**Vickie Judy, America's Car-Mart CFO**

Good morning, and welcome to America's Car-Mart's fourth quarter fiscal year 2024 earnings call for the period ending April 30, 2024. Joining me today is Doug Campbell, our company's President & CEO.

We've issued our earnings release earlier this morning and it is available on our website, along with a slide of supplemental material. We will post the transcript of our prepared remarks following this call, and the Q&A session will be available through the webcast after the call.

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, 2023, and our current and quarterly reports furnished to or filed with the Securities Exchange Commission on Forms 8-K and 10-Q.

I will now turn it over to Doug for his perspectives on our business and strategies moving forward.

**Doug Campbell, President & CEO**

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. Our customer-focused associates are dedicated to helping our customers navigate life's challenges and did so throughout the last fiscal year, especially during the fourth quarter. I'd also like to take a moment to acknowledge the associates and members of our community here in Northwest Arkansas who were devastated by the recent tornados that touched down here in Rogers and the surrounding areas. Despite the personal hardships that many associates experienced, they didn't miss a beat on serving our customers. We appreciate their tremendous dedication.

Let me start off with some perspective on the tax season. It was a slow start to the season as refunds trailed about a week or two behind normal timing. From an industry perspective, overall demand was strong, and refunds were up just slightly for our consumers, which was good, despite the season being somewhat abbreviated.

At Car-Mart, there was certainly consumer interest as we had healthy website traffic. The fact that we carried about $20 million less in inventory to start the season certainly had an impact on our results. It was a challenge to balance operating leaner and capturing the available demand. Consumers continue to struggle with the economic pressures of covering basic living expenses and skyrocketing costs like auto insurance rates, which are now averaging 50% more when compared to just the same time period 3 years ago. We are identifying ways that we can help the consumer in this area due to its importance as part of overall car ownership.

Sales were down 13.6% during the quarter, which was up against the highest ever quarterly sales volume for us as a company. I mentioned overall website traffic was healthy, but total application volume was down 9.8%. This is a function of a couple different dynamics, including a higher vehicle price and the $20 million in inventory less that we carried during the tax season. Conversely, I'm pleased to see that we are closing the gap sequentially in sales from being down 19.6% in the third quarter, to being down 13.6% this quarter.

Continued progress in gross margin was a bright spot, with a 200-basis-points increase over the prior year's quarter and a 120-basis-points increase when comparing the full fiscal year's results. We're pleased that pricing discipline, and improvements in transportation and vehicle repairs continue to drive increases in gross profit.

Last quarter, we reported on the start of our partnership with Cox Automotive to drive efficiencies within our vehicle supply chain process. This initiative is centrally managed, removing the day-to-day burden from our dealership managers of processing and overseeing the disposal of our assets. We can leverage additional reconditioning opportunities through their infrastructure for retail vehicle preparation. These can be future incremental drivers of gross margin and give us options to source more affordable vehicles at the point of disposal. It's early in the program, but we're already seeing favorability in the economics in these areas. This program has improved the operating efficiency of our wholesale process, including logistics flow. These factors, and others, will contribute to having a better flow of affordable vehicles for

our customers, and give us the flexibility to scale up and down quickly given the cyclicality of our business. We remain extremely focused on inventory improvements, and opportunities remain in optimizing inventory levels, pricing, and mix to meet sales demand.

We've also just completed our first full quarter of LOS originations post implementation. Approximately 85% of our sales for the quarter were on the new platform. The remaining 15% of originations outside of LOS are primarily attributable to recently acquired stores where LOS has not yet been implemented. The LOS is allowing us to spend more time evaluating the characteristics of our applicants who didn't purchase a vehicle to inform us how we can serve more customers in the upcoming fiscal year. It is also providing additional data and insights on consumers to allow us to augment our underwriting standards and identify opportunities for portfolio growth while mitigating risk.

At year-end, 20% of our overall portfolio was comprised of LOS originations. With the implementation completed and our store level users becoming more proficient, we expect that our teams will realize more of its benefits during the current fiscal year. However, it's been tremendously beneficial to date. We've used it to curtail originating terms, generate better deal structures, and ultimately improve loss rates. On the last call, I was hesitant to speak directly to some of what we're seeing; it's now a fifth of the portfolio and I think it merits some additional conversation. During the implementation, we isolated a quarter's worth of originations out of the old and new systems and been tracking the performance from both originating pools. From a frequency standpoint, the LOS -- through an 8-month period -- is generating a 15% improvement in the number of losses taken. The severity of those losses has also improved by 9% due to stronger down payments and shorter originating terms. The benefit of both the frequency and severity is a 20% reduction in the cumulative net loss rate for these static pools. While impressive, LOS originations are still only 20% of the portfolio. It's still early, but we expect to see continued benefits around the reduction of losses or increase in sales volumes as we make adjustments to the system.

We continue to enhance our capabilities in technology to better position the company for long-term growth. In addition to LOS, our company invested significantly over the past three years in the design, training, and implementation of an enterprise resource planning system. The dynamics of this system conversion should prove to be foundational in improving efficiencies and operational flexibility within finance, accounting, and other customer management functions.

These technologies also lay important groundwork for the support of future strategic growth. I mentioned that this would be completed within the calendar year. We went live on the system on May 1st and have closed out our first month of usage. Like other initiatives, we'll highlight the benefits over time, but this should aid in leveraging SG&A.

On June 3, we closed the transaction we announced in early May to purchase Texas Auto Center. This is the largest acquisition in company history. We welcome the Texas Auto Center teams at their two locations – in Austin and San Marcos -- and we expect them to complement our footprint as we expand in Texas. We anticipate the acquisition to be meaningful in terms of driving revenue and generating net income for the fiscal year as we build out our portfolio. Together with the acquisition in the third quarter of Central Auto Sales in Hot Springs, Arkansas, we expect these will generate annual revenues in excess of $60 million. These acquisitions remain the best use of our capital and are a key driver for our overall growth strategy.

Now I'll turn things over to Vickie for more details on our financials. Vickie …

**Vickie Judy:**

Thanks Doug and good morning, everyone. In my commentary, the comparison that I will cover will be the fourth quarter of fiscal 2024 versus the fourth quarter of fiscal 2023, unless otherwise noted.

Total revenues decreased $22.3 million, or 5.8%, largely due to a decline in retail units sold. However, this was impacted positively by interest income being up 10.5%, due to a $91.2 million increase in average finance receivables.

Doug covered the pressures that our customers are facing, and these factors affected sales, with average units sold down from 37.7 to 33.0, or 12.5%. The average retail sales price was up 6.2%, with 2/3 of that attributable to vehicle price and the remaining to increases in ancillary products. The gross profit dollars per retail unit improved by 12.2%, as we continued to execute on our margin improvement strategy. I am pleased that we had improvements in gross profit throughout the fiscal year, and we expect continued improvements into Fiscal Year 2025. Doug spoke to the actions that have contributed to these results.

Our mission remains to offer vehicles at affordable prices to our customers and help them be successful with their vehicle purchase and financing. We're focused on a procurement strategy to source lower priced units and access to affordable units through the reconditioning effort. Execution on these items can deliver better results.

LOS has allowed us to improve our deal structure, with down payments up 40 basis points to 6.5%. Our originating term was 44 months, up sequentially and also up from last year's fourth quarter at 43.5 months. Even with our average price up over $1,100, we held the term to just a half a month increase. We're also pleased that the average retail price dropped sequentially approximately $200. At the end of the fourth quarter, the weighted average total contract term for the portfolio is at 47.9 months. The weighted average age is 11.8 months, or up 18%. These results should lead to improved losses going forward.

Our local dealer teams remain laser focused on collections, which increased 5% over last year's fourth quarter. The monthly average total collected per active customer rose 3.6% to $607 from $586. Customers appreciate mobile technology, but our hybrid approach to the business with the face-to-face relationship is a difference maker when they need contract modifications or personalized assistance.

Net charge-offs as a percentage of average finance receivables were 7.3% compared to 6.3%. Seasonally, we generally see greater losses in Q4, and that was true in the current year. Frequency accounted for approximately 58% of the loss. Our customers continue to face pressures on higher average costs of everyday items, and Doug covered the impact that car insurance is having on their budgets. This environment forced customers to have to spread their money across numerous demands, leading to a higher frequency of defaults.

Our goal is to keep our delinquency percentage low and work with customers to resolve payment delinquencies before repossessing the vehicle. Our delinquencies – or accounts over 30 days past due – improved by 50 basis points to 3.1% at quarter end.

The results we're seeing from our LOS originations were the primary driver in a 42-basis points improvement in our allowance for credit losses, which now sits at 25.32% at quarter end.

We've been sharing our cash-on-cash returns profile during this past fiscal year and are pleased that our originated contracts in the fourth quarter are expected to produce cash-on-cash returns of 69.5%. The focus on better quality originations and deal structures will continue to help us maximize these cash-on-cash returns. This material is included in our news release and supplemental slide.

Moving to SG&A …SG&A expense was $44.5 million, an improvement of $1.3 million, primarily due to operational improvements and cost-cutting measures implemented during the fiscal year. Over the last five years, we've averaged over 12% annual increases in SG&A dollars. The efforts put forth during the last fiscal year generated the lowest percentage change in annual SG&A in over five years at just a 1.5% increase. This demonstrates our commitment to improving expense efficiency, especially in a higher inflationary environment. While we've made progress, any business is going to have expense headwinds on an annual basis across a variety of areas. However, we feel confident that we have line of sight to opportunities that will allow us to be well below the historical annual increases.

Interest expense increased $4.9 million, or 38.2%, due to a rise in rates and secondarily an increase in debt. On an annual basis, interest expense was up $27 million.

As of April 30, we have $5.5 million in unrestricted cash and approximately $73.4 million in additional availability under our revolving credit facilities calculated on our year-end borrowing base of receivables and inventory. Our non-resource securitized notes represent the bulk of our funding and are fixed rate, while cost of funds fluctuates with the level of interest rates on our revolving credit agreement.

Before I close, I'd like to point out some of our full-year highlights covered in the release this morning. While revenue was down slightly – 50 basis points -- for the year due to lower unit volume, we were pleased with our 120-basis point increase in gross margin and progress on reducing SG&A per average account, as well as total collections increasing 9.2%. As you've heard, we believe the implementation of our technology initiatives, including LOS, will position us well for Fiscal 2025. We remain committed to growth through strategic acquisitions, and prudent financial management. Our steadfast dedication to keeping customers on the road will lead to long-term shareholder value.

Now, let me turn things back to Doug.

**Doug Closing:**
Thanks Vickie. In previous calls, I reiterated the importance of LOS and I want to mention how we're providing additional expertise in optimizing a growing portfolio. Last week, we welcomed our new Head of Credit & Risk Management to help us with these efforts. He has over 20 years' experience in auto lending space with experience managing portfolios ranging in size from $100 million to $70 billion.

Before we kick off Q&A, let me go back to the start of my tenure as CEO in October. My goals then were to:

- Complete the rollout of several large-scale technology projects, like LOS, ERP and CRM, which are completed and already delivering benefits
- The second was to have better cost discipline across the business, which Vickie talked about earlier and there are other things we can and will do here.
- The third was the prudent deployment of capital — which includes performance managing our locations and identifying attractive acquisition opportunities, two of which we've closed on in the last 8 months.

I'm pleased that we've accomplished these goals because they laid the groundwork for what our teams need to do now to move forward.

Fiscal Year 2025 started on May 1 and is well under way. Our management team is focused on value creation for our shareholders with improvements in volume, margin, cost efficiencies and returns. We're excited about our future and are engaged in the execution of five key areas:

1. Operational excellence as we leverage our technology and systems recently installed
2. Improved affordability for our core customers by reducing the average selling price during the fiscal year
3. The continued optimization of our new Loan Origination System
4. To capitalize on our new partnership with Cox Automotive
5. And lastly, continued investments in acquisitions.

We look forward to executing our strategic plan to differentiate America's Car-Mart in the marketplace with competitive advantages for serving many more customers and improving shareholder returns long term.

Operator, please provide instructions for the Q&A.

**Doug Final Comments Following Q&A:**

We appreciate your thoughtful questions about our business. Affordability continues to be a challenge for our entire industry. The technology we've invested in over the last several years has laid the foundation for our future of being a leader in operating efficiency and a more digitized offering for our customers. Again, we're thrilled with our expansion in Texas through our acquisition of Texas Auto Center. Our management team and our Board are committed to actions like these that will drive shareholder value.