

America's Car-Mart, Inc.
Q2 FY26 Management Script
December 4, 2025

Jonathan Collins, America's Car-Mart Chief Financial Officer

Good morning, I'm Jonathan Collins, the Company's Chief Financial Officer. Welcome to America's Car-Mart's second quarter fiscal year 2026 earnings call for the period ending October 31st, 2025. Joining me on the call today is Doug Campbell, our President & CEO, and Jamie Fischer, our COO.

We issued our earnings release earlier this morning, and a supplemental presentation is 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, 2025, 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 make will be the second quarter of fiscal 2026 versus the second quarter of fiscal 2025, unless otherwise stated and we will make several references to our supplemental materials posted on our website. Doug, I'll turn it over to you now.

Doug Campbell, President & Chief Executive Officer

Thank you, Jonathan. And thank you, everyone, for your interest in America's Car-Mart and for joining us to hear more about our quarterly results.

Let me start by addressing what's in the numbers—and what the numbers don't fully capture. Our reported results reflect a net loss of \$22.5 million dollars, which includes approximately \$20 million in non-cash reserve adjustments and one-time charges related to the strategic actions we're taking to reposition this business. These are deliberate investments in our future, and the underlying trends in our business are moving in the right direction.

Let me highlight several developments from the quarter that are notable:

First, consumer demand remains strong. Credit applications grew substantially year-over-year—clear evidence that despite economic uncertainty, the need for affordable, reliable transportation is robust, and Car-Mart remains a trusted solution for working families.

The effects of tariffs in the broader wholesale market have subsided since the update in Q1 and while elevated relative to prior year, continue to decline in alignment with what we would typically see, seasonally.

In October we closed a transformative \$300 million term loan that removes the capital constraints that have limited our flexibility we referenced last quarter. For example, under our legacy structure, certain covenants limited actions tied to optimizing our store footprint and organizational structure. Now with more flexibility, we're moving decisively

on a multi-phase plan to optimize our footprint, cost structure, and strengthen capital efficiency. These aren't hypothetical future savings; we've already executed phase one in early November which included the consolidation of five underperforming stores and the elimination of approximately 10% of our headcount. The second phase will be completed in Q3 and when combined results in more than \$20 million dollars in annualized SG&A savings. Between the two initial phases, we estimate a 10% reduction in our store footprint. More details can be found in our supplemental presentation on page 7.

I'll let Jonathan elaborate on additional details of the term loan and additional actions which will enhance our capital structure. But at a high level, this represents a fundamental step forward in removing constraints, unlocking flexibility, and aligning our funding model with the needs of a modern, scalable platform.

Our enhanced underwriting platform, LOS V2 launched in May, continues to deliver measurably better results. During the quarter, we continued to shift our mix toward booking higher-quality customers. We are prioritizing value over volume to build a portfolio that delivers stronger returns. More importantly, this higher-quality underwriting is needed to navigate the uncertain environments.

Also, we continue to see customer behavior shift with our Pay Your Way platform, which we re-launched late in the first quarter. Customers continue to migrate from making payments in-store to online, which is an important trend as we look to leverage our new collections CRM. We're also seeing an increase in the accounts with auto-recurring payments which reduces the effort needed to collect. Lastly, customers are utilizing new payment channels like Apple Pay and PayPal. While these add a level of convenience for our customers—it's also driving more consistent payment behavior, reducing in-store payment related traffic and associated costs while improving overall collection efficiency. As adoption continues to grow, we expect these benefits to

compound when combined with our collections CRM powered by Salesforce. Jamie will expand more on this in a minute.

With this infrastructure now in place or nearing completion—it's creating competitive advantages that will translate into better unit economics and stronger returns.

The work we've done positions us to execute from a position of strength, clarity, and discipline. While there's more to do, the building blocks are in place. These efforts are creating a platform that will enable higher-quality growth and improve financial performance over time.

With that context, I'd like to turn the call over to Jamie to review our operational performance for the quarter. Jamie?

Jamie Fischer, Chief Operating Officer

Thanks, Doug, and good morning, everyone.

Historically, when the macro environment softens on consumers, our business gets more robust. This quarter was another proof-point of that with credit application volume up 14.6% from prior year. This is notable for two reasons. The first of which is that the company continued to navigate lower than normal inventory levels throughout the quarter. This is particularly evident and reflected on the balance sheet when observing the 6.8% variance between the periods.

The second is the fact that this has a knock-on effect of reducing website traffic when less vehicles are advertised. Despite those headwinds, the team was able to deliver a sales volume result within approximately 1% of prior year. This performance reflects the resilience of the team and a vote of confidence from consumers in our offering.

The launch of LOS V2 at the start of Q1 gave our store teams the ability to take advantage of the increased customer applications by prioritizing the highest-ranked customers more effectively. Customers in these higher ranks demonstrate lower loss frequency and severity, faster time to breakeven, and stronger returns on invested capital. In fact, as highlighted in our supplemental presentation on page 10, you can see that 76.5% of our volume came from our highest-ranked customers—ranks 4 through 7— a 12% improvement in higher quality bookings compared to prior year since the system went live in May.

Revenue increased 0.8% year over year, primarily driven by higher interest income and a nominal increase in the average retail sales price. It's important to note the company had a one-time benefit of \$13.2 million dollars related to a change in service contract revenue recognition in the prior year. Absent that benefit, revenues would have been up 4.8% primarily driven by an increase in vehicle price due to increased procurement costs related to tariffs outlined in the prior quarter.

Gross profit margin was 37.5%, compared to 39.4% in the prior year. Adjusting for the aforementioned one-time benefit, margins improved by approximately 100 basis points year-over-year, and 90 basis points sequentially driven by reduced repair frequency and severity, and improved wholesale retention values.

Collections & Payment Operations

Turning to the operational progress from our enhanced payment infrastructure, the benefits of our Pay Your Way program are becoming increasingly clear. We are seeing measurable improvements in both the customer experience and payment behavior across the portfolio.

Over the past 4 months, we have shown significant momentum in customers enrolled in and utilizing our updated digital payment options. These trends are driving improved

collections efficiency, reducing in-store payment traffic, and increasing overall payment consistency. During the second quarter we also exceeded 5% of our portfolio on AutoPay recurring payments, which represents a 3X improvement when compared to our legacy platform. This is partially driven by our customers opting to utilize our incremental payment types for recurring payments like debit card, Venmo and PayPal as compared to our previous offering of only ACH. We are encouraged by the early success of the Pay Your Way strategy and expect adoption and efficiency gains to continue as the program matures.

As Doug mentioned, we are advancing efforts to enhance collections performance through the rollout of a new Salesforce-based collections CRM. Development is complete and the tool has begun testing in a live environment in one of our stores. We expect to begin piloting in the second half of the fiscal year. This next-generation platform will deliver immediate benefits, including streamlined workflows, improved account management tools, enhanced data collection, virtual payment modification capabilities, and a better customer contact experience. Looking ahead, we plan to introduce additional features such as advanced account routing, AI-driven customer engagement strategies, and self-service options. These enhancements will create a scalable solution capable of supporting a larger portfolio without a proportional increase in headcount.

With the investments we are making to support our Pay Your Way program and the upgrade of our collections CRM, we believe, this data-driven collections platform will generate meaningful results.

In Doug's remarks, he mentioned a multi-phase plan to optimize operations and reduce SG&A . The process for this plan included an exhaustive review of our footprint and talent to ensure our resources are generating the appropriate returns. We evaluated underperforming stores, mapped customer concentrations and geographical

overlapping and assessed market coverage and service levels. From this we established a phased approach to improve operational efficiency and performance.

In November, we executed on phase one by consolidating five locations into nearby, better-performing stores. The intention with this first phase of consolidations was to specifically solve for underperforming locations that were sharing the same geographical footprint as that of a better performing store. Early results confirm that this approach was sound: Our existing and new customers continue to be served seamlessly from one location in the same geographical area with a larger staff, more inventory selection and the same great service they have become accustomed to at Car-Mart.

We also conducted a comprehensive review of both the field and corporate headcount. Where technology, automation and process improvements have eliminated manual tasks, we made targeted reductions. These changes were implemented smoothly, and operational continuity has been fully maintained. Importantly, these initiatives provide valuable insights that will inform decisions for future phases as we continue to optimize our footprint, cost structure and enhance scalability over the next several years.

As you can see, we are taking meaningful steps to improve the efficiency of our operations with urgency.

With this overview, I'll now turn it over to Jonathan to cover our financial results.

Jonathan Collins, Chief Financial Officer

Thank you, Jamie.

SG&A

For the quarter, SG&A totaled \$57.2 million dollars, including \$3.5 million in one-time expenses primarily related to store impairment costs from the five closures Jamie discussed. On a reported basis, SG&A as a percentage of sales was 20.0% and 18.8% excluding the one-time charges.

Last quarter, I shared that the growth in our SG&A was driven by investments in our people and technology. At that time, I said our goal was to reverse about half of this growth in the second half of the year. I also mentioned that a modernized collections infrastructure would eventually deliver around 5% annual cost savings, and I outlined our target to reduce SG&A to 16.5% of sales. The structured, multi-phase plan we're announcing today clearly demonstrates that we're making strong and urgent progress toward these commitments.

Our first phase covered four components: IT spend reduction through contractor and legacy software rationalization; consolidation of five underperforming stores; reorganization of headquarters and field roles; and optimizing marketing spend. Combined, these actions are expected to generate \$4.9 million in savings this fiscal year and \$10.1 million annualized.

The store consolidations alone - moving customers into nearby, better-performing locations as Jamie described - are expected to contribute approximately \$1 million this fiscal year and \$2 million annualized. We've also identified additional opportunities in subsequent phases, estimated to deliver another \$3.5 million this fiscal year and \$21.3 million on an annualized basis. Upon completion of all phases, our cost reduction

initiatives are expected to generate \$31.4 million in annualized savings. This is outlined on page 7 of our supplemental presentation.

Collections

Building on Jamie's update on our Pay Your Way program, average collections per active customer increased to \$582 this quarter compared to \$561 in the same period last year. The strength in collections underscores the quality of the portfolio and the effectiveness of our Pay Your Way platform.

Credit Performance

I want to frame our credit results around a simple theme: charge-offs are elevated due to normal seasoning and some macroeconomic pressures, but the leading indicators are improving.

Net charge-offs increased to 7.0% from 6.6% in the prior year, reflecting the expected seasoning of loans originated over the past 18 months. This is not surprising - as newer originations mature, they build loss history. What matters is whether the newer vintages are performing better than older ones, and they are, as shown on page 8 of our supplemental presentation.

The leading indicators support this view. Delinquencies over 30 days improved 62 basis points to 3.14%. Modification activity declined to 6.19% from 6.91%. Loss severity declined from \$10,677 to \$10,325 per unit sequentially. And collections grew 4.6%, outpacing portfolio growth of 2.8%. These metrics tell us the portfolio is getting healthier even as the seasoning math works through the P&L. Contracts originated under our enhanced LOS platform now represent over 76% of the portfolio, excluding the non-integrated acquisition lots, up from 72% last quarter. As legacy originations continue to run off, we expect portfolio quality to improve further.

Allowance and Provision

Our allowance increased to 24.19% of finance receivables, up sequentially from 23.35% but down from 24.72% a year ago. The CECL reserve reflects observed loss history and includes a prudent overlay for macroeconomic uncertainty. While underlying credit quality is improving, we believe it's appropriate to maintain this level of reserve until we see further stabilization.

The provision for credit loss was \$119.1 million compared to \$99.5 million last year. The increase was driven by the 40-basis point rise in charge-offs, reserve builds for macro factors, and continued seasoning, such as at our acquired locations.

Leverage and Liquidity

As Doug outlined, we made significant progress transforming our capital structure this quarter.

On October 30th, we closed a new \$300 million term loan facility with Silver Point Capital. The loan is five years, matures in October 2030, and bears interest at SOFR plus 750 basis points. Importantly, this transaction allowed us to fully repay and retire our revolving line of credit. Additionally, we retired a \$150 million uncommitted amortizing warehouse facility.

As disclosed in our 8-K, the term loan included warrants issued to Silver Point to purchase up to 10% of our fully diluted shares at the market price at closing, with a six-year expiration. While dilutive, we believe this was the right path forward, striking a balance between deal economics and ensuring stakeholder alignment.

Our securitization platform continues to perform well. Since the start of the fiscal year, we completed two ABS transactions - 2025-2 and 2025-3 - and called our 2023-1 deal in July. In our most recent securitization offering, our class A notes were almost eight times oversubscribed, and our class B notes nearly 16 times oversubscribed. In light of

turbulence in the bond market related to several sub-prime auto finance companies, we have proactively engaged with our current and prospective bondholders, as well as ratings agencies, to highlight our differentiated business model, the controls we have in place, and to maintain confidence in our financial position. We believe this positive engagement reinforces the continued strength of our platform, as evidenced by the strong demand for our credit and our ability to attract capital in a challenging environment. The weighted average life of our ABS structures and the maturation of receivables are also important components of our strategy. As ABS notes are retired, the residual collateral becomes available to fund our business in a way that is distinct from our legacy revolving structure. Total cash, including restricted cash, increased to \$251 million at October 31st from \$125 million at April 30th.

Debt, net of total cash, decreased from \$652 million to \$646 million - despite the increase in gross debt related to the term loan.

Debt to finance receivables and debt net of cash to finance receivables were 59.2% and 42.6% at quarter end, compared to 51.8% and 43.0% a year ago, and 51.5% and 43.2% at the start of the fiscal year.

EPS and Adjusted EPS

Loss per share for the quarter was \$2.71. Our net income loss of \$22.5 million included approximately \$20 million in non-cash and one-time charges: \$11.8 million from CECL reserve adjustments related to portfolio seasoning and macroeconomic factors, \$4.5 million from the retirement of our revolving line of credit, and \$3.5 million from store closure and impairment costs. Adjusted EPS loss, excluding these items, was \$0.79 per share.

With that, I'll turn it back to Doug.

Doug Campbell, President & Chief Executive Officer

Closing

Thank you, Jonathan.

I want to address what I believe is a significant disconnect in how the market is valuing this business. Our stock is trading at roughly one-third of book value. The market sees the challenges—our capital structure evolution, macroeconomic pressure on our customers, and broader sector concerns. Those are legitimate issues for the industry. But here's what the market is missing: In the middle of all this turbulence, our term loan provider committed \$300 million to this business. They conducted extensive due diligence on our platform, our locations, our assets, and our path forward. That's not theoretical—that's sophisticated capital validators putting real money behind what we've been telling you: we have substantial residual equity in our ABS structures, improving credit performance, and strong operational fundamentals.

At current valuations, I believe the market is significantly undervaluing what we're building here. Looking ahead, our priorities are straightforward: complete our capital structure transformation with another ABS transaction and a revolving warehouse facility in the second half of the year; normalize inventory levels to meet the strong demand we're seeing and set ourselves up for the tax season; execute phase 2 of our cost reduction initiatives during the 3rd quarter; and continue demonstrating improving credit performance as higher-quality LOS originations mature.

As these initiatives progress, we expect to return to positive GAAP earnings and demonstrate the earnings power of this improved model. We've built the foundation. The path is clear. The demand is there. Now it's about execution. We look forward to updating you on our progress in subsequent quarters.

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Thank you for your continued interest in America's Car-Mart. We look forward to your questions.

Operator, please provide instructions for the Q&A session.