

PRA GROUP INC
Form DEF 14A
April 01, 2016

Notice of Annual Meeting of Stockholders

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
OF PRA GROUP, INC.

Meeting Information

Date: May 13, 2016
Time: 12:00 noon Eastern Time
Place: PRA Group, Inc.
Building III
2nd Floor
130 Corporate Boulevard
Norfolk, VA 23502

Dear Fellow Stockholders:

We are pleased to invite you to the Annual Meeting of Stockholders on May 13, 2016 at our Corporate Headquarters located at 130 Corporate Boulevard, Norfolk, Virginia 23502 at 12:00 noon Eastern Time. We look forward to your attendance at the meeting and we encourage you to complete, sign and date the enclosed proxy card to vote your shares or vote your shares on the Internet or by telephone, whether or not you are planning to attend. Following a report on PRA Group, Inc.'s business results, stockholders will vote:

- ☐ To elect the nominees named in the accompanying proxy statement to the Board of Directors for the coming year;
- ☐ To approve, on a non-binding advisory basis, the compensation of our Named Executive Officers; and
- ☐ To ratify the selection of our independent registered public accounting firm for 2016.

Stockholders also will transact any other business that may properly come before the meeting and any adjournment or postponement thereof.

Stockholders of record as of the close of business on March 17, 2016 are entitled to receive notice of, and to vote at, the Annual Meeting. Included in these materials are the proxy statement; the Company's 2015 Annual Report to Stockholders, which includes the Company's audited consolidated financial statements for the fiscal year ended December 31, 2015; this Notice of the Company's 2016 Annual Meeting; and your proxy card. These materials are first being mailed to stockholders on or about April 1, 2016, and are available online at the Company's website at www.pragroup.com.

Every stockholder's vote is important and valued by the Company. We hope that you will find our proxy statement to be easy to follow, and that it will aid in your ability to designate your proxy vote.

Once again, we thank you for your commitment to the Company and urge you to vote your shares now.

By Order of the Board of Directors,

Steven D. Fredrickson
Chairman and Chief Executive Officer

Judith S. Scott
Corporate Secretary and Counsel

April 1, 2016

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Q&A with our Lead Director

How would you evaluate PRA Group's performance in 2015?

PRA has always focused on creating long-term stockholder value and it remains a priority for both the Board of Directors and for PRA Management. In 2015, PRA had a good year in several key areas that I believe will add value over the long term. For example, debt buying, excluding acquisitions, was at an all-time high in 2015 and we saw continued growth in cash collections across the globe. In addition, our growth in international investments, both through new market entry and through significant portfolio purchases, should position us well for the future. None of us are pleased with the recent stock price performance, but we remain focused on producing long-term results that will be recognized by our investors.

David N. Roberts,
Lead Director

What's the biggest change you have seen at PRA during your tenure on the Board?

The biggest change is just how much PRA Group has grown. But even with all of this growth, the core values of building long-term stockholder value, ensuring a focus on quality control and compliance, and increasing productivity remain the same. We have simply found new ways to grow by leveraging those competencies – whether through establishing the Insolvency business or our purchase of Aktiv Kapital. Each of these decisions has delivered growth, but in a way that hasn't changed who PRA is and has been from the beginning.

What would you say the Board's most significant priorities over the past year have been?

We've really had two primary priorities over the past year. The first is our ongoing focus on compliance. With the regulatory environment getting more and more complex, we remain committed to PRA being the industry standard as we partner with regulators, sellers, and consumers alike. The second priority has been seeking ways to best leverage the skillset of the Company. We added several new directors to our Board of Directors this year, each of whom adds value in helping us determine how we should continue to manage the Company for the long term. These individuals bring experience across our industry with large-scale operations, international focus, and/or industry expertise that we believe will help us continue on the right path for the future. I don't see any reason why this would change in 2016. You have significantly increased the number of directors in 2015 and 2016. How can stockholders be confident that our Board is composed of the right directors with the right skill sets to effectively represent our interests? We made a commitment in 2015 to increase the size of our Board of Directors, but only to the extent that those new directors could add supplemental value and diversity to our existing Board. As a part of this, we found two exceptional, independent directors in Vikram "Vik" Atal and Lance Weaver. Both of these individuals come from very large, global organizations, have robust industry experience and are already having an impact on the Company. We also added two more directors who were natural additions based on their continuing contributions to the Company. First, Kevin Stevenson, who as a co-founder of PRA and an integral part of the leadership team, provides the Board with additional insight into strategic and operational challenges and opportunities that face PRA. Second, Geir Olsen adds substantial value through his continued guidance on international expansion and perspective on the European market. The Nominating and Corporate Governance Committee goes through an extensive process each year to identify ways to enhance the makeup and diversity in our Board of Directors. We believe with the addition of these four directors, we accomplished that goal in 2015 and that stockholders will benefit from these additions in 2016 and beyond.

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Proxy Summary

This summary highlights certain information contained elsewhere in the proxy statement. This does not contain all of the information that you should consider and you should read the entire proxy statement carefully before voting.

Proxy Statement

The 2016 Proxy Statement (“Proxy Statement”) is furnished in connection with the solicitation of proxies by the Board of Directors (the “Board”) of PRA Group, Inc. (which, together with its subsidiaries, we refer to as “PRA”, the “Company”, “we”, or “us”) in connection with the 2016 Annual Meeting of Stockholders (the “Annual Meeting”) scheduled for May 13, 2016, at 12:00 noon Eastern Time at PRA’s Corporate Headquarters located at 130 Corporate Boulevard, Building III 2nd Floor, Norfolk, Virginia 23502. These proxy materials are first being furnished to stockholders on or about April 1, 2016.

Our Business

PRA is a specialized financial and business services company. We are a market leader in the consumer debt purchase and collection industry. The Company also provides a broad range of fee-based services including revenue enhancement for local governments; vehicle location, skip-tracing and collateral recovery for auto lenders, governments, and law enforcement; contingent consumer debt recovery on behalf of banks, credit providers, and debt purchasers; and filing of class action claims on behalf of institutional investors, manufacturers, and retailers. PRA was founded in 1996 and has been public since 2002. We are distinguished by our strong customer focus, continuous innovation, expansive data and analytics, and culture of integrity and compliance. We have approximately 3,800 employees in the United States, Canada and throughout Europe. For more information about our businesses, please refer to our Annual Report on Form 10-K filed with the SEC on February 26, 2016.

Investor Outreach and Engagement

PRA regularly communicates with its investors to better understand their perspectives. Throughout the year, our Chief Executive Officer (“CEO”), President, and Director Investor Relations and sometimes other subject-matter experts within the Company engaged with our investors to remain well-informed regarding their perspective on current issues, as well as to address any questions or concerns. These individuals serve as liaisons between stockholders, members of senior management and the Board.

In 2015, we engaged with our stockholders on a regular basis to discuss a range of topics. We recognize the value of taking our investors views into account, and engagement with them helps us understand their opinions, concerns or other matters.

Investor outreach efforts included non-deal road shows, conferences, onsite visits and phone calls. We also communicate with investors and other stakeholders through other avenues, including our annual report and SEC filings, proxy statement, news releases and our website. We hold conference calls for our quarterly earnings releases, which are open to all. These calls and other corporate events are also generally available in real time and as archived webcasts on our website.

Ongoing Focus on Compliance

PRA is dedicated to meeting our compliance obligations and we strive to be the most compliant collections operation in the industry. We believe this enhances the overall customer experience, improves customer service and increases customer satisfaction.

The PRA Compliance Function is led by an independent Chief Compliance Officer who reports to both the CEO and the Compliance Committee of the Board of Directors. PRA’s Compliance Program establishes a risk-based approach and oversight framework to manage compliance risk and ensure compliance with laws and regulations governing PRA’s activities across the globe. The Compliance Program is structured to proactively identify, control, measure, monitor and report compliance risks throughout the Company. The Board of Directors and senior management oversee PRA’s Compliance Management Program, which includes policies and procedures, training, monitoring and a consumer complaint response system. Moreover, PRA has established an Internal Audit function that is responsible for conducting independent reviews of our compliance with consumer protection laws and regulations and adherence to internal policies and procedure.

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Proxy Summary

VOTING MATTERS AND VOTE RECOMMENDATIONS

Proposal 1: Election of Directors (page 6)

The Board and the Nominating and Corporate Governance Committee believe that the six director nominees possess the necessary qualifications to provide effective oversight of the business and quality advice and counsel to the Company's management.

Director Nominee	Director Since	Principal Occupation	Experience/Qualifications	Our Board's Recommendation
John H. Fain	2010	Retired President and CEO of Metro Information Services, Inc.	High Level of Financial Literacy, Leadership & Board Experience, Experience with Complex Organizations, Entrepreneurial Spirit	FOR
David N. Roberts	2002	CEO of AG Mortgage Investment Trust, Inc.	High Level of Financial Literacy, Leadership & Board Experience, Financial Industry Experience	FOR
Vikram A. Atal	2015	President, Atal Advisors, LLC	High Level of Financial Literacy, Risk Oversight, Leadership & Board Experience, Financial Industry Experience, Experience with Complex Organizations, International/Global Experience	FOR
Geir L. Olsen	2016	Partner, Ubon Partners	Leadership & Board Experience, Financial Industry Experience, Entrepreneurial Spirit, International/Global Experience	FOR
Kevin P. Stevenson	2015	President, Chief Administrative Officer, Interim CFO of PRA Group, Inc.	High Level of Financial Literacy, Leadership & Board Experience, Financial Industry Experience, Experience with Complex Organizations, Entrepreneurial Spirit, International/Global Experience	FOR
Lance L. Weaver	2015	Retired President, Virgin Money Cards	High Level of Financial Literacy, Risk Oversight, Leadership & Board Experience, Financial Industry Experience, Government & Regulatory Experience, Experience with Complex Organizations, Entrepreneurial Spirit, International/Global Experience	FOR

Proposal 2: Advisory Vote to Approve Executive Compensation (page 25)

FOR

The Company seeks a non-binding advisory vote from its stockholders to approve the compensation of its Named Executive Officers as described in the Compensation Discussion and Analysis section beginning on page 26. The Board values stockholders' opinions and the Compensation Committee will take into account the outcome of the advisory vote when considering future executive compensation decisions.

Proposal 3: Ratification of the Appointment of KPMG as Independent Auditors (page 52)

FOR

The Audit Committee and the Board believe that the continued retention of KPMG to serve as the independent auditors for the fiscal year ending December 31, 2016 is in the best interest of the Company and its stockholders. As a matter of good corporate governance, stockholders are being asked to ratify the Audit Committee's selection of the independent auditors.

Proxy Summary

COMPANY PERFORMANCE HIGHLIGHTS

PRA had another year of record performance levels with regards to Cash Receipts, Revenue and Estimated Remaining Collections (ERC), while falling three cents short of last year's Earnings Per Share (EPS).

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Proxy Summary

COMPENSATION HIGHLIGHTS

Our consistent strong performance is reflected in the compensation that our Named Executive Officers (“NEOs”) earned in 2015, as described in the Compensation Discussion and Analysis (“CD&A”) in this Proxy Statement. In light of the favorable results of the 2015 advisory vote to approve the Company’s executive compensation*, the Company continued its existing compensation practices without substantial changes in 2015. At the Company’s 2015 Annual Meeting of Stockholders, 98.1% of stockholder votes cast approved, on a non-binding advisory basis, the compensation program for the Company’s NEOs.

2015 Compensation

2015 Compensation Summary

Compensation Component	Steven D. Fredrickson	Kevin P. Stevenson	Michael J. Petit	Neal Stern	Geir L. Olsen ⁽¹⁾
Salary	\$903,846	\$522,450	\$440,962	\$403,925	\$493,556
Bonus Awarded	\$1,250,000	\$900,250	\$600,000	\$820,834	\$362,581
Equity Granted	\$2,099,879	\$879,940	\$699,854	\$474,904	\$699,854
Total 2015 Compensation	\$4,253,725	\$2,302,640	\$1,740,816	\$1,699,663	\$1,555,991

⁽¹⁾ Mr. Olsen’s base pay and bonus were converted from Euros as of December 31, 2015 for illustrative purposes only.

The exchange rate used was €1:\$1.0906.

The compensation of our NEOs further reflects both our 2015 performance and our compensation philosophy.

Consistent with our executive compensation philosophy, a significant portion of both our CEO’s and other NEOs’ total compensation is incentive-based and at risk, as illustrated in the following graphs:

In this proxy, when we refer to “executive compensation” we mean primarily the Compensation Committee’s decisions *regarding all elements of pay for Messrs. Stevenson, Petit, Stern and Olsen, who together with Mr. Fredrickson, are our NEOs during 2015.

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Proxy Summary

The following illustrates the three-year directional relationship between the Company's Net Operating Income (NOI) performance and the total direct compensation (TDC) of our Chief Executive Officer (CEO).

Mr. Fredrickson also received a retention grant of restricted stock units in 2014 with a fair market value of (1) \$1,000,000 when he executed his employment agreement. This grant is not included in TDC, as it is a one-time grant and not considered part of annual compensation for comparison purposes.

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Proposal 1: Election of Directors

Our business endeavors are managed under the direction of our Board of Directors, which currently consists of eleven members. Eight of our directors, representing greater than a majority of our Board, are independent as required by the independent director rules of the NASDAQ Stock Market LLC (“NASDAQ”). Our Board of Directors is divided into three classes of directors and our Nominating and Corporate Governance Committee regularly reclassifies new directors in order to ensure that any increase or decrease in the number of directors will be more evenly distributed among the three classes, so that each class will consist of approximately one-third of the total number of directors. Each director serves a three-year term. One class of directors is eligible for election at each annual meeting of stockholders. Nominees for director that receive the affirmative votes of a plurality of shares represented and voting in person or by proxy at the Annual Meeting will be elected.

The Nominating and Corporate Governance Committee recommended to the Board the candidates for election and re-election who are included on the ballot for the Annual Meeting. Any nominee for director who receives a greater number of votes withheld from or against his or her election than votes for his or her election shall tender his or her resignation for consideration by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee will then consider the best interests of the Company and its stockholders and will recommend to the full Board what action should be taken with respect to the tendered resignation.

All nominees have consented to serve as director if elected/re-elected. We have no reason to believe that any of the nominees will be unable or unwilling for good cause to serve. However, if any nominee should become unable for any reason or unwilling for good cause to serve, proxies may be voted for another person nominated as a substitute by the Board or the Board may reduce the number of directors. If the Board nominates a substitute, the shares represented by all valid proxies will be voted for that nominee.

The Company did not receive any recommendations of potential director candidates from stockholders for consideration at the 2016 Annual Meeting of Stockholders.

THE BOARD RECOMMENDS THAT YOU VOTE “FOR” THE ELECTION OF EACH OF THE DIRECTOR NOMINEES.

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Proposal 1: Election of Directors

The following table sets forth the names, ages, the membership for each of the standing committees of the Board, and certain other information as of March 17, 2016 for each of the nominees for election as a director and for each of the continuing members of the Board of Directors.

Director Nominee/ Continuing Director	Class	Age	Director Since	Current Term Expires	Audit Committee	Compensation Committee	Compliance & Corporate Governance Committee	Nominating & Corporate Governance Committee
2016 Director Nominees - Seeking Reelection								
John H. Fain	2	67	2010	2016	Member	Member		
David N. Roberts	2	53	2002	2016		Chair		Member
2016 Director Nominees -New Directors								
Vikram A. Atal	TBD	60	2015	2016	Member			