss contingency accruals may not be adequate to cover actual losses;
- the possibility that class action suits and other litigation could divert management's attention and increase our expenses;
- the possibility that we could incur business or technology disruptions or cyber incidents;
- our ability to collect and enforce our nonperforming loans may be limited under federal, state, local and foreign laws;
- our ability to comply with existing and new regulations of the collection industry, the failure of which could result in penalties, fines, litigation, damage to our reputation, or the suspension or termination of or required modification to our ability to conduct our business;
- investigations or enforcement actions by governmental authorities, including the Consumer Financial Protection Bureau ("CFPB"), which could result in changes to our business practices, negatively impact our portfolio purchasing volume, make collection of account balances more difficult or expose us to the risk of fines, penalties, restitution payments, and litigation;
- the ability of our European operations to comply with the provisions of the General Data Protection Regulation ("GDPR");
- the possibility that compliance with foreign and United States ("U.S.") laws and regulations that apply to our international operations could increase our cost of doing business in international jurisdictions;
- our ability to raise the funds necessary to repurchase the convertible senior notes or to settle conversions in cash;
- our ability to expand, renegotiate or replace our credit facilities and our ability to comply with the covenants under our financing arrangements;
- changes in interest or exchange rates, which could reduce our net income, and the possibility that future hedging strategies may not be successful, which could adversely affect our results of operations and financial condition;
- the possibility that the adoption of future accounting standards could negatively impact our business; and
- the risk factors discussed herein and in our other filings with the Securities and Exchange Commission ("SEC").

You should assume that the information appearing in this Annual Report on Form 10-K ("Form 10-K") is accurate only as of the date it was issued. Our business, financial condition, results of operations and prospects may have changed since that date.

You should carefully consider the factors listed above and review the "Risk Factors" section beginning on page 9, as well as the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section beginning on page 24 and the "Business" section beginning on page 5.

Our forward-looking statements could be wrong in light of these and other risks, uncertainties and assumptions. The future events, developments or results described in, or implied by, this Form 10-K could turn out to be materially different. Except as required by law, we assume no obligation to publicly update or revise our forward-looking statements after the date of this Form 10-K and you should not expect us to do so.

Investors should also be aware that while we do, from time to time, communicate with securities analysts and others, we do not, by policy, selectively disclose to them any material nonpublic information or other confidential commercial information. Accordingly, investors should not assume that we agree with any statement or report issued by any analyst regardless of the content of the statement or report. We do not, by policy, confirm forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

## PART I

### Item 1. Business.

#### General

Headquartered in Norfolk, Virginia and incorporated in Delaware, we are a global financial and business services company with operations in the Americas and Europe.

Our primary business is the purchase, collection and management of portfolios of nonperforming loans. The accounts we acquire are primarily the unpaid obligations of individuals owed to credit grantors, which include banks and other types of consumer, retail, and auto finance companies. We acquire portfolios of nonperforming loans in two broad categories: Core and Insolvency. Our Core operation specializes in purchasing and collecting nonperforming loans, which we purchased at a discount to face value since either the credit grantor and/or other third-party collection agencies have been unsuccessful in collecting the full balance owed. Our Insolvency operation consists primarily of purchasing and collecting on nonperforming loan accounts where the customer is involved in a bankruptcy proceeding. We also provide fee-based services on class action claims recoveries and by servicing consumer bankruptcy accounts in the U.S.

We have one reportable segment, accounts receivable management, based on similarities among the operating units, including the nature of the products and services, the nature of the production processes, the types or classes of customers for our products and services, the methods used to distribute our products and services, and the nature of the regulatory environment.

We were initially formed as Portfolio Recovery Associates, L.L.C., a Delaware limited liability company, on March 20, 1996. We formed Portfolio Recovery Associates, Inc. in August 2002 in order to become a publicly traded company and our common stock began trading on the NASDAQ Global Select Market ("NASDAQ") on November 8, 2002. We changed our legal name to PRA Group, Inc. on October 23, 2014.

We acquired Aktiv Kapital AS ("Aktiv"), a Norway-based company specializing in the purchase, collection and management of portfolios of nonperforming loans throughout Europe and Canada, on July 16, 2014. On April 26, 2016, we acquired DTP S.A. ("DTP"), a Polish-based debt collection company, further building our in-house collection efforts in Poland.

We expanded into South America on August 3, 2015 by acquiring 55% of the equity interest in RCB Investimentos S.A. ("RCB"), a servicing platform for nonperforming loans in Brazil, with the remaining 45% of the equity interest retained by the executive team and previous owners of RCB. On December 20, 2018, we entered into a strategic partnership with Banco Bradesco S.A. ("Bradesco"), under which Bradesco purchased 79% of our interest in RCB's servicing platform. RCB will continue to be operated by RCB's founders together with Bradesco. PRA retained an 11.7% equity interest in RCB's servicing platform. The sale did not impact the nonperforming loan purchasing business that we have established in Brazil in partnership with the previous owners of RCB, as it was not part of the sale to Bradesco. Accordingly, we will continue to use RCB to service our portfolios of nonperforming loans in South America.

All references in this Form 10-K to the "PRA Group," "our," "we," "us," the "Company" or similar terms are to PRA Group, Inc. and its subsidiaries.

#### Nonperforming Loan Portfolio Purchases

To identify buying opportunities, we maintain an extensive marketing effort with our senior officers contacting known and prospective sellers of nonperforming loans. From these sellers, we have purchased a variety of nonperforming loans including Visa® and MasterCard® credit cards, private label and other credit cards, installment loans, lines of credit, deficiency balances of various types, legal judgments, and trade payables. Sellers of nonperforming loans include major banks, credit unions, consumer finance companies, telecommunication providers, retailers, utilities,



automobile finance companies, student loan companies, and other debt owners. The price at which we acquire portfolios depends on the age of the portfolio, whether it is a Core or Insolvency portfolio, geographic distribution, the seller's selection criteria, our historical experience with a certain asset type or credit grantor, and other similar factors.

#### Nonperforming Loan Portfolio Purchasing Process

We acquire portfolios of nonperforming loans from credit grantors through auctions and negotiated sales. In an auction process, the seller will assemble a portfolio of nonperforming loans and will seek purchase prices from specifically invited potential purchasers. In a privately negotiated sale process, the credit grantor will contact one or more purchasers directly, receive a bid, and negotiate the terms of sale. In either case, typically, invited purchasers will have already successfully completed a qualification process that can include the seller's review of any or all of the following: the purchaser's experience, reputation, financial standing, operating procedures, business practices, and compliance oversight.

We acquire portfolios of nonperforming loans through either single portfolio transactions, referred to as spot sales, or through the pre-arranged purchase of multiple portfolios over time, referred to as forward flow sales. Under a forward flow contract, we agree to purchase nonperforming loans from credit grantors on a periodic basis, at a price equal to a set percentage of face value of the nonperforming loans over a specified time period, generally from three to twelve months.

#### Nonperforming Loan Portfolio Collection Operations

##### Call Center Operations

In higher volume markets, our collection efforts leverage internally staffed call centers. In some newer markets or in markets that have less consistent debt purchasing patterns, most notably outside the U.S., we may utilize external vendors to do some of this work. Whether the accounts are being worked internally or externally, we utilize our proprietary analysis to proportionally direct work efforts to those customers most likely to pay. The analysis driving those decisions relies on various models and variables that have the highest correlation to profitable collections from call activity.

##### Legal Recovery - Core Portfolios

An important component of our collections effort involves our legal recovery operations and the judicial collection of accounts of customers who we believe have the ability, but not the willingness, to resolve their obligations. There are some markets in which the collection process follows a prescribed time-sensitive and sequential set of legal actions, but in the majority of instances, we use models and analysis to select those accounts reflecting a high propensity to pay in a legal environment. Depending on the characteristics of the receivable and the applicable local collection laws, we determine whether to commence legal action to judicially collect on the receivable. The legal process can take an extended period of time and can be costly, but when accounts are selected properly it also usually generates net cash collections that likely would not have been realized otherwise. We use a combination of internal staff (attorney and support), and external staff to pursue legal collections under certain circumstances.

##### Insolvency Operations

Insolvency Operations in the U.S. manages customer filings under the U.S. Bankruptcy Code on debtor accounts derived from two sources: (1) our purchased pools of bankrupt accounts and (2) our Core purchased pools of nonperforming loans that have filed for bankruptcy protection after being acquired by us. We file proofs of claim ("POCs") or claim transfers and actively manage these accounts through the entire life cycle of the bankruptcy proceeding to substantiate our claims and ensure that we participate in any distributions to creditors. Outside of the U.S., similar insolvency work is primarily outsourced to third parties.

Insolvency accounts in the U.S. are typically those filed under Chapter 13 of the U.S. Bankruptcy Code, have an associated payment plan that generally ranges from three to five years in duration, and can be acquired at any stage in the bankruptcy plan life cycle. Portfolios sold close to the filing of the bankruptcy plan will generally take months to generate cash flow; however, aged portfolios sold years after the filing of the bankruptcy plan will typically generate cash flows immediately. Non-U.S. insolvency accounts may have some slight differences, but generally operate in a similar manner. In Canada, we purchase Consumer Proposal, Consumer Credit Counseling and Bankrupt Accounts. In the UK, we purchase Individual Voluntary Arrangements, Company Voluntary Arrangements, Trust Deeds and Bankrupt Accounts. In Germany, we acquire consumer bankruptcies, which may also consist of small business loans with a personal guarantee.

##### Fee-Based Services

In addition to the purchase, collection and management of portfolios of nonperforming loans, we provide fee-based services including class action claims recovery purchasing and servicing through Claims Compensation Bureau, LLC ("CCB") and third-party servicing of bankruptcy accounts in the U.S.

### Seasonality

Cash collections in the Americas tend to be higher in the first quarter of the year due to the high volume of income tax refunds received by individuals in the U.S., and trend lower as the year progresses. Customer payment patterns in all of the countries in which we operate can be affected by seasonal employment trends, income tax refunds and holiday spending habits geographically.

### Competition

Purchased portfolio competition is derived from both third-party contingent fee collection agencies and other purchasers of debt that manage their own nonperforming loans or outsource such servicing. Our primary competitors in our fee-based business are providers of outsourced receivables management services. Regulatory complexity and burdens, combined with seller preference for experienced portfolio purchasers, create significant barriers to successful entry for new competitors particularly in the U.S. While both markets remain competitive, the contingent fee industry is more fragmented than the purchased portfolio industry.

We face bidding competition in our acquisition of nonperforming loans and in obtaining placements for our fee-based businesses. We also compete on the basis of reputation, industry experience and performance. We believe that our competitive strengths include our disciplined and proprietary underwriting process, the extensive data set we have developed since our founding in 1996, our ability to bid on portfolios at appropriate prices, our reputation from previous portfolio purchase transactions, our ability to close transactions in a timely fashion, our strong relationships with credit grantors, our team of well-trained collectors who provide quality customer service while complying with applicable collection laws, and our ability to efficiently and effectively collect on various asset types.

### Compliance

Our approach to compliance is multifaceted and comprehensive and is overseen by both the Board of Directors and management. Our compliance management system includes policies and procedures, training, monitoring and consumer complaint response. In addition, our compliance expectations extend to our service providers. Our compliance management system is predicated on the following:

- our Code of Conduct, which applies to all directors, officers and employees, is available at the Investor Relations page of our website at [www.pragroup.com](http://www.pragroup.com);
- compliance and ethics training for our directors, officers and employees;
- a confidential telephone and email hotline and web-based portals to report suspected compliance violations, fraud, financial reporting, accounting, and auditing matters and other acts that may be illegal and/or unethical;
- regular testing by our compliance and internal audit departments of controls embedded in business processes designed to foster compliance with laws, regulations and internal policy; and
- regular evaluation of the legislative and regulatory environment and monitoring of statutory and regulatory changes and relevant case law, so that operations personnel are aware of and in compliance with the laws and judicial decisions that may impact their job duties.

### Regulation

We are subject to a variety of federal, state, local, and foreign laws that establish specific guidelines and procedures that debt collectors must follow when collecting customer accounts, including laws relating to the collection, use, retention, security and transfer of personal information. It is our policy to comply with the provisions of all applicable federal, state, local and foreign laws in all our activities even though there are frequent changes in these laws and regulations, including their interpretation, application and inconsistencies from jurisdiction to jurisdiction. Our failure to comply with these laws could result in enforcement action against us, the payment of significant fines and penalties, restrictions upon our operations or our inability to recover amounts owed to us. Significant laws and regulations applicable to our business include the following:

• Fair Debt Collection Practices Act ("FDCPA"), which imposes certain obligations and restrictions on the practices of debt collectors, including specific restrictions regarding the time, place and manner of the communications.

• Fair Credit Reporting Act ("FCRA"), which obligates credit information providers to verify the accuracy of information provided to credit reporting agencies and investigate consumer disputes concerning the accuracy of such information.



Gramm-Leach-Bliley Act, which requires that certain financial institutions, including collection agencies, develop policies to protect the privacy of consumers' private financial information and provide notices to consumers advising them of their privacy policies.

Electronic Funds Transfer Act, which regulates electronic fund transfer transactions, including a consumer's right to stop payments on a pre-approved fund transfer and right to receive certain documentation of the transaction.

Telephone Consumer Protection Act ("TCPA"), which, along with similar state laws, places certain restrictions on users of certain automated dialing equipment and pre-recorded messages that place telephone calls to consumers.

Servicemembers Civil Relief Act ("SCRA"), which gives U.S. military service personnel relief from credit obligations they may have incurred prior to entering military service and may also apply in certain circumstances to obligations and liabilities incurred by a servicemember while serving on active duty.

Health Insurance Portability and Accountability Act, which provides standards to protect the confidentiality of patients' personal healthcare and financial information in the U.S.

U.S. Bankruptcy Code, which prohibits certain contacts with consumers after the filing of bankruptcy petitions and dictates what types of claims will or will not be allowed in a bankruptcy proceeding including how such claims may be discharged.

Americans with Disabilities Act, which requires that telecommunications companies operating in the U.S. take steps to ensure functionally equivalent services are available for their consumers with disabilities, and requires accommodation of consumers with disabilities, such as the implementation of telecommunications relay services.

U.S. Foreign Corrupt Practices Act ("FCPA"), United Kingdom Bribery Act ("UK Bribery Act") and Other Applicable Legislation. Our operations outside the U.S. are subject to the FCPA, which prohibits U.S. companies and their agents and employees from providing anything of value to a foreign official for the purposes of influencing any act or decision of these individuals in order to obtain an unfair advantage or help obtain or retain business. Although similar to the FCPA, the UK Bribery Act is broader in scope and covers bribes given to or received by any person with improper intent.

Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which restructured the regulation and supervision of the financial services industry in the U.S. and created the CFPB. The CFPB has rulemaking, supervisory, and enforcement authority over larger consumer debt collectors. The Dodd-Frank Act, along with the Unfair, Deceptive, or Abusive Acts or Practices ("UDAAP") provisions included therein, and the Federal Trade Commission Act, prohibit unfair, deceptive, and/or abusive acts and practices.

Foreign data protection and privacy laws, which include relevant country specific legislation in the United Kingdom and other European countries where we operate that regulate the processing of information relating to individuals, including the obtaining, holding, use or disclosure of such information; the Personal Information Protection and Electronic Documents Act, which aims to protect personal information that is collected, used or disclosed in certain circumstances for purposes of electronic commerce in Canada; and the EU Data Protection Directive, which has been replaced by the General Data Protection Regulation, effective as of May 25, 2018, which regulates the processing and free movement of personal data within the EU and transfer of such data outside the EU.

Consumer Credit Act 1974 (and its related regulations), Unfair Terms in Consumer Contracts Regulations of 1999 and the Financial Conduct Authority's consumer credit conduct of business rules, which apply to our international operations and govern consumer credit agreements.

In addition, certain of our EU subsidiaries are subject to capital adequacy and liquidity requirements.

On September 9, 2015, Portfolio Recovery Associates, LLC ("PRA"), our wholly owned subsidiary, entered into a consent order with the CFPB, settling a previously disclosed investigation of certain debt collection practices of PRA (the "Consent Order"). PRA entered into the Consent Order for settlement purposes, without admitting the truth of the allegations, other than the jurisdictional facts. Among other things, the Consent Order required PRA to: (i) vacate 837 judgments obtained after the applicable statute of limitations, refund \$860,607 in payments received on account of such judgments and waive the remaining \$3.4 million in judgment balances; (ii) refund \$18.2 million in Litigation Department Calls Restitution, as defined in the Consent Order; and (iii) pay an \$8.0 million civil money penalty to the CFPB.



## Employees

As of December 31, 2018, we employed 5,377 full-time equivalents globally. Management considers our employee relations to be good. While none of our North American employees are represented by a union or covered by a collective bargaining agreement, in Europe we work closely with a number of works councils, and in countries where it is the customary local practice, such as Finland and Spain, we have collective bargaining agreements.

## Available Information

We make available on or through our website, [www.pragroup.com](http://www.pragroup.com), certain reports that we file with or furnish to the SEC in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These include our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act ("SEC Filings"). We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with or furnish it to the SEC. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at: [www.sec.gov](http://www.sec.gov).

The information contained on, or that can be accessed through our website, is not, and shall not be deemed to be, a part of this Form 10-K or incorporated into any of our other SEC Filings.

Reports filed with, or furnished to, the SEC are also available free of charge upon request by contacting our corporate office at:

PRA Group, Inc.

Attn: Investor Relations

120 Corporate Boulevard, Suite 100

Norfolk, Virginia 23502

## Item 1A. Risk Factors.

An investment in our Company involves risk, including the possibility that the value of the investment could fall substantially. The following are risks that could materially affect our business, results of operations, financial condition, liquidity, cash flows, and the value of, and return on, an investment in our Company.

### Risks related to our operations and industry

A prolonged economic recovery or deterioration in the economic or inflationary environment in the Americas or Europe could have an adverse effect on our business and results of operations.

Our performance may be adversely affected by economic, political or inflationary conditions in any market in which we operate. These conditions could include regulatory developments, changes in global or domestic economic policy, legislative changes, the sovereign debt crises experienced in several European countries and the uncertainty on the future of the EU as a result of the UK's departure from the EU. Deterioration in economic conditions, a prolonged economic recovery, or a significant rise in inflation could cause personal bankruptcy and insolvency filings to increase, and the ability of consumers to pay their debts could be adversely affected. This may in turn adversely impact our business and financial results. Deteriorating economic conditions or a prolonged recovery could also adversely impact the businesses to which we provide fee-based services, which could reduce our fee income and cash flow.

If global credit market conditions and the stability of global banks deteriorate, it could negatively impact the generation of comprehensive receivable buying opportunities and our business, financial results and ability to succeed in foreign markets could be adversely affected. If conditions in major credit markets deteriorate, the amount of consumer or commercial lending and financing could be reduced, thus decreasing the volume of nonperforming loans available for our purchase.

Other factors associated with the economy that could influence our performance include the financial stability of the lenders on our bank loans and credit facilities and our access to capital and credit. The financial turmoil that adversely affected the banking system and financial markets in recent years resulted in the tightening of credit markets.

Although there has been some improvement, a worsening of current conditions could have a negative impact on our business, including a decrease in the value of our financial investments and the insolvency of lending institutions, including the lenders on our bank loans and credit facilities, resulting in our difficulty in or inability to obtain credit.



These and other economic factors could have an adverse effect on our financial condition and results of operations.

We may not be able to continually replace our nonperforming loans with additional portfolios sufficient to operate efficiently and profitably, and/or we may not be able to purchase nonperforming loans at appropriate prices.

To operate profitably, we must acquire and service a sufficient amount of nonperforming loans to generate revenue that exceeds our expenses. Fixed costs such as salaries and other compensation expense constitute a significant portion of our overhead and, if we do not replace the nonperforming loan portfolios we service with additional portfolios, we may have to reduce the number of our collection personnel. We would then have to rehire collection staff if we subsequently obtain additional portfolios. These practices could lead to:

- low employee morale;
- fewer experienced employees;
- higher training costs;
- disruptions in our operations;
- loss of efficiency; and
- excess costs associated with unused space in our facilities.

The availability of nonperforming loan portfolios at prices that generate an appropriate return on our investment depends on a number of factors both within and outside of our control, including the following:

- the continuation of high levels of consumer debt obligations;
- sales of nonperforming loan portfolios by debt owners; and
- competitive factors affecting potential purchasers and credit grantors of receivables.

Furthermore, heightened regulation of the credit card and consumer lending industry or changing credit origination strategies may result in decreased availability of credit to consumers, potentially leading to a future reduction in nonperforming loans available for purchase from debt owners. Conversely, lower regulatory barriers with respect to debt buyers could lead to increased participants in the debt collection industry, which could, in turn, impact the supply of nonperforming loans available for purchase. We cannot predict how our ability to identify and purchase nonperforming loans and the quality of those nonperforming loans would be affected if there were a shift in lending practices, whether caused by changes in the regulations or accounting practices applicable to debt owners or debt buyers, a sustained economic downturn or otherwise.

Moreover, there can be no assurance that debt owners will continue to sell their nonperforming loans consistent with recent levels or at all, or that we will be able to bid competitively for those portfolios. Because of the length of time involved in collecting on acquired portfolios and the variability in the timing of our collections, we may not be able to identify trends and make changes in our purchasing strategies in a timely manner. If we are unable to maintain our business or adapt to changing market needs as well as our current or future competitors, we may experience reduced access to nonperforming loan portfolios at appropriate prices and, therefore, reduced profitability.

Currently, a number of large banks that historically sold nonperforming loans in the U.S. are not selling such debt. This includes sellers of bankrupt accounts, some of whom have elected to stop selling such accounts because they believe that regulatory guidance concerning sales of bankruptcy accounts is ambiguous. Should these conditions worsen, it could negatively impact our ability to replace our nonperforming loans with additional portfolios sufficient to operate profitably.

We may not be able to collect sufficient amounts on our nonperforming loans to fund our operations.

Our principal business consists of acquiring and liquidating nonperforming loans that consumers or others have failed to pay. The debt owners have typically made numerous attempts to recover on their receivables, often using a combination of in-house recovery efforts and third-party collection agencies. These nonperforming loans are difficult to collect, and we may not collect a sufficient amount to cover our investment and the costs of running our business.

For financial reporting purposes, we utilize the interest method of revenue recognition for determining our income recognized on finance receivables, which is based on an analysis of projected cash flows that may prove to be less than anticipated and could lead to the incurrence of allowance charges which would reduce our profitability.

We utilize the interest method to determine income recognized on finance receivables under the guidance of Financial Accounting Standards Board ("FASB") Accounting Standards Codification 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality" ("ASC 310-30"). Under this method, pools of receivables we acquire are modeled upon their projected cash flows. A yield is then established which, when applied to the unamortized purchase price of the receivables, results in the recognition of income at a constant yield relative to the remaining balance in the pool. Each pool is analyzed regularly to assess the actual performance compared to that derived from our models. Under ASC 310-30, rather than lowering the estimated yield if the collection estimates are not received or projected to be received, the carrying value of a pool would be written down to maintain the then current yield and is recorded as an allowance charge in the consolidated income statements with a corresponding valuation allowance offsetting finance receivables on the consolidated balance sheets. As a result, if the accuracy of the modeling process deteriorates or there is a significant decline in anticipated future cash flows, we could incur additional allowance charges, which could reduce our profitability in a given period.

Changes in accounting standards and their interpretations could adversely affect our operating results.

U.S. GAAP, as issued and amended by the FASB, is subject to interpretation by the SEC, and various other bodies that promulgate and interpret appropriate accounting principles. These principles and related implementation guidelines and interpretations can be highly complex and involve subjective estimates. A change in these principles or interpretations could have a significant effect on our reported financial results. For example, in June 2016 the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): "Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which requires the measurement of expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. ASU 2016-13 supersedes ASC 310-30, which we currently follow to account for income recognized on our finance receivables and is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We expect ASU 2016-13 will have a significant impact on how we measure and record income recognized on our finance receivables and are in the process of evaluating the impact of adoption on our consolidated financial statements and accounting operations. Delays in the release of clarifying guidance could adversely impact our ability to implement the necessary processes and controls required to adopt the standard on a timely basis. ASU 2016-13, amendments thereof, and amendments to new and existing accounting standards could have an adverse effect on our financial condition and results of operations.

Our collections may decrease if certain types of insolvency proceedings and bankruptcy filings involving liquidations increase.

Various economic trends and potential changes to existing legislation may contribute to an increase in the amount of personal bankruptcy and insolvency filings. Under certain of these filings, a debtor's assets may be sold to repay creditors, but because most of the receivables we collect through our collections operations are unsecured, we typically would not be able to collect on those receivables. Although our insolvency collections business could benefit from an increase in personal bankruptcies and insolvencies, we cannot ensure that our collections operations business would not decline with an increase in personal insolvencies or bankruptcy filings or changes in related regulations or practices. If our actual collection experience with respect to a nonperforming or insolvent bankrupt receivables portfolio is significantly lower than the total amount we projected when we purchased the portfolio, our financial condition and results of operations could be adversely impacted.

Our international operations expose us to risks which could harm our business, results of operations and financial condition.

A significant portion of our operations is conducted outside the U.S. This could expose us to adverse economic, industry and political conditions that may have a negative impact on our ability to manage our existing operations or pursue alternative strategic transactions, which could have a negative effect on our business, results of operations and financial condition.

The global nature of our operations expands the risks and uncertainties described elsewhere in this section, including the following:

changes in local political, economic, social and labor conditions in the markets in which we operate, including Europe, and the Americas;

- foreign exchange controls on currency conversion and the transfer of funds that might prevent us from repatriating cash earned in countries outside the U.S. in a tax-efficient manner;
- currency exchange rate fluctuations, currency restructurings, inflation or deflation, and our ability to manage these fluctuations through a foreign exchange risk management program;

different employee/employer relationships, laws and regulations, union recognition and the existence of employment tribunals and works councils;

- laws and regulations imposed by foreign governments, including those governing data security, sharing and transfer;
- potentially adverse tax consequences resulting from changes in tax laws in the jurisdictions in which we operate or challenges to our interpretations and application of complex international tax laws;
- logistical, communications and other challenges caused by distance and cultural and language differences, each making it harder to do business in certain jurisdictions;
- risks related to crimes, strikes, riots, civil disturbances, terrorist attacks, wars and natural disasters;
- volatility of global credit markets and the availability of consumer credit and financing in our international markets;
- uncertainty as to the enforceability of contract and intellectual property rights under local laws;
- the potential of forced nationalization of certain industries, or the impact on creditors' rights, consumer disposable income levels, flexibility and availability of consumer credit, and the ability to enforce and collect aged or charged-off debts stemming from foreign governmental actions, whether through austerity or stimulus measures or initiative, intended to control or influence macroeconomic factors such as wages, unemployment, national output or consumption, inflation, investment, credit, finance, taxation or other economic drivers;
- the presence of varying levels of business corruption in international markets and the effect of various anti-corruption and other laws on our foreign operations;
- the impact on our day-to-day operations and our ability to staff our international operations given our high employee turnover rates, changing labor conditions and long-term trends towards higher wages in developed and emerging international markets as well as the potential impact of union organizing efforts;
- potential damage to our reputation due to non-compliance with foreign and local laws; and
- the complexity and necessity of using non-U.S. representatives, consultants and other third-party vendors.

Furthermore, our future tax expense could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. The determination of the provision for income taxes and other tax liabilities regarding our global operations requires significant judgment. Although we believe our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may adversely affect our financial results in the period(s) for which such determination is made.

Our tax filings are subject to audit by domestic and foreign tax authorities. These audits may result in assessments of additional taxes, adjustments to the timing of taxable income or deductions, or re-allocations of income among tax jurisdictions.

Any one of these factors could adversely affect our business, results of operations and financial condition.

The impact of the Tax Act, including interpretations and determinations by taxing authorities, could have an adverse effect on our financial condition and results of operations.

In December 2017, the Tax Act became law. The Tax Act includes a broad range of tax reform provisions affecting businesses, including a reduction in the U.S. federal corporate tax rate from 35% to 21%; a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations referred to as Global Intangible Low-Taxed Income ("GILTI"); creating the base erosion anti-abuse tax, a new minimum tax; creating a new limitation on deductible interest expense; and increased limitations on the deductibility of executive compensation. The Tax Act impacted our effective tax rate for fiscal year 2018 and will impact our effective tax rate in the future. The new law makes broad and complex changes to the U.S. tax code and we expect to see future regulatory, administrative or legislative guidance. To the extent any future guidance differs from our current interpretation of the law, it could have a material effect on our financial position and results of operations. In addition, many countries in the EU and around the world have adopted and/or proposed changes to current tax laws. Further, organizations such as the Organization for Economic Cooperation and Development have published actions that, if adopted by countries where we do business, could increase our tax obligations in those countries. Due to the scale of our U.S. and international



business activities, many of these enacted and proposed changes to the taxation of our activities could increase our worldwide effective tax rate potentially harming our financial position and results of operations.

Goodwill or other intangible asset impairment charges could negatively impact our net income and stockholders' equity.

We have recorded a significant amount of goodwill as a result of our acquisitions. Goodwill is not amortized, but is tested for impairment at the reporting unit level. Goodwill is required to be tested for impairment annually and between annual tests if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There are numerous risks that may cause the fair value of a reporting unit to fall below its carrying amount, which could lead to the recognition of goodwill impairment. These risks include, but are not limited to, adverse changes in macroeconomic conditions, the business climate, or the market for the entity's products or services; significant variances between actual and expected financial results; negative or declining cash flows; lowered expectations of future results; failure to realize anticipated synergies from acquisitions; significant expense increases; a more likely-than-not expectation of selling or disposing all or a portion of a reporting unit; the loss of key personnel; an adverse action or assessment by a regulator; or a sustained decrease in the Company's share price.

Our goodwill impairment testing involves the use of estimates and the exercise of judgment, including judgments regarding expected future business performance and market conditions. Significant changes in our assessment of such factors, including the deterioration of market conditions, could affect our assessment of the fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period.

Other intangible assets, such as client and customer relationships, non-compete agreements and trademarks, are amortized. Risks such as those that could lead to the recognition of goodwill impairment, could also lead to the recognition of other intangible asset impairment.

The vote by the UK to leave the EU, and the ultimate exit of the UK from the EU, could adversely impact our business, results of operations and financial condition.

On June 23, 2016, the UK voted to leave the EU (commonly referred to as "Brexit"). Although the vote had no binding legal effect, it adversely impacted global markets and resulted in a decline in the value of the British pound as compared to the U.S. dollar and other currencies. The UK's exit negotiations with the EU officially began in June 2017. EU rules provide for a two-year negotiation period, ending on March 29, 2019, unless an extension is agreed to by the parties. There remains significant uncertainty about the future relationship between the UK and the EU, including the possibility of the UK leaving the EU without a negotiated and bilaterally approved withdrawal plan. The impact of the UK's ultimate withdrawal from the EU or any related changes to the decision may adversely affect business activity, political stability and economic conditions in the UK, the EU and globally, which could in turn adversely affect European or worldwide political, regulatory, economic and financial market conditions.

As of December 31, 2018, the total estimated remaining collections ("ERC") of our UK portfolios constituted approximately 20% of our consolidated ERC. Our British pound assets are predominantly funded by British pound liabilities. However, British pound net income and retained earnings could be affected when translated back to the U.S. dollar, positively or negatively, by foreign exchange volatility in the short term resulting from the uncertainty of Brexit. In the longer term, any impact from Brexit on our business, results of operations and financial condition will depend on the final terms negotiated by the UK and the EU, including arrangements concerning taxes and financial services regulation.

Our loss contingency accruals may not be adequate to cover actual losses.

We are involved in judicial, regulatory, and arbitration proceedings or investigations concerning matters arising from our business activities. We believe that we have adopted reasonable compliance policies and procedures and believe we have meritorious defenses in all material litigation pending against us. However, there can be no assurance as to the ultimate outcome. We establish accruals for potential liability arising from legal proceedings when it is probable that such liability has been incurred and the amount of the loss can be reasonably estimated. We may still incur legal costs for a matter even if we have not accrued a liability. In addition, actual losses may be higher than the amount accrued for a certain matter, or in the aggregate. An unfavorable resolution of a legal proceeding or claim could adversely impact our business, financial condition, results of operations, or liquidity. For more information, refer to the "Litigation and Regulatory Matters" section of Note 13 to our Consolidated Financial Statements included in Item

8 of this Form 10-K ("Note 13").

Class action suits and other litigation could divert our management's attention from operating our business and increase our expenses.

Credit grantors, nonperforming loan purchasers and third-party collection agencies and attorneys in the consumer credit industry are frequently subject to putative class action lawsuits and other litigation. Claims include failure to comply with applicable

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laws and regulations and improper or deceptive origination and servicing practices. An unfavorable outcome in a class action suit or other litigation could adversely affect our results of operations, financial condition, cash flows and liquidity. Even when we prevail or the basis for the litigation is groundless, considerable time, energy and resources may be needed to respond, and such class action lawsuits or other litigation could adversely affect our results of operations, financial condition, cash flows and liquidity.

The occurrence of cyber incidents, or a deficiency in our cyber-security, could negatively impact our business by disrupting our operations, compromising or corrupting our confidential information or damaging our image, all of which could negatively impact our business and financial results.

Our business is highly dependent on our ability to process and monitor a large number of transactions across markets and in multiple currencies. As our geographical reach expands, maintaining the security of our systems and infrastructure becomes more significant. Privacy laws in the U.S., Europe and elsewhere govern the collection and transmission of personal data. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those we have outsourced. Our three primary risks that could directly result from the occurrence of a cyber incident are operational interruption, damage to our image, and private data exposure. Private data may include customer information, our employees' personally identifiable information, or proprietary business information such as underwriting and collections methodologies. We have implemented solutions, processes, and procedures to help mitigate these risks, but these measures, as well as our organization's increased awareness of our risk of a cyber incident do not guarantee that our business, reputation or financial results will not be negatively impacted by such an incident. Should such a cyber incident occur, we may be required to expend significant additional resources to notify affected consumers, modify our protective measures or to investigate and remediate vulnerabilities or other exposures. Additionally, we may be subject to fines, penalties, litigation costs and settlements and financial losses that may not be fully covered by our cyber insurance.

Risks associated with governmental regulation and laws

Our ability to collect and enforce our nonperforming loans may be limited under federal, state and foreign laws, regulations and policies.

The businesses conducted by our operating subsidiaries are subject to licensing and regulation by governmental and regulatory bodies in the many jurisdictions in which we operate. Federal and state laws and the laws and regulations of the foreign countries in which we operate may limit our ability to collect on and enforce our rights with respect to our nonperforming loans regardless of any act or omission on our part. Some laws and regulations applicable to credit issuers may preclude us from collecting on nonperforming loans we purchase if the credit issuer previously failed to comply with applicable laws in generating or servicing those receivables. Collection laws and regulations also directly apply to our business. Such laws and regulations are extensive and subject to change. A variety of state, federal and international laws and regulations govern the collection, use, retention, transmission, sharing and security of consumer data. Consumer protection and privacy protection laws, changes in the ways that existing rules or laws are interpreted or enforced and any procedures that may be implemented as a result of regulatory consent orders may adversely affect our ability to collect on our nonperforming loans and may harm our business. Our failure to comply with laws or regulations applicable to us could limit our ability to collect on our receivables, which could reduce our profitability and harm our business.

Failure to comply with government regulation of the collections industry could result in penalties, fines, litigation, damage to our reputation or the suspension or termination of our ability to conduct our business.

The collections industry throughout the markets in which we operate is governed by various laws and regulations, many of which require us to be a licensed debt collector. Our industry is also at times investigated by regulators and offices of state attorneys general, and subpoenas and other requests or demands for information may be issued by governmental authorities who are investigating debt collection activities. These investigations may result in enforcement actions, fines and penalties, or the assertion of private claims and lawsuits. If any such investigations result in findings that we or our vendors have failed to comply with applicable laws and regulations, we could be subject to penalties, litigation losses and expenses, damage to our reputation, or the suspension or termination of, or required modification to, our ability to conduct collections, which would adversely affect our business, results of operations and financial condition.

In a number of jurisdictions, we must maintain licenses to purchase or own debt, and/or to perform debt recovery services and must satisfy related bonding requirements. Our failure to comply with existing licensing requirements, changing interpretations of existing requirements, or adoption of new licensing requirements, could restrict our ability to collect in certain jurisdictions, subject us to increased regulation, increase our costs, or adversely affect our ability to purchase, own and/or collect our receivables.

Some laws, among other things, also may limit the interest rate and the fees that a credit grantor may impose on our consumers, limit the time in which we may file legal actions to enforce consumer accounts, and require specific account information for certain collection activities. In addition, local requirements and court rulings in various jurisdictions also may affect our ability to collect.

Regulations and statutes applicable to our industry further provide that, in some cases, consumers cannot be held liable for, or their liability may be limited with respect to, charges to their debt or credit card accounts that resulted from unauthorized use of their credit. These laws, among others, may limit our ability to recover amounts owing with respect to the receivables, whether or not we committed any wrongful act or omission in connection with the account. If we fail to comply with any applicable laws and regulations discussed above, such failure could result in penalties, litigation losses and expenses, damage to our reputation, or otherwise impact our ability to conduct collections efforts, which could adversely affect our business, results of operations and financial condition.

Investigations or enforcement actions by governmental authorities may result in changes to our business practices; negatively impact our receivables portfolio purchasing volume; make collection of receivables more difficult; or expose us to the risk of fines, penalties, restitution payments and litigation.

Our debt collection activities and business practices are subject to review from time to time by various governmental authorities and regulators, including the CFPB, which may commence investigations or enforcement actions, or reviews targeted at businesses in the financial services industry. These reviews may involve governmental authority consideration of individual consumer complaints, or could involve a broader review of our debt collection policies and practices. Such investigations could lead to assertions by governmental authorities that we are not complying with applicable laws or regulations. In such circumstances, authorities may request or seek to impose a range of remedies that could involve potential compensatory or punitive damage claims, fines, restitution payments, sanctions or injunctive relief, that if agreed to or granted, could require us to make payments or incur other expenditures that could have an adverse effect on our financial position. The CFPB has the authority to obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief), recover costs, and impose monetary penalties (ranging from \$5,000 per day to over \$1 million per day, depending on the nature and gravity of the violation). In addition, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations implemented thereunder, the Dodd-Frank Act empowers state attorneys general and other state regulators to bring civil actions to remedy violations under state law. Government authorities could also request or seek to require us to cease certain of our practices or institute new practices. Negative publicity relating to investigations or proceedings brought by governmental authorities could have an adverse impact on our reputation, could harm our ability to conduct business with industry participants, and could result in financial institutions reducing or eliminating sales of receivables portfolios to us which would harm our business and negatively impact our results of operations. Moreover, changing or modifying our internal policies or procedures, responding to governmental inquiries and investigations and defending lawsuits or other proceedings could require significant efforts on the part of management and result in increased costs to our business. In addition, such efforts could divert management's full attention from our business operations. All of these factors could have an adverse effect on our business, results of operations, and financial condition.

The CFPB has issued civil investigative demands to many companies that it regulates and periodically examines practices regarding the collection of consumer debt. In September 2015, we entered into the Consent Order with the CFPB settling a previously disclosed investigation of certain debt collection practices of PRA. Among other things, the Consent Order required PRA to: (i) vacate 837 judgments obtained after the applicable statute of limitations, refund \$860,607 in payments received on account of such judgments and waive the remaining \$3.4 million in judgment balances; (ii) refund \$18.2 million in Litigation Department Calls Restitution, as defined in the Consent Order; and (iii) pay an \$8.0 million civil money penalty to the CFPB. Although we have implemented the requirements of the Consent Order, there can be no assurance that additional litigation or new industry regulations currently under consideration by the CFPB would not have an adverse effect on our business, results of operations, and financial condition. In addition, the CFPB monitors our compliance with the Consent Order and could make a determination that we have failed to adhere to our obligations. Such a determination could result in additional inquiries, penalties or liabilities, which could have an adverse effect on our business, results of operations, and financial condition.

Compliance with complex and evolving foreign and U.S. laws and regulations that apply to our international operations could increase our cost of doing business in international jurisdictions.

We operate on a global basis with offices and activities in a number of jurisdictions throughout the Americas and Europe. We face increased exposure to risks inherent in conducting business internationally, including compliance

with complex foreign and U.S. laws and regulations that apply to our international operations, which could increase our cost of doing business in international jurisdictions. These laws and regulations include those related to taxation and anti-corruption laws such as the FCPA, the UK Bribery Act and other local laws prohibiting corrupt payments to governmental officials. Given the complexity of these laws, there is a risk that we may inadvertently breach certain provisions of these laws, such as through the negligent behavior of an employee or our failure to comply with certain formal documentation requirements. Violations of these laws and regulations by us, any of our employees or our third-party vendors, either inadvertently or intentionally, could result in fines and penalties, criminal sanctions, restrictions on our operations and limits on our ability to offer our products and services in one or more countries. Violations of these laws could also adversely affect our business, brand, international expansion efforts, ability to attract and retain employees and results of operations.

The impact of the GDPR, including interpretations and determinations by regulatory authorities, could have an adverse effect on our financial condition and results of operations.

On May 25, 2018, the EU adopted the GDPR, which impacts our European operations. The GDPR updated data privacy compliance obligations, which required us to adapt our business practices accordingly. Financial penalties for noncompliance with the GDPR can be significant.

The regulation of data privacy in the EU and around the globe continues to evolve, and it is not possible to predict the effect of such rigorous data protection regulations over time, which could result in increased costs of conducting business to maintain compliance with such regulations. Although we take significant steps to protect the security of our data and the personal data of our customers, we may be required to expend significant resources to comply with regulations if third parties improperly obtain and use such data.

#### Risks associated with indebtedness

We utilize bank loans, credit facilities and convertible notes to finance our business activities, which could negatively impact our liquidity and business operations if we are unable to retain, renegotiate, expand or replace our bank loans and credit facilities or raise the necessary funds to repurchase the convertible notes.

As described in Note 6 to our Consolidated Financial Statements included in Item 8 of this Form 10-K, our sources of financing include a North American credit facility, a European multicurrency revolving credit facility and convertible senior notes. The credit facilities contain financial and other restrictive covenants, including restrictions on how we operate our business and our ability to pay dividends to our stockholders. Failure to satisfy any one of these covenants could result in negative consequences including the following:

- acceleration of outstanding indebtedness;
- exercise by our lenders of rights with respect to the collateral pledged under certain of our outstanding indebtedness;
- our inability to continue to purchase nonperforming loans needed to operate our business; or
- our inability to secure alternative financing on favorable terms, if at all.

If we are unable to retain, renegotiate, expand or replace our credit facilities, including as a result of failure to satisfy the restrictive covenants contained in them, our liquidity and business operations could be impacted negatively.

We have additional indebtedness in the form of Convertible Senior Notes due 2020 and 2023 (collectively the "Notes") and may not have the ability to raise the funds necessary to repurchase the Notes upon a fundamental change or to settle conversions in cash. Our ability to make scheduled payments of the principal of, to pay interest on, or to refinance our indebtedness, including the Notes, or to make cash payments in connection with any conversion of the Notes depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at that time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, in the event the conditional conversion features of the Notes are triggered, holders of the Notes are entitled to convert the Notes into shares of our common stock at any time during specified periods at their option, subject to the terms of the indenture governing the Notes. Upon conversion, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional shares of our common stock), we will be required to make cash payments in respect of the Notes. However, we may not have enough available cash or be able to obtain financing at the time we are required to repurchase Notes surrendered to settle conversions in cash, and our ability to repurchase the Notes or pay cash upon conversion may be limited by law. Any issuance of shares of our common stock upon conversion of the Notes would dilute the ownership interest of our stockholders.

We may be restricted from paying cash upon conversion of the Notes, repurchasing the Notes for cash when required and repaying the Notes at maturity or upon acceleration following an event of default under the Notes unless we repay all amounts outstanding under, and terminate, our North American Credit Agreement. Additionally, our future indebtedness may contain limitations on our ability to pay cash upon conversion of the Notes and on our ability to repurchase the Notes.

The terms of our North American Credit Agreement prohibit us from paying cash upon conversion of the Notes, repurchasing the Notes for cash when required upon the occurrence of a fundamental change and repaying the Notes at maturity or upon acceleration following an event of default under the indenture governing the Notes if a default or

an event of default exists on the date of such required payment, repurchase or repayment, as applicable, or certain other conditions are not met, including pro forma compliance with the financial covenants and having “Sufficient Liquidity” (described below). As a result, we will be restricted

from making such payments unless the default or event of default under our North American Credit Agreement is cured or waived, such conditions are met and/or we repay all amounts then outstanding under, and terminate, our North American Credit Agreement.

In addition, under our North American Credit Agreement our ability to settle conversions of the Notes in cash requires that immediately prior to any such conversion, our cash and cash equivalents (including our availability under our domestic and multi-currency revolving facilities under our North American Credit Agreement) be at least 115% of the sum of the principal amount of the Notes to be paid in cash ("Sufficient Liquidity"). The terms of any additional indebtedness incurred as permitted by our North American Credit Agreement may contain similar or more onerous restrictions than the foregoing.

Our failure to repurchase Notes, to pay, when due, cash upon conversion of the Notes or repay the Notes at maturity or upon acceleration following an event of default under the indenture governing the Notes would constitute a default under the indenture governing the Notes. A default under the indenture may constitute a default under our North American Credit Agreement.

Changes in interest rates could increase our interest expense and reduce our net income.

Our revolving credit facilities bear interest at variable rates. Increases in interest rates could increase our interest expense which would, in turn, lower our earnings. From time to time, we may enter into hedging transactions to mitigate our interest rate risk on all or a portion of our debt. Hedging strategies rely on assumptions and projections. If these assumptions and projections prove to be incorrect or our hedges do not adequately mitigate the impact of changes in interest rates, we may experience volatility in our earnings that could adversely affect our results of operations and financial condition.

Default by or failure of one or more of our counterparty financial institutions could cause us to incur significant losses.

As part of our risk management activities, we enter into transactions involving derivative financial instruments, including, among others, forward contracts and interest rate swap contracts, with various financial institutions. In addition, we have significant amounts of cash and cash equivalents on deposit or in accounts with banks or other financial institutions in the U.S. and abroad. As a result, we are exposed to the risk of default by, or failure of, counterparty financial institutions. The risk of counterparty default or failure may be heightened during economic downturns and periods of uncertainty in the financial markets. If one of our counterparties were to become insolvent or file for bankruptcy, our ability to recover losses incurred as a result of default or to retrieve our assets that are deposited or held in accounts with such counterparty may be limited by the counterparty's liquidity or the applicable laws governing the insolvency or bankruptcy proceedings.

#### Item 1B. Unresolved Staff Comments.

None.

#### Item 2. Properties.

Our corporate headquarters and primary domestic operations facilities are located in Norfolk, Virginia. In addition, at December 31, 2018, we had operational centers, all of which are leased except the facilities in Kansas and Tennessee, in the following locations in the Americas and Europe:

##### Americas

- Birmingham, Alabama
- Burlington, North Carolina
- Hampton, Virginia
- Henderson, Nevada
- Hutchinson, Kansas
- Jackson, Tennessee
- London, Ontario, Canada
- North Richland Hills, Texas
- San Diego, California

##### Europe

- Bromley, United Kingdom
- Duisburg, Germany
- Eisenstadt, Austria
- Helsinki, Finland
- Kilmarnock, United Kingdom
- Luxembourg, Luxembourg
- Madrid, Spain
- Oslo, Norway
- Padova, Italy
- Uppsala, Sweden
- Warsaw, Poland
- Zug, Switzerland





Item 3. Legal Proceedings.

We and our subsidiaries are from time to time subject to a variety of routine legal and regulatory claims, inquiries and proceedings, most of which are incidental to the ordinary course of our business. We initiate lawsuits against customers and are occasionally countersued by them in such actions. Also, customers, either individually, as members of a class action, or through a governmental entity on behalf of customers, may initiate litigation against us in which they allege that we have violated a state or federal law in the process of collecting on an account. From time to time, other types of lawsuits are brought against us.

Refer to Note 13 to our Consolidated Financial Statements included in Item 8 of this Form 10-K for information regarding legal proceedings in which we are involved.

Item 4. Mine Safety Disclosures.

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Common Stock

Our common stock is traded on NASDAQ under the symbol "PRAA." Based on information provided by our transfer agent and registrar, as of February 15, 2019, there were 51 holders of record and 23,020 beneficial owners of our common stock.

#### Stock Performance

The following graph and subsequent table compare from December 31, 2013 to December 31, 2018, the cumulative stockholder returns assuming an initial investment of \$100 in our common stock (PRAA), the stocks comprising the NASDAQ Financial 100 (IXF) and the stocks comprising the NASDAQ Global Market Composite Index (NQGM) at the beginning of the period. Any dividends paid during the five-year period are assumed to be reinvested.

	Ticker	2013	2014	2015	2016	2017	2018
PRA Group, Inc.	PRAA	\$100	\$110	\$66	\$74	\$63	\$46
NASDAQ Financial 100	IXF	\$100	\$105	\$112	\$141	\$163	\$149
NASDAQ Global Market Composite Index	NQGM	\$100	\$106	\$106	\$102	\$127	\$148

The comparisons of stock performance shown above are not intended to forecast or be indicative of possible future performance of our common stock. We do not make or endorse any predictions as to our future stock performance.

#### Dividend Policy

Our board of directors sets our dividend policy. We do not currently pay regular dividends on our common stock and did not pay dividends in the three years ended December 31, 2018; however, our board of directors may determine in the future to declare or pay dividends on our common stock. Under the terms of our credit facilities, cash dividends may not exceed \$20 million in any fiscal year without the consent of our lenders. Any future determination as to the declaration and payment of dividends will be at the discretion of our board of directors and will depend on then existing conditions, including our results of operations, financial condition, contractual restrictions, capital requirements, business prospects and other factors that our board of directors may consider relevant.

Recent Sales of Unregistered Securities

None.

Securities Authorized for Issuance Under Equity Compensation Plans

For information regarding securities authorized for issuance under equity compensation plans see Note 9 to our Consolidated Financial Statements included in Item 8 of this Form 10-K.

Share Repurchase Programs

None.

## Item 6. Selected Financial Data.

The following selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Item 7 of this Form 10-K and our Consolidated Financial Statements and the related notes thereto included in Item 8 of this Form 10-K. Certain prior year amounts have been reclassified for consistency with the current period presentation. In addition, certain prior year amounts have been revised to correct immaterial errors which are reflected in the fourth quarter of the respective year in the quarterly income statement and balance sheet data tables included in Item 6 of this Form 10-K. For additional information on the correction of the immaterial errors see Note 17 to our Consolidated Financial Statements included in Item 8 of this Form 10-K.

## Consolidated Income Statement, Operating and Other Financial Data

\$ in thousands, except per share amounts

	Years Ended December 31,				
Income Statement Data:	2018	2017	2016	2015	2014
Revenues:					
Income recognized on finance receivables	\$891,899	\$795,435	\$845,142	\$894,491	\$802,539
Fee income	14,916	24,916	77,381	64,383	65,675
Other revenue	1,441	7,855	8,080	12,513	7,820
Total revenues	908,256	828,206	930,603	971,387	876,034
Net allowance charges	(33,425 )	(11,898 )	(98,479 )	(29,369 )	4,935
Operating expenses:					
Compensation and employee services	319,400	273,033	258,846	268,345	234,531
Legal collection fees	42,941	43,351	47,717	53,393	51,107
Legal collection costs	104,988	76,047	84,485	76,063	88,054
Agency fees	33,854	35,530	44,922	32,188	16,399
Outside fees and services	61,492	62,792	63,098	65,155	55,821
Communication	43,224	33,132	33,771	33,113	33,085
Rent and occupancy	16,906	14,823	15,710	14,714	11,509
Depreciation and amortization	19,322	19,763	24,359	19,874	18,414
Other operating expenses	47,444	44,103	39,466	68,829	29,981
Total operating expenses	689,571	602,574	612,374	631,674	538,901
Income from operations	185,260	213,734	219,750	310,344	342,068
Other income and (expense):					
Gain on sale of subsidiaries	26,575	48,474	—	—	—
Interest expense, net	(121,078 )	(98,041 )	(80,864 )	(60,336 )	(35,226 )
Foreign exchange (loss)/gain	(944 )	(1,104 )	2,564	7,514	(5,829 )
Other	(316 )	(2,790 )	(5,823 )	—	—
Income before income taxes	89,497	160,273	135,627	257,522	301,013
Income tax expense/(benefit)	13,763	(10,852 )	43,577	89,391	124,508
Net income	75,734	171,125	92,050	168,131	176,505
Adjustment for net income attributable to noncontrolling interests	10,171	6,810	5,795	205	—
Net income attributable to PRA Group, Inc.	\$65,563	\$164,315	\$86,255	\$167,926	\$176,505
Net income per share attributable to PRA Group, Inc.:					
Basic	\$1.45	\$3.60	\$1.86	\$3.49	\$3.53
Diluted	\$1.44	\$3.59	\$1.86	\$3.47	\$3.50

Weighted average number of shares  
outstanding:

Basic	45,280	45,671	46,316	48,128	49,990
Diluted	45,413	45,823	46,388	48,405	50,421
Operating and Other Financial Data:					
Cash receipts	\$1,640,121	\$1,537,521	\$1,569,367	\$1,603,878	\$1,444,487
Operating expenses to cash receipts	42	% 39	% 39	% 39	% 37
Return on equity <sup>(1)</sup>	6	% 17	% 10	% 20	% 19
Acquisitions of finance receivables, at cost <sup>(2)</sup>	\$1,117,997	\$1,108,959	\$947,331	\$963,811	\$1,432,764
Full-time equivalents at period end	5,377	5,154	4,019	3,799	3,880

(1) Calculated by dividing net income attributable to PRA Group, Inc. by average monthly stockholders' equity - PRA Group, Inc. for each year.

(2) Represents cash paid for finance receivables through the ordinary course of business as well as the acquisition date finance receivable portfolios that were acquired through our various business acquisitions.

## Key Balance Sheet Data

Amounts in thousands

	As of December 31,				
	2018	2017	2016	2015	2014
Cash and cash equivalents	\$98,695	\$120,516	\$94,287	\$71,372	\$39,661
Finance receivables, net	3,084,772	2,776,199	2,309,513	2,202,113	2,001,790
Total assets	3,909,559	3,700,972	3,165,157	2,990,567	2,778,751
Borrowings	2,473,652	2,170,182	1,784,101	1,717,129	1,482,456
Total equity	1,123,969	1,140,717	918,321	839,747	902,215

## Quarterly Income Statement Data

Amounts in thousands, except per share amounts

	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Revenues:								
Income recognized on finance receivables	\$231,029	\$223,228	\$219,018	\$218,624	\$203,397	\$200,660	\$194,164	\$197,214
Fee income	4,686	2,561	2,342	5,327	6,043	2,671	6,344	9,858
Other revenue	1,027	99	158	157	1,454	1,091	3,145	2,165
Total revenues	236,742	225,888	221,518	224,108	210,894	204,422	203,653	209,237
Net allowance charges	(21,381 )	(8,285 )	(2,834 )	(925 )	(2,486 )	(3,412 )	(3,321 )	(2,679 )
Operating expenses:								
Compensation and employee services	79,123	78,350	80,690	81,237	69,253	68,541	66,771	68,468
Legal collection fees	11,501	10,428	10,343	10,669	10,061	10,065	11,967	11,258
Legal collection costs	33,281	30,769	18,695	22,243	18,781	17,561	19,235	20,470
Agency fees	9,088	8,350	8,138	8,278	7,877	7,599	9,254	10,800
Outside fees and services	17,068	15,701	14,565	14,158	15,815	15,631	18,061	13,285
Communication	10,645	10,240	10,782	11,557	8,028	8,713	7,254	9,137
Rent and occupancy	4,319	4,270	4,003	4,314	3,985	3,668	3,387	3,783
Depreciation and amortization	5,092	4,776	4,525	4,929	4,666	4,841	5,041	5,215
Other operating expenses	13,030	10,602	11,628	12,184	12,032	10,140	11,046	10,885
Total operating expenses	183,147	173,486	163,369	169,569	150,498	146,759	152,016	153,301
Income from operations	32,214	44,117	55,315	53,614	57,910	54,251	48,316	53,257
Other income and (expense):								
Gain on sale of subsidiaries	26,575	—	—	—	—	307	1,322	46,845
Interest expense, net	(33,549 )	(30,624 )	(31,124 )	(25,781 )	(28,379 )	(25,899 )	(22,506 )	(21,257 )
Foreign exchange (loss)/gain	(4,553 )	626	1,690	1,293	317	(1,084 )	(2,516 )	2,179
Other	(381 )	222	(400 )	243	(2,790 )	—	—	—
Income before income taxes	20,306	14,341	25,481	29,369	27,058	27,575	24,616	81,024
Income tax expense/(benefit)	1,980	1,789	3,857	6,137	(63,709 )	10,682	10,766	31,409
Net income	18,326	12,552	21,624	23,232	90,767	16,893	13,850	49,615

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Adjustment for net income attributable to noncontrolling interests	3,384	2,625	2,036	2,126	1,847	1,338	2,177	1,448
Net income attributable to PRA Group, Inc.	\$ 14,942	\$ 9,927	\$ 19,588	\$ 21,106	\$ 88,920	\$ 15,555	\$ 11,673	\$ 48,167
Net income per share attributable to PRA Group, Inc.:								
Basic	\$0.33	\$0.22	\$0.43	\$0.47	\$1.97	\$0.34	\$0.25	\$1.04
Diluted	\$0.33	\$0.22	\$0.43	\$0.47	\$1.96	\$0.34	\$0.25	\$1.03
Weighted average number of shares outstanding:								
Basic	45,304	45,302	45,283	45,231	45,170	45,168	45,941	46,406
Diluted	45,394	45,440	45,449	45,370	45,318	45,286	46,060	46,627

## Quarterly Balance Sheet Data

Amounts in thousands

	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
<b>Assets</b>								
Cash and cash equivalents	\$98,695	\$114,176	\$71,570	\$101,418	\$120,516	\$113,754	\$92,756	\$82,110
Investments	45,173	21,750	80,541	87,764	78,290	75,512	76,438	74,055
Finance receivables, net	3,084,777	2,823,622	2,734,673	2,771,408	2,776,199	2,579,375	2,522,427	2,368,424
Other receivables, net	46,157	9,067	14,688	14,308	15,770	10,919	11,306	17,684
Income taxes receivable	16,809	8,912	12,163	10,271	21,686	3,877	2,865	—
Net deferred tax asset	61,453	63,724	60,944	59,377	56,459	40,797	36,913	28,704
Property and equipment, net	54,136	55,010	53,364	53,788	49,311	36,428	36,532	38,024
Goodwill	464,116	519,045	519,811	544,293	526,513	538,337	516,165	506,240
Intangible assets, net	5,522	17,369	18,914	22,523	23,572	25,527	25,878	27,393
Other assets	32,721	27,296	31,650	37,639	32,656	37,409	40,489	32,373
<b>Total assets</b>	<b>\$3,909,559</b>	<b>\$3,659,971</b>	<b>\$3,598,318</b>	<b>\$3,702,789</b>	<b>\$3,700,972</b>	<b>\$3,461,935</b>	<b>\$3,361,769</b>	<b>\$3,175,007</b>
<b>Liabilities and Equity</b>								
<b>Liabilities:</b>								
Accounts payable	\$6,110	\$3,773	\$5,090	\$2,330	\$4,992	\$3,605	\$3,694	\$3,924
Accrued expenses	79,396	81,445	78,852	85,137	85,993	82,445	77,869	82,594
Income taxes payable	15,080	13,408	466	23,872	10,771	4,069	19,793	37,960
Net deferred tax liability	114,979	120,990	140,224	146,410	171,185	237,044	250,821	259,330
Interest-bearing deposits	82,666	79,282	82,613	90,769	98,580	96,395	92,479	78,792
Borrowings	2,473,656	2,194,687	2,133,997	2,150,873	2,170,182	1,963,504	1,899,148	1,708,687
Other liabilities	7,370	8,474	8,061	15,146	9,018	1,213	3,094	13,344
<b>Total liabilities</b>	<b>2,779,257</b>	<b>2,502,059</b>	<b>2,449,303</b>	<b>2,514,537</b>	<b>2,550,721</b>	<b>2,388,275</b>	<b>2,346,898</b>	<b>2,184,631</b>
Redeemable noncontrolling interest	6,333	6,955	8,322	9,697	9,534	8,620	8,860	8,515
<b>Equity:</b>								
Preferred stock	—	—	—	—	—	—	—	—
Common stock	453	453	453	453	452	452	452	464
Additional paid-in capital	60,303	58,713	56,410	54,271	53,870	52,049	49,928	66,293
Retained earnings	1,276,473	1,261,531	1,251,604	1,232,016	1,214,840	1,125,920	1,110,365	1,098,692



Accumulated other comprehensive loss	(242,109 )	(213,078 )	(209,167 )	(155,687 )	(178,607 )	(166,397 )	(204,213 )	(233,476 )
Total stockholders' equity - PRA Group, Inc.	1,095,120	1,107,619	1,099,300	1,131,053	1,090,555	1,012,024	956,532	931,973
Noncontrolling interests	28,849	43,338	41,393	47,502	50,162	53,016	49,479	49,888
Total equity	1,123,969	1,150,957	1,140,693	1,178,555	1,140,717	1,065,040	1,006,011	981,861
Total liabilities and equity	\$3,909,559	\$3,659,971	\$3,598,318	\$3,702,789	\$3,700,972	\$3,461,935	\$3,361,769	\$3,175,007

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are a global financial and business services company with operations in the Americas and Europe. Our primary business is the purchase, collection and management of portfolios of nonperforming loans.

Certain prior year amounts have been reclassified for consistency with the current period presentation. In addition, certain prior year amounts have been revised to correct immaterial errors. For additional information on the correction of the immaterial errors see Note 17 to our Consolidated Financial Statements included in Item 8 of this Form 10-K.

Frequently Used Terms

We use the following terminology throughout this document:

• "Amortization rate" refers to cash collections applied to principal on finance receivables as a percentage of total cash collections.

• "Buybacks" refers to purchase price refunded by the seller due to the return of ineligible accounts.

• "Cash collections" refers to collections on our owned finance receivables portfolios.

• "Cash receipts" refers to collections on our owned finance receivables portfolios plus fee income.

• "Core" accounts or portfolios refer to accounts or portfolios that are nonperforming loans and are not in an insolvent status upon purchase. These accounts are aggregated separately from insolvency accounts.

• "Estimated remaining collections" or "ERC" refers to the sum of all future projected cash collections on our owned finance receivables portfolios.

• "Insolvency" accounts or portfolios refer to accounts or portfolios of receivables that are in an insolvent status when we purchase them and as such are purchased as a pool of insolvent accounts.

• "Principal amortization" refers to cash collections applied to principal on finance receivables.

• "Purchase price" refers to the cash paid to a seller to acquire nonperforming loans, plus certain capitalized costs, less buybacks.

• "Purchase price multiple" refers to the total estimated collections (as defined below) on owned finance receivables portfolios divided by purchase price.

• "Total estimated collections" or "TEC" refers to actual cash collections, including cash sales, plus estimated remaining collections on our finance receivables portfolios.

Unless otherwise specified, references to 2018, 2017 and 2016 are to the years ended December 31, 2018, December 31, 2017 and December 31, 2016, respectively.

## Results of Operations

The results of operations include the financial results of PRA Group and all of our subsidiaries, which are in the receivables management business. Under the guidance of FASB ASC Topic 280 "Segment Reporting" ("ASC 280"), we have determined that we have several operating segments that meet the aggregation criteria of ASC 280, and therefore, we have one reportable segment, accounts receivables management, based on similarities among the operating units, including economic characteristics, the nature of the products and services, the nature of the production processes, the types or class of customer for their products and services, the methods used to distribute their products and services and the nature of the regulatory environment.

The following table sets forth certain operating data as a percentage of total revenues for the years indicated (dollars in thousands):

	2018			2017			2016		
Revenues:									
Income recognized on finance receivables	\$891,899	98.2	%	\$795,435	96.0	%	\$845,142	90.8	%
Fee income	14,916	1.6		24,916	3.0		77,381	8.3	
Other revenue	1,441	0.2		7,855	0.9		8,080	0.9	
Total revenues	908,256	100.0		828,206	100.0		930,603	100.0	
Net allowance charges	(33,425 )	(3.7 )		(11,898 )	(1.4 )		(98,479 )	(10.6 )	
Operating expenses:									
Compensation and employee services	319,400	35.2		273,033	33.0		258,846	27.8	
Legal collection fees	42,941	4.7		43,351	5.2		47,717	5.1	
Legal collection costs	104,988	11.6		76,047	9.2		84,485	9.1	
Agency fees	33,854	3.7		35,530	4.3		44,922	4.8	
Outside fees and services	61,492	6.8		62,792	7.6		63,098	6.8	
Communication	43,224	4.8		33,132	4.0		33,771	3.6	
Rent and occupancy	16,906	1.9		14,823	1.8		15,710	1.7	
Depreciation and amortization	19,322	2.1		19,763	2.4		24,359	2.6	
Other operating expenses	47,444	5.1		44,103	5.3		39,466	4.3	
Total operating expenses	689,571	75.9		602,574	72.8		612,374	65.8	
Income from operations	185,260	20.4		213,734	25.8		219,750	23.6	
Other income and (expense):									
Gain on sale of subsidiaries	26,575	2.9		48,474	5.9		—	—	
Interest expense, net	(121,078 )	(13.3 )		(98,041 )	(11.8 )		(80,864 )	(8.7 )	
Foreign exchange (loss)/gain	(944 )	(0.1 )		(1,104 )	(0.1 )		2,564	0.3	
Other	(316 )	(0.1 )		(2,790 )	(0.3 )		(5,823 )	(0.6 )	
Income before income taxes	89,497	9.8		160,273	19.4		135,627	14.6	
Income tax expense/(benefit)	13,763	1.5		(10,852 )	(1.3 )		43,577	4.7	
Net income	75,734	8.3		171,125	20.7		92,050	9.9	
Adjustment for net income attributable to noncontrolling interests	10,171	1.1		6,810	0.8		5,795	0.6	
Net income attributable to PRA Group, Inc.	\$65,563	7.2	%	\$164,315	19.9	%	\$86,255	9.3	%

Cash Collections

Cash collections were as follows for the periods indicated: