

# Consumer Portfolio Services, Inc.

Nasdaq: CPSS

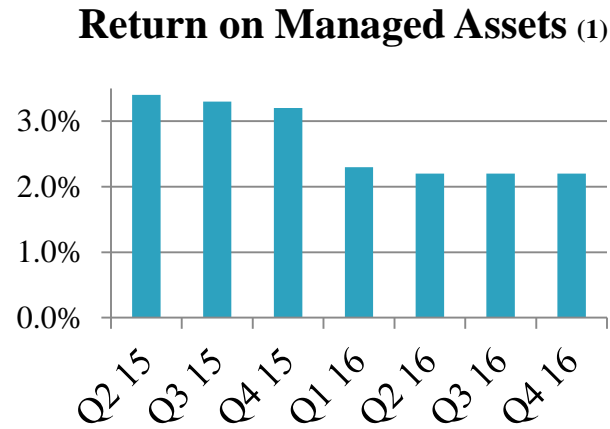
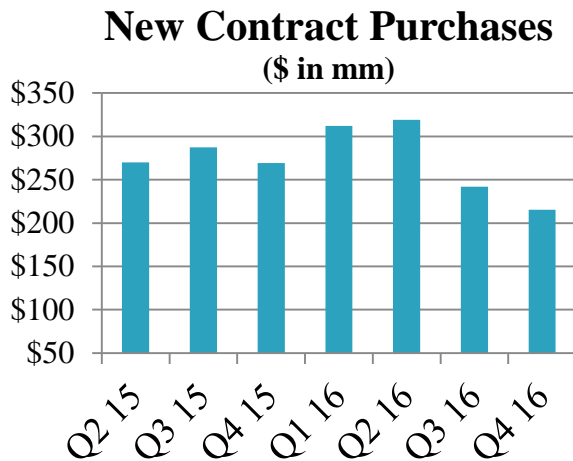
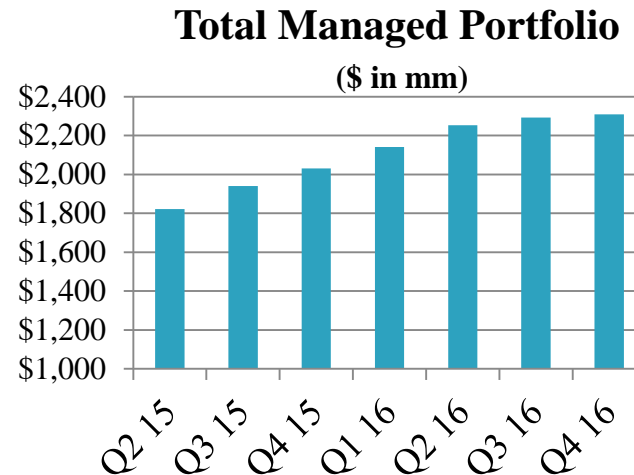
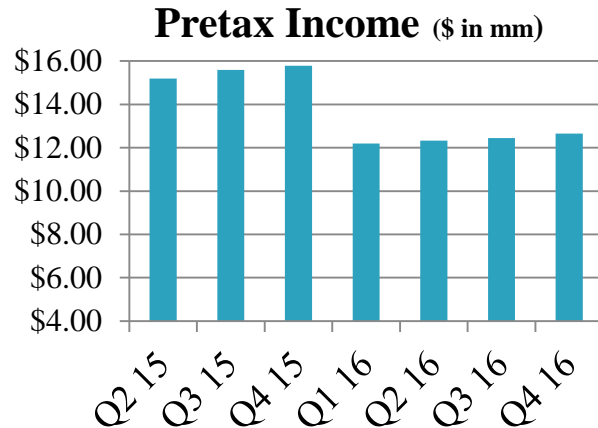
Investor Presentation  
As of December 31, 2016



# Company Overview

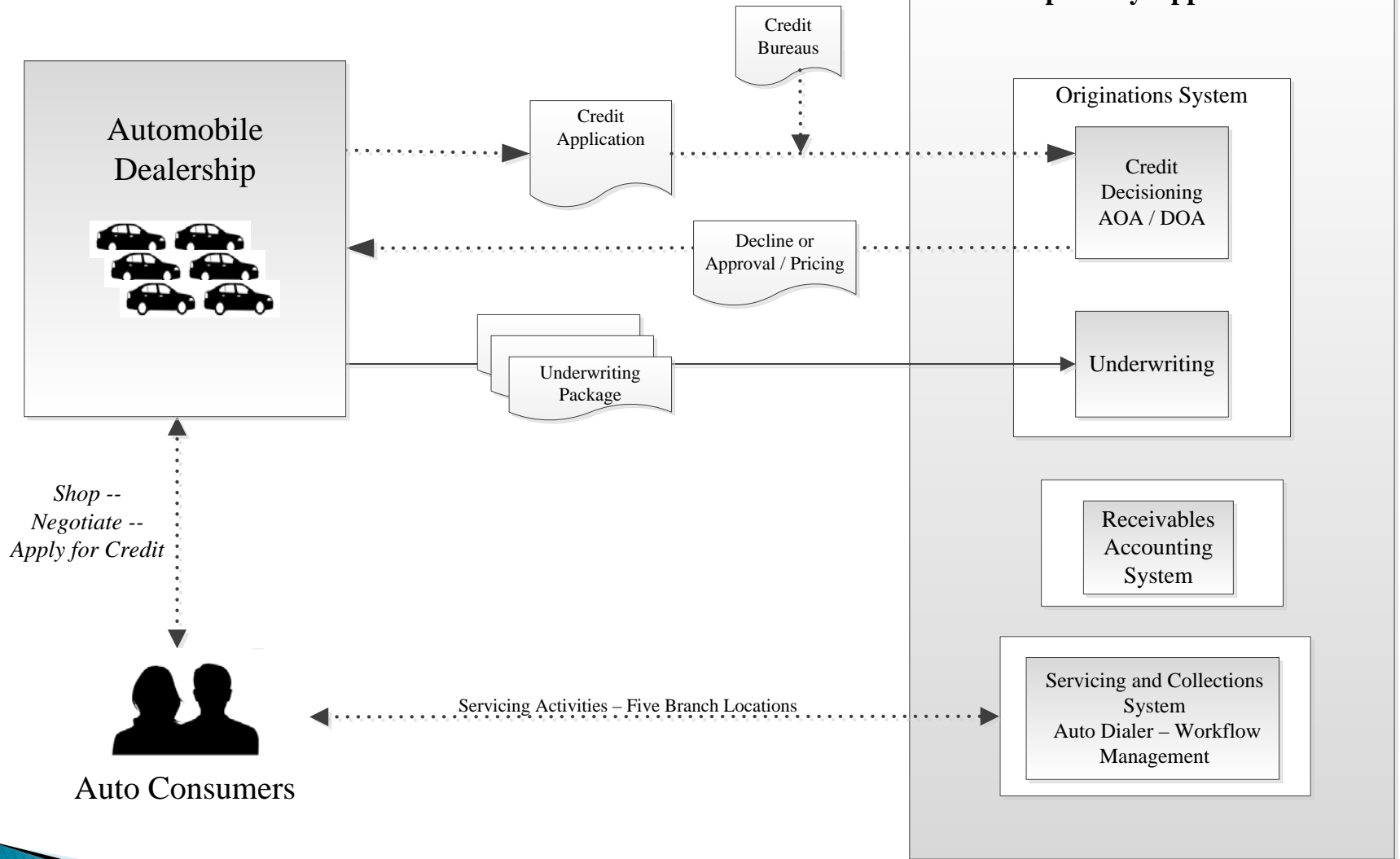
- Consumer finance company focused on sub-prime auto market
- Established in 1991. IPO in 1992
- Through December 31, 2016, approximately \$13.5 billion in contracts originated
- From 2002 – 2011, four mergers and acquisitions aggregating \$822.3 million
- Irvine, California operating headquarters; Branches in Nevada, Illinois, Virginia and Florida
- Approximately 960 employees
- \$1,088.8 million contract originations in 2016; \$1,060.5 million in 2015
- \$2.3 billion outstanding managed portfolio at December 31, 2016

# Recent Financial and Operating Performance



(1) Equal to annualized pretax income as a percentage of the average managed portfolio.

# Operational Flow



# Economic Model

- Improvements in operating leverage offsetting lower contract APRs.

	Quarter Ended		Twelve Months Ended	
	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Interest Income	18.2%	18.4%	18.4%	18.9%
Servicing and Other Income	0.5%	0.6%	0.6%	0.7%
Interest Expense	(3.7%)	(3.2%)	(3.6%)	(3.1%)
Net Interest Margin	15.0%	15.9%	15.4%	16.6%
Provision for Credit Losses	(7.6%)	(7.2%)	(8.0%)	(7.7%)
Core Operating Expenses	(5.3%)	(5.5%)	(5.1%)	(5.5%)
Pretax Return on Assets	2.2%	3.2%	2.2%	3.3%

(1) As a percentage of the average managed portfolio. Percentages may not add due to rounding.

# U.S. Auto Finance Market

## U.S. Auto Finance Market

\$1.1 trillion in auto loans outstanding as of Q4 2016<sup>(1)</sup>

Approximately 44% of Q4 2016 auto loans originated were below “prime” (credit score less than 660) <sup>(1)</sup>

Approximately \$140 billion in new subprime auto loans in 2016 <sup>(2)</sup>

Historically fragmented market – top 20 players represent 49% of outstandings <sup>(1)</sup>

Few dominant long-term players

Significant barriers to entry

## Other National Industry Players

Santander Consumer USA

GM Financial/AmeriCredit

Capital One

Chase Custom

Wells Fargo

Westlake Financial

Credit Acceptance Corp.

Exeter Finance Corp.

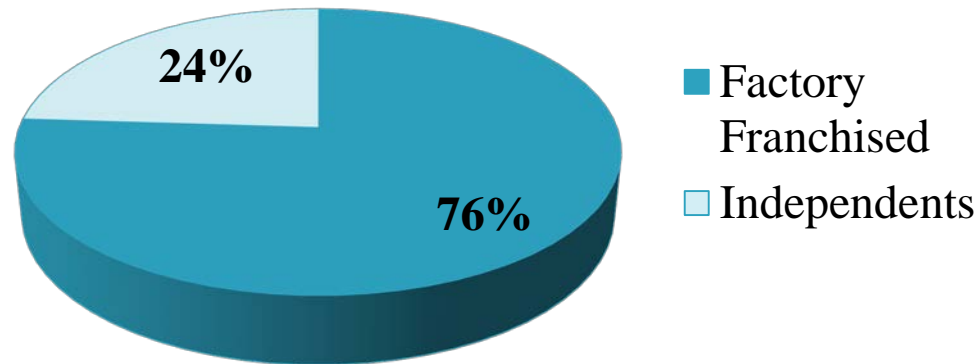
<sup>(1)</sup> According to Experian Automotive.

<sup>(2)</sup> According to Equifax

# Marketing

- Purchasing contracts from dealers in 48 states across the U.S.
- As of December 31, 2016 had 77 employee marketing representatives
- Primarily factory franchised dealers

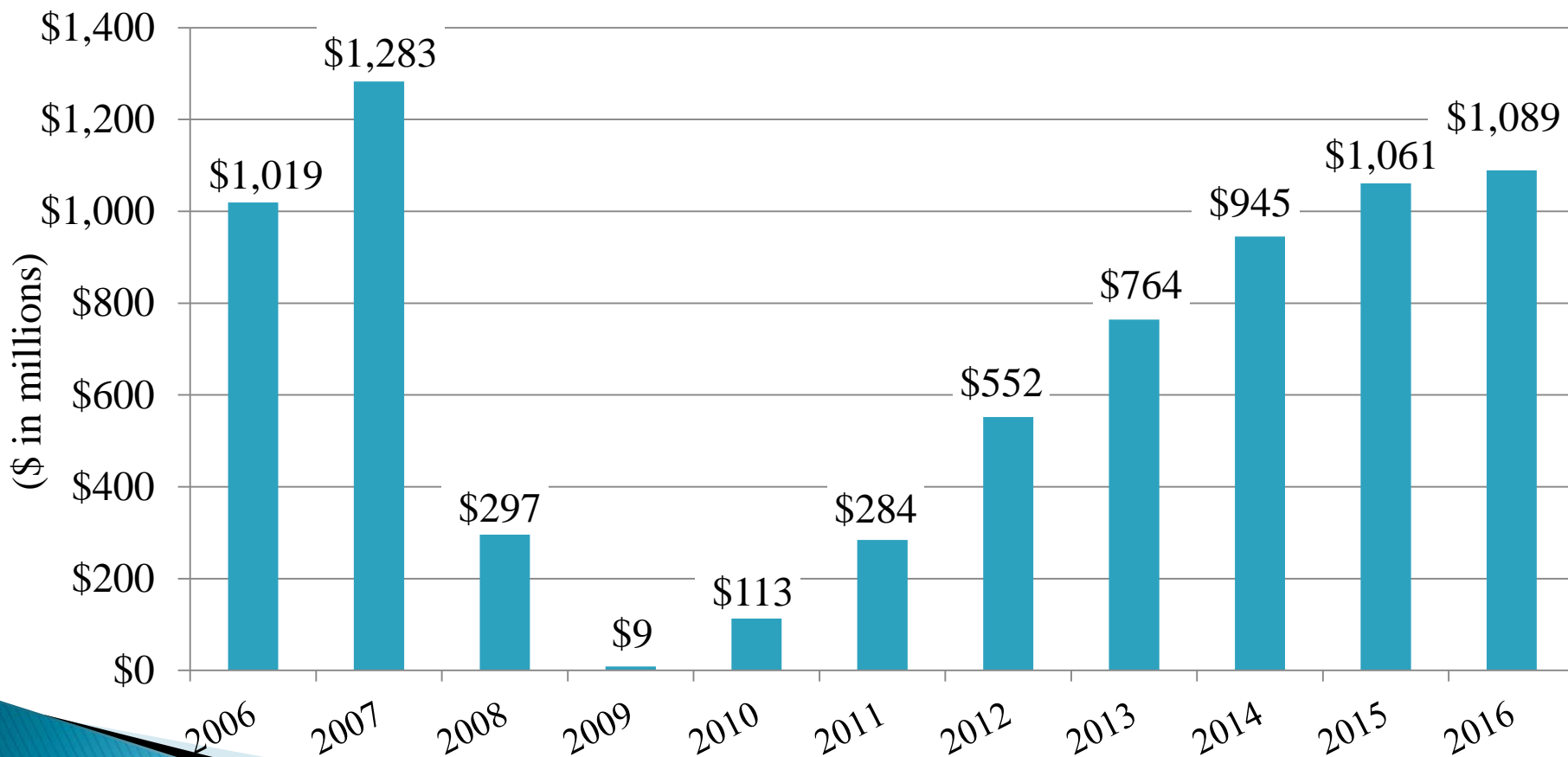
**Contract Purchases (1)**



(1) Under the CPS programs for contracts purchased during 2016.

# Historical Origination Volume

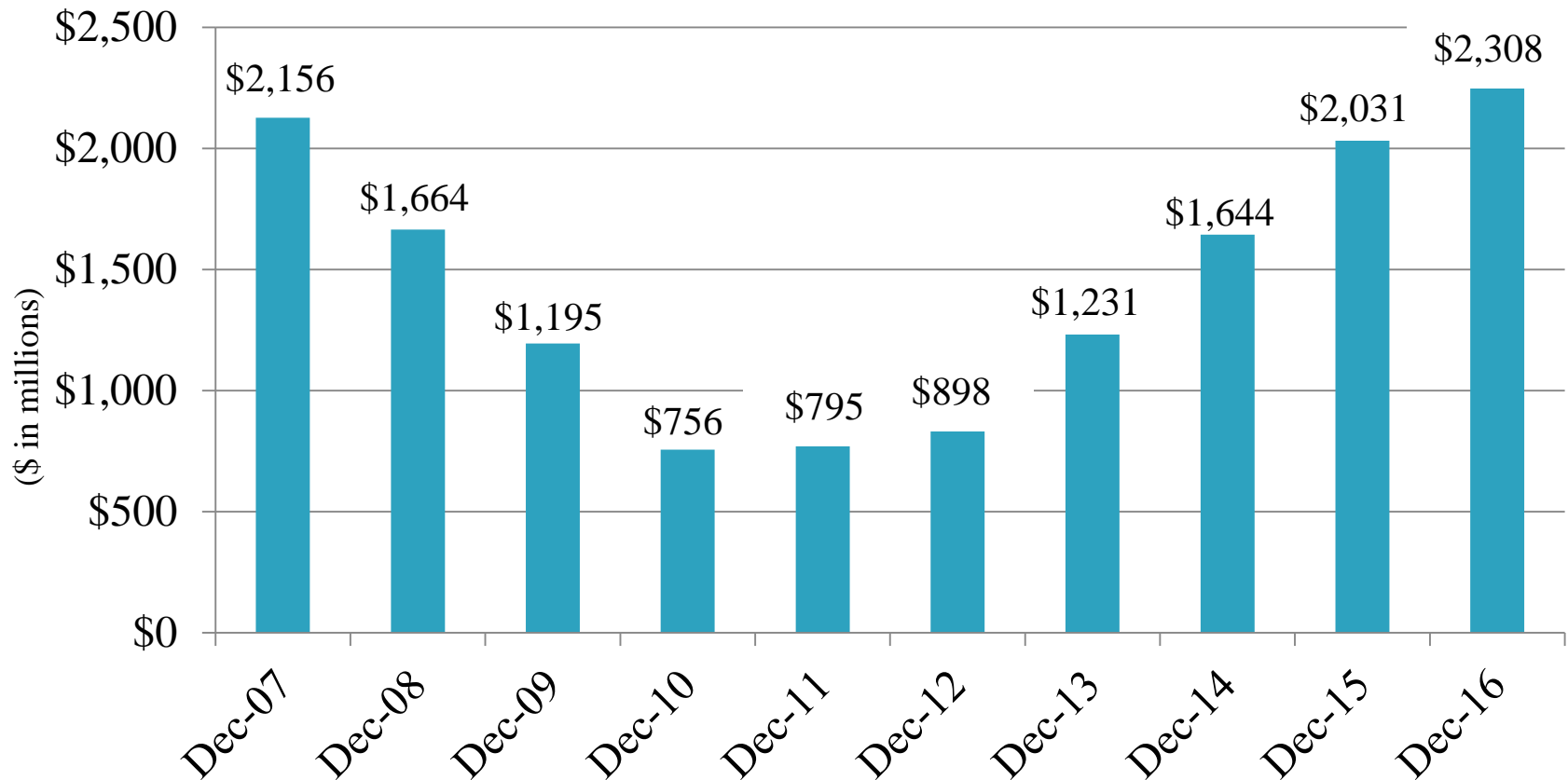
- Since inception through December 21, 2016 the Company has originated approximately \$13.5 billion in contracts
- New contract purchases have ramped up significantly since financial crisis





# Total Managed Portfolio

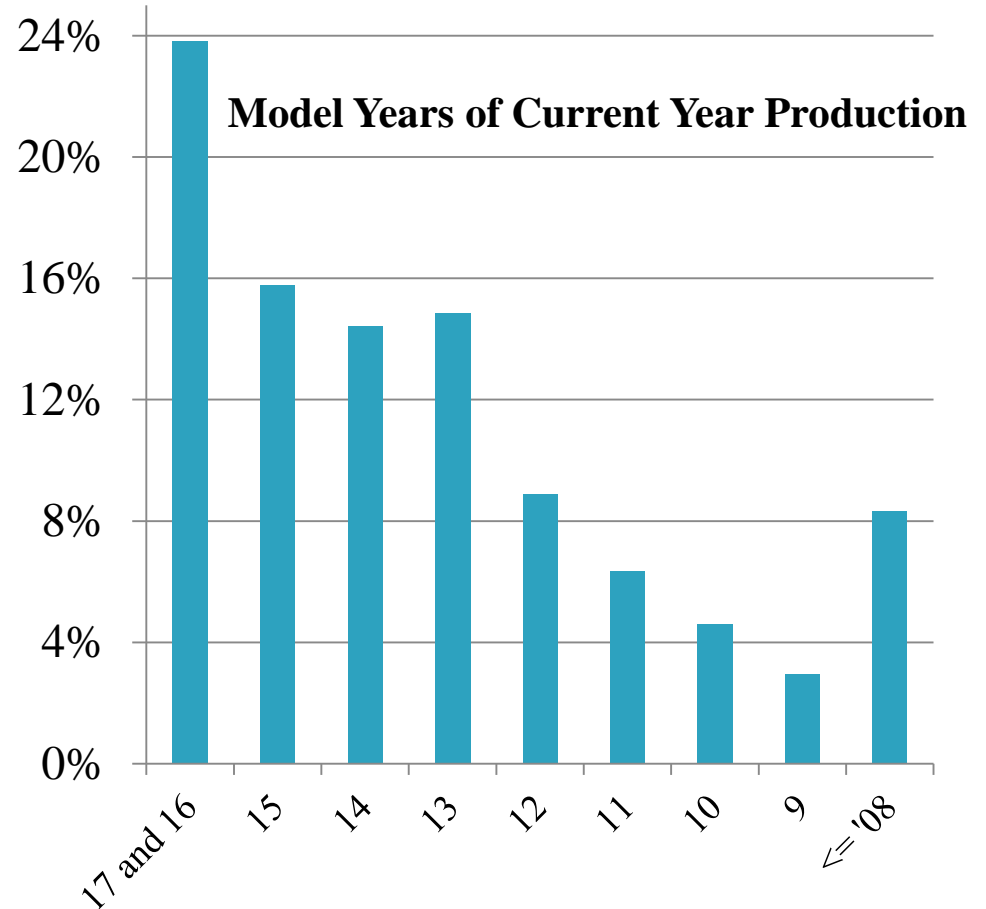
➤ Decline through 2010 was the result of the financial crisis



# Collateral Description (1)

**Primarily late model, pre-owned vehicles**

- 24% New
- 76% Pre-owned
- 40% Domestic
- 60% Imports



(1) Under the CPS programs for contracts purchased during 2016.

# Overview of Lending Programs

- CPS's proprietary scoring models and risk-adjusted pricing result in program offerings covering a wide band of the credit spectrum

<u>Program</u> <sup>(1)</sup>	<u>Avg. Yield</u> <sup>(2)</sup>	<u>Avg. Amount Financed</u>	<u>Avg. Annual Household Income</u>	<u>Avg. Time on Job (years)</u>	<u>Avg. FICO</u>	<u>% of Purchases</u>
Preferred	13.11%	\$19,820	\$81,444	9.3	602	3%
Super Alpha	15.54%	\$20,213	\$68,748	8.0	581	9%
Alpha Plus	18.20%	\$18,482	\$60,468	6.9	571	14%
Alpha	20.44%	\$16,865	\$49,860	5.7	565	46%
Standard	22.18%	\$13,640	\$44,196	4.3	566	14%
Mercury / Delta	22.67%	\$13,709	\$42,876	4.1	554	10%
First Time Buyer	22.54%	\$12,531	\$37,404	3.4	569	3%
Bravo	22.92%	\$11,527	\$39,852	3.0	541	1%
Overall	19.94%	\$16,366	\$51,324	5.6	567	100%

(1) Under the CPS programs for contracts purchased during 2016.

(2) Contract APR as adjusted for fees charged (or paid) to dealer.

# Quarterly Vintage Credit Profiles

- Yields and credit metrics are stronger today than at the end of the last cycle (1)

	<u>Q4</u> <u>2007</u>	<u>Q4</u> <u>2008</u>	<u>Q4</u> <u>2010</u>	<u>Q4</u> <u>2011</u>	<u>Q4</u> <u>2012</u>	<u>Q4</u> <u>2013</u>	<u>Q4</u> <u>2014</u>	<u>Q4</u> <u>2015</u>	<u>Q4</u> <u>2016</u>
New Contract Purchases (\$ in mm)	\$258.0	\$7.3	\$33.6	\$92.2	\$150.8	\$173.4	\$264.4	\$269.2	\$215.3
Avg. Yield (2)	18.8%	23.8%	24.3%	23.3%	22.5%	21.0%	20.3%	19.8%	19.9%
Avg. FICO	523	527	569	561	562	563	566	566	568
Avg. Original Term (months)	64	63	63	63	62	63	64	67	67
Avg. LTV (3)	115.1%	113.2%	115.3%	115.2%	115.7%	114.2%	115.2%	115.3%	115.0%

- (1) For new contracts purchased during the calendar quarter under the CPS programs. Averages are weighted by principal balance.
- (2) Contract APR as adjusted for fees charged (or paid) to dealer.
- (3) Wholesale loan-to-value ratio.

# Borrower and Contract Profile<sup>(1)</sup>

## Borrower:

- Average age 42 years
- Average time in job 6 years
- Average time in residence 7 years
- Average credit history 11 years
- Average household income \$51,324 per year
- Percentage of homeowners 23%

## Contract:

- Average amount financed \$16,366
- Weighted average monthly payment \$472
- Weighted average term 68 months
- Weighted average APR 19.5%
- Average LTV 115.0 %

(1) Under the CPS programs for contracts purchased during 2016.

# Operations

## Contract Originations

- Centralized contract originations at Irvine HQ
  - Maximizes control and efficiencies
  - Certain functions performed at Florida and Nevada offices
- Proprietary auto-decisioning system
  - Makes initial credit decision on over 99% of incoming applications
  - Uses both criteria and proprietary scorecards in credit and pricing decisions
- Pre-funding verification of employment, income and residency
  - Protects against potential fraud

## Servicing

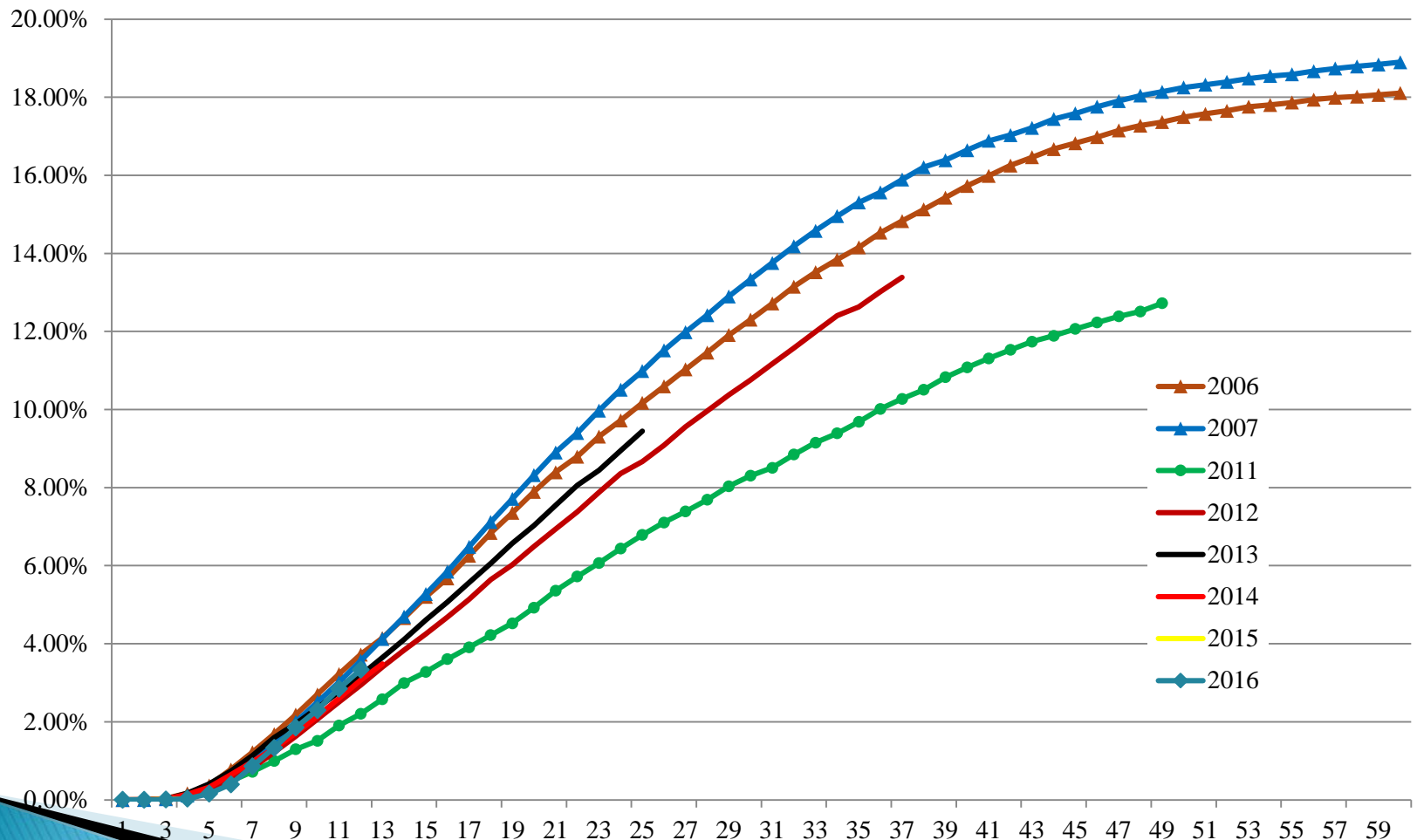
- Geographically dispersed servicing centers enhance coverage and staffing flexibility and drive portfolio performance
- Early contact on past due accounts; commencing as early as first day after due date
- Early stage workload supplemented by automated intelligent predictive dialer, text message reminders and two-way text message communications.
- Workloads allocated based on specialization and behavioral scorecards, which enhances efficiencies

# Portfolio Financing

- \$300 million in interim funding capacity through three credit facilities
  - \$100 million with Fortress; revolves to April 2017, due in April 2019
  - \$100 million with Citibank; revolves to August 2018, due in August 2019
  - \$100 million with Ares / Credit-Suisse; revolves to November 2017, due in November 2019
- Regular issuer of asset-backed securities, providing long-term matched funding
  - \$11.4 billion in 73 deals from 1994 through January 2017.
  - Completed 23 senior subordinated securitizations since the beginning of 2011
  - In January 2017 transaction, sold five tranches of rated bonds from triple “A” down to double “B” with a blended coupon of 3.91%
- At December 31, 2016, total corporate debt of \$14.9 million in subordinated unsecured retail notes

# Static Pool Performance

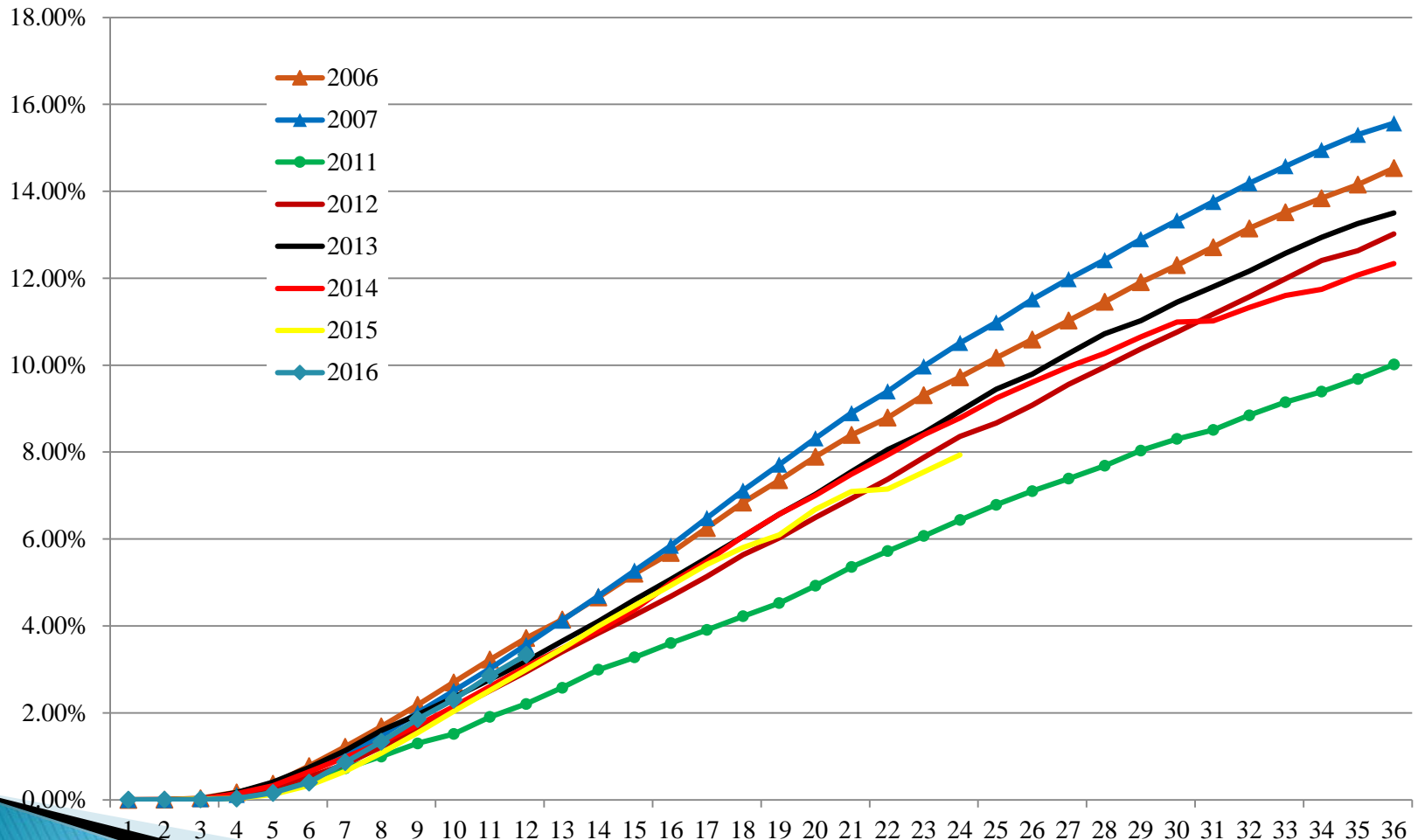
- Average of quarterly vintage cumulative net losses as of December 31, 2016
- Recent pool performance in line with business model economics





# Static Pool Performance

- Average of quarterly vintage cumulative net losses as of December 31, 2016
- Recent pool performance in line with business model economics



# Summary Balance Sheets (1)

(\$ in millions)	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
<b>Assets</b>				
Cash	\$ 13.9	\$ 19.3	\$ 17.9	\$ 22.1
Restricted cash	112.8	106.1	175.4	132.3
Finance receivables, net of allowance	2,172.4	1,909.5	1,534.5	1,115.4
Finance receivables, measured at fair value	-	-	1.7	14.5
Residual interest in securitizations	-	-	-	0.9
Deferred tax assets, net	42.8	37.6	42.9	59.2
Other assets	62.4	56.4	60.7	52.0
	<u>\$ 2,404.3</u>	<u>\$ 2,128.9</u>	<u>\$ 1,833.1</u>	<u>\$ 1,396.4</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 18.9	\$ 29.5	\$ 21.7	\$ 24.8
Warehouse lines of credit	103.4	194.1	56.8	9.5
Debt secured by receivables measured at fair value	-	-	1.3	13.1
Residual interest financing	-	9.0	12.3	19.1
Securitization trust debt	2,080.9	1,720.0	1,598.5	1,177.6
Senior secured debt, related party	-	-	-	38.6
Subordinated renewable notes	14.9	15.1	15.2	19.1
	<u>2,218.1</u>	<u>1,967.7</u>	<u>1,705.8</u>	<u>1,301.8</u>
Shareholders' equity	186.2	161.2	127.3	94.6
	<u>\$ 2,404.3</u>	<u>\$ 2,128.9</u>	<u>\$ 1,833.1</u>	<u>\$ 1,396.4</u>

(1) Numbers may not add due to rounding.

# Summary Statements of Operations (1)

(\$ in millions)	Three Months Ended		Years Ended		
	December 31,	December 31,	December 31,	December 31,	December 31,
	2016	2015	2016	2015	2014
<u>Revenues</u>					
Interest income	\$ 105.2	\$ 92.1	\$ 409.0	\$ 350.0	\$ 286.7
Other income	2.9	3.2	13.3	13.7	13.5
	<u>108.1</u>	<u>95.3</u>	<u>422.3</u>	<u>363.7</u>	<u>300.2</u>
<u>Expenses</u>					
Employee costs	18.0	16.7	65.5	59.6	50.1
General and administrative	12.3	10.7	48.7	42.4	39.3
Interest	21.5	16.0	79.9	57.7	50.4
Provision for credit losses	43.6	36.1	178.5	142.6	108.2
	<u>95.4</u>	<u>79.5</u>	<u>372.6</u>	<u>302.3</u>	<u>248.0</u>
Pretax income	12.7	15.8	49.7	61.4	52.2
Income tax expense	5.2	6.8	20.4	26.7	22.7
Net income	<u>\$ 7.5</u>	<u>\$ 9.0</u>	<u>\$ 29.3</u>	<u>\$ 34.7</u>	<u>\$ 29.5</u>
EPS (fully diluted)	\$ 0.26	\$ 0.29	\$ 1.01	\$ 1.10	\$ 0.92

(1) Numbers may not add due to rounding.

# Selected Financial Data

(\$ in millions)	Three Months Ended		Years Ended		
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2014
Auto contract purchases	\$ 215.3	\$ 269.2	\$ 1,088.8	\$ 1,060.5	\$ 944.9
Total managed portfolio	\$ 2,308.7	\$ 2,031.1	\$ 2,308.7	\$ 2,031.1	\$ 1,643.9
Risk-adjusted margin (1)	\$ 43.0	\$ 43.2	\$ 163.8	\$ 163.3	\$ 141.6
Core operating expenses (2)					
\$ amount	\$ 30.4	\$ 27.4	\$ 114.2	\$ 101.9	\$ 89.4
% of avg. managed portfolio	5.3%	5.5%	5.1%	5.5%	6.3%
Pretax return on managed assets (3)	2.2%	3.2%	2.2%	3.3%	3.7%
Total delinquencies and repo inventory (30+ days past due)					
As a % of total owned portfolio	11.0%	9.5%	11.0%	9.5%	7.2%
Annualized net charge-offs					
As a % of total owned portfolio	7.0%	6.2%	7.0%	6.4%	5.8%

- (1) Revenues less interest expense and provision for credit losses.
- (2) Total expenses less provision for credit losses and interest expense.
- (3) Equal to annualized pretax income as a percentage of the average managed portfolio.

# Investment Considerations

- CPS has weathered two industry cycles to remain one of the few independent public auto finance companies
- Twenty-one consecutive quarters of profitability
- Attractive industry fundamentals with fewer large competitors than last cycle
- Consistent credit performance
- Growing portfolio enhances operating leverage through economies of scale
- Opportunistic, successful acquisitions
- Stable senior management team averaging 20 years of experience owns significant equity
- CPSS currently trading at a discount to book value

# Reference to Public Reports

- Any person considering an investment in securities issued by CPS is urged to review the materials filed by CPS with the U.S. Securities and Exchange Commission ("Commission"). Such materials may be found by inquiring of the Commission's EDGAR search page (<http://www.sec.gov/edgar/searchedgar/companysearch.html>) using CPS's ticker symbol, which is "CPSS." Risk factors that should be considered are described in Item 1A, "Risk Factors," of CPS's annual report on Form 10-K, which report is on file with the Commission and available for review at the Commission's website. Such description of risk factors is incorporated herein by reference.

# Safe Harbor Statement

- ▶ Information included in the preceding slides is believed to be accurate, but is not necessarily complete. Such information should be reviewed in its appropriate context. The implication that historical trends will continue in the future, or that past performance is indicative of future results, is disclaimed. To the extent that one reading the preceding material nevertheless makes such an inference, such inference would be a forward-looking statement, and would be subject to risks and uncertainties that could cause actual results to vary. Such risks include variable economic conditions, adverse portfolio performance (resulting, for example, from increased defaults by the underlying obligors), volatile wholesale values of collateral underlying CPS assets, reliance on warehouse financing and on the capital markets, fluctuating interest rates, increased competition, regulatory changes, the risk of obligor default inherent in sub-prime financing, and exposure to litigation.