Credit Acceptance Announces: - 2nd Quarter Earnings

SOUTHFIELD, Mich., Aug 5, 2003 (BUSINESS WIRE) --

Credit Acceptance Corporation (NASDAQ:CACC) Credit Acceptance Corporation (the "Company") announced consolidated net income for the three months ended June 30, 2003 of $1,008,000 or $0.02 per diluted share compared to $8,466,000 or $0.19 per diluted share for the same period in 2002. For the six months ended June 30, 2003, consolidated net income was $9,601,000 or $0.23 per diluted share compared to $14,663,000 or $0.34 per diluted share for the same period in 2002.

Excluding the impact of one-time expenses, including expenses incurred relating to the Company's previously reported decision to stop loan originations in the United Kingdom, consolidated net income for the three and six months ended June 30, 2003 was $8,246,000 or $0.19 per diluted share and $16,439,000 or $0.39 per diluted share, respectively, compared to $8,466,000 or $0.19 per diluted share and $17,264,000 or $0.40 per diluted share for the same periods in 2002.

As a result of the decision in the most recent quarter to stop loan originations in the United Kingdom and Canada and the decision to stop lease originations in early 2002, the Company's sole active business unit consists of providing "guaranteed credit approval" through a network of automobile dealer-partners located in the United States.

Segment information follows:

(Dollars in thousands, except per share data)	Three Months Ended June 30,		
	2003	2002	% Change
Net Income			
United States (2), (3)	$8,703	$7,320	18.9 %
United Kingdom (1)	(7,594)	1,296	(686.0)
Automobile Leasing	(153)	(305)	49.8
Other	52	155	(66.5)
Consolidated	$1,008	$8,466	(88.1)%
Net Income Per Share			
United States (2), (3)	$0.20	$0.17	21.5 %
United Kingdom (1)	(0.18)	0.03	(699.0)
Automobile Leasing	(0.00)	(0.01)	48.7
Other	0.00	0.00	(65.7)
Consolidated	$0.02	$0.19	(87.8)%

(Dollars in thousands, except per share data)	Six Months Ended June 30,		
	2003	2002	% Change
Net Income			
United States (2), (3)	$16,181	$12,482	29.6 %
United Kingdom (1)	(6,288)	2,483	(353.2)
Automobile Leasing	(468)	(856)	45.3
Other	176	554	(68.2)
Consolidated	$9,601	$14,663	(34.5)%

Net Income Per Share			
United States (2), (3)	$0.38	$0.29	32.8 %
United Kingdom (1)	(0.15)	0.06	(359.5)
Automobile Leasing	(0.01)	(0.02)	44.0
Other	0.00	0.01	(67.4)
Consolidated	$0.23	$0.34	(32.9)%

(1) For the three and six months ended June 30, 2003, includes impairment and other expenses associated with the decision to liquidate the United Kingdom operation, which decreased net income by $7,238,000 after-tax, or $0.17 per diluted share.
(2) For the six months ended June 30, 2003, includes interest income from the Internal Revenue Service, which increased net income by $400,000 after-tax, or $0.01 per diluted share.
(3) For the six months ended June 30, 2002, includes a reduction in state tax related expense, which increased net income by $963,000 after-tax, or $0.02 per diluted share, and an increase in federal tax related expense, which decreased net income by $3,564,000 after-tax, or $0.08 per diluted share.

The Company intends to utilize proceeds from businesses being liquidated to: (i) fund dealer-partner advances on loans originated in the United States and (ii) fund share repurchases.

Detail of expected net liquidation proceeds follows:

(Dollars in thousands)	As of June 30, 2003
United Kingdom	$50,900
Canada	6,300
Automobile Leasing	7,800
	$65,000

It is expected that approximately 70% of the liquidation proceeds will be recovered within one year, 90% within two years, and the remainder within three years.

The Company also reported the following:

-- Consolidated loan originations for the three and six months

ended June 30, 2003 were $206.9 million and $438.9 million,

representing increases of 40.8% and 29.5% compared to the same

periods in 2002. Detail of amounts by business unit follows:

(Dollars in thousands)	Originations					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	% Change	2003	2002	% Change
United States	$190,870	$134,829	41.6 %	$411,152	$306,883	34.0 %
United						

Kingdom(a)	13,358	9,365	42.6	22,784	26,903	(15.3)
Other(b)	2,631	2,675	(1.6)	4,969	5,164	(3.8)
	$206,859	$146,869	40.8	$438,905	$338,950	29.5

(a) Effective June 30, 2003, the Company stopped originating loans in the United Kingdom.
(b) Includes Canada.

The increase in Loan originations in the United States in 2003 is due to: (i) an increase in the number of active dealer-partners due to increased dealer-partner enrollments and reduced levels of dealer-partner attrition and (ii) a continued increase in the number of loans per active dealer-partner.

The Company made no material changes in credit policy or pricing in the second quarter, other than routine changes designed to maintain current profitability levels.

The Company's historical results indicate the risk of an unintended adverse change in the profitability of loan originations is increased during periods of high growth. The growth rate experienced in the second quarter of 2003 is higher than the Company's expected long-term growth rate. However, the Company believes that the investments in infrastructure in 2002, combined with decreases in loan origination volumes in 2002, have adequately prepared the Company for this growth.

-- Forecasted collection rates in the United States business segment stabilized during the quarter. Prior to this quarter, forecasted collection rates had declined during the three previous quarters. Most of this decline occurred in the second half of 2002 when a difficult system conversion negatively impacted collection results, and during the first quarter of 2003 when post repossession collections declined from the prior trend line. As a result, the current quarter's results include a reduction in the amount recorded for advance losses in the United States business segment compared to the prior three quarters.

Results for the three and six months ended June 30, 2003 include an expense for asset impairment and accrued expenses related to the Company's decision to stop loan originations in the United Kingdom as reported in the Company's June 2, 2003 news release. The expense of $7.2 million after-tax, or $0.17 per diluted share, consists of: (i) $6.8 million after-tax increase in expense due to the impairment of dealer-partner advance balances and other assets, (ii) $300,000 after-tax increase in salaries and wages resulting from employee severance expenses, and (iii) $100,000 after-tax reduction in other income due to a refund of income earned from an ancillary product profit sharing agreement.

The following table reconciles the reported net income and adjusted net income (reported net income excluding certain adjustments) for the three and six months ended June 30, 2003 and 2002:

(Dollars in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Reported net income	$1,008	$8,466	$9,601	$14,663
State tax expense				

resulting from re-characterization of income	-	-	-	(963)
United Kingdom repatriation tax expense	-	-	-	3,564
United Kingdom impairment expenses	7,238	-	7,238	-
Interest income from Internal Revenue Service	-	-	(400)	-
Adjusted net income	8,246	8,466	16,439	17,264
Diluted weighted average shares outstanding	42,868,265	43,821,716	42,629,844	43,684,127
Adjusted net income per share	$0.19	$0.19	$0.39	$0.40

Results for the three and six months ended June 30, 2003 also include $915,000 and $1.2 million, respectively, compared to $366,000 and $678,000 for the same periods in 2002 in after-tax expense due to the Company's adoption of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), which requires the Company to expense the fair market value of stock options granted to employees over the expected life of the options. The fair market value of stock options is dependent upon a number of variables including the number of options outstanding, the historical volatility of the stock price, and the expected life of the options, among other factors. While the number of stock options outstanding declined in 2003 compared to 2002, stock-based compensation expense increased as a result of a change in assumptions that reduced the period over which certain performance based stock options are expected to vest. The Company has restated all prior periods to reflect the stock-based compensation expense that would have been recognized had the recognition provisions of SFAS No. 123 been applied to all awards granted to employees or directors after January 1, 1995. Prior period results restated for the effect of SFAS No. 123 are detailed in the Company's Form 10-Q, which is being filed concurrently with this news release.

Refer to the Company's Form 10-Q, which has been filed with the Securities and Exchange Commission, and appears on the Company's website at www.creditacceptance.com for a complete discussion of the results of operations and financial data for the three and six months ended June 30, 2003.

Cautionary Statement Regarding Forward Looking Information

Certain statements in this release that are not historical facts, including those regarding the Company's future plans and objectives, are "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements represent our outlook only as of the date of this release. While the Company believes that its forward-looking statements are reasonable, actual results could differ materially since the statements are based on our current expectations, which are subject to risks and uncertainties. Factors that might cause such a difference include the following: increased competition from traditional financing sources and from non-traditional lenders, unavailability of funding at competitive rates of interest or the Company's potential inability to continue to obtain third party financing on favorable terms, the Company's potential inability to generate sufficient cash flow to service its debt and fund its future operations, adverse changes in applicable laws and regulations, adverse changes in economic conditions, adverse changes in the automobile or finance industries or in the non-prime consumer finance market, the Company's potential inability to maintain or increase the volume of automobile loans, the Company's potential inability to accurately forecast and estimate future collections and historical collection rates and the associated default risk, the Company's potential inability to accurately estimate the residual values of leased vehicles, an increase in the amount or severity of litigation against the Company, the loss of key management personnel, the effects of terrorist attacks and potential attacks, and various other factors discussed in the Company's reports filed with the Securities and Exchange Commission. Other factors not currently anticipated by management may also materially and adversely affect the Company's results of operations. The Company does not undertake, and expressly disclaims any obligation, to update or alter its forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

Description of Credit Acceptance Corporation

Credit Acceptance is a financial services company specializing in products and services for a network of automobile dealer-partners. Credit Acceptance provides participating dealer-partners with financing sources for consumers with limited access to credit by offering "guaranteed credit approval". The Company delivers credit approvals through the internet. Other services include marketing, sales training and a wholesale purchasing cooperative. Through its financing program, Credit Acceptance helps consumers change their lives by providing an opportunity to strengthen and reestablish their credit standing by making timely monthly payments. Credit Acceptance is publicly traded on NASDAQ under the symbol CACC. For more information, visit www.creditacceptance.com.

CREDIT ACCEPTANCE CORPORATION
Consolidated Income Statements
(Dollars in thousands, except per share data)

(Dollars in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(Unaudited)		(Unaudited)	
Revenue:				
Finance charges	$26,431	$25,522	$50,687	$50,407
Lease revenue	1,784	4,428	4,120	9,587
Ancillary product income	4,233	3,794	9,966	7,391
Premiums earned	757	1,054	1,512	2,494
Other income	2,767	3,791	6,616	7,568
Total revenue	35,972	38,589	72,901	77,447
Costs and expenses:				
General and administrative	5,198	6,383	10,961	12,100
Salaries and wages	8,687	7,448	17,204	14,952
Sales and marketing	2,483	1,809	4,660	3,590
Stock-based compensation expense	1,428	565	1,803	1,047
Provision for insurance and warranty claims	209	570	308	1,133
Provision for credit losses	2,863	3,562	6,772	7,077
Depreciation of leased assets	1,167	2,566	2,715	5,507
United Kingdom asset impairment expense	10,493	-	10,493	-
Interest	1,401	2,457	2,997	4,762
Total costs and expenses	33,929	25,360	57,913	50,168
Operating income	2,043	13,229	14,988	27,279
Foreign exchange gain	14	11	29	27
Income before provision for income taxes	2,057	13,240	15,017	27,306
Provision for income taxes	1,049	4,774	5,416	12,643
Net income	$1,008	$8,466	$9,601	$14,663
Net income per common share:				
Basic	$0.02	$0.20	$0.23	$0.35
Diluted	$0.02	$0.19	$0.23	$0.34

Weighted average shares outstanding:				
Basic	42,321,170	42,535,312	42,317,443	42,486,667
Diluted	42,868,265	43,821,716	42,629,844	43,684,127

CREDIT ACCEPTANCE CORPORATION

Consolidated Balance Sheets

(Dollars in thousands)

(Dollars in thousands)	As of	
	June 30, 2003	December 31, 2002
ASSETS:	(Unaudited)	
Cash and cash equivalents	$22,068	$13,466
Investments -- held to maturity	456	173
Loans receivable	857,502	778,674
Allowance for credit losses	(5,100)	(5,497)
Loans receivable, net	852,402	773,177
Floor plan receivables	2,964	4,450
Lines of credit	2,817	3,655
Notes receivable (including $1,548 and $1,513 from affiliates as of June 30, 2003 and December 31,2002, respectively)	2,074	3,899
Investment in operating leases	9,328	17,879
Property and equipment, net	18,355	19,951
Other assets	7,077	5,166
Total Assets	$917,541	$841,816
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Lines of credit	$8,305	$43,555
Secured financing	100,000	58,153
Mortgage note	5,813	6,195
Capital lease obligations	1,538	1,938
Accounts payable and accrued liabilities	33,034	28,341
Dealer holdbacks, net	417,043	362,534
Deferred income taxes, net	4,010	10,058
Income taxes payable	11,700	6,094
Total Liabilities	581,443	516,868
Shareholders' Equity:		
Common stock	422	423
Paid-in capital	124,446	124,263
Retained earnings	208,459	198,858
Accumulated other comprehensive income - cumulative translation adjustment	2,771	1,404
Total Shareholders' Equity	336,098	324,948
Total Liabilities and Shareholders' Equity	$917,541	$841,816

SOURCE: Credit Acceptance Corporation

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