AMERICA'S CAR-MART



America's Car-Mart provides affordable used vehicles to "credit-challenged" customers who must have reliable basic transportation to earn a living. In small cities and rural areas, automobile ownership is non-discretionary due to very limited public transportation options. For better or worse, small town America is a car culture and participation in the economy requires access to an automobile.

Over the past four decades, Car-Mart has grown from a single location in Rogers, Arkansas to a network of 154 dealerships concentrated in the south-central United States. The company's mission is to "keep you on the road" by providing an assortment of moderately priced vehicles and flexible financing terms.

Car-Mart has performed well over many decades and multiple economic cycles. Management has repurchased a significant amount of stock over the years. If the Car-Mart's formula can be replicated in other regions of the United States, more rapid expansion might be preferable to further repurchases.

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Introduction

America's Car-Mart was founded in Rogers, Arkansas in 1981 by Bill Fleeman who converted a <u>Dog 'N Suds</u> fast food restaurant into a car dealership. From the outset, his business model was to provide financing to "credit-challenged" customers who must have reliable basic transportation. In the early days, the company was known to accept nearly anything of value as a trade-in in lieu of a down payment, including "cows, horses, ostriches, pigs, birds, dogs, a llama and a python."¹

Car-Mart was profitable in every year of its existence as a private company. In 1999, Mr. Fleeman was suffering from terminal cancer and sold the business to Crown Group for \$41 million. Crown Group was a publicly traded holding company that soon divested its other businesses and was renamed America's Car-Mart.

Over the past four decades, Car-Mart has grown from a single location into a network of 154 dealerships concentrated in the south-central United States. Most dealerships are located in small cities with a population of 50,000 or less. Typically, small cities lack the scale needed for widespread public transit and residents must rely almost exclusively on automobiles for essential transportation.²

Today, Car-Mart's core value proposition is to "keep you on the road" by providing an assortment of modestly priced used vehicles that can be financed on flexible terms to customers who have impaired credit and limited funds for a down payment.

The majority of Car-Mart customers are unable to obtain traditional auto financing due to very low credit scores. Car-Mart examines a customer's payroll stubs and overall budget and makes credit decisions using a proprietary process. Since dealership managers are responsible for collections and compensated accordingly, decision making authority at the dealership level is matched with accountability.

Of course, this comes at a cost. Most people would consider Car-Mart's 16.5% interest rate on a car loan to be ludicrously high, but individuals with limited funds and poor credit who must have transportation to get to work have found Car-Mart's value proposition compelling, at least compared to their other options.³

Car-Mart's high interest rates are necessary due to the high level of defaults that occur when running a business catering to individuals lacking a financial safety net. In the fiscal year that ended on April 30, 2022, net charge-

¹ Here is a brief history of the company published in 2003: <u>Car-Mart shifts gears: company takes buy here/pay here plan national</u>. Based on a 2016 advertisement that's still up on YouTube, the company's quirky trade-in policy is still in effect, although I suspect that most trade-ins are actual motor vehicles.

² <u>Car-Mart Celebrates 40 Years</u>, August 25, 2021. Unless otherwise specified, all figures quoted in this profile are taken from the <u>company's 10-K and 10-Q reports filed on the SEC's website</u>, with the exception of data for fiscal 2022 which ended on April 30, 2022. The company's 10-K for fiscal 2022 has not been released, so data for that fiscal year has been obtained from the company's <u>Q4 fiscal 2022 earnings release</u>.

³ "The Company provides financing to substantially all of its customers who purchase a vehicle at one of its dealerships. The Company only provides financing to its customers for the purchase of its vehicles, and the Company does not provide any type of financing to non-customers." Source: <u>2021 10-K</u>.

offs were 20.2% of the average principal balance during the year, and this figure is actually quite a bit below the ten year average of 26.4%. Car-Mart's core demographic benefited from the pandemic-era stimulus programs which helped keep defaults below average.

While job loss can lead to failure to pay installment loans as scheduled, it is also common for Car-Mart customers to simply stop paying if their car breaks down. For this reason, the company has incentives to sell vehicles that management believes can last at least as long as the typical term of a loan, which is currently 42.9 months.

Traditional auto retailing, especially in the used vehicle market, is focused on the initial sales transaction. But given the ongoing payment relationship with customers, Car-Mart must take a longer-term view to be successful. Selling a clunker that immediately breaks down is counterproductive since it will likely result in the customer ceasing payments and the repossession of impaired inventory.

Car-Mart is a relatively simple business that has performed well over many decades through a variety of economic environments. In this article, we will take a look at the company's business model and unit economics and then drill down into its operating track record with a focus on how financing has represented a major advantage. Finally, we will look at the company's balance sheet with a focus on how it funds installment loans and how repurchases have played an important role in recent years.

Business Model

In the fiscal year that ended on April 30, 2022, Car-Mart sold a total of 60,595 vehicles through 154 dealerships. During the year, the typical dealership sold 399 vehicles at an average retail sales price of \$16,649, posting a gross profit of \$6,550 per vehicle. During the fiscal year, the average customer down payment was 7% and the average total collections per active customer per month was \$513. At yearend, Car-Mart's active customer count was 95,107.

Dealerships typically maintain inventory of 20 to 90 vehicles depending on the size of the lot and the time of year. Most vehicles are between five and twelve years old and have 70,000 to 150,000 miles on the odometer. Typically, inventory is purchased for between \$4,000 and \$12,000. The overriding goal is to source affordable vehicles that require minimal reconditioning and are capable of serving as reliable basic transportation for several years.

Before discussing the financial results for the company, taking a look at the unit economics is very helpful when it comes to understanding how the business model works. The following exhibit was provided in the company's most recent <u>investor presentation</u> for the third quarter of fiscal 2022:

COMMON-SIZED FINANCIAL RESULTS PER RETAIL UNIT

Per Retail Unit Data (3rd Quarter Fiscal 2022)

Sales Price	17,076	100.0%
Cost of Sales	(10,159)	61.6%
Operating Expenses	(2,715)	15.9%
Credit Loss	(4,508)	26.4%
Interest Income	2,630	15.4%
Pretax Profit Per Car	\$1,964	11.5%

\$922 Down Payment

\$221 Bi-Weekly Payment

16.5% Interest Rate

41.2Weighted Average Total
Contract Term

Source: America's Car-Mart Q3 Fiscal 2022 Investor Presentation

We can quickly see that gross margin on the sale of the vehicle and interest income are both essential components for overall profitability. As we can expect from Car-Mart's target demographic, credit losses represent the company's most significant expense. Because of this, the company's core competency, aside from sourcing reliable used vehicles, involves making intelligent decisions regarding creditworthiness of customers and keeping on top of collections.

All collections are serviced by company employees at the dealership level. Customers are given a <u>variety of options</u> for making payment and traditionally a high percentage make payments in person at the dealership. 77% of payments are due either weekly or bi-weekly, usually coinciding with a customer's payday.

When a customer fails to make timely payments, the dealership immediately initiates contact with the customer and tries to avoid repossessing vehicles. However, the company does not make major loan modifications aside from small adjustments to payment dates to account for a shift in a customer's payday or due to temporary difficulties such as minor auto repairs.

Since repairs can be a major reason for delinquencies, Car-Mart offers various <u>service contracts</u> that most customers choose to purchase with their vehicles. In addition, a <u>payment protection plan</u> is available to discharge the remaining debt of customers who are still making payments in the event that their vehicle is stolen or destroyed. Car-Mart does not service vehicles in-house and typically contracts with service centers at labor rates negotiated in advance.

As of April 30, 2022, 3% of customer accounts were more than thirty days overdue. Car-Mart strives to resolve delinquent accounts quickly, either through minor loan modifications or repossession of vehicles. On average, accounts are approximately 73 days overdue at the time they are charged off.

Car-Mart operates in a decentralized manner with accountability at the dealership level for financial results. However, certain functions are centralized, such as establishing standards for extension of credit and procurement of inventory.

Pandemic Effects

In order to better understand Car-Mart's recent financial history, we need to take a brief detour to consider the effects of the COVID-19 pandemic on the company over the past two years. To a certain degree, the pandemic has skewed the results of most businesses, but it has had an even greater effect on companies that cater to individuals at the lower end of the socioeconomic spectrum, and the used car market in particular has faced unprecedented conditions over the past year.

As we have seen, Car-Mart's customers have financial lives with almost no margin of safety. With low credit scores and minimal savings, most customers are living paycheck-to-paycheck in normal times. The loss of a job or some other financial setback can immediately push such customers into default.

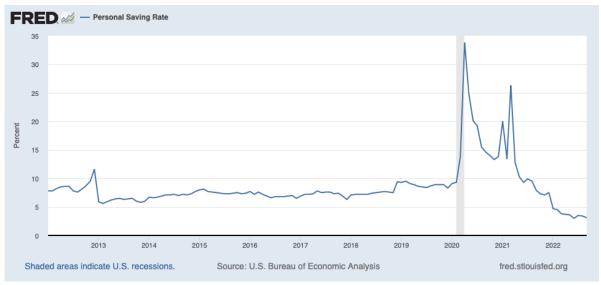
At the outset of the pandemic, most observers expected the economy to fall into a deep depression and assumed that lower income consumers would face imminent ruin. However, the federal government quickly approved stimulus programs that boosted the financial condition of most Americans:

The federal government has provided over \$850 billion of direct payments to taxpayers

Round of Payment	Amount of Payment	Maximum Income to Receive Payment	Budgetary Cost (2020- 2030)
First Round (CARES Act)	\$1,200 per adult \$500 per child	Single: \$99,000 HOH: \$136,500 Married: \$198,000	\$292 billion
Second Round (Consolidated Appropriations Act)	\$600 per adult \$600 per child	Single: \$87,000 HOH: \$124,500 Married: \$174,000	\$164 billion
Third Round (American Rescue Plan)	\$1,400 per adult \$1,400 per child	Single: \$80,000 HOH: \$120,000 Married: \$160,000	\$411 billion

Source: Peterson Foundation

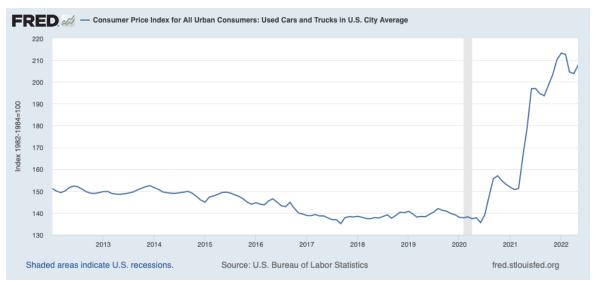
In addition to stimulus payments, from July to December of 2021, a <u>refundable child credit</u> of \$250-300 per child was available on a monthly basis via direct deposit. The combination of the stimulus program and the monthly child credit had the effect of dramatically increasing the savings rate in 2020 and 2021, as we can see below:



Source: St. Louis Fed

Obviously, the effect of these programs had the effect of stabilizing the financial situation for Car-Mart's target demographic making it possible for new customers to make larger down payments, afford larger monthly payments, and purchase better vehicles. Existing customers were able to continue making payments leading to charge-offs *declining* during the pandemic.

Unfortunately, the news is not all good. The government's response to the pandemic has also increased inflation dramatically, and few categories have seen more inflation than the price of used vehicles, as we can see from the exhibit below:



Source: St. Louis Fed

As the price of used cars increase, Car-Mart has been put in a position of needing to acquire acceptable inventory at reasonable prices and finding a way to make vehicles affordable for its target market. On the one hand, customers have more of a financial cushion than they had in the past due to stimulus programs, but on the other hand wages have failed to keep up with consumer price inflation:

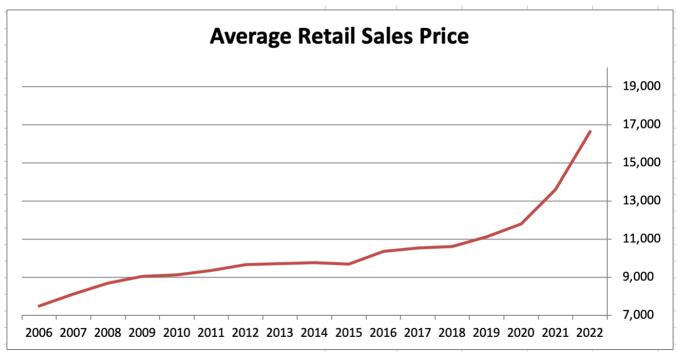
12-month percent changes in real average hourly and weekly earnings and average weekly hours for all private employees, April 2021 to April 2022



Source: Bureau of Labor Statistics

It is best to think of the pandemic-era stimulus as akin to a sugar high. Consumers received a *temporary* infusion that stabilized their financial lives, but inflation threatens to take a major *permanent* toll on finances once the sugar high wears off. It is remarkable that the economy currently has an unemployment rate of just 3.6% while 83% of respondents in a recent Wall Street Journal poll characterize the economy as "poor" or "not so good". It doesn't take a big leap to assume that Car-Mart's typical customer is not feeling very confident about the economy.

What does this mean for Car-Mart's business model? The most obvious impact is that the company must charge dramatically higher prices for vehicles because the cost of its inventory has skyrocketed, as we can see on the exhibit on the next page.



Source: Company Filings

The reality is worse than the chart indicates. While the average retail sales price for fiscal 2022 as a *whole* was \$16,649, the average sales price in the fourth quarter of the fiscal year shot up to \$17,860. Two years ago, the average sales price was just \$11,793.

How can Car-Mart keep vehicles affordable for a target market that might still have some savings from the stimulus programs but faces declining real wages in an inflationary environment? There are only a few options:

- 1. Lower the interest rate.
- 2. Accept lower gross margins on vehicle sales.
- 3. Lengthen the term of the installment contracts.

Lowering the interest rate charged to customers in an inflationary environment with increasing funding costs seems like a bad idea, and Car-Mart has not pursued that approach. However, management has accepted lower gross margins and has significantly lengthened the terms of installment contracts. Both actions have implications that must be considered as we review the company's financial history.

Operating History

Car-Mart's business model has clearly worked very well for a long period of time. The exhibit below shows the company's results for a sixteen year period which includes the financial crisis and subsequent recession.

								For Fiscal Y	ear Ending							
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Figures in thousands except per share amounts	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13	4/30/12	4/30/11	4/30/10	4/30/09	4/30/08	4/30/07
Revenues:																
Sales	1,060,512	808,065	652,992	586,508	537,528	520,149	506,517	472,569	434,504	415,740	386,857	341,859	308,756	273,340	250,337	216,898
Interest and other income	151,853	110,545	91,619	82,614	74,673	67,602	61,389	57,752	54,683	48,936	43,320	37,392	30,174	25,626	24,294	23,436
Total revenues	1,212,365	918,610	744,611	669,122	612,201	587,751	567,906	530,321	489,187	464,676	430,177	379,251	338,930	298,966	274,631	240,334
Costs and expenses:																
Cost of sales, excluding depreciation	663,631	479,153	388,475	343,898	315,273	304,927	304,886	272,446	251,319	238,984	223,392	195,985	173,106	155,668	144,537	125,073
Selling, general and administrative	156,130	130,855	117,762	107,249	99,023	91,940	92,242	83,802	78,591	73,180	67,663	62,141	57,207	51,093	47,223	41,778
Provision for credit losses	257,101	163,662	162,246	146,363	149,059	149,097	144,397	120,289	119,247	96,035	81,638	70,964	62,277	58,807	55,046	63,077
Loss on prepayment of debt	-		-	-			-	-	-	-	-	507	-	-	-	
Interest expense	10,919	6,820	8,052	7,883	5,599	4,069	3,306	2,903	2,997	2,937	2,285	2,625	2,319	4,006	2,947	3,728
Depreciation and amortization	4,033	3,719	3,839	3,969	4,250	4,272	4,208	3,830	3,285	2,826	2,329	1,928	1,694	1,395	1,148	994
Loss (gain) on disposal of property and equipment	149	(40)	(114)	(91)	91	1,204	369	17	76	58	91	55	375		527	
Total costs and expenses	1,091,963	784,169	680,260	609,271	573,295	555,509	549,408	483,287	455,515	414,020	377,398	334,205	296,978	270,969	251,428	234,650
Income before income tax	120,402	134,441	64,351	59,851	38,906	32,242	18,498	47,034	33,672	50,656	52,779	45,046	41,952	27,997	23,203	5,684
Provision for income tax	27,095	30,302	13,008	12,226	2,397	12,037	6,902	17,544	12,543	18,491	19,792	16,831	15,113	10,051	8,130	1,452
Net income	93,307	104,139	51,343	47,625	36,509	20,205	11,596	29,490	21,129	32,165	32,987	28,215	26,839	17,946	15,073	4,232
Less Dividends on mandatorily redeemable preferred stock	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	
Net income attributable to common shareholders	93,267	104,099	51,303	47,585	36,469	20,165	11,556	29,450	21,089	32,125	32,947	28,175	26,799	17,906	15,033	4,232
Shares outstanding, dilutes	6.823	6.962	6.946	7.072	7,441	8.111	8,666	9.049	9,392	9,570	10.156	11,088	11.816	11.807	11.907	11.954
Earnings per share, diluted	13.67	14.95	7.39	6.73	4.90	2.49	1.33	3.25	2.25	3.36	3.24	2.54	2.27	1.52	1.26	0.35
Gross margin	37.4%	40.7%	40.5%	41.4%	41.3%	41.4%	39.8%	42.3%	42.2%	42.5%	42.3%	42.7%	43.9%	43.0%	42.3%	42.39
Net margin	7.7%	11.3%	6.9%	7.1%	6.0%	3.4%	2.0%	5.6%		6.9%	7.7%	7.4%	7.9%	6.0%	5.5%	1.89
SG&A as percentage of sales	14.7%	16.2%	18.0%	18.3%	18.4%	17.7%	18.2%	17.7%	18.1%	17.6%	17.5%	18.2%	18.5%	18.7%	18.9%	19.39
Provision for credit losses as % of sales	24.2%	20.3%	24.8%	25.0%	27.7%	28.7%	28.5%	25.5%		23.1%	21.1%	20.8%	20.2%	21.5%	22.0%	29.19

Source: Company Filings

The company has a record of consistent results and growth. Revenue grew in every year and, until recently, gross margin has consistently hovered in the 40-43% range. In fiscal 2022, the company decided to accept a much lower gross margin in order to keep vehicles more affordable for customers in the midst of rapid used car inflation. Gross margin in fiscal 2022 dropped to 37.4%, far below historical averages.

There is greater variability in the provision for credit losses which is responsible for much of the variation in net margin, yet the company has been profitable in all years. Assisted by a declining share count, net income per share has advanced at a rapid clip.

Over the past two years, the company has been able to improve SG&A costs as a percentage of sales. This metric has typically been in the 17-18% range but dropped to 14.7% for fiscal 2022, as noted in the company's recent fourth quarter <u>earnings release</u>:

"We also had nice leveraging of SG&A costs as a percentage of sales for both the quarter (at 13.2% compared to 14.5% for the comparable prior year quarter) and full fiscal year (at 14.7% compared to 16.2% for the prior year). This is especially impressive considering the increased costs in the current inflationary environment for most of our expenses, but especially the wage pressures," said Vickie Judy, CFO. "We are investing in and building for our future to support a growing number of associates and customers."

If sustained, this improvement in SG&A has the potential to drive significant gains in operating income. Each percentage of sustained improvement in SG&A results in over \$10 million of incremental pre-tax income annually.

In every year except 2016, the company has posted an increase in the number of vehicles sold at retail. Average units sold per dealership is a key productivity metric that has trended higher in recent years and now stands just under 400. As previously discussed, the average retail sales price has skyrocketed over the past two years after several years of relative stability.

					For Fiscal Ye	ear Ending				
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Figures in thousands except per share amounts	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13
Retail units sold	60,595	56,806	52,914	50,257	48,271	47,116	46,483	46,760	42,551	40,737
Average dealerships in operation	152	150	146	142	140	142	145	137	128	118
Average units sold per dealership	399	379	362	354	345	332	321	341	332	345
Average retail sales price	16,649	13,621	11,793	11,125	10,604	10,540	10,361	9,680	9,768	9,721
Same store revenue growth	30.5%	18.7%	9.3%	8.4%	5.2%	3.5%	2.7%	2.9%	-0.8%	3.3%

Source: Company Filings

One of the most important metrics to examine involves the length of the average installment contract term. As discussed earlier, the rapid inflation of used car prices has resulted in a longer originating contact term. A decade ago, the typical contract had a term of just over 29 months, but this has increased to just under 43 months for Fiscal 2022, as shown in the exhibit below:

	4/30/2022 *	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13
Principal collected as % of avg finance receivables		53.2%	55.1%	55.3%	53.1%	53.6%	57.5%	58.7%	58.0%	60.6%
Average down payment	6.4%	7.1%	6.4%	6.5%	6.4%	6.0%	6.7%	6.9%	6.6%	6.6%
Average originating contract term		34.6	30.7	29.5	29.7	29.5	28.9	27.7	27.4	27.2
Portfolio weighted avg contract term, incl mods	42.9	37.3	33.3	32.1	32.5	32.5	31.6	30.2	29.8	29.3
	* For 4/30/22	, data is cond	densed and o	lerived from	the 8-K ear	nings release				
	Full information	on will be rel	eased in the	10-K, proba	bly by early .	luly 2022.				

Source: Company Filings

Increasing the contract term has the effect of lowering payments, but the downside is that the longer the contract, the higher the possibility of eventual default.

The passage of time increases the chances of the vicissitudes of life impacting customers in a negative way. This could involve the loss of a job or family dislocations, but there is also a higher risk of a vehicle breaking down as time goes on.

We need to keep in mind that Car-Mart's vehicles already have 70,000 to 150,000 miles on the odometer at the time of sale. Over a contract term stretching to nearly four years, we could expect many vehicles to exceed 200,000 miles. Typically, when a vehicle breaks down, the customer will default on the contract and Car-Mart will end up with a repossessed vehicle that is likely to have little salvage value.

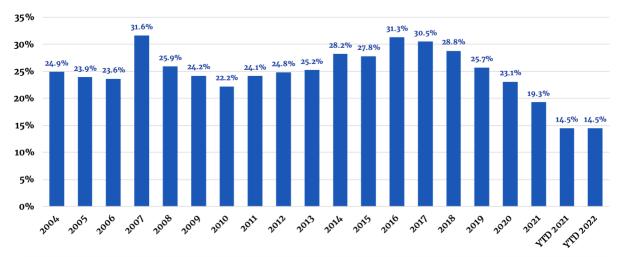
It will be important to monitor the average contract length in the future and to determine the effect of a longer term on loan defaults. It seems reasonable to assume that charge-offs as a percentage of loan receivables could trend higher in the coming years, but there would be a time lag involved before vehicles toward the end of their extended installment term begin to break down resulting in defaults.

The following chart from the company's third quarter fiscal 2022 investor presentation shows that net charge-offs as a percentage of average receivables have trended downward during the pandemic. I would expect that this figure is likely to return to historical levels as pandemic-era stimulus effects wear off and the longer installment terms begin to take a toll on the number of customers who default.

Note that YTD 2021 and YTD 2022 items in the graph cover three quarters of charge-offs. The full year charge-off was 19.3% in 2021 and 20.2% in 2022.

NET CHARGE-OFFS AS A PERCENT OF AVERAGE RECEIVABLES

Our quality of accounts remains high, with charge-offs holding steady at 14.5% YTD 2022 and 2021.



Source: Fiscal Q3 2022 Investor Presentation

Now that we have reviewed the key metrics of Car-Mart's operating history over the past decade, we will turn our attention to the balance sheet and capital allocation.

Balance Sheet

The following exhibit shows Car-Mart's balance sheet over the past decade. Note that the balance sheet at April 30, 2022 has less granularity because it is derived from summary information appearing in the company's <u>recent</u> <u>earnings release</u>. The 10-K for fiscal 2022 should be filed with the SEC by late June or early July.

America's Car-Mart Balance Sheets										
Updated 6/3/2022										
Figures in thousands except per share amounts	4/30/2022 *	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13
ASSETS										
Cash and cash equivalents	6,916	2,893	59,560	1,752	1,022	434	602	790	289	272
Restricted cash from collections on auto finance receivables	35,671	-	-	-	-	-	-	-	-	-
Accrued interest on finance receivables	-	3,367	3,098	2,348	2,189	2,098	1,716	2,002	1,830	1,784
Finance receivables, net	854,290	625,119	466,141	415,486	383,617	357,161	334,793	324,144	293,299	288,049
Inventory	115,302	82,263	36,414	37,483	33,610	30,129	29,879	34,267	30,115	32,827
Prepaid expesnes and other assets		6,120	4,441	4,634	4,747	3,942	3,302	3,731	3,496	2,407
Income taxes receivable, net		-	-	1,947	1,450	-	894	645	-	2,390
Right-of-use asset	133,133	60,398	60,713	-	-	-	-	-	-	-
Goodwill		7,280	6,817	355	355	355	355	355	355	355
Property and equipment, net		34,719	30,140	28,537	28,594	30,139	34,755	33,963	33,913	30,181
TOTAL ASSETS	1,145,312	822,159	667,324	492,542	455,584	424,258	406,296	399,897	363,297	358,265
LIABILITIES, MEZZANINE EQUITY AND EQUITY										
Liabilities:										
Acccounts payable		18,208	13,117	13,659	13,609	11,224	12,313	11.022	8,542	8,832
Deferred payment protection plan revenue	43,936	32,704	24,480	21,367	19.823	18,472	17,305	,	,	,
Deferred service contract revenue	48,555	24,106	11,641	10,592	10,332	9,611	10,034	25,236	17,467	12,910
Accrued liabilities	10,000	31,278	19,729	18,837	15,960	13,796	11,245	12,708	10,824	16,125
Income taxes payable, net		150	3,841	-	-	885	-	-	782	-
Deferred income tax liabilities, net	142,399	20,007	12,979	14,259	12,558	18,918	18,280	19,178	15,244	18,167
Lease liability		62,886	62,810	-	-	-	-	-	-	-
Non-recourse notes payable	395,986	-	-	-	-	-	-	-	-	-
Debt facilities	44,670	225,924	215,568	152,918	152,367	117,944	107,902	102,221	97,032	99,563
Total liabilities	675,546	415,263	364,165	231,632	224,649	190,850	177,079	170,365	149,891	155,597
Mezzaniene equity:	075,510	120,200	501,205	202,002	221,015	150,050	277,075	1,0,000	110,001	100,007
Manatorily redeemable preferred stock	400	400	400	400	400	400	400	400	400	400
Equity:	100	1.00	100	100	100	1.00	100	100	100	100
Preferred stock		-	-	-	-	-	-	-	-	
Common stock		136	135	134	131	129	127	127	125	124
Additional paid-in capital	761,491	98,812	88,559	81,605	72,641	69,284	64,771	62,428	55,734	53,332
Retained earnings		564,975	460,876	409,573	361,988	325,519	305,354	293,798	264,348	243,259
Less: Treasury stock	(292,225)	(257,527)	(246,911)	(230,902)	(204,325)	(162,024)	(141,535)	(127,321)	(107,301)	(94,547
Total stockholders' equity	469,266	406,396	302,659	260,410	230,435	232,908	228,717	229,032	212,906	202,168
Non-controlling interest	100	100	100	100	100	100	100	100	100	100
Total equity	469,366	406,496	302,759	260,510	230,535	233,008	228,817	229,132	213,006	202,268
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	1,145,312	822,159	667,324	492,542	455,584	424,258	406,296	399,897	363,297	358,265
TO THE MINISTER, MILLEANINE EQUIT AND EQUIT	1,143,312	022,133	007,324	732,342	433,364	727,230	400,230	333,037	303,237	330,203
Shares outstanding	6,372	6,626	6,619	6,699	6.849	7,608	8,074	8,529	8,736	9,023
Book value per share	73.65	61.33	45.72	38.87	33.64	30.61	28.33	26.85	24.37	22.41
•	10_Ks for 201						20.33	20.65	24.37	22.41

Source: 10-Ks for 2013-2021 and Earnings Release for Fiscal 2022

At the end of fiscal 2022, Car-Mart's debt-to-equity ratio was 0.94 which represents an increase from 0.56 at the end of the prior fiscal year. Historically, Car-Mart has relied on revolving credit facilities carrying variable interest rates, collateralized by finance receivables and inventory, and guaranteed by the company. Until this year, Car-Mart did not rely on securitizations as a funding source. However, on April 25, shortly prior to the end of the fiscal year, Car-Mart announced the company's inaugural \$400 million asset-back securitization:

"We are excited to diversify our funding sources by entering the securitization market. This transaction represents an important step as we prepare for continuing growth," said Jeff Williams, President and Chief Executive Officer of the Company. "As we look ahead, this market will offer us greater access to credit with a more efficient capital structure."

The company used the net proceeds of the securitization to pay down most of the credit facilities. Unlike the credit facilities, the securitization is a funding source that is non-recourse to the company. Car-Mart will continue to service the auto loan receivables backing the notes. This development marks a significant change in the company's funding strategy, but presumably if investor demand for securitizations dries up in the future or is available only on unfavorable terms, management would be able to obtain funding through credit facilities again.

The exhibit below shows how finance receivables have changed over the past decade. During this period, finance receivables have grown from \$251 million to \$854 million.

					For Fiscal Ye	ear Ending				
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Figures in thousands except per share amounts	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13
Changes in finance receivables:										
Balance at beginning of period	625,119	466,141	415,486	383,617	357,161	334,793	324,144	293,299	288,049	251,103
Finance receivable originations	1,009,859	762,716	604,497	540,505	494,641	479,099	460,499	445,405	404,918	387,895
Finance receivable collections	(417,796)	(370,254)	(322,180)	(293,739)	(260,104)	(249,264)	(248,166)	(238,845)	(223,538)	(207,713)
Provision for credit losses	(257,101)	(163,662)	(162,246)	(146,363)	(149,059)	(149,097)	(144,397)	(120,289)	(119,247)	(96,035)
Dealership closure	-	-	-	-	-	-	-	-	-	-
Losses on claims for payment protection plan	(21,871)	(18,954)	(17,966)	(17,020)	(16,748)	(15,627)	(13,521)	(10,588)	(9,586)	(7,544)
Inventory acquired in repossession & pmt protection claims	(83,920)	(50,868)	(51,450)	(51,514)	(42,274)	(42,743)	(43,766)	(44,838)	(47,297)	(39,657)
Balance at end of period	854,290	625,119	466,141	415,486	383,617	357,161	334,793	324,144	293,299	288,049

Source: Company Filings

As discussed previously, Car-Mart's business model assumes a high level of credit losses which represents a risk in the event that provisions for credit losses end up being lower than actual losses. However, should adverse developments occur, they are known quickly since accounts are ~73 days overdue at the time they are charged off.

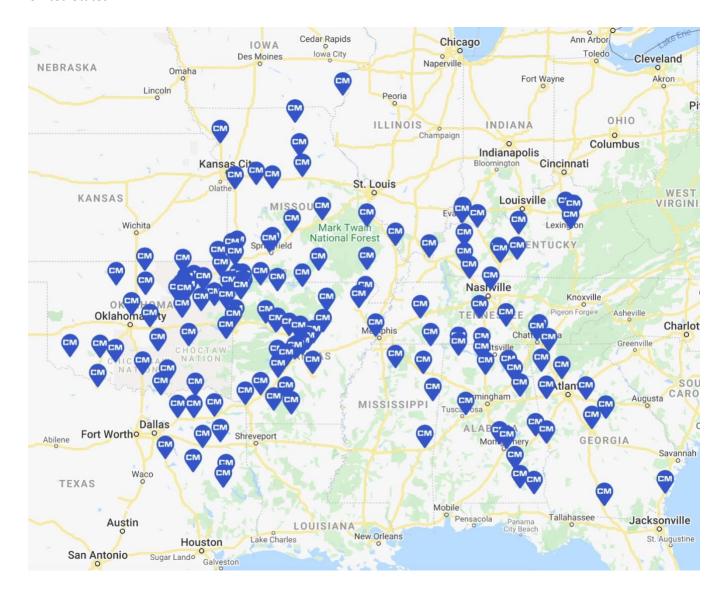
Over the past decade, Car-Mart has used \$215 million to repurchase its stock. This has driven down the share count by 32%. Stockholders' equity has increased from \$184.4 million at April 30, 2012 to \$469.3 million at April 30, 2022. The goodwill on the balance sheet is minimal. The combination of rising stockholders' equity and declining share count has increased book value per share from \$19.66 at April 30, 2012 to \$73.65 at April 30, 2022 representing compound annualized growth of 14.1%.

Market Size and Potential Expansion

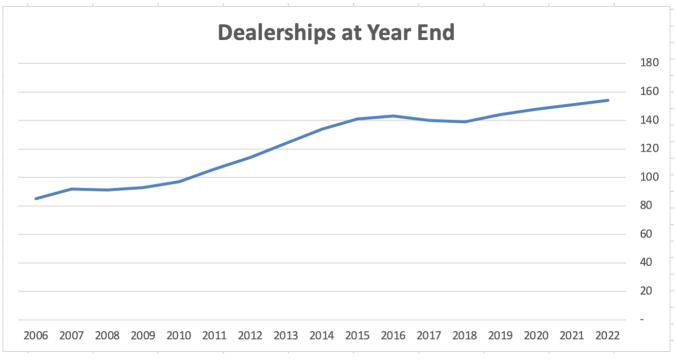
Does it make sense for Car-Mart to return so much cash to shareholders via share repurchases? Although book value per share has grown at a healthy clip in recent years, one opportunity cost for returning capital is slower expansion.

The used car market in the United States is very large. According to <u>retail sales figures for used car dealers</u> provided by the St. Louis Fed, the size of the market was \$162.2 billion in 2021.

With just over \$1 billion of sales, Car-Mart has a small share of a large market. This is partly attributable to its focus on serving a small segment of the overall used car market, but is also due to a limited geographic footprint. The map below shows Car-Mart's current locations which are mostly located in the south-central United States:



Even within the company's current footprint, it seems like there are many untapped regions for potential expansion, even bearing in mind the focus on smaller cities with a population under 50,000. Car-Mart has expanded slowly over the years with the dealership count rising from 114 to 154 over the past decade.



Source: Company SEC Filings. Fiscal Year ends on April 30

When new dealerships are opened, the new manager is typically promoted internally and provided with \$1.5 to \$2.5 million of capital during the first few years of operations. It is common for dealerships to open with very limited personnel and use modular structures until the location is profitable.

With pre-tax profit per car sold running at close to \$2,000 and the average dealership selling nearly 400 cars per year, it is easy to surmise that starting successful new dealerships could make a great deal of economic sense. It would take several years to develop a new dealership to the point where it is operating at scale, but the potential to earn \$800,000 in pre-tax profits with an initial capital commitment of \$1.5 to \$2.5 million is clearly very attractive.

Car-Mart has more than sufficient resources to expand its dealership footprint much more quickly than it has in recent years. There are obviously potential customers with limited economic means all over the United States, not just in the company's current geographic footprint. Management must believe that very conservative expansion into adjacent markets run by managers promoted from within is the safest way to proceed.

Conclusion

America's Car-Mart has developed an approach to serving the deep subprime automobile market that has worked well for many decades. While some investors may prefer to stay away from companies serving Americans of modest economic means, this is a large demographic group and providing such people with essential non-discretionary goods and services has proven to be a successful business model in many industries.

My initial reaction to learning about Car-Mart's 16.5% interest rate was that the company seemed to be exploiting its customer base. However, we must keep in mind that no one is forcing Car-Mart's customers to do business with the company. The reality is that if you do not have much savings, it is not possible to buy a decent vehicle for cash, and lacking decent credit closes the door to auto loans at rates that wealthier people are used to paying.

Car-Mart charges a high interest rate but also accepts the inherent risk of doing business with individuals with a limited financial safety net who default on installment loans at a very high rate. After learning more about the company, it seems to me that Car-Mart is filling a necessary role and has built a successful business model around its mission of keeping customers on the road.

With a current market capitalization of \$656 million based on the April 30 share count and the stock trading at around \$103 at mid-day on June 8, America's Car-Mart falls within the category of small-cap stocks. Investors managing several billion dollars of capital would not be able to invest in the stock, but smaller investors clearly could.

The unique economic impacts of the pandemic have boosted operating results, including reported net income, to levels that might not be sustainable over time. However, the company's longstanding record of growth of book value driven by net income and repurchases seems attractive. It also appears that there is upside in the event that management finds a formula for more aggressive capital-light expansion.

This newsletter is not a stock picking service but instead aims to profile companies with interesting business models that have worked over long periods of time. Hopefully, this profile of America's Car-Mart has been useful for subscribers interested in learning about interesting business models and could serve as a starting point for investors conducting due diligence on the company.

Financial Statements

Balance Sheets – Fiscal 2007 to Q1 Fiscal 2023

Figures in thousands except per share amounts	7/31/22	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13	4/30/12	4/30/11	4/30/10	4/30/09	4/30/08	4/30/07
ASSETS																	
Cash and cash equivalents	4,362	6,916	2,893	59,560	1,752	1,022	434	602	790	289	272	276	223	268	168	153	257
Restricted cash from collections on auto finance receivables	37,521	35,671	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued interest on finance receivables	5,032	4,926	3,367	3,098	2,348	2,189	2,098	1,716	2,002	1,830	1,784	1,428	1,133	961	778	833	694
Finance receivables, net	919,458	854,290	625,119	466,141	415,486	383,617	357,161	334,793	324,144	293,299	288,049	251,103	222,305	205,423	182,041	163,344	139,194
Inventory	145,181	115,302	82,263	36,414	37,483	33,610	30,129	29,879	34,267	30,115	32,827	27,242	23,595	20,367	15,476	13,532	13,682
Prepaid expesnes and other assets	9,748	9,044	6,120	4,441	4,634	4,747	3,942	3,302	3,731	3,496	2,407	1,545	2,046	1,176	1,460	832	600
Income taxes receivable, net	-	274	-	-	1,947	1,450	-	894	645	-	2,390	1,444	1,220	-	-	3,400	1,933
Right-of-use asset	59,822	58,828	60,398	60,713	-	-	-	-	-	-	-	-	-	-	-	-	-
Goodwill	8,623	8,623	7,280	6,817	355	355	355	355	355	355	355	355	355	355	355	355	355
Property and equipment, net	58,526	51,438	34,719	30,140	28,537	28,594	30,139	34,755	33,963	33,913	30,181	27,547	25,532	22,722	19,346	18,140	16,883
TOTAL ASSETS	1,248,273	1,145,312	822,159	667,324	492,542	455,584	424,258	406,296	399,897	363,297	358,265	310,940	276,409	251,272	219,624	200,589	173,598
LIABILITIES, MEZZANINE EQUITY AND EQUITY																	
Liabilities:																	
Acccounts payable	29,380	20,055	18,208	13,117	13,659	13,609	11,224	12,313	11,022	8,542	8,832	7,352	7,742	5,796	3,928	3,871	2,473
Deferred payment protection plan revenue	46,896	43,936	32,704	24,480	21,367	19,823	18,472	17,305	25.226	17.467	12.010	10.745	0.003	0.220	7.252	4.631	
Deferred service contract revenue	53,459	48,555	24,106	11,641	10,592	10,332	9,611	10,034	25,236	17,467	12,910	10,745	8,963	8,229	7,353	4,631	-
Accrued liabilities	31,100	32,630	31,278	19,729	18,837	15,960	13,796	11,245	12,708	10,824	16,125	13,349	11,349	12,675	12,342	11,063	6,233
Income taxes payable, net	328	-	150	3,841	-	-	885	-	-	782	-	-	-	23	308	-	-
Deferred income tax liabilities, net	31,315	28,233	20,007	12,979	14,259	12,558	18,918	18,280	19,178	15,244	18,167	16,721	13,405	9,193	8,377	3,465	335
Lease liability	62,688	61,481	62,886	62,810	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-recourse notes payable	323,105	395,986	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt facilities	188,921	44,670	225,924	215,568	152,918	152,367	117,944	107,902	102,221	97,032	99,563	77,900	47,539	38,766	29,839	40,337	40,829
Total liabilities	767,192	675,546	415,263	364,165	231,632	224,649	190,850	177,079	170,365	149,891	155,597	126,067	88,998	74,682	62,147	63,367	49,870
Mezzaniene equity:																	
Manatorily redeemable preferred stock	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	-	-
Equity:																	
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock	137	136	136	135	134	131	129	127	127	125	124	124	123	123	122	121	120
Additional paid-in capital	106,391	103,113	98,812	88,559	81,605	72,641	69,284	64,771	62,428	55,734	53,332	50,357	46,476	43,483	40,313	37,284	35,286
Retained earnings	671,474	658,242	564,975	460,876	409,573	361,988	325,519	305,354	293,798	264,348	243,259	211,134	178,187	150,012	123,213	105,307	90,274
Less: Treasury stock	(297,421)	(292,225)	(257,527)	(246,911)	(230,902)	(204,325)	(162,024)	(141,535)	(127,321)	(107,301)	(94,547)	(77,242)	(37,875)	(17,528)	(6,671)	(5,490)	(1,952)
Total stockholders' equity	480,581	469,266	406,396	302,659	260,410	230,435	232,908	228,717	229,032	212,906	202,168	184,373	186,911	176,090	156,977	137,222	123,728
Non-controlling interest	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	-	-
Total equity	480,681	469,366	406,496	302,759	260,510	230,535	233,008	228,817	229,132	213,006	202,268	184,473	187,011	176,190	157,077	137,222	123,728
TOTAL LIABILITIES, MEZZANINE EQUITY AND EQUITY	1,248,273	1,145,312	822,159	667,324	492,542	455,584	424,258	406,296	399,897	363,297	358,265	310,940	276,409	251,272	219,624	200,589	173,598
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares outstanding	6,368	6,372	6,626	6,619	6,699	6,849	7,608	8,074	8,529	8,736	9,023	9,378	10,497	11,338	11,729	11,688	11,875
Book value per share	75.47	73.65	61.33	45.72	38.87	33.64	30.61	28.33	26.85	24.37	22.41	19.66	17.81	15.53	13.38	11.74	10.42
Change in shares outstanding	0%	-4%	0%	-1%	-2%	-10%	-6%	-5%	-2%	-3%	-4%	-11%	-7%	-3%	0%	-2%	

Income Statements – Fiscal 2006 to Q1 Fiscal 2023

	Figure Co.	tore English								For Fis	cal Year En	nding							
	Fiscal Quart	ters Ending	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Figures in thousands except per share amounts	7/31/22	7/31/21	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13	4/30/12	4/30/11	4/30/10	4/30/09	4/30/08	4/30/07	4/30/06
Revenues:																			
Sales	300,540	246,742	1,060,512	808,065	652,992	586,508	537,528	520,149	506,517	472,569	434,504	415,740	386,857	341,859	308,756	273,340	250,337	216,898	214,482
Interest and other income	44,342	33,587	151,853	110,545	91,619	82,614	74,673	67,602	61,389	57,752	54,683	48,936	43,320	37,392	30,174	25,626	24,294	23,436	19,725
Total revenues	344,882	280,329	1,212,365	918,610	744,611	669,122	612,201	587,751	567,906	530,321	489,187	464,676	430,177	379,251	338,930	298,966	274,631	240,334	234,207
Costs and expenses:																			
Cost of sales, excluding depreciation	193,115	152,764	663,631	479,153	388,475	343,898	315,273	304,927	304,886	272,446	251,319	238,984	223,392	195,985	173,106	155,668	144,537	125,073	119,433
Selling, general and administrative	43,234	38,800	156,130	130,855	117,762	107,249	99,023	91,940	92,242	83,802	78,591	73,180	67,663	62,141	57,207	51,093	47,223	41,778	39,261
Provision for credit losses	82,903	54,108	257,101	163,662	162,246	146,363	149,059	149,097	144,397	120,289	119,247	96,035	81,638	70,964	62,277	58,807	55,046	63,077	45,810
Loss on prepayment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	507	-	-	-	-	-
Interest expense	7,345	1,982	10,919	6,820	8,052	7,883	5,599	4,069	3,306	2,903	2,997	2,937	2,285	2,625	2,319	4,006	2,947	3,728	2,458
Depreciation and amortization	1,151	915	4,033	3,719	3,839	3,969	4,250	4,272	4,208	3,830	3,285	2,826	2,329	1,928	1,694	1,395	1,148	994	724
Loss (gain) on disposal of property and equipment	8	2	149	(40)	(114)	(91)	91	1,204	369	17	76	58	91	55	375	-	527	-	-
Total costs and expenses	327,756	248,571	1,091,963	784,169	680,260	609,271	573,295	555,509	549,408	483,287	455,515	414,020	377,398	334,205	296,978	270,969	251,428	234,650	207,686
Income before income tax	17,126	31,758	120,402	134,441	64,351	59,851	38,906	32,242	18,498	47,034	33,672	50,656	52,779	45,046	41,952	27,997	23,203	5,684	26,521
Provision for income tax	3,884	6,791	27,095	30,302	13,008	12,226	2,397	12,037	6,902	17,544	12,543	18,491	19,792	16,831	15,113	10,051	8,130	1,452	9,816
Net income	13,242	24,967	93,307	104,139	51,343	47,625	36,509	20,205	11,596	29,490	21,129	32,165	32,987	28,215	26,839	17,946	15,073	4,232	16,705
Less Dividends on mandatorily redeemable preferred stock	10	10	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	-	-
Net income attributable to common shareholders	13,232	24,957	93,267	104,099	51,303	47,585	36,469	20,165	11,556	29,450	21,089	32,125	32,947	28,175	26,799	17,906	15,033	4,232	16,705
Shares outstanding, dilutes	6,602	6,998	6,823	6,962	6,946	7,072	7,441	8,111	8,666	9,049	9,392	9,570	10,156	11,088	11,816	11,807	11,907	11,954	12,019
Earnings per share, diluted	2.00	3.57	13.67	14.95	7.39	6.73	4.90	2.49	1.33	3.25	2.25	3.36	3.24	2.54	2.27	1.52	1.26	0.35	1.39
Gross margin	35.7%	38.1%	37.4%	40.7%	40.5%	41.4%	41.3%	41.4%	39.8%	42.3%	42.2%	42.5%	42.3%	42.7%	43.9%	43.0%	42.3%	42.3%	44.39
Net margin	3.8%	8.9%	7.7%	11.3%	6.9%	7.1%	6.0%	3.4%	2.0%	5.6%	4.3%		7.7%	7.4%	7.9%	6.0%	5.5%	1.8%	
SG&A as percentage of sales	14.4%	15.7%	14.7%	16.2%	18.0%	18.3%	18.4%	17.7%	18.2%	17.7%	18.1%	17.6%	17.5%	18.2%	18.5%	18.7%	18.9%	19.3%	18.39
Provision for credit losses as % of sales	27.6%	21.9%	24.2%	20.3%	24.8%	25.0%	27.7%	28.7%	28.5%		27.4%		21.1%	20.8%	20.2%	21.5%	22.0%	29.1%	21.49
Dealership count																			
Dealerships at beginning of year	154	151	151	148	144	139	140	143	141	134	124	114	106	97	93	91	92	85	76
New dealerships opened/acquired	134	151	3	3	5	5	3	145	6	7	10	10	8	97	5	2	3	7	10
Dealerships closed	-	-	3	3	(1)	3	(4)	(3)	(4)		10	10		9	(1)		(4)	,	(1
Dealerships closed Dealerships at end of year	154	151	154	151	148	144	139	140	143	141	134	124	114	106	97	93	91	92	85
Dealership locations - see 2016 FY 10-K, page 6																			
Retail units sold	15,536	15,219	60.595	56,806	52,914	50,257	48.271	47.116	46,483	46,760	42,551	40,737	37,722	34,424	32,196	28,698	27,207	25,199	27,415
Average dealerships in operation	15,550	151	152	150	146	142	140	142	145	137	128	118	110	101	95	92	93	90	82
Average units sold per dealership	101	101	399	379	362	354	345	332	321	341	332	345	343	341	339	312	293	281	336
Average retail sales price	18,455	15,405	16,649	13,621	11,793	11,125	10,604	10,540	10,361	9,680	9,768	9,721	9,675	9,361	9,137	9,056	8,690	8,125	7,494
Same store revenue growth	21.5%	46.7%	30.5%	18.7%	9.3%	8.4%	5.2%	3.5%	2.7%	2.9%	-0.8%	3.3%	7.5%	7.3%	11.2%	8.3%	13.0%	-3.2%	9.89
Receivables average yield	n/a	40.7% n/a	15.8%	15.9%	15.7%	15.6%	15.2%	14.5%	14.2%	14.2%	14.2%		14.2%	13.6%	12.0%	11.4%	12.7%	12.5%	11.69
Components of Sales Revenue:																			
Sales - used autos	262,015	216,590	927,043	713,925	567,816	506,184	462,956	448,183	436,080	416,060	385,672	368,674	340,368	300,107	273,584	241,723	222,772	195,722	
Wholesales - third party	13.820	12.295	51,641	34,286	28,966	27,376	25,638	23,554	24,917	19,961	18,886	19,718	21,910	19,601	14,568	13,451	13,911	12,156	Not
, ,	15,640	10,161	49.154	34,286	31,480	30,243	25,638	23,554	24,917	19,961	15,833	19,718	13.451	12,042	14,568	10,274	10,044	9.020	
Service contract sales	.,	-, -	49,154 32,674	26,826	. ,	, .	-, -	-,	,	-,	-,	,	-,-	10,109	9,152	-,	-,-	9,020	provided in 10-K
Payment protection plan revenue	9,065	7,696			24,730	22,705	20,452	19,744	18,197	16,790	14,113	12,754	11,128			7,892	3,610		

Income Statements – Q1 Fiscal 2020 to Q1 Fiscal 2023

	Fiscal 2023		Fisca	l 2022			Fiscal	2021			Fisca	2020	
Quarters Ending on	7/31/22	4/30/22	1/31/22	10/31/21	7/31/21	4/30/21	1/31/21	10/31/20	7/31/20	4/30/20	1/31/20	10/31/19	7/31/19
Revenues:													
Sales	300,540	309,570	252,918	251,282	246,742	248,625	199,957	196,684	162,799	171,922	163,253	167,743	150,074
Interest and other income	44,342	42,267	38,980	37,019	33,587	30,454	28,303	26,676	25,112	23,767	23,481	22,567	21,804
Total revenues	344,882	351,837	291,898	288,301	280,329	279,079	228,260	223,360	187,911	195,689	186,734	190,310	171,878
Costs and expenses:													
Cost of sales	193,115	196,452	157,248	157,167	152,764	148,773	118,816	116,690	94,874	102,260	97,504	99,826	88,885
Selling, general and administrative	43,234	40,990	39,179	37,161	38,800	36,139	33,423	32,536	28,757	30,464	30,331	28,296	28,671
Provision for credit losses	82,903	75,305	66,741	60,947	54,108	36,077	47,639	43,862	36,084	49,361	40,233	41,177	31,475
Interest expense	7,345	3,480	2,944	2,513	1,982	1,738	1,705	1,658	1,719	1,943	2,024	2,081	2,004
Depreciation and amortization	1,151	1,210	950	958	915	947	906	928	938	926	975	971	967
Loss (gain) on disposal of property and equipment	8	61	42	44	2	2	22	(64)	-	(153)	-	2	37
Total costs and expenses	327,756	317,498	267,104	258,790	248,571	223,676	202,511	195,610	162,372	184,801	171,067	172,353	152,039
Income before income tax	17,126	34,339	24,794	29,511	31,758	55,403	25,749	27,750	25,539	10,888	15,667	17,957	19,839
Provision for income tax	3,884	7,662	6,024	6,618	6,791	11,906	5,867	6,554	5,975	1,629	2,981	4,070	4,328
Net income	13,242	26,677	18,770	22,893	24,967	43,497	19,882	21,196	19,564	9,259	12,686	13,887	15,511
Less Dividends on mandatorily redeemable preferred stock	10	10	10	10	10	10	10	10	10	10	10	10	10
Net income attributable to common shareholders	13,232	26,667	18,760	22,883	24,957	43,487	19,872	21,186	19,554	9,249	12,676	13,877	15,501
Shares outstanding, dilutes	6,602	6,650	6,780	6,863	6,998	7,029	6,966	6,936	6,916	6,873	6,940	6,953	7,017
Earnings per share, diluted	2.00	4.01	2.77	3.33	3.57	6.19	2.85	3.05	2.83	1.35	1.83	2.00	2.21
Gross margin	35.7%	36.5%	37.8%	37.5%	38.1%	40.2%	40.6%	40.7%	41.7%	40.5%	40.3%	40.5%	40.8%
Net margin	3.8%	7.6%	6.4%	7.9%	8.9%	15.6%	8.7%	9.5%	10.4%	4.7%	6.8%	7.3%	9.0%
SG&A as percentage of sales	14.4%	13.2%	15.5%	14.8%	15.7%	14.5%	16.7%	16.5%	17.7%	17.7%	18.6%	16.9%	19.1%
Provision for credit losses as % of sales	27.6%	24.3%	26.4%	24.3%	21.9%	14.5%	23.8%	22.3%	22.2%	28.7%	24.6%	24.5%	21.0%
Operating Data:													
Retail units sold	15,536	16,426	14,126	14,824	15,219	16,555	14,053	14,022	12,176	13,314	13,314	13,763	12,523
Average number of dealerships	154	154	153	151	151	151	150	150	148	147	145	145	144
Average retail units sold per store per month	33.6	35.6	30.8	32.7	33.6	36.5	31.2	31.2	27.4	30.2	30.6	31.6	29.0
Average retail sales price	18,455	17,860	17,076	16,179	15,405	14,387	13,688	13,365	12,800	12,408	11,750	11,589	11,410
Total gross profit per retail unit sold	6,915	6,887	6,773	6,349	6,175	6,032	5,774	5,705	5,579	5,232	4,938	4,935	4,886
Same store revenue growth	21.5%	24.2%	26.8%	28.2%	46.7%	37.6%	16.9%	12.8%	5.5%	8.6%	15.1%	12.2%	3.3%
Net charge-offs as a percent of average finance receivables	5.6%	5.6%	5.3%	4.8%	4.3%	4.8%	4.9%	4.7%	4.8%	5.6%	5.9%	6.1%	5.4%
Average % of finance receivables current excl 1-2 days)	80.4%	82.7%	80.8%	81.4%	84.0%	85.3%	84.3%	84.8%	84.8%	79.6%	82.8%	83.5%	83.0%
Average down-payment percentage	5.4%	7.0%	5.4%	6.0%	6.9%	8.7%	5.5%	6.4%	7.6%	7.8%	5.4%	6.0%	6.5%
Period End Data:													
Stores open	154	154	153	152	151	151	151	150	150	148	145	145	145
Accounts over 30 days past due	3.6%	3.0%	4.0%	4.0%	3.3%	2.6%	2.8%	2.5%	2.6%	6.2%	3.6%	3.5%	3.8%
Active customer count	96,899	95,107	93,982	93,231	91,158	88,092	85,807	83,945	81,738	80,669	80,250	78,910	77,199
Weighted average total contract term	44.0	42.9	41.2	40.0	38.7	37.3	35.7	35.0	33.9	33.3	32.5	32.3	32.1

Cash Flow Statements – Fiscal 2007 to Fiscal 2022

								For Fiscal Ye									Cumulative
Figures in thousands except per share amounts	4/30/22	4/30/21	4/30/20	4/30/19	4/30/18	4/30/17	4/30/16	4/30/15	4/30/14	4/30/13	4/30/12	4/30/11	4/30/10	4/30/09	4/30/08	4/30/07	2007-2022
Operating activities:																	
Net income	93,307	104,139	51,343	47,625	36,509	20,205	11,596	29,490	21,129	32,165	32,987	28,215	26,839	17,946	15,073	4,232	572,800
Adjustments to reconcile net income to net cash from operations:																	-
Provision for credit losses	257,101	163,662	162,246	146,363	149,059	149,097	144,397	120,289	119,247	96,035	81,638	70,964	62,277	58,807	55,046	63,077	1,899,30
Losses on claims for payment protection plan	21,871	18,954	17,966	17,020	16,748	15,627	13,521	10,588	9,586	7,544	6,053	4,927	4,504	4,061	1,871	-	170,843
Depreciation and amortization	4,033	3,719	3,839	3,969	4,250	4,272	4,208	3,830	3,285	2,826	2,329	1,928	1,694	1,395	1,148	994	47,719
Amortization of debt issuance costs	775	391	273	251	260	252	214	188	209	209	182	88	-	-	-	-	3,292
Loss on disposal of property and equipment	149	(40)	(114)	(91)	91	1,204	369	17	76	58	91	55	375	(10)	203	(82)	2,35
Allowance related to acquisition of business, net change	-	-	-	-	-	-	-	-	-	-	-	-	(70)	-	-	-	(70
Stock-based compensation	5,496	5,962	4,732	3,703	1,603	1,293	1,519	780	1,391	1,852	2,172	2,885	2,727	2,112	1,600	533	40,36
Unrealized gain for change in fair value of interest rate swap	-	-	-	-	-	-	-	-	-	-	-	(72)	(155)	1,522	-	-	1,29
Deferred income taxes	8,226	7,028	(1,280)	1,701	(6,360)	638	(898)	3,934	(2,923)	1,446	3,316	4,212	816	4,912	3,130	(754)	27,14
Excess tax benefit from stock based compensation		-	-	-	-	(1,183)	(238)	(1,627)	(141)	(190)	(221)	5	(134)	(453)	(77)	(85)	(4,34
Change in operating assets and liabilities:																	-
Finance receivable originations	(1,009,859)	(762,716)	(604,497)	(540,505)	(494,641)	(479,099)	(460,499)	(445,405)	(404,918)	(387,895)	(354,328)	(311,249)	(283,626)	(252,879)	(230,920)	(196,200)	(7,219,23
Finance receivable collections	417,796	370,254	322,180	293,739	260,104	249,264	248,166	238,845	223,538	207,713	200,697	188,840	169,902	149,357	129,232	124,092	3,793,71
Accrued interest on finance receivables	(1,559)	(269)	(750)	(159)	(91)	(382)	286	(172)	(46)	(356)	(295)	(172)	(183)	55	(139)	124	(4,10
Inventory	50,881	5,019	53,827	47,641	38,793	42,493	48,154	40,686	50,009	34,072	33,495	26,408	18,740	20,024	20,249	16,811	547,30
Prepaid expenses and other assets	(2,924)	(1,679)	193	113	(780)	(730)	284	(887)	(1,298)	(1,071)	319	(958)	284	(628)	(232)	(46)	(10,04
Accounts payable and accrued liabilities	5,166	14,766	1,009	2,226	4,712	676	1,115	3,862	(1,675)	2,847	1,482	1,302	3,402	1,214	3,690	(692)	45,10
Deferred payment protection plan revenue	11,232	8,224	3,113	1,544	1,351	1,167	1,653	2,419	323	2,165	1,782	734	876	2,722	4,631	-	43,93
Deferred service contract revenue	24,449	12,465	1,049	259	721	(423)	450	5,350	770	-		-	-		-	-	45,09
Income taxes, net	(424)	(3,691)	5,788	(497)	(2,335)	2,963	(11)	200	3,313	(756)	(3)	(1,248)	(151)	4,161	(1,390)	(3,695)	2,22
Other	- (,	-	-	- (,	-		-		-	-	-	-	- (/	-,	-	-	
Net cash provided by operating activities	(114,284)	(53,812)	20,917	24.902	9.994	7.334	14,286	12,387	21,875	(1,336)	11,696	16.864	8.117	14,318	3,115	8.309	4.682
Investing activities:	· · · · ·	(,- ,	-,-	,	.,	,	,	,	,	(, ,	,	.,		,	-,	.,	,
Purchases of property and equipment	(20,921)	(8,952)	(5,422)	(4,029)	(2,258)	(1,587)	(4,526)	(4,009)	(7,095)	(5,726)	(4,452)	(4,801)	(6,465)	(2,664)	(2,559)	(2,716)	(88,182
Purchase of investments	(1,343)	-	(4,648)	-	-	(=,==-,	- (-,,	- (-,,	(.,,	-	- (-,,	- (-,,	-	(=,===,	(=,===,	-	(5,99
Proceeds from sale of property and equipment	20	694	184	142	554	932	7	112	2	208	17	8	1,020	62	112	357	4,43
Payment for business acquired		-	_		-	-					-	-	-			(460)	(460
Proceeds from sale of finance receivables due to dealership closure	_		-	-	-	-	-	-	-	-			-	-	343	- (400)	343
Net cash provided by (used in) investing activities	(22,244)	(8,258)	(9,886)	(3,887)	(1,704)	(655)	(4,519)	(3,897)	(7,093)	(5,518)	(4,435)	(4,793)	(5,445)	(2,602)	(2,104)	(2,819)	(89,859
Financing activities:	(22,244)	(0,230)	(3,000)	(3,007)	(1,704)	(033)	(4,313)	(3,037)	(1,033)	(3,310)	(4,433)	(4,733)	(3,443)	(2,002)	(2,104)	(2,013)	(83,83
Exercise of stock options and warrants	(1,488)	4,034	1,533	5,117	1,641	1,895	400	4,143	720	790	1,371	-	200	301	205	81	20,943
Excess tax benefits from stock based compensation	(1,400)	4,034			1,041	1,183	238	1,627	141	190	221	5	134	453	77	85	4.35
Issuance of common stock	293	258	190	147	115	1,183	186	146	151	143	118	103	110	164	117	- 65	2,38
Purchase of common stock	(34,698)	(10,616)	(16,009)	(26,577)	(42,301)	(20,486)	(14,214)	(20,020)	(12,754)	(17,305)	(39,367)	(20,347)	(10,857)	(1,181)	(3,538)	(454)	(290,72
Dividend payments	(34,698)	(40)	(40)	(40)	(42,301)	(40)	(14,214)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(40)	(454)	(290,724
	, ,	(282)						. ,	. , ,	. ,			(40)	(40)	(40)	-	
Debt issuance costs Change in each everdrafts	(6,108)		(505)	(371) 768	(103)	(449) 669	146	(256)	(207) (452)	(56)	(306) 128	(530)		(900)	2,556	(2,441)	(9,02
Change in cash overdrafts	(1,802)	1,802	(1,274)		(163)		(1,587)	502	(452)	1,409		(610)	(1,046)	(,	-		(2,44
Proceeds from/payments on notes payable	399,994	(524)	(509)	(389)	(107)	(104)	(34)	277 225	220.424	220 220	324.853	(6,822)	(2,106)	(821)	(769)	10,518	398,32
Proceeds from revolving credit facilities	331,113	73,337	442,490	450,554	433,818	387,050	374,214	377,225	329,424	330,238	. ,	149,967	122,462	90,015	78,405	68,456	4,363,62
Payments on revolving credit facilities	(511,042)	(62,566)	(379,099)	(449,494)	(400,562)	(376,707)	(369,264)	(371,316)	(331,748)	(308,519)	(294,186)	(133,842)	(111,429)	(99,692)	(78,128)	(81,733)	(4,359,32
Net cash provided by (used in) financing activities	176,222	5,403	46,777	(20,285)	(7,702)	(6,847)	(9,955)	(7,989)	(14,765)	6,850	(7,208)	(12,116)	(2,572)	(11,701)	(1,115)	(5,488)	127,50
Increase (decrease) in cash and cash equivalents	39,694	(56,667)	57,808	730	588	(168)	(188)	501	17	(4)	53	(45)	100	15	(104)	2	42,33
Cash and cash equivalents, beginning of period	2,893	59,560	1,752	1,022	434	602	790	289	272	276	223	268	168	153	257	255	25.
Cash and cash equivalents, end of period	42,587	2,893	59,560	1,752	1,022	434	602	790	289	272	276	223	268	168	153	257	42,58