CPS Announces Fourth Quarter 2011 Earnings

IRVINE, Calif., March 5, 2012 (GLOBE NEWSWIRE) -- Consumer Portfolio Services, Inc. (Nasdaq:CPSS) ("CPS" or the "Company") today announced earnings for its fourth quarter ended December 31, 2011.

Operating results for the fourth quarter of 2011 included revenues of $45.8 million, an increase of approximately $10.5 million, or 29.8%, compared to $35.3 million for the fourth quarter of 2010. Total operating expenses for the fourth quarter of 2011 were $45.5 million, an increase of $7.6 million, or 20.1%, as compared to $37.9 million for the 2010 period. Pretax income for the fourth quarter of 2011 was $235,000 compared to pretax loss of $2.6 million in the fourth quarter of 2010. Net income for the fourth quarter of 2011 was $235,000, or $0.01 per diluted share, compared to net loss of $15.0 million, or $0.87 per diluted share, for the year-ago quarter. Net loss for the fourth quarter of 2010 includes a charge to income tax expense of $12.4 million, or $0.71 per diluted share, related to an addition to the valuation allowance against the deferred tax asset.

For the year ended December 31, 2011 total revenues were $143.1 million compared to $155.2 million for the year ended December 31, 2010, a decrease of approximately $12.1 million, or 7.8%. Total expenses for the year ended December 31, 2011 were $157.6 million, a decrease of $13.8 million, or 8.0%, as compared to $171.4 million for the year ended December 31, 2010. Pretax loss for the year ended December 31, 2011 was $14.5 million, compared to pretax loss of $16.2 million for the year ended December 31, 2010. Net loss for the year ended December 31, 2011 was $14.5 million, or $0.76 per diluted share, compared to net loss of $33.2 million, or $1.90 per diluted share, for the year ended December 31, 2010. Net loss for the year of 2010 includes a charge to income tax expense of $17.0 million, or $0.97 per diluted share, related to an addition to the valuation allowance against the deferred tax asset.

During the fourth quarter of 2011, CPS purchased $92.2 million of contracts from dealers as compared to $81.2 million during the third quarter of 2011 and $33.6 million during the fourth quarter of 2010. The Company's managed receivables totaled $794.6 million as of December 31, 2011, an increase of $38.4 million, or 5.1%, from $756.2 million as of December 31, 2010, as follows ($ in millions):

	December 31, 2011	December 31, 2010
Owned by Consolidated Subsidiaries*	$718.2	$597.1
Owned by Non-Consolidated Subsidiaries	42.9	84.0
As Third Party Servicer	33.5	75.1
Total	$794.6	$756.2

* Before $51.7 million and $44.6 million of allowance for credit losses, deferred acquisition fees, repossessed vehicles and the fair value adjustment on the Fireside portfolio for 2011 and 2010, respectively.

The Company's managed receivables increased year-over-year for the first time since 2008. This was a result of the acquisition of the $237 million portfolio from Fireside Bank in September 2011 and continued growth in new contract purchases during the fourth quarter. The portfolio by originating entity is as follows ($ in millions):

Originating Entity	December 31, 2011	December 31, 2010
CPS	$586.9	$672.2
Fireside Bank	172.2	0.0
TFC	2.0	8.9
As Third Party Servicer	33.5	75.1
Total	$794.6	$756.2

Annualized net charge-offs for 2011 were 5.23% of the average owned portfolio as compared to 9.04% for 2010. Delinquencies greater than 30 days (including repossession inventory) were 6.0% of the total owned portfolio as of December 31, 2011, as compared to 9.2% as of December 31, 2010.

"The fourth quarter of 2011 marks our return to profitability after managing through the credit crisis," said Charles E. Bradley, Jr., Chairman and Chief Executive Officer. "While it has taken longer than we would have preferred, we have been executing on our business plan: prudently increasing our new contract purchases, pursuing opportunistic acquisitions and tapping the securitization market for cost-efficient funding. We have achieved this while maintaining strong yields and credit metrics on our new loans and asset performance metrics that continue to improve. With the growth of the CPS portfolio that began in the fourth quarter, we should continue to see improved operating leverage in future quarters. This bodes well for our financial results in 2012 and beyond."

"As previously reported, we completed our third term securitization of 2011 in December. This marks our fourth transaction since September 2010 and the first since 2007 to utilize a pre-funding structure. Pre-funding structures allow us to lock in long-term funding costs on future contract purchases and act as a hedge against changes in interest rates."

Conference Call

CPS announced that it will hold a conference call on Tuesday, March 6, 2012, at 1:30 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 will be available between March 6, 2012 and March 12, 2012, beginning two hours after conclusion of the call, by dialing 855 859-2056 or 404 537-3406 for international participants, with conference identification number 59347514. A broadcast of the conference call will also be available live and for 30 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 future 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 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 December 31,		Twelve months ended December 31,	
	2011	2010	2011	2010
Revenues:				
Interest income	$ 41,224	$ 30,018	$ 127,856	$ 137,090
Servicing fees	818	1,538	4,348	7,657
Other income	3,726	3,714	10,927	10,438
	45,768	35,270	143,131	155,185
Expenses:				
Employee costs	8,927	8,739	32,270	33,814
General and administrative	3,893	3,478	14,590	18,526

Interest	25,677	19,335	83,054	81,577
Provision for credit losses	3,474	4,179	15,508	29,921
Other expenses	3,562	2,188	12,169	7,542
	45,533	37,919	157,591	171,380
Income before income taxes	235	(2,649)	(14,460)	(16,195)
Income taxes	--	12,382	--	16,982
Net income	$ 235	$ (15,031)	$ (14,460)	$ (33,177)
Earnings per share:				
Basic	$ 0.01	$ (0.87)	$ (0.76)	$ (1.90)
Diluted	0.01	(0.87)	(0.76)	(1.90)
Number of shares used in computing earnings per share:				
Basic	19,662	17,321	19,013	17,477
Diluted	22,299	17,321	19,013	17,477

Condensed Consolidated Balance Sheets

(In thousands)

(Unaudited)

	December 31, 2011	December 31, 2010
Cash	$ 10,094	$ 16,252
Restricted cash	159,228	123,958
Total Cash	169,322	140,210
Finance receivables	516,630	565,621
Allowance for finance credit losses	(10,351)	(13,168)
Finance receivables, net	506,279	552,453
Finance receivables measured at fair value	160,253	--
Residual interest in securitizations	4,414	3,841
Deferred tax assets, net	15,000	15,000
Other assets	34,782	30,886
	$ 890,050	$ 742,390
Accounts payable and other liabilities	$ 27,993	$ 22,033
Warehouse line of credit	25,393	45,564
Residual interest financing	21,884	39,440
Debt secured by receivables measured at fair value	166,828	--
Securitization trust debt	583,065	567,722
Senior secured debt, related party	58,344	44,873
Subordinated debt	20,750	20,337
	904,257	739,969
Shareholders' equity	(14,207)	2,421
	$ 890,050	$ 742,390

Operating and Performance Data ($ in thousands)	At and for the Three months ended December 31,		At and for the Twelve months ended December 31,	
	2011	2010	2011	2010
Contract purchases	92,220	33,633	284,237	113,023
Total managed portfolio	794,649	756,211	794,649	756,211
Average managed portfolio	804,684	781,647	711,725	928,977
Net interest margin (1)	15,547	10,683	44,802	55,513
Risk adjusted margin (2)	12,073	6,504	29,294	25,592
Core operating expenses (3)	16,382	14,405	59,029	59,882
Annualized % of average managed portfolio	8.14%	7.37%	8.29%	6.45%
Allowance for finance credit losses as % of fin. receivables	2.00%	2.33%		
Aggregate allowance as % of fin. receivables (4)	2.87%	5.02%		
Delinquencies				
31+ Days	4.43%	5.74%		
Repossession Inventory	1.52%	3.42%		
Total Delinquencies and Repossession Inventory	5.95%	9.16%		
Annualized net charge-offs as % of average owned portfolio	2.12%	6.65%	5.23%	9.04%

(1) Interest income less interest expense.

(2) Net interest margin less provision for credit losses.

(3) Total expenses less interest and provision for credit losses.

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

CONTACT: Investor Relations Contact

Robert E. Riedl, Chief Investment Officer

949 753-6800

Source: Consumer Portfolio Services, Inc.

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