

Vickie Judy, America's Car-Mart Chief Accounting Officer

Good morning, I'm Vickie Judy, the Company's Chief Accounting Officer. Welcome to America's Car-Mart's fourth quarter fiscal year 2025 earnings call for the period ending April 30, 2025. Joining me on the call today is Doug Campbell, our Company's President & CEO, Jonathan Collins our CFO, and Jamie Fischer our COO.

We issued our earnings release earlier this morning, and the supplemental materials are on our website. We will post the transcript of our prepared remarks following this call, and the Q&A session will be available through the webcast.

During today's call, certain statements we make may be considered forward-looking and inherently involve risks and uncertainties that could cause actual results to differ materially from management's present view. These statements are made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. The Company cannot guarantee the accuracy of any forecast or estimate, nor does it undertake any obligation to update such forward-looking statements. For more information, including important cautionary notes, please see Part 1 of the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2024, and our current and quarterly reports furnished to or filed with the Securities Exchange Commission on Forms 8-K and 10-Q.

As a note, the comparisons that we will cover will be the fourth quarter of fiscal 2025 versus the fourth quarter of fiscal 2024, unless otherwise stated.

Doug, I'll turn it over to you now.

Doug Campbell, President & Chief Executive Officer

Thank you, Vickie. And thank you, everyone, for your interest in America's Car-Mart and for joining us to hear more about our fourth quarter and full year results.

Before we get into our fourth quarter and full-year performance, I want to take a moment to address a leadership transition that's important to the future of America's Car-Mart.

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After more than 15 years of dedicated service to our company—half of that time as our Chief Financial Officer—Vickie Judy has transitioned into a newly created Chief Accounting Officer role. Vickie has played an integral part in Car-Mart's growth, helping us navigate through multiple market cycles, improve financial discipline, and build the foundation of a resilient and scalable finance organization. Her deep institutional knowledge, operational grounding, and unwavering commitment to our mission have earned her the trust and respect of our board, leadership team, and investor community.

We're fortunate that Vickie will remain with Car-Mart, working closely with our new CFO. This move reflects not only her commitment to a smooth and thoughtful transition, but also our intent to further strengthen our financial leadership.

With that I'm pleased to formally welcome Jonathan Collins as our new Chief Financial Officer. Jonathan brings over two decades of global finance experience across large, public companies, high-growth digital platforms, and emerging markets. He's a strategic and results-driven leader who has served in senior roles at Walmart, Flipkart Group, and KPMG. His background in operational transformation, capital efficiency, and long-term value creation will be critical as we sharpen our focus on disciplined execution and financial performance.

With that, I'd like to turn it over to Jonathan Collins, our new CFO, to briefly introduce himself and share a bit about why he chose America's Car-Mart and what he sees in our future.

Jonathan?

Jonathan Collins, Chief Financial Officer

Thank you, Doug.

Today marks my official one-month anniversary with the Company, and I'm looking forward to spending more time with each of you in the investment community in the weeks and months ahead.

I too want to acknowledge Vickie for her many years of dedicated service and the strong partnership we've quickly established.

Doug and I both recognize that Car-Mart operates in a unique corner of the market—one where deep experience in subprime consumer finance and automotive lending is critical. To that end,

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I'm excited to announce a new addition to my team, Marie Persichetti, our new Senior Vice President of Capital Markets. Marie is a seasoned finance executive with over 20 years of leadership in consumer auto finance. Marie will lead our capital markets activity, helping to diversify and improve our funding platforms.

What originally drew me to America's Car-Mart continues to energize me every day: we are a mission-driven company dedicated to keeping our customers on the road. Since my arrival, I've developed an even deeper appreciation for our mission, our unique business model, and our exceptional associates.

We recently held a company-wide field leadership meeting, where I had the opportunity to connect with our dealership and field level management. It was energizing and inspiring to see the commitment and passion that our associates have for our customers.

I also want to recognize our talented finance team, who provide critical support to our shareholders, board, leadership team, and dealership associates. In fact, I got to engage with many of them within my first week as we successfully closed our seventh term securitization, issuing \$216 million in asset-backed notes. The transaction was well received by the market, and we achieved a weighted average coupon of 6.27% — a 22-basis point improvement versus our January issuance and 117-basis points tighter than our October 2024 issuance.

I was pleased with the depth of demand we saw and the favorable structure we achieved. This continued improvement in execution is a direct reflection of our growing investor confidence in the quality of our portfolio and the underlying credit performance.

My enthusiasm for the Company grows daily as I consider the opportunities ahead of us. I'm particularly excited about how we'll leverage our current investments, capitalize on the strength of our balance sheet, maximize our unique integrated sales and financing business model to capture additional market share, and continue building on our remarkable depth of talent.

We are establishing the foundation for significant future growth, and it's an exciting time to be at America's Car-Mart.

Doug, back to you.

Doug Campbell, President & Chief Executive Officer

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Thanks, Jonathan. I have great confidence in the team's ability to improve the cost of our capital structure, optimize our risk management capabilities, and execute against the priorities that matter most to our shareholders.

Fiscal year 2025 was a defining year for our company—one that marked a clear operational and financial turnaround. The performance of sales, collections, resulting gross margins, and underwriting were all evident, moving from a net loss of \$31.4 million in the prior year to generating \$17.9 million in net income this year, an improvement of more than \$49 million. This performance reflects the strength of our strategy, our disciplined execution, and the unwavering commitment from our team. As we advanced key initiatives, we remained grounded in the values that guide and service our associates, customers, and communities.

Pay Your Way:

Over the past year, we successfully executed several strategic initiatives to elevate our platform, and position Car-Mart as a compelling multi-year growth opportunity. On the last call I mentioned I've been thinking about ways to improve our collections infrastructure. It's a critical piece of the business that is needed to support future growth.

As a part of our commitment to evolve the customer experience, I want to highlight the relaunch of "Pay Your Way" — our expanded suite of payment options that reflect how our customers live and manage their finances.

Many of our customers operate outside of the traditional banking system. They're often underbanked, lacking consistent access to a checking account, a credit card, or even a stable banking relationship. For years, we've supported them through in-person payments at our stores or with basic debit and ACH channels. But as digital financial tools have grown more accessible, so too have the expectations — and the opportunities — to serve this customer base in smarter, more flexible ways.

Our updated "Pay Your Way" platform will give customers more control and convenience than ever before. We've added widely used platforms like Apple Pay, Google Pay, Venmo, and PayPal — all tools that don't require a traditional bank account and are already familiar to many of our customers.

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We've also made cash payments easier and far more accessible. Access to a cash payment network has grown from about 14,000 to over 80,000 locations — now including Dollar General, CVS, Walgreens, Walmart and more. And thanks to a mobile pass that is stored directly in a digital wallet, customers can self-service by walking into these locations, scanning a barcode, and pay without needing to remember their account details. It's fast, secure, and tailored to their reality.

In our stores, we're launching a campaign that allows customers to sign up for autopay at the time of the sale with different payment options than we've offered in the past. This helps reduce missed payments and gives customers more peace of mind — all while relieving some of the day-to-day account management burden on our store teams.

We believe these changes will strengthen payment performance, improve customer satisfaction, and ultimately deepen the relationship between our brand and the communities we serve. This pilot is live now in a few of our stores and will scale nationwide during the current quarter.

Risk Based Pricing:

Another important step that we've taken this year to strengthen credit performance is the transition to a more advanced underwriting and pricing model.

For years, we've used a 6x6 scorecard to evaluate customer profiles and deal structures. While effective, it limited our ability to finely segment risk and align pricing accordingly. About a year ago, we began testing a new 7x7 scorecard in parallel with our existing model. This gave us the opportunity to observe how customers would migrate between score bands and to analyze the impact with real-world data before making a full transition.

The expanded scorecard provides greater granularity and accuracy in projecting loss ratios, and based on the data we've accumulated to date, we believe it will lead to an improvement in overall credit losses. It's still early, but we're optimistic about how this will translate into improved credit performance and more informed capital deployment.

In conjunction with the scorecard rollout, we also launched our first iteration of risk-based pricing. I shared in the last quarter that we began this pilot in December across a small group of stores, with 34 locations live at the time of our last earnings call. Over the course of the fourth quarter, we've collected valuable insights that are now shaping our go-forward strategy.

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We started by testing rate increases on the riskiest segments — our 1- and 2-rated customers. We increased originating interest rates by a few hundred basis points and modestly increased the required down payments. What's notable is that we saw no material drop in application conversion, indicating we have pricing power even in our highest-risk bands.

Conversely, we tested modestly lower interest rates for our highest-quality customers — those 7 rated — and saw a meaningful improvement in sales volume. The early reading suggests there's a real opportunity to grow share among better-qualified consumers, while enhancing returns at the bottom of the credit spectrum.

The strength of these results gave us the confidence to accelerate this rollout, and as of May 8th, risk-based pricing is now live nationwide across all of our stores — except for our acquisition dealerships.

This transition doesn't just impact underwriting — it has broader implications for how we operate. A shift toward higher-rated customers will influence the inventory mix we carry, and over time, it should lower reconditioning costs and reduce claims on our warranty products — creating either margin leverage or financial relief for the consumer.

Altogether, we see this evolution in underwriting and pricing as a major enabler of smarter growth, better risk-adjusted returns, and ultimately a more resilient business model.

With this overview, I'll turn the call over to Jamie to review our fourth quarter operating results....

Jamie Fischer, Chief Operating Officer

Thanks, Doug, and good morning, everyone.

Revenue:

Throughout the fiscal year, we've remained focused on improving affordability. In the third quarter, we made a strategic decision to increase inventory levels by approximately 28% compared to the prior year ahead of the tax season. Our intent was to steer around the normal tax season bump in procurement price, but this became especially important given the uncertainty around tariffs. The result was less pressure on procurement during what has been a very speculative wholesale environment and ultimately reduced our reliance on the volume of cars we would normally procure during the season. It's why our customers enjoyed the benefit of a vehicle sales price decrease during the fourth quarter of \$316 to \$17,240. Despite the decrease in selling prices, we were still successful in driving incremental revenue of 1.5% in the fourth quarter compared to the prior year's quarter. This was driven in two ways. The first by an increase of 2.6% in unit sales volume and the second by a 4.2% increase in interest income.

For the full year, we sold 57,022 units, down just 1.7% year-over-year. I would like to take a moment to recognize and thank our associates. Their improved execution and customer-focused approach played a major role in the second-half performance lift where the Company rebounded with a 7.2%-unit growth after ending the first half of the year down 9.3%.

Beyond operational execution, we took several decisive steps that fueled our fourth-quarter performance. Our Q3 decision to raise service contract pricing continues to contribute to incremental revenue growth and to date we have not seen any negative impact on product penetration. We launched our tax season marketing campaign earlier than last year, generating demand sooner and we leveraged our CRM platform that was implemented last summer which has meaningfully improved our efficiency as we engage with customers throughout their buying journey. When looking at the full year, revenue was relatively flat given the headwind we experienced in the first half of the year.

Looking ahead, as Doug mentioned, we launched the new 7x7 scorecard and risk-based pricing in early May. These tools give us greater insight into the buying power of our top customers and open the door to exploring adjustments to our inventory mix strategy. Over the coming year, we

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will be evaluating ways to balance our vehicle mix to the potential demand driven by our risk-based pricing.

Gross Margin:

Finally, Q4 gross margin came in at 36.4%, up from 35.5% a year ago. A key driver of this improvement was stronger performance in our wholesale channels. Due to market reactions to ongoing tariff uncertainty, prices are more elevated than a typical spring, allowing us to capitalize on recovery values in the wholesale environment to achieve stronger retention on units sold in Q4.

As we've shared in prior calls, our long-term target gross margin remains 37% to 38% on an annualized basis. For the full fiscal year, gross margin finished at 36.7% — a 200-basis point improvement. Looking ahead, we will continue to pursue opportunities to leverage technology, enhance profitability within our protection plans, and deepen the impact of our Cox partnership as we work toward our goal.

I'll now turn it over to Vickie to cover the rest of our results.

Vickie Judy, Chief Accounting Officer

Thank you, Jamie.

Net Charge-offs:

As mentioned in the press release, we improved net charge-offs as a percentage of average finance receivables for the quarter to 6.9% compared to 7.3% in the prior year quarter and an improvement of 130 basis points for the full year. On a relative basis, we saw overall improvements in both the frequency and severity of loss. Our average time to repossession improved by 14% compared to the same period in the prior year – our customers are staying on the road longer.

CECL Allowance:

With that backdrop, we made meaningful progress in how we address portfolio risk, and I want to briefly explain the change in our allowance for credit loss reserves.

In Q4, we implemented several enhancements to our CECL allowance methodology, which when combined with our improved performance led to a \$10.3 million net reduction in our reserve balance. These changes are expected to improve the precision of the model. As our data sets have matured, especially in connection with our LOS originations, we've been able to model the performance of our receivables at a more granular level.

We now have over 18 months of actual loss history related to the LOS originated receivables, which gives us confidence to weigh it more appropriately. And because performance in this portfolio has consistently outperformed our legacy book — particularly around loss severity — the result is a lower expected loss profile overall now that it accounts for 65.7% of our receivables (excluding our acquisition receivables).

So, while the headline number is a reserve reduction, the takeaway is stronger: we've reached a point in our underwriting and data maturity that allows us to reserve more precisely. These improvements will better align capital with risk, and we believe that's a positive development for both the business and our investors.

The allowance for credit losses as a percentage of finance receivables net of deferred revenue and accident protection plan claims was 23.25% at quarter end.

Our average originating term was 44.4 months, up from 44.0 months compared to the prior year quarter and down from 44.6 months sequentially. We continue to optimize the distribution of the term by customer score, shortening the term for our highest credit risk customers and allowing additional term length for our best credit scoring customers.

At the end of the quarter, the weighted average total contract term for the portfolio was 48.3 months. The weighted average age was 12.4 months, a 5% improvement over the prior year's quarter. We continue to make progress on boosting overall collections, which are up 2.1% over last year. Our teams executed well in collecting our seasonal tax payments and improved the

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monthly average total collected per active customer to \$612 compared to \$607 in the same period last fiscal year.

SG&A:

SG&A expenses increased by \$3.8 million, or 8.6%, primarily driven by our continued investments in technology, talent, and strategic acquisitions. These acquisitions are part of our long-term growth strategy and, while they temporarily impact SG&A leverage, they are instrumental in expanding customer portfolios and enhancing future revenue potential.

Importantly, we remain focused on improving cost efficiency on a per-customer basis. In this regard, we made meaningful progress—achieving a 6.1% increase in SG&A per customer, which is notably lower than the overall dollar increase. This reflects our commitment to scaling effectively while investing in growth.

Interest Expense:

Interest expense decreased by \$388,000, or 2.2%, as we began to benefit from the improvement in benchmark rates as well as the positive impacts from our recent improvements in securitization rates.

Finally, it has been a privilege to be part of Car-Mart's evolution and growth over the past 15 years. In my new role as CAO, I am excited to continue supporting the Company's success, expand our financial capabilities, and continue to help take Car-Mart to the next level.

Thank you and I'll turn it back to Doug to finish us out.

Doug Campbell, President & Chief Executive Officer

Thanks Vickie.

I am proud of the experienced leadership team we have built as we focus on our mission of delivering successful outcomes to our customers and creating long-term value for our shareholders.

As we look to the future, I want to provide some expectations for fiscal 2026.

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From a macro perspective, we believe the used car market will remain dynamic. We've done a nice job navigating the impact of tariffs on pricing thus far, and the impact on the vintage of vehicles we procure has been relatively muted at around an increase of \$300 per unit. Given the cost we've taken out of procurement over the last year, this is very manageable. The tighter supply environment will be a challenge, but it has been for some time. As we think about diversifying our underwriting, it presents an opportunity on the procurement side as we can expand the base of assets we buy.

We are very focused on helping our existing customers navigate the environment while creating competitive options for some of our strongest ranking applicants. This represents a growth opportunity for the Company, and a more thoughtful way to grow our receivables. We'll also continue to think about ways we can connect and manage our relationships with our customers that support growing and scaling this business. Also, the continued enhancements of our LOS and related risk-based pricing strategy are key initiatives that we expect will strengthen credit performance and grow the size of the portfolio in the fiscal year.

While we remain mindful of the macroeconomic backdrop, we are confident in our strategy, our team, and our platform.

So, with this overview, we'll move on to Q&A. Operator, please provide instructions to ask questions.