Credit Acceptance Announces: Fourth Quarter and 2005 Earnings

SOUTHFIELD, Mich., Feb 27, 2006 (PRIMEZONE via COMTEX News Network) -- Credit Acceptance Corporation (Pink Sheets:CACC) (the "Company") announced consolidated net income for the three months ended December 31, 2005 of $25.2 million or $0.65 per diluted share compared to $13.9 million or $0.35 per diluted share for the same period in 2004. For the year ended December 31, 2005, consolidated net income was $72.6 million or $1.85 per diluted share compared to $57.3 million or $1.40 per diluted share for the same period in 2004.

Results for the three months and year ended December 31, 2005 compared to the same periods in 2004 include the following:

- Consumer Loan unit volume increased 13.3% for the three months and 10.0% for the year.
- The number of active dealer-partners increased 32.2% for the three months and 45.3% for the year.
- Consumer Loan unit volume per active dealer-partner decreased 14.4% for the three months and 24.3% for the year.

Financial Results for the Three Months Ended December 31, 2005

(Dollars in thousands, except per share data)

	For the Three Months Ended December 31, 2005	2004	% Change
Net income	$ 25,240	$ 13,932	81.2
Net income per common share:			
Basic	0.68	0.38	78.9
Diluted	0.65	0.35	85.7
Net operating profit after-tax	27,109	16,144	67.9
Average capital	522,856	497,150	5.2
Return on capital	20.7%	13.0%	59.2
Economic profit	16,261	6,585	146.9
Total revenue	$ 51,573	$ 46,064	12.0

The increase in consolidated net income for the three months ended December 31, 2005 compared to the same period in 2004 was primarily due to: (i) an 11.2% increase in finance charge revenue primarily due to an increase in the size of the Dealer Loan portfolio, (ii) an after-tax gain of $2.1 million on the sale of the United Kingdom Consumer Loan portfolio recognized during the fourth quarter of 2005, (iii) a $2.0 million after-tax foreign currency exchange gain recognized during the fourth quarter of 2005 following the determination that the liquidation of businesses in the United Kingdom and Canada were substantially complete, (iv) a $3.1 million decrease in the provision for credit losses primarily due to a reduction in the provision for credit losses required to maintain the initial yield established at the inception of the Dealer Loan, (v) a decrease in general and administrative expenses, as a percentage of revenue, primarily related to the resolution of a dispute over previously paid audit fees, and (vi) a decrease in the Company's effective tax rate from 40.7% to 33.7% primarily due to the impact of the foreign exchange gain related to the liquidation of the United Kingdom and Canadian businesses not being taxable.

Financial Results for the Year Ended December 31, 2005

(Dollars in thousands, except per share data)

	For the Years Ended December 31, 2005	For the Years Ended December 31, 2004	% Change
Net income	$ 72,601	$ 57,325	26.6
Net income per common share:			
Basic	1.96	1.48	32.4
Diluted	1.85	1.40	32.1
Net operating profit after-tax	81,627	64,904	25.8
Average capital	520,376	478,345	8.8
Return on capital	15.7%	13.6%	15.4
Economic profit	39,253	26,204	49.8
Total revenue	$201,268	$172,071	17.0

The increase in consolidated net income for the year ended December 31, 2005 compared to the same period in 2004 was primarily due to: (i) a 17.1% increase in finance charge revenue primarily due to an increase in the size of the Dealer Loan portfolio, (ii) a $3.9 million increase in license fees primarily due to an increase in the number of active dealer-partners. License fees represent monthly fees charged to dealer-partners for access to CAPS, the Company's patented Internet-based Credit Approval Processing System, (iii) an after-tax gain of $2.1 million on the sale of the United Kingdom Consumer Loan portfolio recognized during the fourth quarter of 2005, (iv) a decrease in general and administrative expenses, as a percentage of revenue, primarily related to the resolution of a dispute over previously paid audit fees, and (v) a $0.8 million decrease in the provision for credit losses primarily due to a reduction in the provision for credit losses required to maintain the initial yield established at the inception of a Dealer Loan.

Dealer-Partner Enrollments and Volume

The number of active dealer-partners is a function of new dealer-partner enrollments and attrition. Active dealer-partners are dealer-partners who submit at least one loan during the period. The following table summarizes the changes in active dealer-partners and corresponding unit volume for the three and twelve months ended December 31, 2005 and 2004:

	Three Months Ended December 31, 2005			Three Months Ended December 31, 2004		
	Dealer-Partners	Unit Volume	Average	Dealer-Partners	Unit Volume	Average
Production from quarter ended September 30 of the same year	1,318	20,037	15.2	957	18,375	19.2
Attrition(a)	(184)	(743)	4.0	(80)	(304)	3.8
Volume change from dealer-partners active in both periods	n/a	(2,094)	n/a	n/a	(2,642)	n/a
Current period volume from dealer-partners active both periods	1,134	17,200	15.2	877	15,429	17.6

New dealer-partners(b)	184	1,288	7.0	136	996	7.3
Restarts(c)	41	177	4.3	15	46	3.1
Current period production	1,359	18,665	13.7	1,028	16,471	16.0

	Twelve Months Ended December 31, 2005			Twelve Months Ended December 31, 2004		
	Dealer-Partners	Unit Volume	Average	Dealer-Partners	Unit Volume	Average
Production from 12 month period ending 1 year ago	1,215	75,955	62.5	916	62,334	68.1
Attrition(a)	(239)	(4,291)	18.0	(182)	(4,459)	24.5
Volume change from dealer-partners active in both periods	n/a	(5,147)	n/a	n/a	2,875	n/a
Current period volume from dealer-partners active both periods	976	66,517	68.2	734	60,750	82.8
New dealer-partners(b)	745	16,278	21.8	460	14,482	31.5
Restarts(c)	45	772	17.2	21	723	34.4
Current period production	1,766	83,567	47.3	1,215	75,955	62.5

(a) Dealer-partner attrition is measured according to the following formula: dealer-partners active during the prior period who become inactive in the current period.
(b) Excludes new dealer-partners that have enrolled in the Company's program, but have not submitted at least one loan during the period.
(c) Restarts are previously active dealer-partners that were inactive during the prior period who became active during the current period.

Unit volume produced in the current quarter exceeded the comparable period of 2004 by 2,194 units (13.3%). Unit volume produced over the prior twelve months exceeded the comparable period by 7,612 units (10.0%).

The increase in unit volume is primarily the result of production from new dealer-partners, partially offset by a decline in volume from existing dealer-partners and from volume lost due to attrition.

Comparison of GAAP Return on Capital to Floating Yield Return on Capital

The following table presents selected financial data that compares the Company's GAAP basis financial results to a non-GAAP measure. The non-GAAP measure ("Floating Yield") is identical to the Company's GAAP basis results except that, under the Floating Rate method, all changes in expected cash flows are treated as yield adjustments. Under GAAP, favorable changes in expected cash flows are treated as yield adjustments, while unfavorable changes are recorded as a current period expense. The GAAP treatment always results in a lower carrying value of the loan receivable asset, but may result in either higher or lower earnings for any given period depending on the timing and amount of expected cash flow changes.

(Dollars in thousands)

	For the Years Ended December 31, 2005	2004
GAAP Return on Capital	15.7%	13.6%
Floating Yield Return on Capital	15.0%	13.3%
Difference	0.7%	0.3%
GAAP net operating profit after-tax	$ 81,627	$ 64,904
Adjustment to Floating Yield	(2,202)	(58)
Floating Yield net operating profit after-tax	$ 79,425	$ 64,846
GAAP average capital	$520,376	$478,345
Adjustment to Floating Yield	7,574	8,731
Floating Yield average capital	$527,950	$487,076

Consumer Loan Performance in the United States

The United States is the Company's only business segment that continues to originate Dealer Loans. The following table compares the Company's forecast of Consumer Loan collection rates for loans accepted by year in the United States as of December 31, 2005 with the forecast as of December 31, 2004:

Loan Origination Year	Dec. 31, 2005 Forecasted Collection %	Dec. 31, 2004 Forecasted Collection %	Variance
1995	54.9%	54.9%	0.0%
1996	55.0%	55.0%	0.0%
1997	58.3%	58.4%	(0.1%)
1998	67.7%	67.7%	0.0%
1999	72.7%	72.8%	(0.1%)
2000	73.2%	73.2%	0.0%
2001	67.2%	67.2%	0.0%
2002	70.3%	70.2%	0.1%
2003	74.0%	74.0%	0.0%
2004	72.9%	73.4%	(0.5%)

The following table presents forecasted Consumer Loan collection rates, advance rates, the spread (the forecasted collection rate less the advance rate), and the percentage of the forecasted collections that have been realized as of December 31, 2005 for the United States business segment.

As of December 31, 2005

Year of Forecasted % of Forecast

Origination	Collection %	Advance %	Spread %	Realized
1995	54.9%	44.2%	10.7%	100.0%
1996	55.0%	46.9%	8.1%	99.8%
1997	58.3%	47.9%	10.4%	99.2%
1998	67.7%	46.1%	21.6%	98.5%
1999	72.7%	48.9%	23.8%	97.6%
2000	73.2%	48.0%	25.2%	96.7%
2001	67.2%	45.8%	21.4%	96.4%
2002	70.3%	42.2%	28.1%	94.1%
2003	74.0%	43.4%	30.6%	82.8%
2004	72.9%	44.0%	28.9%	59.7%
2005	73.6%	47.1%	26.5%	22.7%

Cautionary Statement Regarding Forward Looking Information

Certain statements in this release that are not historical facts, such as those using terms like "believes," "expects," "anticipates," "assumes," "forecasts," "estimates" and those regarding the Company's future results, plans and objectives, are "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements represent the Company's 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 current expectations, which are subject to risks and uncertainties. Factors that might cause such a difference include the following:

- the Company's potential inability to accurately forecast and estimate the amount and timing of future collections,
- increased competition from traditional financing sources and from non-traditional lenders,
- the unavailability of funding at competitive rates of interest,
- 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,
- an increase in the amount or severity of litigation against the Company,
- the loss of key management personnel or the inability to hire qualified personnel,
- the effect of natural disasters, terrorist attacks and other potential disasters or 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 statements whether as a result of new information, future events or otherwise, except as required by applicable law.

Description of Credit Acceptance Corporation

Since 1972, Credit Acceptance has provided auto loans to consumers, regardless of their credit history. Our product is offered through a nationwide network of automobile dealers who benefit from sales of vehicles to consumers who otherwise could not obtain financing; from repeat and referral sales generated by these same customers; and from sales to customers responding to advertisements for our product, but who actually end up qualifying for traditional financing.

Without our product, consumers may be unable to purchase a vehicle or they may purchase an unreliable one, or they may not have the opportunity to improve their credit standing. As we report to the three national credit reporting agencies, a significant number of our customers improve their lives by improving their credit score and move on to more traditional sources of financing. Credit Acceptance is publicly traded on the Pink Sheets under the symbol CACC. For more information, visit www.creditacceptance.com.

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	December 31, 2005 (Unaudited)	December 31, 2004
ASSETS:		
Cash and cash equivalents	$ 7,090	$ 614
Restricted cash	13,473	23,927
Restricted securities available for sale	3,345	928
Loans receivable (including $14,622 and $18,353 from affiliates in 2005 and 2004, respectively)	694,939	667,394
Allowance for credit losses	(131,411)	(141,383)
Loans receivable, net	563,528	526,011
Property and equipment, net	17,992	19,706
Income taxes receivable	4,022	9,444
Other assets	9,944	10,683
Total Assets	$ 619,394	$ 591,313
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Liabilities:		
Accounts payable and accrued liabilities	$ 55,705	$ 49,384
Dealer reserve payable, net	--	15,675
Line of credit	36,300	7,700
Secured financing	101,500	176,000
Mortgage note and capital lease obligations	9,105	9,847
Deferred income taxes, net	43,758	31,817
Total Liabilities	246,368	290,423
Shareholders' Equity:		
Preferred stock, $.01 par value, 1,000,000 shares authorized, none issued	--	--
Common stock, $.01 par value, 80,000,000 shares authorized,		

37,027,286 and 36,897,242 shares issued and outstanding at year-end 2005 and 2004, respectively	370	369
Paid-in capital	29,746	25,640
Unearned stock-based compensation	(1,566)	--
Retained earnings	344,513	271,912
Accumulated other comprehensive (loss) income, net of tax of $22 and $2 at year-end 2005 and 2004, respectively	(37)	2,969
Total Shareholders' Equity	373,026	300,890
Total Liabilities and Shareholders' Equity	$ 619,394	$ 591,313

CREDIT ACCEPTANCE CORPORATION
CONSOLIDATED INCOME STATEMENTS

(Dollars in thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	(Unaudited) 2005	2004	(Unaudited) 2005	2004
Revenue:				
Finance charges	$ 44,989	$ 40,454	$ 176,369	$ 150,651
License fees	2,905	1,688	9,775	5,835
Other income	3,679	3,922	15,124	15,585
Total revenue	51,573	46,064	201,268	172,071
Costs and expenses:				
Salaries and wages	9,350	8,256	36,853	32,720
General and administrative	3,979	6,149	20,834	20,724
Sales and marketing	3,319	3,309	14,275	11,915
Provision for credit losses	(1,668)	1,457	5,705	6,526
Interest	2,875	3,403	13,886	11,660
Stock-based compensation	484	523	2,240	2,580
Other expense	41	257	931	1,270
Total costs and expenses	18,380	23,354	94,724	87,395
Operating income	33,193	22,710	106,544	84,676
Foreign exchange gain (loss)	1,998	(81)	3,017	1,650
Income from continuing operations before provision for income taxes	35,191	22,629	109,561	86,326
Provision for income taxes	11,871	9,202	40,159	30,073
Income from continuing				

operations	23,320	13,427	69,402	56,253
Discontinued operations				
Gain from operations of discontinued United Kingdom segment (including gain on sale of United Kingdom loan portfolio of $3,033 during the fourth quarter of 2005) before provision for income taxes	3,182	753	4,989	1,556
Provision for income taxes	1,262	248	1,790	484
Gain on discontinued operations	1,920	505	3,199	1,072
Net income	$ 25,240	$ 13,932	$ 72,601	$ 57,325
Net income per common share:				
Basic	$ 0.68	$ 0.38	$ 1.96	$ 1.48
Diluted	$ 0.65	$ 0.35	$ 1.85	$ 1.40
Income from continuing operations per common share:				
Basic	$ 0.63	$ 0.36	$ 1.88	$ 1.46
Diluted	$ 0.60	$ 0.34	$ 1.77	$ 1.37
Weighted average shares outstanding:				
Basic	37,025,517	36,819,410	36,991,136	38,617,787
Diluted	39,088,720	39,473,105	39,207,680	41,017,205

CREDIT ACCEPTANCE CORPORATION
SUMMARY FINANCIAL DATA

(Dollars in thousands, except per share data)

Return on Capital

The return on capital is equal to net operating profit after-tax (net income plus interest expense after-tax) divided by average capital as follows:

	For the Three Months Ended December 31, 2005	2004	For the Years Ended December 31, 2005	2004
Net income	$ 25,240	$ 13,932	$ 72,601	$ 57,325

Interest expense after-tax(a)	1,869	2,212	9,026	7,579
Net operating profit after-tax	$ 27,109	$ 16,144	$ 81,627	$ 64,904
Average debt	$163,687	$203,261	$186,901	$167,137
Average shareholders' equity	359,169	293,889	333,475	311,208
Average capital	$522,856	$497,150	$520,376	$478,345
Return on capital	20.7%	13.0%	15.7%	13.6%

(a) Interest expense after-tax calculated using a 35% tax rate.

Economic Profit

The Company defines economic profit as net income less an imputed cost of equity. Economic profit measures how efficiently the Company utilizes its capital. To consider the cost of both debt and equity, the Company's calculation of economic profit deducts from net income a cost of equity equal to 10% of average equity, which approximates the S&P 500's rate of return since 1965. Management uses economic profit to assess the Company's performance as well as to make capital allocation decisions. Management believes this information is important to shareholders because it allows shareholders to compare the returns earned by the Company with the return they could expect if the Company returned capital to shareholders and they invested in other securities.

	For the Three Months Ended December 31, 2005	For the Three Months Ended December 31, 2004	For the Years Ended December 31, 2005	For the Years Ended December 31, 2004
Net income	$ 25,240	$ 13,932	$ 72,601	$ 57,325
Imputed cost of equity at 10%(a)	(8,979)	(7,347)	(33,348)	(31,121)
Total economic profit	$ 16,261	$ 6,585	$ 39,253	$ 26,204
Diluted weighted average shares outstanding	39,088,720	39,473,105	39,207,680	41,017,205
Economic profit per diluted share(b)	$ 0.42	$ 0.17	$ 1.00	$ 0.64

(a) Cost of equity is equal to 10% (on an annual basis) of average shareholders' equity, as disclosed in the Return on Capital calculation.

(b) Economic profit per diluted share equals the economic profit divided by the diluted weighted average number of shares outstanding.

CREDIT ACCEPTANCE CORPORATION
SUMMARY FINANCIAL DATA CONTINUED

(Dollars in thousands)

A summary of changes in loans receivable is as follows:

	Year Ended December 31, 2005			
	Dealer Loans	Consumer Loans	Other Loans	Total
Balance, beginning of period	$626,284	$ 36,760	$ 4,350	$667,394
New loans	461,877	13,354	--	475,231
Dealer holdback payments	52,512	--	--	52,512
Net cash collections on loans	(454,636)	(16,871)	--	(471,507)
Write-offs	(10,215)	(10,760)	--	(20,975)
Recoveries	--	2,367	--	2,367
Sale of United Kingdom loan portfolio	--	(8,579)	--	(8,579)
Net change in floorplan receivables, notes receivable and lines of credit	--	--	(573)	(573)
Other	--	954	--	954
Currency translation	(130)	(1,755)	--	(1,885)
Balance, end of period	$675,692	$ 15,470	$ 3,777	$694,939

	Year Ended December 31, 2004			
	Dealer Loans	Consumer Loans	Other Loans	Total
Balance, beginning of period	$537,671	$ 75,098	$ 6,668	$619,437
New loans	427,866	7,938	--	435,804
Dealer holdback payments	33,326	--	--	33,326
Net cash collections on loans	(365,119)	(27,615)	--	(392,734)
Write-offs	(7,104)	(23,783)	--	(30,887)
Recoveries	--	2,157	--	2,157
Net change in floorplan receivables, notes receivable and lines of credit	--	--	(2,318)	(2,318)
Other	--	584	--	584
Currency translation	(356)	2,381	--	2,025
Balance, end of period	$626,284	$ 36,760	$ 4,350	$667,394

CREDIT ACCEPTANCE CORPORATION
SUMMARY FINANCIAL DATA CONCLUDED

(Dollars in thousands)

A summary of the allowance for credit losses is as follows:

	For the Year Ended December 31, 2005			
	Dealer Loans	Consumer Loans	Other Loans	Total
Balance, beginning of period	$134,599	$ 6,774	$ 10	$141,383
Provision for credit losses(a)	6,290	(2,344)	(37)	3,909
Write-offs	(10,215)	(1,985)	--	(12,200)
Recoveries	--	2,312	--	2,312
Sale of United Kingdom loan portfolio	--	(3,439)	--	(3,439)
Other change in floorplan receivables, notes receivable, and lines of credit	--	--	27	27
Currency translation	48	(629)	--	(581)
Balance, end of period	$130,722	$ 689	$ --	$131,411

	For the Year Ended December 31, 2004			
	Dealer Loans	Consumer Loans	Other Loans	Total
Balance, beginning of period	$136,514	$ 6,689	$ 106	$143,309
Provision for credit losses(b)	5,094	(978)	1,174	5,290
Write-offs	(7,104)	(1,305)	--	(8,409)
Recoveries	--	2,023	--	2,023
Other change in floorplan receivables, notes receivable,and lines of credit	--	--	(1,270)	(1,270)
Currency translation	95	345	--	440
Balance, end of period	$134,599	$ 6,774	$ 10	$141,383

(a) Does not include a provision of $70 primarily related to earned but unpaid revenue related to license fees.
(b) Does not include a provision of $467 for earned but unpaid revenue related to license fees.

This news release was distributed by PrimeZone, www.primezone.com

SOURCE: Credit Acceptance Corporation

Credit Acceptance Corporation
Investor Relations
Douglas W. Busk, Treasurer
(248) 353-2700 Ext. 4432
IR@creditacceptance.com