Credit Acceptance Corp (Q2 2026 Earnings)

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Corporate Speakers:

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

Participants:

- Robert Wildhack; Autonomous Research; Analyst
- Kyle Joseph; Stephens; Analyst
- Rikard Ekstrand; ECM Capital; Analyst

PRESENTATION

Operator: Good day everyone, and welcome to the Credit Acceptance Corporation Second Quarter 2026 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's Senior Adviser, Jay Martin.

Jay Martin: Thank you. Good afternoon, and welcome to the Credit Acceptance Corporation Quarterly 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, 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.

Before turning the call over to Vinayak, I'd like to share a personal note. I retired as Chief Financial Officer on July 27th and now serve as a Senior Adviser to assist with the leadership transition. As a result, this will be my final quarterly earnings call.

It has been an honor to serve Credit Acceptance and its shareholders for the past 23 years. I am sincerely grateful for the trust and support that our investors, analysts, business partners, directors, and team members have shown throughout the years.

I leave my role with tremendous confidence in the future of the company. Under Vinayak's leadership, and with Joe Billante now serving as Chief Financial Officer, I believe Credit Acceptance is well positioned to continue building on its long history of success.

While I am stepping away from my day-to-day responsibilities, I will remain a shareholder and look forward to following the company's continued success in the years ahead. Thank you again for your support over the years.

And with that, I'd like to introduce our Chief Executive Officer, Vinayak Hegde.

Vinayak Hegde: Good afternoon, everyone, and thank you for joining us today.

The second quarter represented another step forward for Credit Acceptance.
While the environment remains challenging for many non-prime consumers and the dealers who serve them, we are seeing encouraging signs that the work we have been doing across pricing, segmentation and operating efficiency is beginning to gain traction. Profitability increased, volume trends continued to improve, dealer engagement remained strong, and we are becoming more precise in how we deploy capital, underwrite risk, and serve our customers.

The progress we are seeing is the result of a series of deliberate changes we have made across the business. It reflects a broader evolution in how we operate using data, better tools, and a more disciplined approach to decision-making across the business. At the center of that transformation is a commitment to customer obsession — putting dealers and consumers at the heart of the decisions we make. We are still early in that journey, and we are beginning to see those efforts show up in the results.

I'll begin with the financial highlights.

For the second quarter, we reported GAAP net income of $12.66 per diluted share, up 71% from the second quarter of 2025 and adjusted net income of $12.12 per diluted share, up 21% year-over-year.

From a loan performance perspective, forecasted net cash flows from the loan portfolio declined by 0.3% during the quarter compared to a decline of 0.5% in the second quarter of last year.

While we continue to monitor portfolio performance carefully, the broader picture remains one of increasing stability relative to the more volatile periods we have experienced over the past several years.

On the origination side, Consumer Loan assignment unit volume declined 1% year-over-year.

Importantly, monthly unit volumes returned to year-over-year growth in June, and that growth continued into July. This does not mean our work is complete, but it is an encouraging sign that the changes we have made are beginning to show up in the business.

Looking across the business, the quarter shows that we are moving back toward better operating results while doing so with a more data-informed and targeted approach. That distinction is important as our objective is not to regain volume at any cost.

Our objective is profitable growth, supported by disciplined capital allocation and a relentless focus on maximizing long-term intrinsic value per share.

A central part of our strategy is building credit acceptance into a deeply data-informed AI-enabled company. That means using better information and a sharper operating discipline to make more precise decisions across pricing, marketing, servicing and collections. The foundation of that work is segmentation — understanding dealers, vehicles, and consumers at a more granular level so we can focus on where we can be most competitive and where the long-term economics are strongest.

At the dealer level, segmentation helps us better understand friction points, dealer needs and opportunities to strengthen our partnerships.

We are using those insights to simplify workflows and integrate more deeply into the systems dealers already use, including RouteOne, DealerTrack, and DealerCenter. The easier we are to do business with — while maintaining our discipline — the better experience we create for dealers, and the better positioned we are in the marketplace.

To better serve our dealer partners, we made improvements in our sales engagement model. We are being more deliberate about where our sales force spends time, how we structure markets and how we tailor service to different types of dealers. Not every dealer has the same needs and not every market opportunity requires the same approach. We believe better alignment between dealer engagement and pricing should support more disciplined profitable growth.

In prior quarters, I discussed our strategy with franchise dealers — and today we are seeing encouraging progress in originations and engagement across that segment of our dealer network. Our focus has been on reducing attrition, regaining market share where the economics make sense and better meeting their needs.

We're also building AI-based tools to give our sales teams better insights in the field. One example is helping our teams advise dealers on which vehicles in their inventory best fit our program and where adjustments to inventory strategy may improve outcomes.

This is what we mean by becoming AI-enabled: using better information to help our teams make more informed recommendations for our dealer partners.

At the vehicle level, segmentation helps us identify which vehicles fit our program, where we can be competitive and how vehicle characteristics interact with consumer credit performance.

One example this quarter was our work around light structural damage vehicles. We opened this opportunity after careful calibration — as it aligns with market standards, the inventory dealers commonly carry, and with the price and vehicle segments in which we compete.

We are monitoring the performance and risk carefully and early results are encouraging. We plan to evaluate additional vehicle categories with the same disciplined approach to determine where we can expand responsibly.

Consumer segmentation is equally important.

Our goal is to better match consumer credit performance with the vehicle profile and deal structure. Over time we want to move closer to personalization — making decisions that reflect the specific economics and risk of each transaction. We are still early in that journey, but the direction is clear, and I am confident in our ability to keep improving.

We are continuing to improve our pricing and decisioning models. As conditions change, our models need to evolve with them. That means testing assumptions, back-testing performance, refining variables to improve precision and deploying pricing changes efficiently. Our goal is to make this process faster, more rigorous, and more responsive to current market conditions.

Our refined scorecard improves how we evaluate consumer credit strength and deal level risk by leveraging additional data across consumer, deal and vehicle characteristics. This can enable us to assess risk more precisely at the deal level. We are encouraged by the initial results we saw in Q2, and we will continue refining the scorecard as conditions evolve.

We are taking the same deeply data-informed AI-enabled approach to servicing.
We see meaningful opportunities for data to help us better understand where consumers are in their journey, what challenges they may be facing and how we can support them through the life of their loan.

Our objective is to improve both the effectiveness and efficiency of servicing, helping consumers get the support they need while expanding self-service options and delivering a better consumer experience at scale.

This work is closely tied to our purpose of changing lives. Credit acceptance exists to make vehicle ownership possible for consumers who may otherwise have limited access to financing. When we do our job well, we help consumers obtain transportation and create an opportunity to build a stronger financial future. That is why improving our company and improving consumer outcomes are not separate goals — they are deeply connected.

Stepping back, I believe our transformation is still early, but it's becoming increasingly tangible. We have not changed our focus on profitable growth. We continue to approach capital allocation with discipline, directing capital toward opportunities where we see the strongest long-term value for shareholders.

What has changed is the level of precision with which we are managing the business — the dealers we serve, the vehicles that fit our program, the consumers we can support effectively, and the pricing strategies that create attractive long-term economics. That precision should help us build a more durable, resilient company while delivering a better experience for both dealers and consumers.

I am optimistic about the path we are on and the team we have to execute our vision. The work we are doing is beginning to show up in the business, and while we still have plenty left to accomplish, the capabilities we are building today should position Credit Acceptance to serve our customers better and maximize long-term intrinsic value per share.

As I close, I want to take a moment to recognize two leaders who have made a meaningful impact on Credit Acceptance. First, I want to recognize Ken Booth, who recently retired from our Board of Directors as part of a planned transition after previously serving as our CEO. Ken played a pivotal role in shaping Credit Acceptance and advancing our mission.

I also want to thank Jay Martin for his many years of leadership as our CFO. Jay has been a trusted partner and a steady steward of the financial discipline and shareholder focus that have long defined this company.

On behalf of all of us at Credit Acceptance, I want to thank both Ken and Jay for their countless contributions over the years and wish them all the best in retirement.

At the same time, I am excited to welcome Joe Billante as our new Chief Financial Officer. Joe has been a wonderful addition to our leadership team, and I am confident that his experience and perspective will help us continue to strengthen the company as we move forward. With that, I will turn it over to Joe to walk through our financial results and highlights for the quarter.

Joseph Billante: Thank you, Vinayak, for the warm welcome. Let me start with a recap of our second quarter financial results.

In Q2, we delivered year-over-year earnings growth. GAAP net income was $135.9 million or $12.66 per diluted share, up 71%. Growth was driven primarily by a decrease in provision for credit losses and by a $23 million contingent loss recognized last year that did not recur this year.

Adjusted net income was $130.1 million or $12.12 per diluted share, up 21% from the prior year, primarily driven by higher yields on newer loans.

Loan volume declines continued to moderate this past quarter with unit volume declining 1% in Q2 versus a decline of 4.3% in Q1. As Vinayak mentioned, monthly unit volume returned to positive growth in June and continued into July. In part due to a soft comparison, July was up over 20% year-over-year, taking volume approximately back to 2024 levels.

Loan dollar volume grew modestly by 0.1% versus a decline of 4% in Q1. The average unit volume per active dealer declined 3.8% year-over-year.

We financed over 84,000 contracts for our dealers and consumers and enrolled over 1,400 new dealers. We had over 11,000 active dealers during the quarter, making this our second consecutive record-setting quarter for active dealers.

Market share in our core segment of used vehicles financed by subprime consumers for the first two months of the quarter was 4.9%, down from 5.3% for the same period in 2025, but up from the recent low of 4.4% in the fourth quarter of last year.

We collected more than $1.4 billion and paid $43.5 million in dealer holdback and accelerated dealer holdback. From a loan performance standpoint, forecasted net cash flows declined $39.1 million or 0.3% during the quarter, a lower magnitude than the $55.8 million or 0.5% decline in the second quarter of last year.

We continue to see our older challenged vintages wind down with the 2022 vintage remaining stable through the first half of 2026. And while the 2025 vintage experienced modest underperformance during the quarter, it remains within 10 basis points of our initial forecast.

We ended the quarter in a strong liquidity position with approximately $1.4 billion in amounts available for borrowing under our revolving lines of credit.

In closing, I am excited to join Credit Acceptance at a pivotal time in its history. I plan to focus on executing our vision, maintaining disciplined capital allocation and delivering long-term shareholder value.

At this time Vinayak, Jay 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 the line of Robert Wildhack of Autonomous Research.

Robert Wildhack: A question on the forecasted collections and the revision there. That revision was all but de minimis last quarter, minus $9 million, but now it's back to negative $39 million this quarter. From a credit perspective, was there anything that jumped out? Anything you want to highlight as a driver in the quarter? And then how do we square the comments for increasing stability with the larger downward revision this time?

Jay Martin: We did see a $39 million decrease for the quarter. It is down from the $55 million we saw a year ago. We believe the change, the decrease of $39 million, is relatively modest when you consider we're forecasting $12 billion of future net cash flows.

We did see some underperformance of the 2025 loans this quarter, but it mainly offsets the increase in performance we saw in Q1. Overall, performance is very consistent with our initial expectations for this vintage. The older vintages of 2023 and 2024 declined modestly, but I would say, consistent with the new vintages, no concerns there. As far as how the 2025 vintage is progressing in its life cycle, it's more consistent with our expectations than what we saw with those older vintages. The vintage is not very seasoned so we're cautious. We will expect to see some up and down as the vintage seasons, but we haven't seen anything meaningful that gives us concerns about our current forecast.

Robert Wildhack: If I unpack the components of the provision in the quarter, you've got the forecast changes and the $39 million revision. I assume that the prepayment headwind is still the missing piece and roughly the same in terms of magnitude. Is that right?

Jay Martin: That's correct. Undiscounted cash flows declined $39 million. The provision for forecast changes was $82 million. That difference is a slight slowing of forecasted cash flow timing on the nearly $12 billion of net cash flows we're forecasting, and that is mainly driven by prepayments. Those continue to come in slower than what our forecast would expect so we'll continue to monitor that.

As Vinayak said earlier, as we focus on being deeply data-driven and use more segmentation, we'll refine those forecasts as we see opportunities.

Robert Wildhack: Is there any update to how you're thinking about that? The prepayment thing has been a headwind in the provision for several quarters in a row now. At what point would you say the current level is the right assumption and then update the forecast there?

Jay Martin: Like I said, that's something we'll continue to monitor. To your point, it has been several quarters where prepayments have come in slower than what we've expected so we'll continue to monitor that. We do think it will return to normal at some point.

It does seem that consumers are holding on to their vehicles longer. That could be due to elevated vehicle prices and a lack of alternatives, but we'll continue to monitor that. When we see that we can make an adjustment or if we need to make an adjustment, we'll do so.

Robert Wildhack: Okay. Congrats, Jay, on the retirement. And welcome Joe.

Operator: Our next question comes from the line of Kyle Joseph of Stephens.

Kyle Joseph: In terms of the quarter, you talked about higher yields on new loans. Can you tell us what's driving that and expectations for that going forward?

Jay Martin: We have seen our adjusted revenue yield increase. It's really just a factor of putting loans on with new yields and the older vintages running off that had lower yields due to loan performance.

I would say the loans we originated during the quarter didn't necessarily have a significantly different yield than what we've originated in recent quarters — just more a fact of the older underperforming vintages rolling off. You'll see this is the fourth quarter in a row where the adjusted yield is ticked up.

Kyle Joseph: Along the same lines, in terms of the unit volume improvement, is that a function of comps? Is that a function of the competitive environment? And would you expect that to continue going forward?

Vinayak Hegde: Thanks for the question. It is a question of some of the comps. If you look at unit volumes, they're returning to 2024 levels.

There are also a bunch of initiatives that I spoke of in my opening remarks. The franchise dealers, the integration that we did with RouteOne, and all the aggregators I've been talking about in the last few quarters — they are starting to come to fruition. We're starting to see increased volume from franchise dealers and conversion from that.

We are continuing to segment where we spend time — ensuring we are spending the time with the right set of dealers and identifying the right segments that we want to work with. One example of that in my remarks was our work around light frame damage. So that is also happening. It's not just one particular thing. We are also continuing to improve our scorecard and pricing — continuing to refine that at the dealer level.

There's not one thing that is causing it. It's the deliberate effort across finely segmenting it, looking for profitable growth through discipline on capital allocation, where we spend time with the dealer, and what kind of vehicles we support. All those things are actually contributing to that unit volume growth.

Operator: (Operator Instructions) Our next question comes from the line of Rikard Ekstrand of ECM Capital.

Rikard Ekstrand: One question we have is looking at the whole management team, it's been turned over to non-subprime professionals. Why should we be confident that you can manage the subprime company equally well or better than the previous team in place?

Vinayak Hegde: Thanks for the question. I just want to remind everybody that I was on the Board for five years, and I've known this management team for a very long time as well. While the main leaders have changed, a lot of people who are coming in have deep experience in subprime. It may not be in auto lending.

Both our new CMO and our Chief Business Officer have had deep experience working with subprime customers in large companies like T-Mobile. That's number one.

Number two, the core people working on pricing are still here so it's not like the leadership has massively turned over. We are transforming the company into a deeply data-informed, AI-enabled company. I'm looking for people who have that experience from having done large scale transformations, and that is what is causing the change in management.

Many of those in senior leadership and management are still here. The person who runs collections, our COO, in fact, has been promoted. He now owns both sales and servicing so it is not a complete turnover. There are certain areas where we have made some changes.

Rikard Ekstrand: Very good. Do you see advance rates going much higher than 46.1%? What makes you confident advance rates are not too aggressive?

Jay Martin: As it relates to our pricing, we're looking to maximize intrinsic value so the advance rates that we have will be dependent on that.

Overall, we do advance, all things equal, more under the Purchase program than we do the Portfolio program. Some of the shift you're seeing there in the overall advance rate reflects a change in mix to more of the Purchase program.

What I would do is look at the table in our earnings release that focuses on the initial spread. That would give you a good idea of how pricing was this quarter versus what it has been in prior periods. I would expect it to stay roughly within that historical range, again, with the emphasis of trying to maximize intrinsic value.

Vinayak Hegde: I would also add that franchise dealers tend to originate more loans in the Purchase program. As we have started working with some aggregators, you will see Purchase transactions come through because franchise dealers tend to originate more loans under the Purchase program than Portfolio program.

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

Joseph Billante: Thanks. 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: Once again, this does conclude today's conference. We thank you for your participation.