

Edgar Filing: CREDIT ACCEPTANCE CORP - Form 10-Q

CREDIT ACCEPTANCE CORP
Form 10-Q
April 29, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR

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 000-20202
CREDIT ACCEPTANCE CORPORATION
(Exact name of registrant as specified in its charter)

MICHIGAN
(State or other jurisdiction of incorporation or
organization)

38-1999511
(I.R.S. Employer Identification No.)

25505 WEST TWELVE MILE ROAD
SOUTHFIELD, MICHIGAN
(Address of principal executive offices)

48034-8339
(Zip Code)

Registrant's telephone number, including area code: 248-353-2700

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting
<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	company
		(Do not check if a smaller reporting	<input type="radio"/>
		company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of Common Stock, par value \$0.01, outstanding on April 22, 2015 was 20,597,554.

Table of Contents

TABLE OF CONTENTS

PART I. — FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets - As of March 31, 2015 and December 31, 2014 1

Consolidated Statements of Income - Three months ended March 31, 2015 and 2014 2

Consolidated Statements of Comprehensive Income - Three months ended March 31, 2015 and 2014 3

Consolidated Statements of Cash Flows - Three months ended March 31, 2015 and 2014 4

Notes to Consolidated Financial Statements 5

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 30

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK 42

ITEM 4. CONTROLS AND PROCEDURES 42

PART II. — OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS 43

ITEM 6. EXHIBITS 43

SIGNATURE 44

Table of Contents

PART I. - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In millions, except share and per share data)

	As of March 31, 2015	December 31, 2014
ASSETS:		
Cash and cash equivalents	\$86.7	\$6.4
Restricted cash and cash equivalents	198.9	157.6
Restricted securities available for sale	53.0	53.2
Loans receivable (including \$9.2 and \$8.7 from affiliates as of March 31, 2015 and December 31, 2014, respectively)	2,943.6	2,719.8
Allowance for credit losses	(210.4) (206.9
Loans receivable, net	2,733.2	2,512.9
Property and equipment, net	20.6	20.9
Income taxes receivable	1.0	1.4
Other assets	33.7	33.0
Total Assets	\$3,127.1	\$2,785.4
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	\$129.9	\$114.4
Revolving secured line of credit	—	119.5
Secured financing	1,435.3	1,333.0
Senior notes	548.2	300.0
Deferred income taxes, net	220.5	213.4
Income taxes payable	15.9	2.9
Total Liabilities	2,349.8	2,083.2
Commitments and Contingencies - See Note 14		
Shareholders' Equity:		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$.01 par value, 80,000,000 shares authorized, 20,597,554 and 20,597,671 shares issued and outstanding as of March 31, 2015 and December 31, 2014, respectively	0.2	0.2
Paid-in capital	92.4	88.7
Retained earnings	684.5	613.4
Accumulated other comprehensive income (loss)	0.2	(0.1
Total Shareholders' Equity	777.3	702.2
Total Liabilities and Shareholders' Equity	\$3,127.1	\$2,785.4

See accompanying notes to consolidated financial statements.

Table of ContentsCREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(In millions, except share and per share data)	For the Three Months Ended March 31,	
	2015	2014
Revenue:		
Finance charges	\$169.9	\$152.8
Premiums earned	12.1	13.2
Other income	12.2	10.9
Total revenue	194.2	176.9
Costs and expenses:		
Salaries and wages	30.4	25.6
General and administrative	9.1	8.2
Sales and marketing	11.7	9.6
Provision for credit losses	6.2	4.7
Interest	14.9	16.0
Provision for claims	8.6	11.0
Loss on extinguishment of debt	—	21.8
Total costs and expenses	80.9	96.9
Income before provision for income taxes	113.3	80.0
Provision for income taxes	41.8	30.2
Net income	\$71.5	\$49.8
Net income per share:		
Basic	\$3.42	\$2.12
Diluted	\$3.41	\$2.12
Weighted average shares outstanding:		
Basic	20,922,620	23,463,380
Diluted	20,948,676	23,528,466

See accompanying notes to consolidated financial statements.

Table of Contents

CREDIT ACCEPTANCE CORPORATION
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (UNAUDITED)

(In millions)	For the Three Months Ended March 31,	
	2015	2014
Net income	\$71.5	\$49.8
Other comprehensive income, net of tax:		
Unrealized gain on securities, net of tax	0.3	0.1
Other comprehensive income	0.3	0.1
Comprehensive income	\$71.8	\$49.9

See accompanying notes to consolidated financial statements.

3

Table of Contents

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In millions)

Cash Flows From Operating Activities:
Net income

For the Three Months Ended March	
31,	
2015	2014
\$71.5	\$