

Credit Acceptance Corporation (Q4 2025 Earnings)
January 29, 2026

Corporate Speakers:

- Vinayak Hegde; Credit Acceptance Corporation; Chief Executive Officer
- Jay Martin; Credit Acceptance Corporation; Chief Financial Officer
- Jay Brinkley, Credit Acceptance Corporation; Senior Vice President & Treasurer
- Jeff Soutar; Credit Acceptance Corporation; Vice President & Assistant Treasurer

Participants:

- Robert Wildhack; Autonomous Research; Analyst
- Moshe Orenbuch; TD Cowen; Analyst
- John Hecht; Jefferies; Analyst

PRESENTATION

Operator: Good day, everyone, and welcome to the Credit Acceptance Corporation Fourth Quarter 2025 Earnings Call. A webcast recording and transcript of today's earnings call will be made available on Credit Acceptance's website.

At this time, I would like to turn the call over to Credit Acceptance Chief Financial Officer, Jay Martin.

Jay Martin: Thank you. Good afternoon. Welcome to the Credit Acceptance Corporation earnings call. As you read our news release posted on the Investor Relations section of our website at ir.creditacceptance.com, and as you listen to this conference call, please recognize that both contain forward-looking statements within the meaning of federal securities laws.

These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, and which could cause actual results to differ materially from such statements. These risks and uncertainties include those spelled out in the Cautionary Statement Regarding Forward-Looking Information included in the news release. Consider all forward-looking statements in light of those and other risks and uncertainties.

Additionally, to comply with the SEC's Regulation G, please refer to the Financial Results section of our news release, which provides tables showing how non-GAAP measures reconcile to GAAP measures.

At this time, I'd like to introduce our Chief Executive Officer, Vinayak Hegde.

Vinayak Hegde: Good afternoon, everyone. I'm honored to join you today for my first quarterly earnings call as CEO. While I have only recently stepped into this role, it has been my privilege to serve on Credit Acceptance's Board of Directors for nearly five

years. That experience gave me a front row seat to the tremendous passion, talent, and resilience that define our organization.

Prior to joining Credit Acceptance, I led teams at founder-led companies where success came down to three things: a clear mission and purpose, an owner's mindset, and an obsession with the front line - staying close to customers and those who execute the work every day.

Those same attributes drew me to Credit Acceptance. They were instilled by our founder, Don Foss, who led the Company from our founding in 1972 until 2017, when he retired as Chairman of the Board. Let me share a quick reminder of his story and our enduring mission.

Don, a car dealer himself, started Credit Acceptance based on a simple but powerful belief: many hard-working individuals were being unfairly denied the opportunity to finance a vehicle they needed, simply because of their past credit challenges or limited credit history. Don believed traditional lenders too often misjudged people with less than prime credit, assuming they weren't worthy of a second chance. He built Credit Acceptance to change that by empowering dealers to serve those individuals through access to financing. These individuals in turn gained reliable transportation and the ability to build or rebuild their credit—a path forward in life.

I intend to lead Credit Acceptance in exactly that spirit - embracing the owner's mindset - being driven by the bold mission to help every American buy a car through dealers and obsessing over the front line, understanding dealers' needs intimately, and empowering them to serve credit-challenged and credit-invisible consumers. If we serve our dealers and consumers well, I believe our business will thrive.

Since assuming the role of CEO nearly 90 days ago, I focused on listening, learning, and charting a purposeful path forward. First, I connected with team members throughout the company to better understand the dealer and consumer experience. I also met the dealers to learn firsthand how our services and products support their businesses and consumers, and potential points of friction. Next, I developed a growth plan with clear priorities and established highly disciplined operating rhythms. These operating rhythms include weekly business reviews to track performance and address issues in real time and a quarterly game plan with a consolidated roadmap across all functions of the company to stay tightly aligned with our annual objectives. I believe this type of structured approach creates accountability, agility, and consistent progress towards goals.

As I move forward, my leadership will be guided by several core operating principles: be obsessed with and remove friction for our customers (both the dealer and the consumer); make data-driven decisions; explore ways to enhance our servicing and processing capabilities through artificial intelligence; prioritize a digital-first approach in our initiatives; and continue to provide a culture that attracts and retains talented people and enables them to excel.

Consistent with those core operating principles, I believe we can position Credit Acceptance for growth. We're continuing to prioritize three strategic objectives:

- One, generating dealer and consumer demand by deepening relationships within our dealer network, support dealers in acquiring new consumers, and leveraging data-driven insights to better understand and serve our markets.
- Two, empowering dealers to fulfill their demand through preferred channels such as our proprietary origination system or through aggregators like RouteOne and Dealertrack.
- Three, delivering world-class servicing and processing. We are continuing to invest in artificial intelligence, which is already supporting our customer service calls and helping to improve efficiency. It also includes making ongoing enhancements to our app, prioritizing customer experience, and nurturing long-term loyalty among dealers and consumers.

I've been impressed by the strong foundation and dedication across our teams to execute on these priorities. For example, in the fourth quarter, we rolled out a new contract origination experience, specifically built for the way franchise and large independent dealers operate in today's market. Increasingly, these dealers originate contracts through aggregator platforms and integrated dealer systems rather than stand-alone lender portals.

Our new experience meets them where they are: it includes seamless RouteOne e-contracting integration, enhanced deal-structuring and optimization tools, and expanded support for financial and insurance products - all designed to eliminate friction, and make working with Credit Acceptance faster and more intuitive inside the systems dealers already use every day.

This launch is particularly timely. The percentage declines in loan unit volume we have seen were most significant among franchise dealers. Notably, we have observed that Consumer Loans originated through franchise dealers also continue to exhibit slightly better credit performance than those from independent dealers. We expect to continue to expand the number of dealers using the new contract origination experience in the first quarter of 2026.

I'm encouraged by real dealer stories that show our mission in action, like the one from Town & Country Ford, a family-owned franchise dealership in Alabama. The community in which Town & Country Ford is located faced economic headwinds including factory closures that left retired steel and iron workers with credit challenges. When the new general sales manager joined, bringing prior positive experience with Credit Acceptance, she recognized an opportunity to empower her team to serve these credit-challenged buyers. She led the dealership to enroll with us, which boosted repeat and referral business, while strengthening their local reputation in tough times.

This collaboration echoes the very reason Credit Acceptance was founded. Our company was built to provide second chances - help individuals finance reliable transportation, rebuild credit, and move their lives forward. At Town & Country, we are seeing that

mission come alive. Consumers gain access to vehicles that change their daily lives, while the dealership staff finds renewed purpose in making a difference in their community. When we enable franchise and independent dealers to serve a wider market, everyone wins: consumers get opportunities, dealers build sustainable businesses, and communities benefit from greater economic mobility.

Importantly, we delivered our mission while maintaining a great workplace. During the quarter, we were named one of America's Top 100 Most Loved Workplaces for the second consecutive year, with a number six ranking. I'm deeply impressed by the culture and the excitement to execute our mission and drive Credit Acceptance forward. A special thank you to Ken Booth, who helped build a strong foundation through his leadership and continues to serve our Board.

Before I hand it to Jay to provide an overview of our Q4 performance, I want to leave you with one final message. I'm a builder by trade. In my past leadership roles, I have built and scaled innovative customer-centric businesses that transformed how people shop, travel, and connect. I believe Credit Acceptance has a very strong foundation, one built on purpose and performance.

I'll strive to layer technology, a deeply data-informed approach, and a highly structured operating rhythm on top of that foundation to create a dynamic, durable, and even more customer-obsessed company. You can expect me to report progress on our initiatives, be transparent about our challenges and be disciplined with capital allocation. We'll maintain our focus on maximizing economic profit and the company's long-term intrinsic value. I'm genuinely excited to partner with all of you - our team, our dealers, our consumers, and our investors - as we build this next phase together.

Jay Martin: Thank you. As to the fourth quarter results, we were pleased to announce growth in adjusted earnings per share, despite declines in loan performance and loan volume. We financed nearly 72,000 contracts for our dealers and consumers, collected \$1.3 billion overall, and paid \$48 million in dealer holdback and accelerated dealer holdback. Additionally, we enrolled over 1,200 new dealers and had over 9,800 active dealers during the quarter.

Loan performance, measured by variances in forecasted collection rates from the last quarter, moderately declined. More specifically, our 2023 and 2024 vintages declined 0.4% and 0.2%, respectively, while our other vintages were stable during the quarter. Importantly, the underperformance of our '24 vintage was primarily related to loans originated prior to the scorecard change during the third quarter of 2024. We believe the underperformance was largely the result of the continued impact of high inflation on the subprime consumer.

Changes to our forecast of future net cash flows sequentially improved this quarter, with the rate of decline narrowing from a decrease of \$58.6 million, or 0.5%, during the third quarter of 2025 to a decrease of \$34.2 million, or 0.3%, during the fourth quarter of 2025.

Loan volumes also sequentially improved this quarter, with year-over-year declines narrowing. Loan unit volume improved to a decline of 9.1% this quarter versus a decline of 16.5% last quarter. Likewise, loan dollar volume improved to a decline of 11.3% this quarter versus a decline of 19.4% last quarter. Our market share in our core segment of used vehicles financed by subprime consumers was 4.5% for the first two months of the fourth quarter, down from 5.4% for the same period in 2024. The number of active dealers declined 2.8% year-over-year, and the average unit volume per active dealer declined 6.4% year-over-year. Our loan portfolio, however, increased 1% year-over-year on an adjusted basis.

At this time, Vinayak and I will take your questions, along with Jay Brinkley, our Senior Vice President and Treasurer, and Jeff Soutar, our Vice President and Assistant Treasurer.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions) Our first question comes from Robert Wildhack with Autonomous Research.

Robert Wildhack: Vinayak, welcome. Nice to have you on the call here. A question for you. You spent several years on the Board, so certainly not new to the company, but your background is definitely much more from the marketing/growth/technology areas than it is from more traditional financial services. I thought the opportunities you outlined sound very interesting, but I would love to get your thoughts on how you plan to manage the credit lending, underwriting, and more financial aspects of the business, and if you see any opportunities for improvement or change in any of those areas specifically?

Vinayak Hegde: Robert, thank you for your question. Yes, we tend to take a long-term view on this. We want to be conservative in our approach towards lending, do the right thing, and improve the customer experience. We always take a long-term view, not just a short-term view, on this. We obviously see opportunities to constantly improve the credit scoring models, which we'll constantly continue to do, but the approach towards lending and credit scoring is going to be conservative and long-term focused.

Robert Wildhack: Okay. Then maybe one for Jay. The provision, I wanted to ask about specifically the \$73 million for new originations. On a per unit basis, that's roughly \$1,000 per unit. For the last two quarters, provision per new unit had been more like \$700 or \$800, so I'm wondering what the driver of the increase is there? Then do you think that that number should revert more to \$800, or should it run more like \$1,000 per unit going forward?

Jay Martin: Yes. The provision for new advances is a function of how much we're advancing the dealer and then also the mix between our Portfolio and Purchase program. In general, the initial provision on the Purchase program is about 3x what it is on the Portfolio program. As far as projecting that for the future, it all depends on the mix of

business between Purchase and Portfolio and also the amount that we're advancing to the dealer.

Robert Wildhack: Okay. Is the mix the driver of the increase in the fourth quarter, specifically?

Jay Martin: Yes.

Operator: Our next question comes from Moshe Orenbuch with TD Cowen.

Moshe Orenbuch: Great, thanks. Could you talk a little bit about the competitive environment? Because it's interesting that the market share you talked about three months ago for the first eight months of the year was over 5%, and now it's at 4.5%. So, is there something more dramatic happening? What are the changes? Maybe you could just talk about that a little bit.

Vinayak Hegde: Moshe, thank you for your question. Yes, the competitive environment is always evolving. We actually want to be more customer-focused, rather than competitive-focused. With respect to the share in the used vehicle subprime market, as of November, it was 4.5%, which is flat quarter-over-quarter from what we reported last quarter.

As I said in my remarks, the decline that we are seeing is mostly in the large independent dealers and franchise dealers, and that is where we are focused on actually building solutions. Our new experience, where we include seamless RouteOne e-contracting, has launched and enhanced deal structuring, optimization, and support for F&I tools. Because that helps these large independent dealers and franchise dealers use us in the workflow that they are already used to; we are meeting them where they are. We expect to continue to expand on this to help those large independent dealers.

One thing I want to tell you is that removing friction in this is a very interesting thing here, right? If you think about it, we have a feature in our system which allows the dealer and the customer to basically optimize the deal. That's kind of the moment of truth, if you think about it. Imagine you're trying to book an airline, search on Google, or buy something on Amazon, it would take three minutes. The investments we have made in technology now allows that to be done in less than two seconds. It becomes even more important when you think about this integration with things like RouteOne because we are in competition with others and speed is actually incredibly important. That's how I think about it.

Moshe Orenbuch: Got it. Okay. Maybe talk a little bit about where your leverage is. It looks like it's a little over 2.8 at this point. How do you think about that in terms of what you're likely to do from the standpoint of capital distributions moving forward?

Jay Brinkley: Yes, our leverage continues to be within an acceptable range, albeit at the higher end, but when we think about capital allocation, we haven't changed that strategy.

Leverage, obviously, is one of the points that we look at. We always want to ensure that we have the capital needed to fund new originations. After that, we look at a variety of factors, which include leverage. Then, obviously, we look at and estimate the intrinsic value of our stock and compare that to the market price to decide if we want to repurchase. In Q4, obviously very active; we felt like that was the case. So no, overall, no change in strategy there.

Operator: (Operator Instructions) Our next question comes from John Hecht with Jefferies.

John Hecht: Actually, Moshe just asked most of my questions, which were about volume and the competitive framework. So you touched on that. Maybe something that's along those lines is it's been a challenging cycle, and I think largely because of affordability issues and high used car prices and the related. What's your perspective on how that fluctuates in the coming periods? And do lower interest rates alleviate some of that, or are there any other factors to think about in that regard?

Vinayak Hegde: Well, we believe we are well positioned to serve the needs of the subprime customer. We work in cycles which are good for us and bad economic cycles, right? So our product is built to serve customers in all sorts of environments. We will continue to be focused on making the experience much more frictionless, partnering with the dealers, and still take a very conservative approach, right? There are companies which take a more short-term approach. What we are thinking about is, irrespective of the cycle, be conservative and maximize intrinsic value.

John Hecht: Okay. Moshe also asked about the balance sheet leverage. In terms of capital returns and accessing the capital markets, things of that nature - and when I mean capital returns, I guess I'm mostly talking about buybacks - do you think there'll be any change in the strategy under your leadership or will you stay the course?

Vinayak Hegde: We are going to stay the course. I don't think there's going to be any change in that.

John Hecht: Then final question. After a period of time where the initial spread has been declining, we've got a couple of quarters now, or a couple of periods of time, where we're starting to see the spread expand. Do you think that trend is going to persist for a while? And is that related to better pricing or just better overall operating metrics within the business?

Jay Martin: Yes. If you're focused on the initial spread, that relates to pricing. We don't provide any guidance on what our future pricing will be. You can look at the table in the press release that will show historically how we've been pricing.

Operator: Our next question comes from Moshe Orenbuch with TD Cowen.

Moshe Orenbuch: Just as a follow-up, Vinayak, it's kind of interesting. We've been thinking over the last few quarters, it's been a little bit unusual that volume and market share were under some pressure but prepayments in the portfolio also were under pressure. I'm just wondering, does that tell you anything different about the way either your consumer is behaving or the way the industry is behaving, and perhaps maybe the market share issues would be more persistent?

Jay Martin: You're correct on the prepayments. We did see a decline there with our cash flow timing. If you just look at historical prepayments, they have increased year-over-year, but they're below our historical norms.

Jay Brinkley: It's tough, Moshe. All you can really read into that, and it's pure conjecture, is perhaps the customers are staying in their vehicles longer. Because if you follow historical trends, as we've talked about before, typically, you see prepays tick up as sort of a lag to a competitive environment, and we've been in a competitive environment for almost a year, yet we haven't seen that uptick. So it's tough to really see how this will play out, but I'll leave it at that.

Operator: With no further questions in the queue, I would like to turn the conference back over to Mr. Martin for any additional or closing remarks.

Jay Martin: We'd like to thank everyone for their support and for joining us on our conference call today. If you have any additional follow-up questions, please direct them to our Investor Relations mailbox at ir@creditacceptance.com. We look forward to talking to you again next quarter. Thank you.

Operator: Thank you. Once again, this does conclude today's conference. We thank you for your participation.