

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) March 16, 2020

CONSUMER PORTFOLIO SERVICES, INC.

(Exact Name of Registrant as Specified in Charter)

CALIFORNIA
(State or Other Jurisdiction
of Incorporation)

1-11416
(Commission
File Number)

33-0459135
(IRS Employer
Identification No.)

3800 Howard Hughes Pkwy, Suite 1400, Las Vegas, NV 89169

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (949) 753-6800

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	CPSS	The Nasdaq Stock Market LLC (Global Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On March 16, 2020, the registrant filed its annual report on Form 10-K, and subsequently distributed a news release that contained earnings and other information for the three month and twelve month periods ended December 31, 2018 and 2019, and as of those two dates. A copy of the earnings release is attached as an exhibit to this report.

Item 9.01. Financial Statements and Exhibits.

One exhibit is included with this report:

99.1 [News release re earnings.](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CONSUMER PORTFOLIO SERVICES, INC.

Dated: March 20, 2020

By: /s/ JEFFREY P. FRITZ

Jeffrey P. Fritz

Executive Vice President and Chief Financial Officer

Signing on behalf of the registrant

**CPS ANNOUNCES FOURTH QUARTER AND FULL YEAR 2019 EARNINGS**

- § Pretax income of \$0.9 million for the fourth quarter and \$9.2 million for 2019
- § New contract purchases of \$1.0 billion for the full year 2019

LAS VEGAS, NV, March 16, 2020 (GlobeNewswire) -- Consumer Portfolio Services, Inc. (Nasdaq: CPSS) (“CPS” or the “Company”) today announced earnings of \$29,000 for its fourth quarter ended December 31, 2019. This compares to a net income of \$5.4 million, or \$0.22 per diluted share, in the fourth quarter of 2018. For the fourth quarter of 2018, the results include a \$2.1 million net tax benefit related to certain tax planning strategies and other adjustments. Without the benefit, net income would have been \$3.3 million, or \$0.13 per diluted share.

Revenues for the fourth quarter of 2019 were \$85.7 million, a decrease of \$5.5 million, or 6.0%, compared to \$91.2 million for the fourth quarter of 2018. Total operating expenses for the fourth quarter of 2019 were \$84.8 million compared to \$86.4 million for the 2018 period. Pretax income for the fourth quarter of 2019 was \$0.9 million compared to pretax income of \$4.8 million in the fourth quarter of 2018.

For the twelve months ended December 31, 2019 total revenues were \$345.8 million compared to \$389.8 million for the twelve months ended December 31, 2018, a decrease of approximately \$44.0 million, or 11.3%. Total expenses for the twelve months ended December 31, 2019 were \$336.6 million, a decrease of \$34.5 million, or 9.3%, compared to \$371.1 million for the twelve months ended December 31, 2018. Pretax income for the twelve months ended December 31, 2019 was \$9.2 million, compared to \$18.7 million for the twelve months ended December 31, 2018. Net income for the twelve months ended December 31, 2019 was \$5.4 million compared to \$14.9 million for the twelve months ended December 31, 2018. The full-year 2018 results include a \$2.1 million net tax benefit related to certain tax planning strategies and other adjustments. Without the benefit, net income for 2018 would have been \$12.8, or \$0.51 per diluted share.

During the fourth quarter of 2019, CPS purchased \$247.5 million of new contracts compared to \$262.1 million during the third quarter of 2019 and \$251.8 million during the fourth quarter of 2018. The Company’s receivables totaled \$2.416 billion as of December 31, 2019, an increase from \$2.413 billion as of September 30, 2019 and an increase from \$2.381 billion as of December 31, 2018.

Annualized net charge-offs for the fourth quarter of 2019 were 7.92% of the average portfolio as compared to 7.19% for the fourth quarter of 2018. Delinquencies greater than 30 days (including repossession inventory) were 15.46% of the total portfolio as of December 31, 2019, as compared to 13.88% as of December 31, 2018.

“In 2019, our contract purchases grew 11% over the prior year and reached \$1.0 billion for the first time since 2016, reported Charles E. Bradley, Jr., Chief Executive Officer. “As of December 31, 2019, our receivables measured at fair value comprise \$1.5 billion, or 62% of our total managed portfolio. Continuing provisions for credit losses on the legacy portfolio have made for a difficult transition from a financial reporting standpoint, but we are looking forward to 2020 and the continued growth of the portfolio accounted for at fair value.”

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 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, provision for credit losses and fair value of receivables, because these items are dependent on the Company's estimates of losses to be incurred. 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.

Investor Relations Contact

Jeffrey P. Fritz, Chief Financial Officer
844 878-2777

Consumer Portfolio Services, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three months ended December 31,		Twelve months ended December 31,	
	2019	2018	2019	2018
Revenues:				
Interest income	\$ 83,274	\$ 88,761	\$ 337,096	\$ 380,297
Other income	2,449	2,457	8,704	9,478
	<u>85,723</u>	<u>91,218</u>	<u>345,800</u>	<u>389,775</u>
Expenses:				
Employee costs	21,847	20,030	80,877	79,318
General and administrative	7,895	8,307	33,004	31,037
Interest	27,595	26,409	110,528	101,466
Provision for credit losses	21,454	25,083	85,773	133,080
Other expenses	6,045	6,605	26,456	26,171
	<u>84,836</u>	<u>86,434</u>	<u>336,638</u>	<u>371,072</u>
Income before income taxes	887	4,784	9,162	18,703
Income tax expense	858	(568)	3,756	3,841
Net income	<u>\$ 29</u>	<u>\$ 5,352</u>	<u>\$ 5,406</u>	<u>\$ 14,862</u>
Earnings per share:				
Basic	\$ 0.00	\$ 0.24	\$ 0.24	\$ 0.68
Diluted	\$ 0.00	\$ 0.22	\$ 0.22	\$ 0.59
Number of shares used in computing earnings per share:				
Basic	22,529	22,549	22,416	21,989
Diluted	23,950	24,411	24,064	24,988

Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	December 31, 2019	December 31, 2018
Assets:		
Cash and cash equivalents	\$ 5,295	\$ 12,787
Restricted cash and equivalents	135,537	117,323
Total cash and cash equivalents	140,832	130,110
Finance receivables	897,530	1,522,085
Allowance for finance credit losses	(11,640)	(67,376)
Finance receivables, net	885,890	1,454,709
Finance receivables measured at fair value	1,444,038	821,066
Deferred tax assets, net	15,480	19,188
Other assets	53,009	60,607
	<u>\$ 2,539,249</u>	<u>\$ 2,485,680</u>
Liabilities and Shareholders' Equity:		
Accounts payable and accrued expenses	\$ 47,077	\$ 31,692
Warehouse lines of credit	134,791	136,847
Residual interest financing	39,478	39,106
Securitization trust debt	2,097,728	2,063,627
Subordinated renewable notes	17,534	17,290
	<u>2,336,608</u>	<u>2,288,562</u>
Shareholders' equity	202,641	197,118
	<u>\$ 2,539,249</u>	<u>\$ 2,485,680</u>

Operating and Performance Data (\$ in millions)

	At and for the Three months ended December 31,		At and for the Twelve months ended December 31,	
	2019	2018	2019	2018
Contracts purchased	\$ 247.50	\$ 251.81	\$ 1,002.78	\$ 902.40
Contracts securitized	275.00	245.00	1,014.10	883.45
Total portfolio balance	\$ 2,416.04	\$ 2,380.85	\$ 2,416.04	\$ 2,380.85
Average portfolio balance	2,418.61	2,371.05	2,404.71	2,341.96
Allowance for finance credit losses as % of fin. receivables	1.30%	4.43%		
Aggregate allowance as % of fin. receivables (1)	3.57%	5.91%		
Delinquencies				
	31+ Days	13.55%	12.35%	
	Repossession Inventory	1.91%	1.53%	
	Total Delinquencies and Repo. Inventory	15.46%	13.88%	
Annualized Net Charge-offs as % of Average Portfolio				
	Legacy portfolio	12.05%	9.72%	12.16%
	Fair Value portfolio	5.17%	1.87%	3.80%
	Total portfolio	7.92%	7.19%	7.95%
Recovery rates (2)	33.1%	33.0%	33.9%	34.1%

	For the Three months ended December 31,				For the Twelve months ended December 31,			
	2019		2018		2019		2018	
	\$ (3)	% (4)	\$ (3)	% (4)	\$ (3)	% (4)	\$ (3)	% (4)
Interest income	\$ 83.27	13.8%	\$ 88.76	15.0%	\$ 337.10	14.0%	\$ 380.30	16.2%
Other income	2.45	0.4%	2.46	0.4%	8.70	0.4%	9.48	0.4%
Interest expense	(27.60)	-4.6%	(26.41)	-4.5%	(110.53)	-4.6%	(101.47)	-4.3%
Net interest margin	58.13	9.6%	64.81	10.9%	235.27	9.8%	288.31	12.3%
Provision for credit losses	(21.45)	-3.5%	(25.08)	-4.2%	(85.77)	-3.6%	(133.08)	-5.7%
Risk adjusted margin	36.67	6.1%	39.73	6.7%	149.50	6.2%	155.23	6.6%
Core operating expenses	(35.79)	-5.9%	(34.94)	-5.9%	(140.34)	-5.8%	(136.53)	-5.8%
Pre-tax income	\$ 0.89	0.1%	\$ 4.78	0.8%	\$ 9.16	0.4%	\$ 18.70	0.8%

- (1) Includes allowance for finance credit losses and allowance for repossession inventory.
- (2) Wholesale auction liquidation amounts (net of expenses) 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 portfolio balance. Percentages may not add due to rounding.