

AmeriCredit Corp.
First Quarter -- FY2010
Investor Conference Call
October 21, 2009

Caitlin:

Good afternoon and welcome to AmeriCredit's first 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 solid start to fiscal year 2010. We earned 26 million dollars, or 19 cents per share for the September quarter. Originations grew sequentially to 229 million dollars and we ended the quarter with 704 million dollars of liquidity.

In our prepared remarks today, I will cover our portfolio credit performance for the September quarter and our outlook on credit. I will also discuss the progress we have made to rebuild originations and the trends we are seeing in the marketplace. I will then turn the call over to Chris, who will provide you with an update on our operating results, liquidity and funding.

Now, starting with credit....

Credit

We experienced normal seasonal weakness in the September quarter and our credit metrics remain pressured by a declining portfolio balance. However, the rate of deterioration in our portfolio appears to be moderating. While 31 to 60 day delinquencies increased to 7.6 percent at September 30, 2009, the 20 basis points year-over-year increase was much less than the 190 basis points increase in the same metric from September 2007 to September 2008. Accounts greater than 60 days delinquent also increased 20 basis points from last year to 3.8 percent at September 30, 2009. In contrast, we experienced a 100 basis points increase from September 2007 to September 2008 in accounts greater than 60 days delinquent. Annualized net credit losses increased to 8.4 percent for the September quarter, from 7.3 percent a year ago. The 110 basis points year-over-year increase in annualized net credit losses from September 2008 to September 2009, is roughly half of the increase – or deterioration – we experienced from September 2007 to September 2008.

Net credit losses continue to benefit from stronger recovery rates on repossessed collateral. Our recovery rate was 42.7 percent for the September quarter, up from 42.1 percent for the June quarter and 41.6 percent a year ago. While the Manheim Used Vehicle Index has increased to record levels over the last few months, the strength of our recovery rates has been more tempered because our vehicle mix differs from Manheim's. The most significant improvement in used vehicle pricing has been in the truck category. In contrast to the Manheim Index, our portfolio mix reflects a larger share of small and compact vehicles. Additionally, as our portfolio continues to run off, the average age of vehicles that we repossess and sell through the auctions increases. Generally, there is an inverse relationship between vehicle age and our auction recovery rates.

Although the constrained supply of used vehicles resulting from Cash for Clunkers and lower trade in volumes has bolstered used car values, we expect some downward pressure on our recovery rates as the average age of our repossessed vehicles increases.

Overall, our net credit losses should peak in the upcoming December quarter. By mid- 2010, we expect to see sustained improvements in year-over-year portfolio credit metrics as we start to move past the peak loss periods for our more challenged 2006 and 2007 vintage originations. Our portfolio credit metrics will also increasingly benefit from the significantly better performance of our 2008 and 2009 vintages, which should ultimately prove to be among the best performing vintages in our history, even if economic conditions do not improve.

Now turning to originations... During the quarter, we originated 229 million dollars of new loans, up from 175 million dollars in the June quarter. We have taken several key steps toward rebuilding our origination volume. During the quarter, we added a significant number of originations staff to increase our presence in lending markets and support additional marketing, underwriting and funding needs. We have also activated or re-activated approximately 3,000 dealers. On September 1, 2009, we partnered with GM to introduce a subvention program to GM dealers specifically for subprime customers seeking to purchase a new 2009 or 2010 GM vehicle. This program allows us to pass along cash incentives we receive from GM in the form of more favorable rates to customers, maintaining our return objectives and helping GM dealers sell more vehicles. We are increasing our penetration into active as well as previously inactive GM dealerships as a result of this new program.

In general, the competitive environment remains favorable compared to a couple of years ago. That said, the remaining players maintain a strong, though rational, presence in the subprime space and we must still compete on price, loan structure and service levels.

Depressed consumer demand for vehicle purchases also presents a challenge for us as we seek to grow loan originations. Used car purchases have fallen over 10 percent year-over-year and the pull forward of demand from Cash for Clunkers to the month of August resulted in weak consumer demand in September and very low levels of new and used car inventory.

Loans that we originated in the September quarter carried an average APR of 19.1 percent, compared to 17.8 percent in the June quarter. On a net basis, we also received a fee from dealers of 3.1 percent for the September quarter, compared to 2.7 percent last quarter. The

average term and structure of loans originated during the September quarter remained similar to those made in the June 2009 quarter.

With tight credit and pricing execution, we expect the loans we originated in the September quarter to generate high loan-level returns. Going forward, we will seek to maintain these historically high returns as we balance the components driving our profitability – loan pricing and dealer fees, funding costs and expected losses. Specifically, we expect our funding costs to decline as the capital markets and bank lending environment improves, and we may pass through the benefits in terms of lower loan pricing and dealer fees. We are still targeting originations of at least 300 million dollars for the December quarter and plan to further grow originations as we move through calendar 2010. However, we remain focused on diligent credit execution and will not compromise our underwriting process to reach volume objectives.

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 September quarter, we earned 26 million dollars, or 19 cents per share.

As you saw from our press release earlier today, in the September quarter, we adopted a new accounting standard that mandates a change in the accounting for our convertible bonds. This change was retrospectively applied and as a result, negatively impacted historically reported interest expense on convertible bonds, gain on retirement of convertible bonds, and earnings. A summary of changes to these select line items was provided in our press release for each fiscal quarter and for the year ended June 30, 2009.

This new accounting standard requires us to recognize interest expense on our convertible bonds based on what our borrowing rate would have been at the time of issuance for similar unsecured senior debt without an equity conversion feature, which we have determined to be approximately 7 percent. In order to effect the change in the implied interest rate, we were required to reduce the carrying value of our convertible bonds with the offset going to increase additional paid in capital. Over time, the carrying value of our bonds will be accreted back to par value through the maturity date. As a result, we recognized 5.2 million dollars of non-cash interest expense during the September 2009 quarter related to our convertible bonds. Under this new accounting standard, the amount of interest we recognize each quarter will be more than the amount of cash interest that we actually pay on our convertible bonds and the carrying value of our convertible bonds will be less than the amount necessary to repay these bonds. As of September 30, the par value of the convertible bonds outstanding was 462 million dollars and the carrying value of these bonds was 398 million dollars.

Net interest margin for the September quarter was 10.7 percent, up from 10.2 percent for the June quarter. Interest expense as a percentage of average receivables improved from the

prior quarter due to the transfer of receivables from our higher-cost Master Warehouse facility into our AMCAR 2009-1 securitization in July and the low utilization of that facility during the remainder of the quarter. Going forward, we expect net interest margin to remain in the 10 to 11 percent range.

For the September quarter, we recorded 158 million dollars in provision for loan losses, or 6.0 percent of average receivables. The provision for loan losses was 6.1 percent of average receivables for the June 2009 quarter. Our allowance for loan losses remained at 8.2 percent. Because the allowance for loan losses is intended to absorb future losses in the portfolio and, as Dan noted earlier, we expect to see sustained improvements in credit metrics by mid-2010, we believe that our allowance for loan losses as a percentage of finance receivables may be at or near its peak.

Operating expense was 2.6 percent of average receivables compared to 2.2 percent for the June quarter. The sequential increase in operating expense resulted from the addition of staff to support increased origination levels and the effect of the continued runoff of our portfolio on our fixed cost base. We expect operating expense as a percentage of average receivables to increase into the low 3 percent range over time as our portfolio continues to decrease in size.

Now turning to liquidity ...

Liquidity

At September 30, 2009, we had 704 million dollars of available liquidity consisting of 462 million dollars of unrestricted cash and approximately 242 million dollars of borrowing capacity on unpledged eligible receivables. During the quarter, we received 113 million dollars out of the 198 million dollars of income tax receivable. Subsequent to September 30, we received the remaining 85 million dollars of the tax refund. We plan to maintain a strong base of liquidity and use excess liquidity to fund new loan originations. Furthermore, a covenant in our senior note indenture restricts our ability to pay a dividend or repurchase stock for the foreseeable future.

We still anticipate breaching performance triggers in most of our 2006 and 2007 insured securitization trusts as we move through the seasonally weak credit months. While we expect the rate of monthly cash distributions that we receive from our securitization trusts to be reduced by approximately half of levels we would have expected to receive if the trusts did not breach triggers, we will continue to receive cash distributions from senior-subordinated securitizations and insured securitizations that have not breached their performance triggers because our securitization transactions are not cross-collateralized.

The revolving period on our 750 million dollar medium term note facility ended in mid-October and the facility is now amortizing whereby collections from receivables pledged to this facility will be used to pay down the outstanding balance over time. At September 30, 2009, we had no borrowings on our 1.0 billion dollar Master warehouse facility. The capacity on our Master warehouse facility combined with our excess liquidity position is sufficient to support our near-term origination objectives. And, while we do not need to execute a securitization before the end of calendar 2009, we will continue to monitor capital market conditions to look for

opportunities to execute a securitization prior to the expiration of TALF in March 2010. Also, the revolving period on our Master warehouse facility is scheduled to end in March 2010. We plan to commence renewal discussions with our bankers in early 2010 and expect the renewal process for this facility to go smoothly. One last comment on funding, subsequent to September 30, we paid off the 51 million dollars outstanding on our lease facility.

Leverage declined to 4.7 times managed assets to equity at September 30, 2009, from 5.2 times at June 30, 2009. We expect leverage to continue to decrease into the low 4 range by the end of fiscal 2010. We are optimistic that the continued favorable performance of our 2008 and 2009 origination vintages will eventually result in decreased credit enhancement requirements and increase our ability to sell down the capital structure in future securitization transactions, thereby stabilizing leverage trends. We believe that the historically high asset returns that we expect to realize on current loan originations can translate into attractive equity returns with leverage levels seen on our balance sheet today.

Finally, a couple of statistics... At September 30, 2009, shareholders' equity was 2 billion 150 million dollars and book value increased to 16 dollars and 13 cents per share.

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

DAN

Thanks, Chris.

Looking ahead, as we move into our seasonally most challenging quarter in terms of credit performance, we expect weak economic conditions to continue pressuring our portfolio.

However, we anticipate that the negative trends in our credit metrics will peak in the December quarter and we will start to see a turn in portfolio performance in mid-2010 as the strong performance of our 2008 and 2009 origination vintages contribute more to overall portfolio performance.

There continue to be significant positive signs of improvement in the auto asset-backed securitization market since we executed our securitization transaction in July. Each successive month since our transaction has seen better priced, better executed auto securitizations that have drawn a larger number of traditional, non-TALF investors. We are increasingly confident that the auto ABS market will remain accessible, even after TALF expires in March 2010.

Our balance sheet is in the best shape it has been since the beginning of the recession, with ample liquidity and sufficient warehouse capacity to support increased loan originations. With the steps we have taken to bolster our origination platform, we expect to continue to rebuild loan origination levels in the coming quarters despite relatively weak consumer demand for vehicles.

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.