August 8, 2013

CPS Announces Second Quarter 2013 Earnings

- Pretax income of $8.5 million
- Net income of $4.8 million, or $0.15 per diluted share
- New contract purchases of $204 million
- Total managed portfolio increases to $1.067 billion from $969 million at March 31, 2013

IRVINE, Calif., Aug. 8, 2013 (GLOBE NEWSWIRE) -- Consumer Portfolio Services, Inc. (Nasdaq:CPSS) ("CPS" or the "Company") today announced earnings of $4.8 million, or $0.15 per diluted share, for its second quarter ended June 30, 2013. This compares to net income of $1.3 million, or $0.05 per diluted share, in the second quarter of 2012. Earnings for the first six months of 2013 were $8.6 million, or $0.27 per diluted share, as compared to earnings of $1.9 million, or $0.08 per diluted share, for the same period in 2012. The 2012 periods do not include a tax expense.

Revenues for the second quarter of 2013 were $70.5 million, an increase of $26.3 million, or 60%, compared to $44.2 million for the second quarter of 2012. Total operating expenses for the second quarter of 2013 were $61.9 million, an increase of $19.1 million, or 45%, compared to $42.8 million for the 2012 period. Pretax income for the second quarter of 2013 was $8.5 million compared to pretax income of $1.3 million in the second quarter of 2012.

For the six months ended June 30, 2013 total revenues were $125.1 million compared to $88.7 million for the six months ended June 30, 2012, an increase of approximately $36.4 million, or 41%. Total expenses for the six months ended June 30, 2013 were $110.0 million, an increase of $23.2 million, or 27%, compared to $86.8 million for the six months ended June 30, 2012. Pretax income for the six months ended June 30, 2013 was $15.1 million, compared to $1.9 million for the six months ended June 30, 2012.

During the second quarter of 2013, CPS purchased $203.8 million of new contracts compared to $180.1 million during the first quarter of 2013 and $137.9 million during the second quarter of 2012. The Company's managed receivables totaled $1.067 billion as of June 30, 2013, an increase from $968.5 million as of March 31, 2013 and $806.1 million as of June 30, 2012, as follows ($ in millions):

Originating Entity	June 30, 2013	March 31, 2013	June 30, 2012
CPS	$1,030.5	$917.0	$681.5
Fireside Bank	31.1	43.3	104.0
TFC	--	--	0.6
As Third Party Servicer	5.8	8.2	20.0
Total	$1,067.4	$968.5	$806.1

Annualized net charge-offs for the second quarter of 2013 were 4.03% of the average owned portfolio as compared to 3.16% for the 2012 period. Delinquencies greater than 30 days (including repossession inventory) were 5.16% of the total owned portfolio as of June 30, 2013, as compared to 3.81% as of June 30, 2012.

As previously reported, during June CPS closed its second term securitization transaction of 2013 and the ninth transaction since April 2011. In the senior subordinate structure, a special purpose subsidiary sold five tranches of asset-backed notes totaling $205.0 million. The notes are secured by automobile receivables purchased by CPS and have a weighted average effective coupon of approximately 2.34%. The transaction has initial credit enhancement consisting of a cash deposit equal to 1.00% of the original receivable pool balance. The final enhancement level requires accelerated payment of principal on the notes to reach overcollateralization of 11.50% of the then-outstanding receivable pool balance.

"The second quarter of 2013 was another good quarter for CPS," said Charles E. Bradley, Jr., Chairman and Chief Executive Officer. "Our managed portfolio continues to grow as we purchase new contracts with attractive yields and credit demographics. Asset performance metrics, while higher year-over-year, are well within our expectations as credit trends "normalize" after the very tight lending period following the financial crisis. In addition, we extended the revolving period of our second credit facility in June for two years and added a one-year amortization period thereafter. As a result, both of our credit facilities now have multi-year revolving periods plus amortization periods. These features give us considerably more financial flexibility across a variety of capital markets environments."

Conference Call

CPS announced that it will hold a conference call on Friday, August 9, 2013, at 3:00 p.m. ET to discuss its quarterly operating results. Those wishing to participate by telephone may dial-in at 877 312-5502 or 253 237-1131 approximately 10 minutes prior to the scheduled time.

A replay of the conference call will be available between August 9, 2013 and August 16, 2013, beginning two hours after conclusion of the call, by dialing 855 859-2056 or 404 537-3406 for international participants, with conference identification number 30267175. A broadcast of the conference call will also be available live and for 90 days after the call via the Company's web site at www.consumerportfolio.com.

About Consumer Portfolio Services, Inc.

Consumer Portfolio Services, Inc. is an independent specialty finance company that provides indirect automobile financing to individuals with past credit problems, low incomes or limited credit histories. We purchase retail installment sales contracts primarily from franchised automobile dealerships secured by late model used vehicles and, to a lesser extent, new vehicles. We fund these contract purchases on a long-term basis primarily through the securitization markets and service the contracts over their lives.

Forward-looking statements in this news release include the Company's recorded revenue, expense and provision for credit losses, because these items are dependent on the Company's estimates of incurred losses. The accuracy of such estimates may be adversely affected by various factors, which include (in addition to risks relating to the economy generally) the following: possible increased delinquencies; repossessions and losses on retail installment contracts; incorrect prepayment speed and/or discount rate assumptions; possible unavailability of qualified personnel, which could adversely affect the Company's ability to service its portfolio; possible increases in the rate of consumer bankruptcy filings, which could adversely affect the Company's rights to collect payments from its portfolio; other changes in government regulations affecting consumer credit; possible declines in the market price for used vehicles, which could adversely affect the Company's realization upon repossessed vehicles; and economic conditions in geographic areas in which the Company's business is concentrated. All of such factors also may affect the Company's future financial results, as to which there can be no assurance. Any implication that the results of the most recently completed quarter are indicative of future results is disclaimed, and the reader should draw no such inference. Factors such as those identified above in relation to the provision for credit losses may affect future performance.

Consumer Portfolio Services, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	Three months ended June 30,		Six month ended June 30,	
	2013	2012	2013	2012
Revenues:				
Interest income	$ 55,797	$ 41,546	$ 106,964	$ 82,157
Servicing fees	876	595	1,784	1,396
Other income	2,862	2,010	5,380	5,116
Gain on cancellation of debt	10,947	--	10,947	
	70,482	44,151	125,075	88,669
Expenses:				
Employee costs	11,527	8,277	20,476	17,148
General and administrative	4,518	3,577	8,272	8,075
Interest	14,601	19,827	30,947	42,136
Provision for credit losses	17,371	7,711	32,519	12,547
Provision for contingent liabilities	9,650	--	9,650	--
Other expenses	4,269	3,418	8,137	6,911
	61,936	42,810	110,001	86,817
Income before income taxes	8,546	1,341	15,074	1,852
Income tax expense	3,721	--	6,464	--

Net income	$ 4,825	$ 1,341	$ 8,610	$ 1,852
Earnings per share:				
Basic	$ 0.23	$ 0.07	$ 0.42	$ 0.10
Diluted	$ 0.15	$ 0.05	$ 0.27	$ 0.08
Number of shares used in computing earnings per share:				
Basic	20,989	19,305	20,534	19,360
Diluted	31,788	24,636	31,709	23,283

Condensed Consolidated Balance Sheets

(In thousands)

(Unaudited)

	June 30, 2013	December 31, 2012
Assets:		
Cash and cash equivalents	$ 18,584	$ 12,966
Restricted cash and equivalents	122,864	104,445
Total cash and cash equivalents	141,448	117,411
Finance receivables	971,914	764,343
Allowance for finance credit losses	(32,101)	(19,594)
Finance receivables, net	939,813	744,749
Finance receivables measured at fair value	30,319	59,668
Residual interest in securitizations	2,246	4,824
Deferred tax assets, net	69,971	75,640
Other assets	41,243	35,328
	$ 1,225,040	$ 1,037,620
Liabilities and Shareholders' Equity:		
Accounts payable and accrued expenses	$ 29,672	$ 17,785
Warehouse lines of credit	17,144	21,731
Residual interest financing	33,773	13,773
Debt secured by receivables measured at fair value	25,622	57,107
Securitization trust debt	983,887	792,497
Senior secured debt, related party	39,368	50,135
Subordinated renewable notes	22,569	23,281
	1,152,035	976,309
Shareholders' equity	73,005	61,311
	$ 1,225,040	$ 1,037,620

Operating and Performance Data ($ in millions)

	At and for the Three months ended June 30,		At and for the Six months ended June 30,	
	2013	2012	2013	2012
Contracts purchased	$ 203.78	$ 137.90	$ 383.90	$ 257.80
Contracts securitized	209.64	140.41	370.90	285.20
Total managed portfolio	$ 1,067.42	$ 806.14	$ 1,067.42	$ 806.14
Average managed portfolio	1,034.57	795.31	989.31	789.26
Allowance for finance credit losses as % of fin. receivables	3.30%	2.28%		
Aggregate allowance as % of fin. receivables (1)	4.02%	2.89%		
Delinquencies				
31+ Days	3.82%	2.64%		
Repossession Inventory	1.34%	1.17%		
Total Delinquencies and Repo. Inventory	5.16%	3.81%		
Annualized net charge-offs as % of average owned portfolio	4.03%	3.16%	4.12%	3.53%
Recovery rates (2)	48.6%	49.1%	48.8%	48.6%

	For the Three months ended June 30,				For the Six months ended June 30,			
	2013		2012		2013		2012	
	$ (3)	% (4)	$ (3)	% (4)	$ (3)	% (4)	$ (3)	% (4)
Interest income	$ 55.80	21.6%	$ 41.55	20.9%	$ 106.96	21.6%	$ 82.16	20.8%
Servicing fees and other income	3.74	1.4%	2.61	1.3%	7.16	1.4%	6.51	1.7%
Interest expense	(14.60)	-5.6%	(19.83)	-10.0%	(30.95)	-6.3%	(42.14)	-10.7%
Net interest margin	44.93	17.4%	24.32	12.2%	83.18	16.8%	46.53	11.8%
Provision for credit losses	(17.37)	-6.7%	(7.71)	-3.9%	(32.52)	-6.6%	(12.55)	-3.2%
Risk adjusted margin	27.56	10.7%	16.61	8.4%	50.66	10.2%	33.99	8.6%
Core operating expenses	(20.31)	-7.9%	(15.27)	-7.7%	(36.89)	-7.5%	(32.13)	-8.1%
Provision for contingent liabilities	(9.65)	-3.7%	--	0.0%	(9.65)	-2.0%	--	0.0%
Gain on cancellation of debt	10.95	4.2%	--	0.0%	10.95	2.2%	--	0.0%
Pre-tax income	$ 8.55	3.3%	$ 1.34	0.7%	$ 15.07	3.0%	$ 1.85	0.5%

(1) Includes allowance for finance credit losses and allowance for repossession inventory.

(2) Wholesale auction liquidation amounts (net of expenses) for CPS portfolio as a percentage of the account balance at the time of sale.

(3) Numbers may not add due to rounding.

(4) Annualized percentage of the average managed portfolio. Percentages may not add due to rounding.

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Source: Consumer Portfolio Services, Inc.