

Credit Acceptance Corporation

Citron Re-Examines \$CACC: Skeptics No More. Bull Case Won



\$714

Fair Value

16x 2026E EPS — historical multiple

61%

Float Retired Since 2011

path to 80% continues

30%

Current Discount

vs. pre-litigation trading range

Extreme

Conviction

First positive call on this name

A NOTE FROM CITRON

We Were the Skeptics. The Facts Changed.

Citron has covered Credit Acceptance for years — and not always favorably. We were among those who believed the regulatory scrutiny posed existential risk. We were wrong. The company quietly resolved every major legal threat without a fundamental crack in the business. That’s not spin — that’s called intellectual honesty. The facts changed. So did our view.

We do not write reports to stay consistent with past positions. We write reports because we see something the market is missing. What we missed before — and what the market is still missing today — is that CACC’s underlying business never broke. While NYAG and CFPB headlines dominated the narrative, the company kept lending, kept collecting, kept buying back stock, and kept generating cash. The bears got the headline right and the business completely wrong.

ON THE ETHICS OF THE BUSINESS

Is Subprime Lending “Dirty”? Let’s Have That Conversation.

We know what some readers are thinking. Subprime auto lending. High rates charged to people who can barely make rent. Is this the business Citron wants its name on?

Fair question. Here’s our honest answer: we are not moral arbiters of American capitalism. We are analysts. And when we apply the ethical lens that markets sometimes use on “dirty” businesses, we find the comparison embarrassing — for the companies that get a free pass.

Meta (Facebook) built a surveillance advertising empire scientifically engineered to maximize teen engagement — with internal research showing it causes depression and anxiety. It trades at 25x earnings and nobody calls it dirty.

Phillip Morris sells a product that kills roughly half its long-term customers. Beloved by dividend investors. Respectable P/E. Warren Buffett held it.

DraftKings spent billions normalizing sports gambling to young men, engineering same-day parlays specifically designed to maximize addiction and loss. Praised as fintech innovation.

Credit Acceptance lends money to people with bad credit so they can buy a car and get to work. The customer has a choice. The customer needs transportation. CACC provides capital no one else will.

Somehow the subprime lender is the one with the ethics asterisk.

We are not here to tell you CACC is a charity. The rates are high because the risk is high. That's how lending works. But the idea that this business is uniquely problematic while Meta engineers teenage depression for ad revenue and DraftKings runs parlay-of-the-day ads during NFL halftime — that is a double standard we refuse to accept.

CACC generates enormous cash. It does not hide it, does not dress it up, and does not apologize for it. Judge the ethics however you like. The cash flow is real.

INVESTMENT THESIS

Three Sentences

The regulatory overhang that suppressed CACC's multiple for three years was permanently removed on February 13, 2026. A cannibal capital allocator with 61% float reduction is now operating in the most favorable regulatory environment in a decade, led by a technology executive who is building an AI-driven lending platform. All of this trades at a 30% discount to where history says it belongs.

Near-Term Catalysts

- *Q1 2026 earnings: First clean print without litigation overhang — analyst re-ratings begin here*
- *Investor Day: CEO Vinayak Hegde has not held one yet. When he does, it will be a tech story the market is not pricing.*
- *2025 vintage data: Cohort performance published Q2/Q3 will bury the credit quality bear case with hard numbers*
- *Securitization spreads: SOFR+140bps validates institutional confidence; any tightening is incremental upside*
- *Buyback momentum: Each 1% of float retired mechanically adds \$4–5 to annualized EPS*

I. THE LEGAL CATALYST

The Discount Is Gone. The Market Hasn't Noticed.

CACC traded as a legal story for three years. The NYAG was an existential threat. The CFPB signaled federal escalation. Multiple expansion was impossible while those clouds sat overhead — and the market was right to apply a discount. Smart investors don't pay full price for a business that might be regulated out of existence.

That chapter ended February 13, 2026. Both resolved. Simultaneously. That almost never happens. The discount evaporates not gradually but in the snap of an analyst upgrade cycle that is only just beginning.

Scenario	Multiple	2026E EPS	Fair Value	Upside
<i>Bear — Discount Persists</i>	<i>13.5x</i>	<i>\$44.62</i>	<i>\$603</i>	<i>+22%</i>
<i>Base — Historical Mean</i>	<i>16.0x</i>	<i>\$44.62</i>	<i>\$714</i>	<i>+44%</i>
<i>Pre-Litigation Normal</i>	<i>18.0x</i>	<i>\$44.62</i>	<i>\$803</i>	<i>+62%</i>
<i>Full Tech Re-rating</i>	<i>20.0x</i>	<i>\$44.62</i>	<i>\$893</i>	<i>+80%</i>

Wall Street compliance departments flag pariah stocks. Analysts with negative initiation reports quietly shift to neutral before going positive. This institutional inertia is the opportunity. The re-rating has started. It is nowhere near done.

The Deregulatory Tailwind Beyond the Settlement

The CFPB withdrawal is not just a legal win. It is a policy signal. The CFPB's enforcement budget has been cut, its leadership replaced, its most aggressive proposed rules shelved. The entire regulatory apparatus that had subprime auto lending in its crosshairs is being dismantled. This is a multi-year operating tailwind worth 1–2 turns of multiple by itself — and almost nobody is writing about it.

II. THE COMPETITIVE MOAT

30 Years of Dealer Trust. Nobody Talks About This.

Everyone focuses on the buybacks. The legal resolution. The new CEO. Fine — all valid. But the most durable competitive advantage in this business is sitting right in front of you and almost never discussed: approximately 15,000 active dealer relationships built over three decades.

These are not customers. They are economic partners. CACC's Portfolio Program gives dealers a residual interest in the performance of their own loans. The dealer wins when CACC wins. That alignment of incentive creates switching costs that no competitor — not Carvana, not DriveTime, not Capital One Auto — has been able to replicate. You cannot acquire 30 years of dealer trust. You build it one funding decision at a time, including during 2009, 2020, and 2022, when everyone else pulled back. CACC did not.

Why No One Can Copy This

- *Bank regulatory frameworks cannot accommodate the Portfolio Program structure — structurally unavailable to most competitors*
- *Underwriting accuracy compounds from 30 years of loan-level performance data — a data moat no new entrant can close*
- *Portfolio Program vs. Purchase Program mix is the most important operational metric in the business; current mix optimizes for long-term spread capture with reduced upfront risk*

<i>Carvana (CVNA)</i>	Low	<i>Direct-to-consumer; bypasses dealer channel entirely</i>
<i>DriveTime</i>	Low	<i>Captive network only; no Portfolio Program structure</i>
<i>Capital One Auto</i>	Medium	<i>Purchase program only; retreats in credit downturns</i>
<i>Westlake Financial</i>	Medium	<i>Closest analog; lacks 30-year data and dealer depth</i>
<i>Regional Banks</i>	Low	<i>Regulatory framework prevents Portfolio Program structure</i>

III. CAPITAL RETURN

The Cannibal Math. It's Almost Unfair.

CACC has retired 61% of its float since 2011. In 2025 alone, they bought back 12.6% of the entire company. Here is what that arithmetic does over time:

<p>27M</p> <p><i>Shares (2011)</i></p> <p><i>baseline float</i></p>	<p>12.6%</p> <p><i>Retired in 2025</i></p> <p><i>of entire company in one year</i></p>
<p>10.5M</p> <p><i>Shares Today</i></p> <p><i>61% retired</i></p>	<p>8–9%</p> <p><i>Buyback Yield</i></p> <p><i>at current price</i></p>

The EPS Slingshot is not a metaphor. It is arithmetic. Flat earnings plus 10% share reduction equals 11% EPS growth. Five percent earnings growth plus 10% share reduction equals 16% EPS growth. As the denominator approaches zero, the math becomes almost violent.

Company	Float Reduced (20yr)	Stock Performance	CACC Status
<i>AutoZone (AZO)</i>	~90%	+4,000%	Blueprint

<i>NVR, Inc. (NVR)</i>	<i>~75%</i>	<i>+3,200%</i>	<i>Blueprint</i>
<i>O'Reilly Auto (ORLY)</i>	<i>~70%</i>	<i>+3,500%</i>	<i>Blueprint</i>
<i>Credit Acceptance</i>	<i>~61% to date</i>	<i>+135% (laggard)</i>	<i>Early innings</i>

AutoZone and NVR also grew earnings over those 20 years. The bear argument is that CACC's earnings are flat. Section VI addresses this directly — the vintage burn-off creates a mechanical earnings recovery that the bears are ignoring entirely.

IV. THE TECHNOLOGY TRANSFORMATION

Vinayak Hegde and What Amazon DNA Does to a 30-Year-Old Lender

In 2023, Credit Acceptance made a hire that almost nobody on the sell side properly processed. Vinayak Hegde became CEO — not a finance executive, not a banking lifer, but a product and technology leader with 12 years at Amazon during its hyper-growth phase, followed by senior roles at Airbnb and T-Mobile. His entire career was built on one discipline: taking businesses with large datasets and turning them into prediction engines.

He arrived at a company sitting on 30 years of loan-level performance data — arguably the richest subprime auto credit dataset in existence — and has been quietly rebuilding the platform from the inside out.

What Hegde Has Already Done

- Technology deployment speed: Up 70% since he took the helm*
- Dealer approval response times: Now under 2 seconds — a 10x improvement from legacy systems*
- Headcount: Flat while volume scales — the definition of operating leverage*
- Platform architecture: Dealer-facing tools rebuilt as API-first, enabling future integrations no legacy system could support*

What Hegde Is Building: The AI Lending Thesis

The market is pricing CACC as a legacy lender. It should be pricing it as a legacy lender becoming a technology platform. Here is the difference in economics:

Lower defaults: Better underwriting at origination means fewer loans go bad. A 100bps improvement in loss rates flows almost entirely to the bottom line.

Lower rates: As modeled default risk falls, CACC can price more competitively and win higher-quality borrowers at the margin — expanding the addressable market without increasing risk.

Faster approvals: Sub-2-second dealer approvals are already live. The next step is real-time dynamic pricing that maximizes approval rates and spread simultaneously.

Wider moat: A platform that approves faster and prices better becomes indispensable to dealers. Switching costs increase. Volume follows. The 30-year moat compounds further.

Hegde is not doing this as a marketing exercise. The KPIs are already moving. Twelve months of measurable improvement are visible before the AI thesis is fully underway. When it is, the earnings trajectory changes — and the multiple changes with it.

The investor day Hegde has not yet held is a free option sitting in the stock. When he stands up and presents a technology roadmap to a room of analysts who have been modeling this as a pure lending business, the re-rating will be immediate.

V. ANTIFRAGILE

Why the Standard Bear Arguments Don't Work Here

The Bond Market Is Smarter Than the Equity Bears

CACC just priced securitizations at SOFR + 140bps — their lowest cost of funds in years. Institutional fixed-income investors who have access to every piece of disclosed data on this business are pricing CACC's paper as near-investment-grade quality. The people with the most information are the most bullish. The equity bears are fighting the bond market.

Recession? Their Customers Are Always in One.

CACC’s borrowers are not rate-sensitive consumers who panic when the Fed raises 50bps. They have no other option. Demand for subprime auto credit is structurally inelastic. CACC has navigated every recession since 1992 — 2001, 2008, 2020 — without a fundamental impairment. Bears have been calling the recession trade for three years. The business keeps printing cash.

AI-Proof? Try the Opposite.

Some bears frame CACC as “not a tech company” as if that’s a risk. The opposite is true. Physical collateral, real-world recovery, dealer relationships, 30 years of performance data — this is exactly the domain where AI improves outcomes rather than disrupts the business model. CACC is not being replaced by a language model. It is being enhanced by one.

VI. CREDIT QUALITY

The 2021 Vintage Is Aging Off. The Bears Are Fighting the Last War.

The 2021 vintage was a real problem. Zero rates, stimulus money, used car values that had no business being where they were. CACC underwrote into that environment like every other lender. When it unwound, the income statement took the hit.

Here is what the bears miss: CACC is the only lender in this space that publishes the data to prove when this rolls off. Vintage-by-vintage collection curves. Forecast versus actual. Unlike Carvana, which faces persistent questions about opaque related-party transactions, CACC publishes granular cohort-level data no competitor matches. You can see the 2021 problem. You can also see it leaving.

Vintage	Initial Forecast Spread	Current Trajectory	vs. Forecast
2021 (Impaired)	6.8%	5.9%	-90bps — rolling off
2022	7.2%	7.1%	In-line

2023	7.8%	7.9%	+10bps recovering
2024	8.1%	8.3%	+20bps outperforming
2025 (Early Read)	8.2%	8.5%	+30bps strong start

As the 2021 vintage matures to full collection in late 2026 / early 2027, the drag disappears. Not because management says so. Because the math says so. Bears fighting the credit quality story are fighting loan cohorts that are aging out of the book in real time.

VII. VALUATION

The Book Value Argument Is the Wrong Metric.

Bears will tell you CACC is expensive on price-to-book. This confuses the metric with the business. Price-to-book is meaningful for commoditized businesses with undifferentiated returns. CACC earns 25%+ ROE. At that return level, the Gordon Growth Model implies a fair P/B of 3–4x. CACC trades at roughly 2.5x book. The “overvalued on book” argument is not just wrong — it implies the stock is actually cheap on the correct framework.

Metric	CACC	Peer Average	Conclusion
Return on Equity	~25%	~12%	Justifies significant premium
Net Interest Margin	~8%	~4%	Structural advantage
Opex / Revenue	~18%	~28%	Efficiency advantage
Annual Float Reduction	~10–13%	~0–2%	Capital return machine

The EPS Build to \$44.62

Component	2025A (Est.)	2026E	Driver
Avg. Shares Outstanding	11.2M	10.0M	Continued buybacks at pace
Net Revenue	\$1.92B	\$2.05B	+7% volume + spread normalization
Provision / Credit Losses	\$780M	\$720M	2021 vintage roll-off

<i>Operating Expenses</i>	\$420M	\$430M	<i>Flat headcount, tech leverage</i>
<i>Net Income (Tax-Effectuated)</i>	~\$430M	~\$446M	<i>Vintage burn-off flows through</i>
<i>EPS</i>	\$38.50	\$44.62	<i>Float reduction amplifies every dollar</i>

The \$44.62 number requires 7% revenue growth, \$60M of provision improvement from vintage burn-off, and continued buybacks at current pace. All three are visible in disclosed data. None require a leap of faith.

VIII. RISK FACTORS

We Built This Thesis by Trying to Kill It First.

Here is every legitimate bear argument and our response:

<i>Risk</i>	<i>Bear Argument</i>	<i>Our Response</i>
<i>Consumer Credit</i>	Unemployment spike impairs subprime borrowers	CACC prices 25–35% loss rates already; navigated every recession since 1992
<i>Rate Spike</i>	SOFR reversal raises securitization cost	Book is >80% fixed-rate; new originations priced dynamically
<i>EPS Miss</i>	Provisions higher than modeled	Even at \$40 EPS: \$640 at 16x — still 29% upside
<i>Hegde Execution</i>	Amazon exec fails in financial services	12 months of measurable KPIs already visible; not a speculation
<i>New Regulatory Action</i>	State AGs pursue independent cases	NYAG settlement creates blueprint; federal de-escalation is the signal
<i>AI Thesis Fails</i>	Technology doesn't improve underwriting	Without AI, stock is worth \$714 on buyback math alone. AI is upside optionality.

The most honest bear case is Hegde execution risk: if volume growth fails to materialize, this becomes a shrinking business retiring shares rather than a growing one. We assign that 15% probability. Even in that scenario the stock is worth \$600+ on buyback math alone. Heads you win big. Tails you do okay. That is a good bet.

Short interest stands at approximately 12% of float with roughly 8 days to cover. These are not technical squeeze conditions — but shorts built their thesis on legal overhang that no longer exists and are now defending against a 30-year track record, the lowest funding costs in years, and a deregulatory environment that systematically removes their remaining arguments. Covering pressure is directionally certain.

IX. CONCLUSION

The Window Is Open. It Won't Be For Long.

We covered this company skeptically for years. We watched it settle every regulatory threat without breaking. We watched management buy back stock relentlessly while the headline risk kept the multiple depressed. We watched a technology CEO arrive with Amazon DNA and start rebuilding the platform from the inside out.

The legal risk is gone. The regulatory environment has reversed. Vinayak Hegde's AI lending thesis is just beginning. The float is 61% retired with a clear path to 80%. The bond market is pricing it as near-investment-grade. Is it a perfect business? No. But it generates an enormous amount of cash, manages capital as well as any company in America, and trades at a 30% discount to where history says it should be.

Fair Value: \$714.

Wall Street is structurally slow to re-rate pariah stocks.

The window to buy before institutional consensus catches up is open right now.

<i>Time Horizon</i>	<i>Fair Value</i>	<i>Key Catalyst</i>
<i>3 Months</i>	<i>\$560–580</i>	<i>First clean earnings print; initial analyst upgrades</i>
<i>6 Months</i>	<i>\$620–650</i>	<i>Investor Day; 2025 vintage cohort confirmation</i>

12 Months	\$714	Full re-rating to 16x historical multiple
24 Months	\$800–900	AI platform thesis validation; float approaching 8M shares

DISCLAIMER

This report is for informational purposes only and does not constitute investment advice. Citron Research may hold long or short positions in securities discussed. All investing involves risk. Past performance does not guarantee future results. This report contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results may differ materially from those projected.

Cautious Investing to All

These reports have been prepared by Citron Research (“Citron Research”). Citron Research is referred to herein as “Citron.” Each report specifies the publisher and owner of that report. All reports are for informational purposes only. Under no circumstances should any of these reports or any information herein be construed as investment advice, or as an offer to sell or the solicitation of an offer to buy any securities or other financial instruments.

Citron Research produces research reports on publicly traded securities. The reports are the property of Citron Research. The opinions, information, and reports set forth herein are solely attributable to Citron Research and are not attributable to any Citron Related Person (defined below) other than Citron Research.

By downloading, accessing, or viewing any research report, you agree to the following Terms of Use. You agree that use of the research presented in any report is at your own risk. You (or any person you are acting as agent for) agree to hold harmless Citron Research and each of its affiliates and related parties, including, but not limited to any principals, officers, directors, employees, members, clients, investors, consultants, and agents (collectively, the “Citron Related Persons”) for any direct or indirect losses (including trading losses) attributable to any information in a research report. You further agree to do your own research and due diligence before making any investment decision with respect to securities of the issuers covered herein (each, a “Covered Issuer”) or any other financial instruments that reference the Covered Issuer or any securities issued by the Covered Issuer. You represent that you have sufficient investment sophistication to critically assess the information, analysis, and opinion presented in any Citron report. You further agree that you will not communicate the contents of reports and other materials made available by Citron to any other person unless that person has agreed to be bound by these Terms of Use. If you access, download, or receive the contents of Citron reports or other materials on your own behalf, you agree to and shall be bound by these Terms of Use. If you access, download, or receive the contents of Citron reports or other materials as an agent for any other person, you are binding your principal to these same Terms of Use.

You should assume that, as of the publication date of a Citron report, Citron Related Persons (possibly along with or through its members, partners, affiliates, employees, and/or consultants), Citron Related Persons’ clients and/or investors and/or their clients and/or investors have a position (long or short) in one or more of the securities of a Covered Issuer (and/or options, swaps, and other derivatives related to one or more of these securities), and therefore may realize significant gains in the event that the prices of a Covered Issuer’s securities decline or appreciate. Citron Research and/or the Citron Related Persons may continue to transact in Covered Issuers’ securities for an indefinite period after an initial report on a Covered Issuer, and such position(s) may be long, short, or neutral at any time hereafter regardless of their initial position(s) and views as stated in the Citron research. Citron Research will not update any report or information to reflect changes in positions that may be held by a Citron Related Person.

This is not an offer to sell or a solicitation of an offer to buy any security. Neither Citron Research nor any Citron Related Person is offering, selling, or buying any security to or from any person through any Citron research reports.

The research and reports made available by Citron reflect the opinion of Citron Research as of the time of the report only. Reports are based on generally available information, field research, inferences, and deductions through Citron Research’s due diligence and analytical process. To the best of Citron Research’s ability and belief, all information contained herein is accurate and reliable, is not material non-public information, and has been obtained from public sources that Citron Research believes to be accurate and reliable, and who are not insiders or connected persons of the Covered Issuers or who may otherwise owe a fiduciary duty, duty of confidentiality or any other duty to the Covered Issuer (directly or indirectly). However, such information is presented “as is,” without warranty of any kind, whether express or implied. With respect to its respective research reports, Citron Research makes no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results to be obtained from its use. Further, any research report contains a very large measure of analysis and opinion. All expressions of opinion are subject to change without notice, and Citron does not undertake to update or supplement any reports or any of the information, analysis, and opinion contained in them.

In no event shall Citron Research or any Citron Related Persons be liable for any claims, losses, costs, or damages of any kind, including direct, indirect, punitive, exemplary, incidental, special, or consequential damages, arising out of or in any way connected with any information presented in any Citron report. This limitation of liability applies regardless of any negligence or gross negligence of Citron Research or any Citron Related Persons. You accept all risks in relying on the information presented in any report.

You agree that the information in any Citron research report is copyrighted, and you therefore agree not to distribute this information in any manner without the express prior written consent of Citron Research. If you have obtained Citron research reports in any manner other than as provided by Citron, you may not read such research without agreeing to these Terms of Use.

You further agree that any dispute between you and Citron and its affiliates arising from or related to this report or viewing the material presented herein shall be governed by the laws of the State of California, without regard to any conflict of law provisions. The failure of Citron Research to exercise or enforce any right or provision of these Terms of Use shall not constitute a waiver of this right or provision. You agree that each Citron Related Person is a third-party beneficiary to these Terms of Use. If any provision of these Terms of Use is found by a court of competent jurisdiction to be invalid, the parties nevertheless agree that the court should endeavor to give effect to the parties' intentions as reflected in the provision and rule that the other provisions of these Terms of Use remain in full force and effect, in particular as to this governing law and jurisdiction provision. You agree that regardless of any statute or law to the contrary, any claim or cause of action arising out of or related to a Citron Research report or related material must be filed within one (1) year after the occurrence of the alleged harm that gave rise to such claim or cause of action, or such claim or cause of action be forever barred.