Credit Acceptance Announces Second Quarter 2007 Earnings

SOUTHFIELD, Mich., Aug 2, 2007 (PrimeNewswire via COMTEX News Network) --

Credit Acceptance Corporation (Nasdaq:CACC) (referred to as the "Company", "we", "our", or "us") announced consolidated net income of $12.3 million, or $0.39 per diluted share, for the three months ended June 30, 2007 compared to consolidated net income of $17.6 million, or $0.50 per diluted share for the same period in 2006. For the six months ended June 30, 2007 consolidated net income was $27.7 million, or $0.88 per diluted share, compared to consolidated net income of $34.8 million, or $0.94 per diluted share for the same period in 2006.

Refer to our Form 10-Q, filed today with the Securities and Exchange Commission, and which will appear on our website at creditacceptance.com, for a complete discussion of the results of operations and financial data for the three and six months ended June 30, 2007.

Operating Results

Results for the three and six months ended June 30, 2007 compared to the same periods in 2006 include the following:

	% Change	
	Three Months Ended June 30, 2007	Six Months Ended June 30, 2007
Consumer loan unit volume	24.2%	25.4%
Consumer loan dollar volume	40.5%	41.2%
Number of active dealer-partners	29.5%	29.5%
Total cash collections on loans	10.7%	10.8%
Dealer holdback payments	1.9%	9.3%
Average consumer loan size	13.1%	12.6%
Total average loan portfolio size	23.3%	19.3%

The following table summarizes consumer loan origination dollar growth in each of the last six quarters compared with the same period in the previous year:

Year over Year Growth in Consumer Loan Dollar Volume	
Three Months Ended	% Change
March 31, 2006	10.3%
June 30, 2006	5.0%
September 30, 2006	27.8%
December 31, 2006	39.2%
March 31, 2007	41.6%
June 30, 2007	40.5%

The following table summarizes the changes in active dealer-partners and corresponding Consumer Loan unit volume for the three months ended June 30, 2007 and 2006:

	Three Months Ended June 30,		
	2007	2006	% change
Consumer Loan unit volume	25,053	20,176	24.2%
Active dealer-partners (1)	1,955	1,510	29.5%
Average volume per dealer-partner	12.8	13.4	-4.5%
Consumer Loan unit volume from dealer-partners active both periods	15,967	15,898	0.4%
Dealer-partners active both periods	1,022	1,022	0.0%
Average volume per dealer-partner active both periods	15.6	15.6	0.0%
Consumer Loan unit volume from new dealer-partners	4,331	1,085	299.2%
New active dealer-partners (2)	536	188	185.1%
Average volume per new active dealer-partner	8.1	5.8	39.7%
Attrition (3)	-21.2%	-19.9%	

(1) Active dealer-partners are dealer-partners who submit at least one Consumer Loan during the period.
(2) New active dealer-partners are dealer-partners that have enrolled in our program and have submitted their first Consumer Loan to us during the period.
(3) Attrition is measured according to the following formula: decrease in Consumer Loan unit volume from dealer-partners who submitted at least one Consumer Loan during the comparable period of the prior year but who submitted no Consumer Loans during the current period divided by prior year comparable period Consumer Loan unit volume.

Consumer Loan Performance

Although the majority of loan originations are recorded in our financial statements as dealer loans, each transaction starts with a loan from the dealer-partner to the individual purchasing the vehicle. Since the cash flows available to repay the dealer loans are generated, in most cases, from the underlying consumer loan, the performance of the consumer loans is critical to our financial results. The following table presents forecasted consumer loan collection rates, advance rates, the spread (the forecasted collection rate less the advance rate), and the percentage of the forecasted collections that had been realized as of June 30, 2007. Payments of dealer holdback and accelerated payments of dealer holdback are not included in the advance percentage paid to the dealer-partner. All amounts are presented as a percentage of the initial balance of the consumer loan (principal + interest).

Loan Origination	Forecasted	% of Forecast

Year	Collection %	Advance %	Spread %	Realized
1997	58.4%	47.9%	10.5%	99.9%
1998	67.5%	46.1%	21.4%	99.5%
1999	72.4%	48.7%	23.7%	98.7%
2000	72.9%	47.9%	25.0%	98.0%
2001	67.8%	46.0%	21.8%	97.3%
2002	71.0%	42.2%	28.8%	97.0%
2003	74.4%	43.4%	31.0%	96.3%
2004	74.0%	44.0%	30.0%	88.9%
2005	74.1%	46.9%	27.2%	74.5%
2006	70.7%	46.6%	24.1%	39.9%
2007	70.4%	46.4%	24.0%	7.2%

The following tables compare our forecast of consumer loan collection rates as of June 30, 2007, with the forecast as of March 31, 2007 and as of December 31, 2006:

Loan Origination Year	June 30, 2007 Forecasted Collection %	March 31, 2007 Forecasted Collection %	Variance
1997	58.4%	58.4%	0.0%
1998	67.5%	67.4%	0.1%
1999	72.4%	72.4%	0.0%
2000	72.9%	72.9%	0.0%
2001	67.8%	67.8%	0.0%
2002	71.0%	70.8%	0.2%
2003	74.4%	74.3%	0.1%
2004	74.0%	74.1%	-0.1%
2005	74.1%	74.0%	0.1%
2006	70.7%	71.0%	-0.3%

Loan Origination Year	June 30, 2007 Forecasted Collection %	December 31, 2006 Forecasted Collection %	Variance
1997	58.4%	58.4%	0.0%
1998	67.5%	67.5%	0.0%
1999	72.4%	72.4%	0.0%
2000	72.9%	73.0%	-0.1%
2001	67.8%	67.7%	0.1%
2002	71.0%	70.7%	0.3%
2003	74.4%	74.2%	0.2%
2004	74.0%	73.9%	0.1%
2005	74.1%	74.2%*	-0.1%
2006	70.7%	71.1%*	-0.4%
2007	70.4%	69.9%**	0.5%

* These forecasted collection percentages differ from those previously reported in our Annual Report on Form 10-K for the year ended December 31, 2006 and our 2006 earnings release as they have been revised for a seasonality factor. This seasonality factor was first applied during the first quarter of 2007. The following table compares our forecast of consumer loan collection rates as of June 30, 2007, with the forecast as of December 31, 2006, without the revised seasonality factors:

Loan	June 30, 2007	December 31, 2006

Origination Year	Forecasted Collection %	Forecasted Collection %	Variance
2005	74.2%	73.8%	0.4%
2006	70.8%	70.5%	0.3%

Forecasted collection percentages prior to 2005 are not materially impacted by the seasonality factors.

** Collection percentage represents the initial forecasted collection percentage determined at origination for 2007 originations.

Collection results were generally consistent with our expectations.

Adjusted Financial Results

Adjusted financial results are provided to help shareholders understand our financial performance. The financial data below is non-GAAP, unless labeled otherwise. We use adjusted financial information internally to measure financial performance and to determine incentive compensation. The tables below show our results following adjustments to reflect non-GAAP accounting methods. These adjustments are explained in the table footnotes and the subsequent "Floating Yield Adjustment" and "License Fee Yield Adjustment" sections. Measures such as adjusted average capital, adjusted net income, adjusted net income per diluted share, adjusted net income plus interest expense after-tax, adjusted return on capital, adjusted finance charge revenue, and economic profit are all non-GAAP financial measures.

Adjusted financial results for the three and six months ended June 30, 2007 compared to the same periods in 2006 include the following:

(Dollars in thousands, except per share data)

	For the Three Months Ended June 30,		
	2007	2006	% Change
Adjusted average capital	$ 708,334	$ 547,473	29.4%
Adjusted net income	$ 14,254	$ 16,952	-15.9%
Interest expense after-tax	$ 5,962	$ 3,566	67.2%
Adjusted net income plus interest expense after-tax	$ 20,216	$ 20,518	-1.5%
Adjusted return on capital	11.4%	15.0%	-24.0%
Cost of capital	7.1%	8.2%	-13.4%
Economic profit	$ 7,615	$ 9,307	-18.2%
Diluted weighted average shares outstanding	31,312,139	35,433,944	-11.6%
Adjusted net income per diluted share	$ 0.46	$ 0.48	-4.2%

	For the Six Months Ended June 30,		
	2007	2006	% Change
Adjusted average capital	$ 668,965	$ 535,303	25.0%
Adjusted net income	$ 30,762	$ 32,035	-4.0%

Interest expense after-tax	$	11,183	$	5,817	92.2%
Adjusted net income plus interest expense after-tax	$	41,945	$	37,852	10.8%
Adjusted return on capital		12.5%		14.1%	-11.3%
Cost of capital		7.1%		8.4%	-15.5%
Economic profit	$	18,062	$	15,256	18.4%
Diluted weighted average shares outstanding		31,297,484		37,029,956	-15.5%
Adjusted net income per diluted share	$	0.98	$	0.87	12.6%

Economic profit decreased 18.2% for the three months ended June 30, 2007 and increased 18.4% for the six months ended June 30, 2007.

For the three months ended June 30, 2007, adjusted average capital grew at 29.4% while the adjusted return on capital declined from 15.0% to 11.4%. For the six month period, adjusted average capital grew at 25.0% while the adjusted return on capital declined from 14.1% to 12.5%. The adjusted return on capital for the 2007 period was negatively impacted by pricing changes implemented in the third quarter of 2006 and in the first quarter of 2007. In addition, the second quarter 2007 results were impacted by restricted stock awards granted during the first quarter of 2007 and higher than expected legal expenses (approximately $500,000 pre-tax). Restricted stock compensation expense pre-tax was $1.4 million and $1.8 million for the three and six months ended June 30, 2007 compared to $0.2 million and $0.3 million for the same periods in 2006.

Restricted stock awards granted during the first quarter of 2007 totaled $9.4 million. Awards granted included $7.9 million related to a restricted stock unit award and $1.5 million related to shares of restricted stock. The restricted stock unit award is not expected to be repeated annually and vests based on attaining certain performance criteria over a five-year period. The shares of restricted stock are part of the annual incentive compensation program and are granted annually based on attaining certain individual and company performance criteria. GAAP accounting requires the awards to be expensed so that more expense is recorded during the early years of the vesting period. The following table details how the expense will be recorded assuming performance targets are achieved (Dollars in thousands):

For the Twelve Months ended December 31,	Restricted Stock Unit Award	Restricted Stock Awards	Total Projected Expense (pre-tax)
2007	$3,407	$ 725	$4,132
2008	2,139	444	2,583
2009	1,285	178	1,463
2010	734	21	755
2011	325	--	325
	$7,890	$1,368	$9,258

As previously reported, we made pricing changes in the third quarter of 2006 and in the first quarter of 2007. The pricing changes resulted in an increase in loan volume and a reduction in the return on capital of new originations. The Company's internal profitability models indicate that the yield on loans originated during the second quarter of 2007 is comparable to the loan yield realized on the loan portfolio during the second quarter of 2007.

Unit volume in July of 2007 increased 7.4% compared to the same period in 2006 and dollar volume increased 9.8% for the same periods. It is expected that origination growth will slow during the third quarter of 2007 for two reasons: 1) third quarter comparisons will reflect the impact of price reductions made in the third quarter of 2006 in both periods for the first time and, 2) we have raised prices modestly since the first quarter of 2007.

The following table shows how non-GAAP measures reconcile to GAAP measures:

(Dollars in thousands, except per share data)

	For the Three Months Ended June 30, 2007	2006	% Change
Adjusted net income			
GAAP net income	$ 12,330	$ 17,606	
Floating yield adjustment (after-tax)	617	119	
License fee yield adjustment (after-tax)	1,144	(610)	
Adjustment resulting in comparable tax rate for both periods (1)	163	(163)	
Adjusted net income	$ 14,254	$ 16,952	-15.9%
Adjusted net income per diluted share	$ 0.46	$ 0.48	-4.2%
Diluted weighted average shares outstanding:	31,312,139	35,433,944	-11.6%
Adjusted average capital			
GAAP average debt	$ 473,141	$ 256,162	
GAAP average shareholders' equity	233,465	293,401	
Floating yield adjustment	8,073	4,633	
License fee yield adjustment	(6,345)	(6,723)	
Adjusted average capital	$ 708,334	$ 547,473	29.4%
Adjusted return on capital			
Adjusted net income	$ 14,254	$ 16,952	
Interest expense after-tax (2)	5,962	3,566	
Adjusted net income plus interest expense after-tax	$ 20,216	$ 20,518	-1.5%
Adjusted return on capital (3)	11.4%	15.0%	-24.0%
Economic profit			
Adjusted return on capital	11.4%	15.0%	
Cost of capital (4)	7.1%	8.2%	
Adjusted return on capital in excess of cost of capital	4.3%	6.8%	
Adjusted average capital	$ 708,334	$ 547,473	

Economic profit	$ 7,615	$ 9,307	-18.2%

	For the Six Months Ended June 30,		
	2007	2006	% Change
Adjusted net income			
GAAP net income	$ 27,690	$ 34,803	
Floating yield adjustment (after-tax)	699	(1,831)	
License fee yield adjustment (after-tax)	2,708	(1,272)	
Adjustment resulting in comparable tax rate for both periods (1)	(335)	335	
Adjusted net income	$ 30,762	$ 32,035	-4.0%
Adjusted net income per diluted share	$ 0.98	$ 0.87	12.6%
Diluted weighted average shares outstanding:	31,297,484	37,029,956	-15.5%
Adjusted average capital			
GAAP average debt	$ 442,928	$ 205,900	
GAAP average shareholders' equity	225,721	330,752	
Floating yield adjustment	7,330	5,016	
License fee yield adjustment	(7,014)	(6,365)	
Adjusted average capital	$ 668,965	$ 535,303	25.0%
Adjusted return on capital			
Adjusted net income	$ 30,762	$ 32,035	
Interest expense after-tax (2)	11,183	5,817	
Adjusted net income plus interest expense after-tax	$ 41,945	$ 37,852	10.8%
Adjusted return on capital (3)	12.5%	14.1%	-11.3%
Economic profit			
Adjusted return on capital	12.5%	14.1%	
Cost of capital (4)	7.1%	8.4%	
Adjusted return on capital			

in excess of cost of capital	5.4%	5.7%	
Adjusted average capital	$ 668,965	$ 535,303	
Economic profit	$ 18,062	$ 15,256	18.4%

(1) This adjustment allows the reader to compare the current period to the prior period assuming a comparable tax rate in both periods. We estimate a 37% long term effective tax rate.
(2) Interest expense after-tax calculated using a 37% tax rate.
(3) Adjusted return on capital is defined as annualized adjusted net income plus interest expense after-tax divided by adjusted average capital.
(4) The cost of capital includes both a cost of equity and a cost of debt. The cost of equity capital is determined based on a formula that considers the risk of the business and the risk associated with our use of debt. The formula utilized for determining the cost of equity capital is as follows: (the average 30 year treasury rate + 5%) + ((1 - tax rate) x (the average 30 year treasury rate + 5% - pre-tax average cost of debt rate) x average debt/(average equity + average debt x tax rate)). For the three and six months ended June 30, 2007, the average 30 year treasury rate was 4.9% and the pre-tax average cost of debt was 8.0%.

Floating Yield Adjustment

The purpose of this adjustment is to modify the calculation of our GAAP-based finance charge revenue so that favorable and unfavorable changes in expected cash flows from loans receivable are treated consistently. To make the adjustment understandable, we must first explain how GAAP requires us to account for finance charge revenue, our primary revenue source.

Finance charge revenue equals the cash inflows from our loan portfolio less cash outflows to acquire the loans. Our GAAP finance charge revenue is based on estimates of future cash flows and is recognized on a level-yield basis over the estimated life of the loan. With the level-yield approach, the amount of finance charge revenue recognized from a loan in a given period, divided by the loan asset, is a constant percentage. Under GAAP, favorable changes in expected cash flows are treated as increases to the yield and are recognized over time, while unfavorable changes are recorded as a current period expense. The non-GAAP methodology that we use (the "floating yield" method) is identical to the GAAP approach except that, under the "floating yield" method, all changes in expected cash flows (both positive and negative) are treated as yield adjustments and therefore impact earnings over time. The GAAP treatment always results in a lower carrying value of the loan receivable asset, but may result in either higher or lower earnings for any given period depending on the timing and amount of expected cash flow changes.

We believe floating yield earnings are a more accurate reflection of the performance of our business, since both favorable and unfavorable changes in estimated cash flows are treated consistently.

License Fee Yield Adjustment

The purpose of this adjustment is to make the revenue from license fees comparable across time periods. In 2001, we began charging dealer-partners a monthly licensing fee for access to our internet-based Credit Approval Processing System, also known as CAPS.

Effective January 1, 2007, we implemented a change in the way these fees are charged designed to positively impact dealer-partner attrition. We continue to charge a monthly license fee of $599, but instead of collecting the fee in the current period, we will collect it from future dealer holdback payments.

As a result of this change, we now record license fees on a GAAP basis as a yield adjustment, recognizing these fees as finance charge revenue over the term of the dealer loan because collection is dependent on the future cash flows of the loan. Previously, we had recorded the fee as license fee revenue in the month the fee was charged. The new GAAP treatment is more consistent with the cash economics of the business.

To allow for proper comparisons between periods, we now make an adjustment to our financial results as though they had always been recorded as a yield adjustment. This change is shown as the license fee yield adjustment in the adjusted financial results table above.

Cautionary Statement Regarding Forward-Looking Information

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all of its forward-looking statements. Certain statements in this release that are not historical facts, such as those using terms like "may," "will," "should," "believe," "expect," "anticipate," "assume," "forecast," "estimate," "intend," "plan" and those regarding our future results, plans and objectives, are "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements represent our outlook only as of the date of this release. While we believe that our forward-looking statements are reasonable, actual results could differ materially since the statements are based on our current expectations, which are subject to risks and uncertainties. Factors that might cause such a difference include, but are not limited to, the factors set forth in Item 1A of our Form 10-K for the year ended December 31, 2006, other risk factors discussed herein or listed from time to time in our reports filed with the Securities and Exchange Commission and the following:

* Our inability to accurately forecast the amount and timing of future collections could have a material adverse effect on our results of operations.

* Due to increased competition from traditional financing sources and non-traditional lenders, we may not be able to compete successfully.

* Our ability to maintain and grow the business is dependent on our ability to continue to access funding sources and obtain capital on favorable terms.

* We may not be able to generate sufficient cash flow to service our outstanding debt and fund operations.

* The substantial regulation to which we are subject limits the business, and such regulation or changes in such regulation could result in potential liability.

* Adverse changes in economic conditions, or in the automobile or finance industries or the non-prime consumer finance market, could adversely affect our financial position, liquidity and results of operations and our ability to enter into future financing transactions.

* Litigation we are involved in from time to time may adversely affect our financial condition, results of operations and cash flows.

* We are dependent on our senior management and the loss of any of these individuals or an inability to hire additional personnel could adversely affect our ability to operate profitably.

* Natural disasters, acts of war, terrorist attacks and threats or

the escalation of military activity in response to such attacks or otherwise may negatively affect our business, financial condition and results of operations.

Other factors not currently anticipated by management may also materially and adversely affect our results of operations. We do not undertake, and expressly disclaims any obligation, to update or alter our statements whether as a result of new information, future events or otherwise, except as required by applicable law.

Description of Credit Acceptance Corporation

Since 1972, Credit Acceptance has provided auto loans to consumers, regardless of their credit history. Our product is offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our product, but who actually end up qualifying for traditional financing.

Without our product, consumers are often unable to purchase a vehicle or they purchase an unreliable one and are not provided the opportunity to improve their credit standing. As we report to the three national credit reporting agencies, a significant number of our consumers improve their lives by improving their credit score and move on to more traditional sources of financing. Credit Acceptance is publicly traded on the NASDAQ under the symbol CACC. For more information, visit creditacceptance.com

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED INCOME STATEMENTS
(UNAUDITED)

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenue:				
Finance charges	$ 54,084	$ 47,919	$ 105,497	$ 93,926
License fees	84	3,204	166	6,101
Other income	4,118	3,958	9,974	8,080
Total revenue	58,286	55,081	115,637	108,107
Costs and expenses:				
Salaries and wages	13,092	9,965	24,953	20,559
General and administrative	7,359	6,297	13,276	13,062
Sales and marketing	4,144	3,406	8,616	7,765
Provision for credit losses	3,798	2,641	7,671	3,165
Interest	9,463	5,660	17,751	9,234
Other expense	33	55	58	137
Total costs and expenses	37,889	28,024	72,325	53,922
Operating income	20,397	27,057	43,312	54,185
Foreign currency gain	34	6	38	11
Income from continuing				

operations before provision for income taxes	20,431	27,063	43,350	54,196
Provision for income taxes	7,938	9,364	15,470	19,292
Income from continuing operations	12,493	17,699	27,880	34,904
Discontinued operations				
Loss from discontinued United Kingdom operations	(233)	(132)	(271)	(145)
Credit for income taxes	(70)	(39)	(81)	(44)
Loss on discontinued operations	(163)	(93)	(190)	(101)
Net income	$ 12,330	$ 17,606	$ 27,690	$ 34,803
Net income per common share:				
Basic	$ 0.41	$ 0.53	$ 0.92	$ 1.01
Diluted	$ 0.39	$ 0.50	$ 0.88	$ 0.94
Income from continuing operations per common share:				
Basic	$ 0.41	$ 0.54	$ 0.93	$ 1.01
Diluted	$ 0.40	$ 0.50	$ 0.89	$ 0.94
Loss from discontinued operations per common share:				
Basic	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.00)
Diluted	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.00)
Weighted average shares outstanding:				
Basic	30,140,590	32,979,572	30,097,387	34,554,605
Diluted	31,312,139	35,433,944	31,297,484	37,029,956

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	As of	
	June 30, 2007 (Unaudited)	December 31, 2006
ASSETS:		
Cash and cash equivalents	$ 1,829	$ 8,528
Restricted cash and cash equivalents	72,327	45,609

Restricted securities available for sale	3,763	3,564
Loans receivable (including $17,797 and $23,038 from affiliates as of June 30, 2007 and December 31, 2006, respectively)	873,441	754,571
Allowance for credit losses	(129,282)	(128,791)
Loans receivable, net	744,159	625,780
Property and equipment, net	17,209	16,203
Income taxes receivable	4,504	11,734
Other assets	12,806	13,795
Total Assets	$ 856,597	$ 725,213
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	$ 80,842	$ 78,294
Line of credit	44,500	38,400
Secured financing	432,631	345,144
Mortgage note and capital lease obligations	8,017	8,631
Deferred income taxes, net	50,750	44,397
Total Liabilities	616,740	514,866
Shareholders' Equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none issued	--	--
Common stock, $.01 par value, 80,000,000 shares authorized, 30,314,956 and 30,179,959 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively	303	302
Paid-in capital	2,730	828
Retained earnings	236,856	209,253
Accumulated other comprehensive loss, net of tax of $17 and $19 at June 30, 2007 and December 31, 2006, respectively	(32)	(36)
Total Shareholders' Equity	239,857	210,347
Total Liabilities and Shareholders' Equity	$ 856,597	$ 725,213

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