

Credit Acceptance Corp (Q3 2025 Earnings)

October 30, 2025

Corporate Speakers:

- Kenneth Booth; Credit Acceptance Corporation; Chief Executive Officer
- Jay Martin; Credit Acceptance Corporation; Chief Financial Officer
- Andrew Rostami, Credit Acceptance Corporation; Chief Product & Marketing Officer
- Jay Brinkley; Credit Acceptance Corporation; Senior Vice President & Treasurer
- Jeff Soutar; Credit Acceptance Corporation; Vice President & Assistant Treasurer

Participants:

- John Rowan; Janney Montgomery Scott; Analyst
- Robert Wildhack; Autonomous Research; Analyst
- Ryan Shelley; BofA; Analyst
- Moshe Orenbuch; TD Cowen; Analyst
- Kyle Joseph; Stephens; Analyst

PRESENTATION

Operator: Good day everyone, and welcome to the Credit Acceptance Corporation Third 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, and welcome to the Credit Acceptance Corporation Third Quarter 2025 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 law. 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, I should mention 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'll turn the call over to our Chief Executive Officer, Ken Booth, to discuss our third quarter results.

Kenneth Booth: Thanks, Jay.

Our results for this quarter reflected steady execution, with declines in loan performance and year-over-year originations volume balanced by a portfolio that remains at a record high.

Loan performance declined this quarter with our 2022, 2023, and 2024 vintages underperforming our expectations and our 2025 vintage exceeding our expectations, while our other vintages were stable during the quarter. Overall, forecasted net cash flows declined by 0.5%, or \$59 million.

During the quarter, we experienced a decline in unit and dollar volumes, though our loan portfolio remained at its record high of \$9.1 billion on an Adjusted basis, up 2% from last Q3. Our market share in our core segment of used vehicles financed by subprime consumers was 5.1% for the first eight months of the year, down from 6.5% for the same period in 2024. Our unit volume was impacted by our third quarter 2024 scorecard change that has resulted in lower advance rates and is also likely impacted by increased competition.

Beyond these two key drivers, we continued making progress during the quarter towards our mission of maximizing intrinsic value and positively changing the lives of our five key constituents: dealers, consumers, team members, investors, and the communities we operate in.

We do this by providing a valuable product that enables dealers to sell vehicles to consumers regardless of their credit history. This allows dealers to make incremental sales to the 55% of adults with other-than-prime credit. For these adults, it enables them to obtain a vehicle to get to their jobs, take their kids to school, et cetera. It also gives them the opportunity to improve or build their credit.

Our customers are people like Becky, a single mother who has faced significant financial challenges. Her career as a chef meant that her hours and her paycheck were unpredictable. Between this and needing frequent car repairs, she was living paycheck to paycheck and struggling with poor credit after falling behind on her bills. Determined to turn things around, she was eventually able to finance a dependable vehicle through Credit Acceptance, which gave her stability and relief, despite continuing to face financial hurdles. Credit Acceptance worked with Becky to come up with a realistic payment plan and provide her the flexibility she needed to get back on track. Becky hopes to be able to purchase a home in the near future and urges others with similar struggles to look to Credit Acceptance.

During the quarter, we financed almost 80,000 contracts for our dealers and consumers. We collected \$1.4 billion overall and paid \$52 million in dealer holdback and accelerated dealer holdback to our dealers. We enrolled over 1,300 new dealers and had 10,180 active dealers during the quarter.

We continue to invest in our engineering team, which is focused on modernizing both our key technology architecture and how our teams perform work. The engineering team has made significant strides in modernizing our loan origination system. This modernization has laid a strong foundation for innovation, frictionless dealer experiences, and we've increased the speed that we deliver enhancements to our dealers by almost 70% compared to a year ago. This allows us to innovate faster and accelerate value to our business and customers.

During the quarter, we received four awards for our amazing workplace, including being named one of the Best Workplaces in Financial Services and Insurance™ by Great Place to Work® and *Fortune* Magazine for the 11th year in a row. We're proud to be one of the few companies in our industry that offers remote-first work. We work hard to ensure that every team member feels supported and connected, keeping our culture strong. In July, team members from around the country gathered in Detroit to celebrate the company's 53rd anniversary. During this celebration, we recognized eight of our team members, each of whom have been with the company for more than 30 years.

Additionally, on a personal note, this will be my last quarterly earnings call. After starting my career over 34 years ago, including the last 22 years at Credit Acceptance, I've decided to retire and embark on the next chapter of my life. My decision wasn't easy. I will miss working with our amazing team members, and I'm so proud of everything we've accomplished together. But I believe the company is in a great position for the future. During his 4.5-year tenure on the Board, Vinayak has been an invaluable partner as we modernized our approach to the business. His strong mix of experience in technology, marketing, engineering, and product, along with a proven track record of driving transformation and growth, will be an excellent complement to our experienced management team. I look forward to both working alongside Vinayak as he transitions into his new role and continuing to serve the company as a Board member going forward.

At this time, Jay Martin and I will take your questions along with Andrew Rostami, our Chief Product and Marketing Officer; 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 John Rowan with Janney Montgomery Scott.

John Rowan: Your asset-backed securities used to have a covenant in them that said if there was a 10% forecast shortfall that it would enter into early amortization. Does the current ABS still have that? And are you close on any of those? Looking at the 2022

vintage, it's down 8% relative to the initial forecast. Is that the right way to look at it? Just walk us through kind of the ABS covenants there.

Jay Brinkley: Yes, absolutely. We still have that covenant in both our warehouse facilities and our ABS securitization debt.

As you know our business well, with the pooling concept, we tend to contribute pools to a securitization from our portfolio program, a lot of which are uncapped. As additional loans are originated, they belong to the securitization. If you were to look at the actual performance from a collection rate standpoint, they tend to run above 100%, so we have no outstanding securitizations that are close to the 90% trigger.

John Rowan: Okay, and then G&A was still higher than I expected. Obviously, last quarter, you had a contingent loss in there, but it didn't go back to the run rate of prior quarters. Can you give us an idea if there's any kind of one-time items in the \$36 million G&A expense?

Jay Martin: Yes. I would suggest that you look at the adjusted results. We've used that to eliminate the one-time charges related to the contingent losses, so I think if you look at that, you'll see G&A is fairly consistent over the last several quarters as a percentage of average capital. But you're right, if you're looking at just the GAAP results, we had a \$23.4 million contingent loss in Q2, and we had an additional \$15 million contingent loss this quarter.

John Rowan: Okay. Can you let us know where your repurchase authorization is?

Jay Brinkley: Yes. We've got just over 2 million shares currently under the Board authorization.

John Rowan: Okay, and then just last question for me.

I was a little bit surprised to see the advance rate was actually up a little bit in the quarter relative to the first half of the year, but unit volume still continues to decline. Obviously, the advance rate is not back to where it was, but can you just talk us through that a little bit? Are you still having trouble, competitively speaking, even at a higher advance rate?

Kenneth Booth: Yes. I think it's really a little bit of a change in mix of our business. There's a higher percentage of purchase loans. I also think there's a higher percentage of our product that is designed for people with a little bit better credit, and those loans tend to have higher advance rates.

Operator: Our next question comes from Robert Wildhack with Autonomous Research.

Robert Wildhack: Are you seeing any of your peers pull back at all in the industry? I would love to get sort of the boots on the ground view of what's happening at the industry

level in the wake of some of the headlines we've seen around subprime auto in the last couple of weeks.

Kenneth Booth: Yes. I think, overall, while there have been some that have had struggles and have pulled back, in general, the environment is very competitive right now. We're seeing a lot of competition out there. You can look at our volume per dealer, and it's down, so it's a competitive market.

Robert Wildhack: Why do you think the competitive intensity hasn't really reacted to the poor credit results that we've seen for the last few vintages? I would have expected people to pull back a little bit more with the delinquencies and losses as high as they are.

Kenneth Booth: It's always hard to tell what our competitors are doing. The market is fragmented, but oftentimes, at the beginning of downturns, it is a competitive environment. We've lived through this before. 2021 was super competitive, and those vintages ultimately didn't turn out very well - 2016, 2007. There have been times where it's been like this, but I will say this has been a long time where it's been competitive and we're seeing underperformance.

I will say we build our business for the long run. Our goal is always to have a large margin of safety in the aggregate in our pricing, and we're at a point where our loan portfolio is at the highest it's been. We'd rather do less volume at solid margins than chase volume, so that's where we're at on that.

Robert Wildhack: Okay. And then just quickly, we noticed that attrition has been increasing in the last few quarters. Could you comment on some of the drivers there? Is there a chance that dealers are pushing back on the scorecard change or anything like that?

Kenneth Booth: I mean, a little bit, it could be. The way we measure attrition is that they've done a deal in the period shown, and given that we've got lower volume, we have some dealers that just aren't doing business with us right now. I'm sure a little bit of that's the scorecard, but it's also our scorecard relative to what everybody else is doing. Like I said before, it's a large fragmented market so there's lots of different options out there.

I would point out, though, that while it's been a challenging year for growth for Credit Acceptance, we're coming off a record year last year, and we're trending towards it being our fifth best year ever. So it's not like we've gone super, super far backwards, but we've got tough comparables.

Operator: (Operator Instructions) Our next question comes from Ryan Shelley with Bank of America.

Ryan Shelley: I wanted to ask about the impact of tariffs. Obviously, it's kind of on again, off again, but have you guys seen any profound impacts, whether it's in the

marketplace or to your own business from federal policy? And just going into next year, how do you guys kind of handicap that?

Kenneth Booth: Anything that impacts affordability for our consumer is a negative for us generally. Our consumers already have affordability issues and anything that tends to impact affordability will be a negative.

It's hard to say how much the tariffs are impacting things. They seem like they change quite a bit, but anything that puts pressure on our consumers from an affordability standpoint, ultimately, is generally not good for us or good for people in our industry.

Ryan Shelley: Got it. And then just one more, if I could, on the scorecard change. Forgive me if you've already clarified this, but going forward, is there a potential for any loosening or change back maybe come next year or the year after? Or is that a permanent change going forward?

Kenneth Booth: We always try to price to maximize the amount of Economic Profit we originate. We consider recent trends in loan performance and capital market conditions, and we adjust our scorecard and our pricing based upon what we think we're going to collect and how we think we can maximize that Economic Profit originated. I don't know what the future will hold, but it's not like this is a permanent scorecard from now until the end of time. As the situation changes, we make updates to it. And again, we always try to maximize the Economic Profit originated.

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

Moshe Orenbuch: Maybe just come back a little bit to the volume story and market share? Do you attribute it to supply of vehicles being down, or are there cars being sold and just some competitors are financing them? Because I mean, by October, you fully anniversaried the scorecard change and are still down double digits, maybe not as much as in Q3, but still down pretty hard. Any way to think about that?

Kenneth Booth: Your question is a great one. We are, I would say, anniversaried on the scorecard change for sure by October. While it happened in Q3, there's a little bit of a lag, but by October, it's more apples-to-apples.

I will say that Q4 last year was one of our better quarters. It was the second best Q4 in the history of the company. It's still a little bit of a tougher comparable, but you're right, you wouldn't have expected it to be down as much as it is other than the fact that the intensity of the competitive environment is probably higher.

I do think, as you mentioned, affordability of vehicles has been a detriment to us. Our consumers are challenged by prices, and they're kind of getting squeezed out. If you were to look at the size of the subprime market, it has declined over the last four or five years. It seems like it's stabilized somewhat right now, but our consumers have a lot of pressure on them in order to try to make purchases, which I think is impacting us negatively

because we tend to be a little bit deeper in the subprime space than some other companies.

Moshe Orenbuch: Got it. From the competitive standpoint, I guess the other aspect that's been an issue this year in the last three quarters has been the fact that your prepays have slowed.

I mean you still have a full quarter of the '22 vintage on the books at the end of September. Wouldn't it stand to reason that if competition were higher, there would be somewhat more prepays, not less?

Kenneth Booth: Can you repeat the question? I didn't quite understand what you asked.

Moshe Orenbuch: Sure. I mean one of the phenomena that you've observed this year has been that the loans are staying on the books longer. And I think you had said in the second quarter call that it was an issue that there were just fewer people able to either refinance or trade into another vehicle. Wouldn't a competitive environment be easier to do that in as opposed to harder?

Jay Brinkley: I think generally, over time, what you've seen is a lag effect of when competition heats up, prepays tend to speed up because obligors have other options. I think what you're pointing out here, Moshe, is that we're not really seeing that. It's tough to say. There is always a natural lag. I just think we're in a unique environment right now.

Moshe Orenbuch: Got it. In terms of leverage...

Jay Brinkley: I was just going to say if history holds true, then we should see prepays tick up if competition continues.

Moshe Orenbuch: Got it.

The \$15 million contingent loss that you talked about, I guess it said it related to previously disclosed legal matters, but I guess the dollars are coming because you're making settlement offers in the lawsuit, right? I mean that's what it says in the 10-Q, which I think is the first mention of that. Is there any way for us to think about whether there are other terms that we should be aware of that might be part of that settlement?

Jay Martin: You're correct. This is the first time that we've mentioned that. I would tell you, since it is an ongoing legal matter, though, we can't comment on it beyond the disclosures we've included in the 10-Q and the Earnings Release. I can't provide any more detail other than what's out there.

Moshe Orenbuch: Got you. Appreciate that. And then just last one for me. Can you talk about your leverage and your outlook given what you're seeing both from a growth standpoint and how that impacts your thoughts on share repurchase?

Jay Brinkley: Yes, our current leverage, on an adjusted basis, is at the high end of that historical range. We've tended to operate in that 2-3x adjusted debt-to-equity range. As we've talked about, all else equal, we tend to generally repurchase more shares when our leverage or growth rates are lower. I would also say that our leverage is modest relative to other industry participants.

I would tell you, there hasn't been a wholesale change in how we view the leverage on our balance sheet, but as we think about repurchasing shares, leverage is certainly a key aspect of that dialogue.

Operator: Our next question comes from Kyle Joseph with Stephens.

Kyle Joseph: Just wanted to get an update from you guys on capital markets activity given the things that have gone on in the auto space. And I just want to get a sense for what credit markets are doing? Are they really differentiating between quality operators and the investor appetite in the fixed income market?

Jay Brinkley: Sure. Yes, happy to take that one. It's generally been a fairly favorable environment for ABS issuers this year. I'd say ABS issuers, those of our peers, including ourselves, in the subprime auto ABS market, where aside really from a couple of weeks around Liberation Day where everything kind of froze, spreads have been pretty tight. I will note that in recent weeks, we have seen some widening in spreads really on the back of the Tricolor bankruptcy, but that's mostly been deeper in the capital structure than where we issue.

We actually have an ABS deal in the market right now. We began marketing this morning, and we're seeing a lot of demand at levels that I think you'll see comparable to our recent deals. So we feel good about our access there. I would just point out as well that we think we're pretty well positioned regardless, with the amount of liquidity that we keep on the books. As of quarter end, we had \$1.6 billion of unused availability on our revolving credit facilities.

Operator: Thank you.

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 would like to thank everyone for their support and for joining us on the 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: Once again, this does conclude today's conference.

We thank you for your participation.