

AmeriCredit Corp.
Second Quarter -- FY2010
Investor Conference Call
January 27, 2010

Caitlin:

Good afternoon and welcome to AmeriCredit's second quarter fiscal year 2010 earnings conference call. With me today for the prepared remarks are Dan Berce, President and CEO, and Chris Choate, Chief Financial Officer. Also joining us are Clifton Morris, Chairman of the Board, and Steve Bowman, Chief Credit and Risk Officer.

Before we proceed, I must remind everyone that the topics we will discuss during today's call will include forward-looking statements that involve risks and uncertainties detailed in the Company's filings and reports with the Securities and Exchange Commission including the annual report on Form 10-K for the year ended June 30, 2009. Forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by, and information currently available to, the Company's management. Actual results and events may differ materially.

We will be posting a transcript of the prepared remarks to our Web site shortly after we conclude today's call. I will now turn the call over to Dan Berce. Dan...

DAN:

Thank you, Caitlin.

We had a successful December quarter with year-over-year improvements in all key components of our business: originations, credit performance and earnings. The favorable trend in credit performance for the quarter led to earnings of 46 million dollars, or 33 cents a share. Originations increased sequentially to 379 million dollars for the quarter, up from 229 million dollars in the September quarter. With our strong balance sheet and liquidity and a more favorable capital markets environment, we are well-positioned to continue rebuilding our business in calendar 2010.

In our prepared remarks today, I will cover our portfolio credit performance and originations. Chris will then provide highlights of the December operating results and will update you on our liquidity and capital position.

Now, starting with credit....

Credit

We saw encouraging year-over-year improvements in our key credit metrics, despite the ongoing aging of our portfolio. Most notably, net credit losses of 8.9 percent for the quarter were better than the 9.5 percent we experienced last year. Additionally, we saw significant moderation in the rate of seasonal deterioration in credit performance from the September 2009 to the December 2009 quarter compared to the same periods in 2008 and 2007. Specifically, losses for the quarter increased 50 basis points from September to December 2009, compared to sequential increases of approximately 220 basis points in 2008 and 150

basis points in 2007. We are seeing similar positive year-over-year and sequential trends in our delinquency metrics.

Several factors are driving our improved credit results. First, deterioration in the jobs market has moderated and overall economic conditions have stabilized. Second, the composition of our portfolio continues to shift away from the weaker 2006 and 2007 origination vintages with an increasing concentration of better performing 2008 and 2009 loans. And third, we have benefited from the sustained strength of the used car wholesale market. Recovery rates on repossessed collateral were 42.2 percent for the December quarter, down slightly from September 2009 but up significantly from 37.1 percent last year. Although the March and June quarters are historically the strongest seasonal periods for used car prices, we anticipate the increasing age of vehicles we repossess and sell will add some pressure to our recovery values over the next few months.

We expect to see sustained improvements in overall credit metrics in calendar 2010 as we move past the peak loss periods of our 2006 and 2007 vintage originations and the stronger 2008 and 2009 vintage originations become a more significant percentage of the portfolio. Even though originated in a weaker economic environment, cumulative losses to date in the 2008 and 2009 vintages are several hundred basis points better than the 2006 and 2007 vintages at the same age. We are encouraged by the significant improvements in these vintages and are optimistic about our ongoing ability to add new loans in 2010 that will have similar as-originated credit characteristics as our 2008 and 2009 vintages.

Turning to originations... we originated 379 million dollars of new loans in the December quarter, up from 229 million dollars in the September quarter and more than double what we originated at our low point in the June 2009 quarter. We have reopened one regional credit center and have increased staffing in our sales, underwriting and funding areas to support our higher loan origination goals. With these additions, we have substantially completed the rebuild of our originations infrastructure. The number of producing dealers increased to 6,700 for the December quarter from 4,900 last quarter.

The competitive environment remains favorable. Competition, while rational, remains focused on the traditional competitive factors of pricing, loan structure and service levels. Despite the favorable competitive environment, depressed consumer demand continues to be a challenge relative to our goal to rebuild origination levels.

As Chris will cover later, the capital markets environment has continued to improve and, as a result, our cost of funds has declined. Consequently, during the quarter, we were able to lower APRs and fees while maintaining historically high net interest margins on new loans. APRs decreased to 17.9 percent for the December 2009 quarter from 19.1 percent for the September 2009 quarter and net acquisition fees received from dealers decreased to 1.6 percent for the December quarter from 3.1 percent last quarter. The decrease in APRs and fees was also impacted by our subprime subvention program with GM, where we provide lower rates to consumers and charge dealers lower fees in return for an upfront cash payment from GM that is not included in the net acquisition fee percentage previously noted.

The average term and structure of loans originated during the quarter were similar to the prior quarter. Prospectively, as we see favorable credit development on recent vintages, we may selectively increase our credit risk appetite in geographic regions where we see stable to improving economic conditions. We expect modest growth in originations for the next several quarters, which if achieved will result in our portfolio troughing in the 8 to 8 and a half billion dollar range in fiscal 2011.

I will now turn the call over to Chris to discuss our balance sheet and capital and liquidity position.

Income Statement

Thanks Dan.

For the December quarter, we earned 46 million dollars, or 33 cents per share.

Our strong earnings were primarily driven by the improved credit results that Dan discussed, which, in turn, resulted in a reduction in our allowance for loan losses from 8.2 percent of ending receivables at September 30, 2009 to 7.7 percent at December 31, 2009. We expect to see incremental reductions in the allowance for loan losses in calendar 2010 consistent with sustained improvements in our overall credit metrics.

Portfolio net interest margin increased to 10.9 percent for the December quarter, compared to 10.7 percent last quarter. Net interest margin was 8.9 percent a year ago, reflecting unusually high interest expense from the acceleration of debt cost related to the early termination of a forward purchase arrangement in December 2008.

Operating expense was 3.1 percent of average receivables for the December quarter compared to 2.6 percent for the September quarter. The increase in operating expense is primarily the result of higher incentive compensation accruals associated with improved operating performance and profitability, the addition of marketing, underwriting and funding staff to support the higher origination levels, as well as the continued impact of a decreasing portfolio on our fixed cost base. Looking ahead, we expect operating expenses to remain in the low 3 percent range throughout calendar 2010.

Now turning to liquidity ...

Liquidity

At December 31, 2009, we had 750 million dollars of available liquidity consisting of 320 million dollars of unrestricted cash and approximately 430 million dollars of borrowing capacity on unpledged eligible receivables. As described in a filing earlier today, in January 2010, we have added 95 million dollars to the AMCAR 2007-D-F and AMCAR 2008-A-F securitization trusts insured by Assured Guaranty, formerly known as FSA, as part of an agreement to lift the Level II performance triggers in these securitizations and two Long Beach securitizations. The AMCAR securitizations contained receivables from our weaker 2007 vintage and performance to date in these trusts indicated a risk of breaching Level II

triggers at some point over the remaining term of the trusts. The cash we deposited into the two AMCAR securitization trusts will ultimately be returned to us as the related securitization debt is paid down.

Additionally, four of our 2006 and 2007 insured AMCAR securitization trusts are currently in breach of Level I performance triggers and are not distributing excess cash flow to us. We anticipate that most of our 2006 and 2007 insured AMCAR securitization trusts will ultimately breach a Level I performance trigger. While the amount of monthly cash distributions we receive from our securitization trusts has declined, we will continue to receive cash from performing insured securitization trusts and from senior-subordinated securitizations.

Now turning to funding...At December 31, 2009, we had no borrowings on our 1 billion dollar Master warehouse facility. The revolving period for this facility expires in March and we are actively working with our bankers to renew the facility. We expect the renewal process to ultimately result in increased facility size, lower cost of funds and similar advance rate.

As Dan briefly mentioned, the capital markets environment has continued to improve over the past several months. During the December quarter, we executed a 227 million dollar prime/near-prime securitization. The APART 2009-1 securitization carried a weighted average cost of funds of 2.7 percent, compared to our previous AMCAR transaction in July 2009 of 7.5 percent. While the collateral was different and the size of the APART offering was much smaller, the significant decrease in the cost of funds is an indicator of the overall improvement in the retail auto securitization market. We expect to execute a TALF-eligible AMCAR securitization before TALF expires in March, even though recent auto securitization

activity, including our APART 2009-1 transaction, which had no TALF investors, indicates that TALF is no longer critical to supporting the retail auto securitization market.

Leverage declined to 4.2 times assets to equity at December 31, 2009, from 4.7 times at September 30, 2009. We expect leverage to trough in the mid-3 times range. With the historically high returns we expect from our recent originations, our current leverage levels provide for an attractive return on capital. That said, we believe there are opportunities to further leverage our securitization structure, without adding unnecessary risks to our funding platform, to generate even higher returns. First, we expect credit enhancement requirements in future securitizations to gradually decrease based on the favorable performance of our 2008 and 2009 origination vintages. Second, we anticipate being able to sell further down the capital structure in future securitization transactions. Specifically, we are seeing interest from traditional investors in triple-B rated securitization bonds and are optimistic that we can issue these bonds at reasonable prices. Selling triple-B rated bonds in our future senior-subordinated securitizations could translate into a reduction of the overall target credit enhancement percent to the low-to-mid 20 percent range.

Finally, a couple of statistics... At December 31, 2009, shareholders' equity was 2 billion 218 million dollars and book value increased to 16 dollars and 57 cents per share.

I will now turn the call over to Dan for some closing remarks.

DAN

Thanks, Chris.

We had a very solid second quarter.

- We saw year-over-year improvement in key credit metrics and expect sustained improvement in 2010 as our post-credit tightening portfolio becomes a more significant contributor to the overall credit results.
- With 750 million dollars of liquidity at quarter end, no borrowings on our warehouse line, and improved access to the securitization market, we are well-positioned to increase origination levels and ultimately stabilize our portfolio size in the 8 to 8 and a half billion dollar range in fiscal 2011.
- We are originating highly profitable loans and, with a favorable competitive environment we expect to continue doing so in 2010. As our portfolio turns over, the strong profitability of loans we are originating now will become more evident in terms of overall bottom-line results.

We are confident that the significant year-over-year improvement in credit performance can be sustained. While we remain cautious about the economic recovery, our strong balance sheet and improving credit trends, combined with a more favorable capital markets environment position us well to move forward to rebuild our business in 2010.

I will now turn the call back over to Caitlin.

Caitlin:

Thank you, Dan. As a reminder to everyone, we will be posting a transcript of the prepared remarks on our Web site shortly after the call. Operator, this concludes our prepared remarks, and we are ready to open the call for questions.