

SENTINEL CREDIT

America's Car-Mart, Inc.

COUNTERPARTY CREDIT REPORT — trade-credit decision support

NASDAQ: CRMT · Auto Retail + Captive Subprime Finance · Financials as of FY2025 (year ended 30 Apr 2025, 10-K filed 8 Aug 2025) · Report date 19 Jun 2026

This is a sample of the report Sentinel Credit generates for any counterparty. All figures are drawn from America's Car-Mart's public SEC filings; the ratings, posture, and exposure guidance are illustrative model output, not investment advice or an official credit rating.

1. The decision, up front

- **ORANGE — STRONG CAUTION.** Trade only under tight, capped, short-dated terms with enhanced monitoring; secure or prepay any material balance. A specialty-finance counterparty whose own loan-book quality drives the risk.

Recommendation driven by: 1. Subprime loan-book credit losses (provision ~27% of receivables) 2. Very thin liquidity (\$9.8M cash) and reliance on revolver / securitization funding 3. Severe equity-market repricing — stock ~96% off its high (price/book ~0.04)

Mitigants: returned to GAAP profitability in FY2025 (+\$17.9M) · positive book equity \$570M (~48% of net receivables — a real capital cushion) · 40-year operating history · collateralized lending (vehicle title)

Watch items: net charge-off and delinquency trend · funding cost and ABS / revolver access · used-vehicle values · consumer-credit cycle in its South-Central markets

What would improve it: falling net charge-offs for two quarters · a rebuilt cash buffer · stable or rising tangible book value · a recovery in the equity price toward book

SENTINEL GRADE	PAYS SUPPLIERS IN	RECOMMENDED TERMS	12-MO PD (MODEL)	EXPOSURE	MONITORING
B- · Negative watch	~18 days	Net-15 / 30, capped	~10%	Secure larger	Monthly + on trigger

Car-Mart is a finance company, so balance-sheet ratios behave differently from an industrial buyer. Its trade payables are small (it buys vehicles for cash/wholesale); the real exposure for a counterparty is the firm's own funding and loan-book quality, not its days-payable.

Suggested trade terms

EXPOSURE	SUGGESTED TERMS	SAFEGUARD
Small / routine	Net-15 / 30, capped	Keep tightly within an absorbable loss; monitor monthly.
Moderate	Net-15, firm cap	Shorten terms; require trade-credit insurance before increasing the line.
Large / concentrated	Prepaid / secured	Do not extend unsecured — cash-in-advance, letter of credit, or insured shipments only.

Credit officer commentary

America's Car-Mart is a subprime "buy-here-pay-here" used-vehicle retailer with a captive finance arm; Sentinel grades it B-. This is a specialty-finance counterparty, so the credit question is the quality of its own loan book, not factory leverage: provisions for credit losses run near a quarter of receivables, liquidity is very thin (\$9.8M cash), and the firm depends on its revolver and securitization market for funding. The equity market has repriced the name down roughly 96% from its high, to about four cents on the dollar of book value — a loud distress signal. Offsetting that, the company returned to GAAP profit in FY2025 and still carries a positive \$570M book-equity cushion (~48% of net receivables). We would trade only on tight, capped, short-dated terms and secure or prepay anything material.

Why B-?

SUPPORTS	BINDING CONSTRAINT
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Back to GAAP profit (+\$17.9M) · positive book equity \$570M (~48% of receivables) · 40-year history · collateralized (vehicle title)	Subprime loan-book credit losses, very thin liquidity, funding-market dependence, and an equity market pricing severe distress (P/B ~0.04)
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Reading a specialty-finance counterparty

Standard industrial metrics mislead here. Debt/EBITDA is not meaningful because most debt funds the loan book; negative operating cash flow reflects receivables GROWTH financed by debt, not a cash drain from operations. Assess Car-Mart instead on loan-loss provisioning, net charge-offs and delinquency, funding mix and access, and capital adequacy (equity vs. receivables). On those measures it is high-risk but still a capitalized going concern.

2. Two views, never blended

Implied Agency is what the rating-agency methodologies imply for this issuer — the external benchmark. The Sentinel Rating is our own view after financing-structure, earnings-quality, and surveillance intelligence. The divergence between them is the signal.

VIEW	GRADE	WHAT IT REFLECTS
Implied Agency	B (speculative)	Car-Mart funds primarily through a revolver and asset-backed securitizations; its securitization tranches carry investment-grade ratings, but the corporate profile is speculative.
Sentinel Rating	B- · Negative	Sentinel marks the corporate counterparty one notch lower for the loan-book credit-loss exposure, thin liquidity, and the severity of the equity-market signal.
Equity-market overlay	P/B ~0.04	The market values the equity at ~4% of book — far below where the financial statements alone would place it. Sentinel treats this as a forward distress signal, not a valuation opinion.

Analysis confidence: High on reported figures; the forward risk hinges on loan-book performance disclosed with a lag. Forward Probability of Insolvency: Elevated. Posture: Liquidity-sensitive — funding-dependent with a thin cash buffer.

3. Financial snapshot & trajectory

◆ **MIXED / HIGH-RISK** — earnings recovered from a FY2024 loss to a small FY2025 profit, and book equity rebuilt — but funding costs are rising, cash is thin, and the equity market has repriced the name down ~96%. Stabilizing on the income statement; still flashing distress on funding and market signals.

\$ in millions	FY2023	FY2024	FY2025	DIRECTION
Revenue	1,405	1,394	1,391	▬ flat
Net income	20.4	(31.4)	17.9	▲ recovered
Net finance receivables	1,063	1,098	1,180	▲ growing
Interest expense	38	65	71	▼ rising cost
Total debt	701	820	845	▼ rising
Book equity	499	471	570	▲ rebuilt
Cash & equivalents	9.8	5.5	9.8	▬ very thin
Equity market cap	~\$0.4B	~\$0.5B	~\$20M	▼ collapsed

Provision for credit losses runs near 27% of receivables — the defining number for a subprime lender. Cash is just \$9.8M; the company relies on its revolving credit facility and ABS issuance for liquidity. Book equity of \$570M against \$1.18B of net receivables is a meaningful capital cushion, which is why this reads as high-risk rather than insolvent.

4. Surveillance triggers — what would change the call

DOWNGRADE / TIGHTEN IF	UPGRADE / RELAX IF
Net charge-offs or delinquencies rising further; a covenant or borrowing-base squeeze on the revolver; loss of ABS market access; tangible book value falling.	Two consecutive quarters of declining net charge-offs; a rebuilt cash buffer; stable or rising tangible book value; an equity-price recovery toward book.

Methodology & disclosure

Sentinel independently simulates each major rating agency's published methodology, blends the three into one implied rating, and layers its own overlays for financing structure, earnings quality, cycle, and concentration. The Sentinel Rating is deliberately separate from the agency-implied view; the divergence is the signal. Inputs here are Car-Mart's audited FY2023–FY2025 SEC filings (fiscal year ends 30 April). Equity market cap is illustrative, from public quotes. Figures are rounded.

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