

CREDIT ACCEPTANCE CORP

Form 10-Q

May 02, 2016

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, 2016

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)

248-353-2700

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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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 (Check one):

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

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 25, 2016 was 20,328,489.

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PART I. - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in millions, except per share data)

	As of	
	March 31, 2016	December 31, 2015
ASSETS:		
Cash and cash equivalents	\$9.1	\$ 6.3
Restricted cash and cash equivalents	225.7	167.4
Restricted securities available for sale	49.1	48.3
Loans receivable (including \$15.0 and \$12.6 from affiliates as of March 31, 2016 and December 31, 2015, respectively)	3,626.2	3,345.1
Allowance for credit losses	(262.8)	(243.6)
Loans receivable, net	3,363.4	3,101.5
Property and equipment, net	19.0	18.9
Income taxes receivable	19.8	10.0
Other assets (1)	17.9	20.2
Total Assets	\$3,704.0	\$ 3,372.6
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	\$131.9	\$ 127.8
Revolving secured line of credit	36.3	57.7
Secured financing (1)	1,751.7	1,470.1
Senior notes (1)	540.3	540.0
Deferred income taxes, net	252.4	248.9
Total Liabilities	2,712.6	2,444.5
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, 20,328,546 and 20,132,972 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	0.2	0.2
Paid-in capital	126.2	100.8
Retained earnings	864.7	827.2
Accumulated other comprehensive income (loss)	0.3	(0.1)
Total Shareholders' Equity	991.4	928.1
Total Liabilities and Shareholders' Equity	\$3,704.0	\$ 3,372.6

(1) Prior year amounts have been reclassified to reflect the adoption of Accounting Standards Update ("ASU") No. 2015-03, as amended by ASU No. 2015-15, which resulted in a reclassification of certain deferred debt issuance costs from other assets to secured financing and senior notes. For additional information see Note 3 and Note 6 to the consolidated financial statements.

See accompanying notes to consolidated financial statements.

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CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(Dollars in millions, except per share data)	For the Three	
	Months Ended	
	March 31,	
	2016	2015
Revenue:		
Finance charges	\$202.8	\$ 169.9
Premiums earned	10.8	12.1
Other income	14.3	12.2
Total revenue	227.9	194.2
Costs and expenses:		
Salaries and wages	32.7	30.4
General and administrative	12.1	9.1
Sales and marketing	13.7	11.7
Provision for credit losses	22.1	6.2
Interest	22.1	14.9
Provision for claims	6.8	8.6
Total costs and expenses	109.5	80.9
Income before provision for income taxes	118.4	113.3
Provision for income taxes	44.0	41.8
Net income	\$74.4	\$ 71.5
Net income per share:		
Basic	\$3.64	\$ 3.42
Diluted	\$3.63	\$ 3.41
Weighted average shares outstanding:		
Basic	20,435,200	20,922,620
Diluted	20,485,820	20,948,676

See accompanying notes to consolidated financial statements.

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CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	For the Three	
(In millions)	Months	
	Ended March	
	31,	
	2016	2015
Net income	\$ 74.4	