

America's
CAR-MART[®]

2020 Annual Report

To Our Fellow Shareholders:

America's Car-Mart, Inc. continued to demonstrate our long-standing disciplined approach to successfully growing our business during fiscal year 2020. Since 2002, our Company has achieved a compounded annual revenue growth rate of more than 10%. Together, we are building the foundation for a large business with a long runway in a highly fragmented industry. There is real purpose in our work, and we believe every town in America would be better with an America's Car-Mart.

In 2020, despite the unprecedented circumstances under which we ended the fiscal year resulting from the COVID-19 pandemic, we grew revenue 11.3% to a record \$745 million. We grew net income by 7.8% and diluted earnings per share by 9.8% to \$7.39. We earned 18.2% on average equity during the year and 8.8% on average assets, which includes a \$61 million "Right-of-Use Asset" under new Lease Accounting guidelines. Our earnings and related financial measures reflect a pre-tax \$9.1 million, or \$1.02 per diluted share, increase in the allowance for credit losses primarily related to the pandemic.

Fiscal year 2020 was also marked by our negotiation of a new loan agreement with our lending group, our first significant acquisition and the relocation of our corporate offices – just as the pandemic struck.

Since the fiscal year-end, we have witnessed and heard the calls for social justice in our communities and around the world following the killing of George Floyd in Minneapolis in late May. These events underscore the need for our continuing efforts to intentionally provide individual support to help associates advance and reach their potential with our company. Throughout these events, our

team has grown closer, and we are committed to improving. We are proud of the diversity of our workforce and will continue to listen, learn, and grow as we move forward. We take associate growth for all of our associates very seriously, as it forms the foundation of our future success.

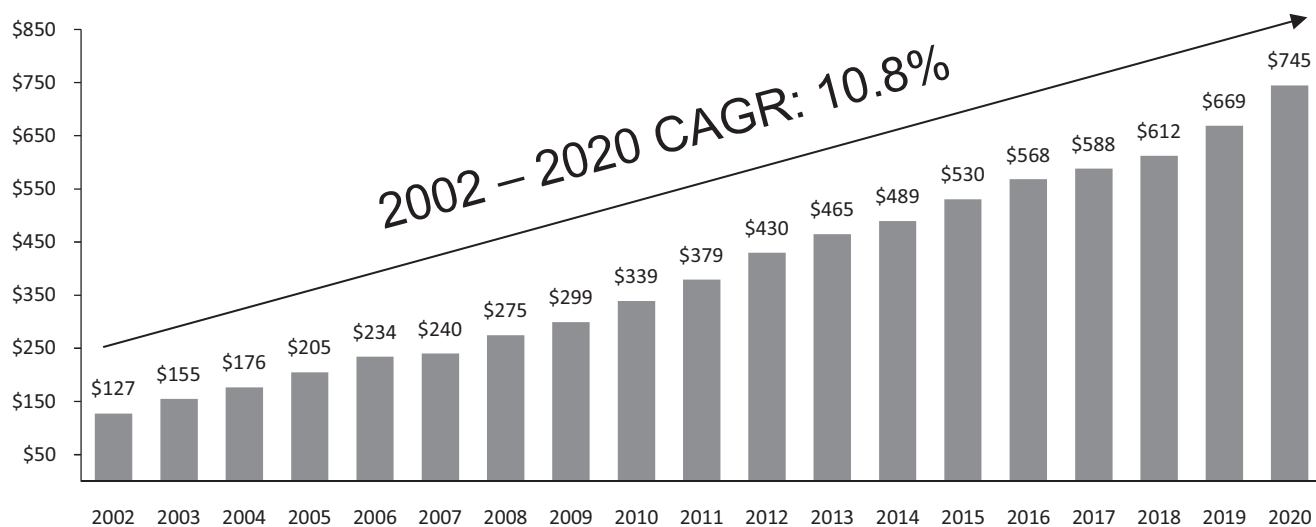
In fiscal 2020, we grew net finance receivables by \$51 million, repurchased \$16 million of common stock, and funded \$5 million in long-term capital expenditures – a total of \$72 million – with an increase in debt, net of cash of \$5 million. Over the past six years, we have increased net finance receivables by \$172 million, repurchased \$140 million in common stock, funded \$23 million in net capital expenditures, increased inventory by \$6 million to support higher revenues – a total of \$341 million – with only a \$59 million increase in debt, net of cash.

OUR MISSION

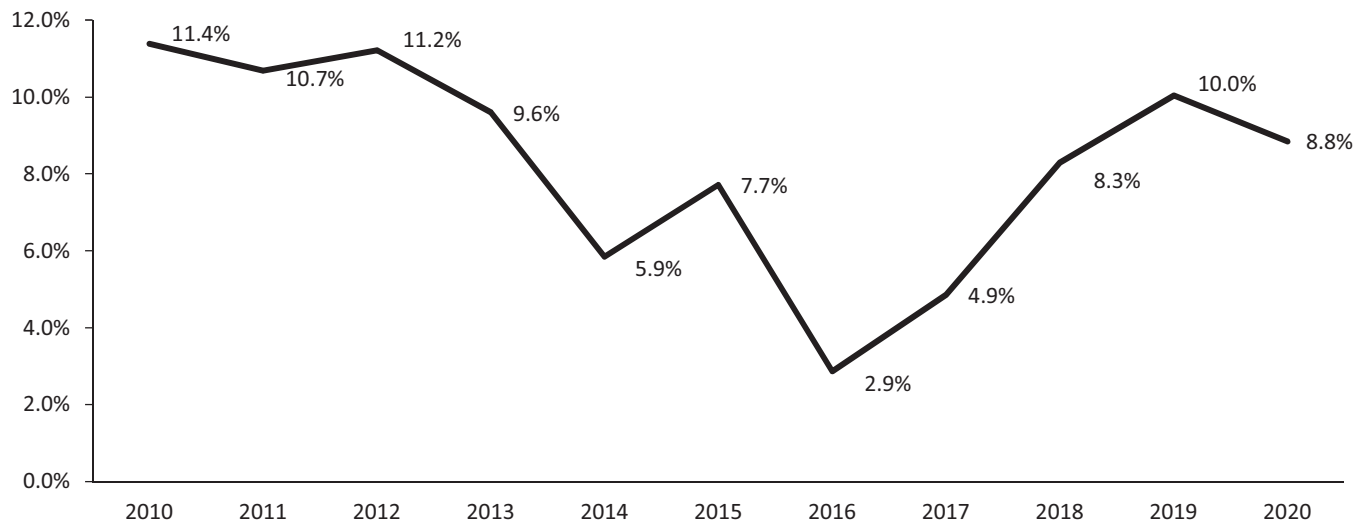
We strive to earn the **repeat business** of our customers by providing quality vehicles, affordable payment terms, and excellent service.

Our customers have depended on America's Car-Mart for almost 40 years. The challenges brought by the pandemic have allowed us to further "walk the walk" with our customers and solidify the vital role we play in our communities. We adjusted schedules and hours but retained

Significant Top-Line Growth (\$'s in millions)



Return on Average Assets



all our associates and kept our doors open. Our team responded effectively as associates from different functions and geographies pitched in to help meet customers' needs across the Company. We temporarily suspended all repossessions and maintained frequent contact with our customers via telephone, SMS, and in person. Most importantly, we quickly focused on safeguarding the health of our associates and customers. Everyone's next priority was keeping our essential business open. The ability to make key customer decisions in the field, supported by customer communications efforts from the corporate office, helped us continue to deliver great customer experiences. Like we have for nearly 40 years, Car-Mart continues to help people through difficult times, one customer at a time.

Our associates' commitment to the customer, and dedication to the Company's mission, vision, and values, are the keys to our future growth. We continue to make great strides at improving our recruiting and training through our new "Car-Mart University" effort – this will help us retain the best associates possible. Total turnover dropped across the organization, with particular progress being made in the Assistant Manager position, where annual turnover improved from 34% to 22%, a direct result of improved training. We have a series of targeted efforts in place to continue to drive this key operational metric lower.

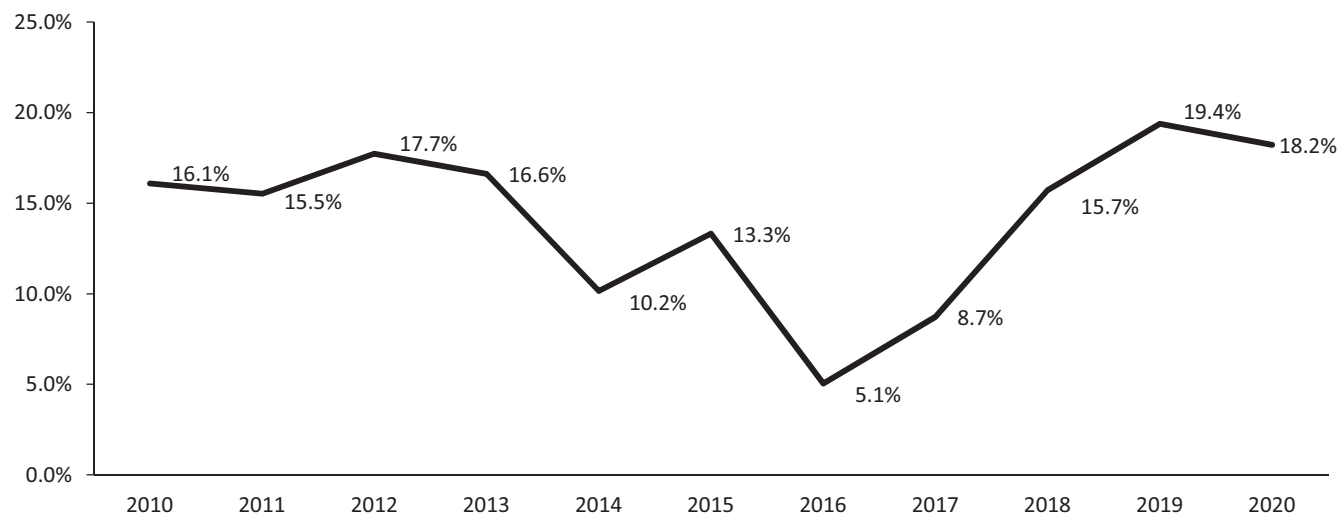
OUR VISION

To be America's best auto sales and finance company in the eyes of our associates and customers while improving the communities we serve.

In the past we pursued a traditional expansion strategy that relied on opening new stores. While we fully intend to open new dealerships as part of our future growth strategy, we more recently shifted our investments to improving our training, revamping and scaling our procurement processes, and upgrading our technology. Our goal is to grow profitably by serving as many customers as possible while deploying our resources as efficiently as possible. We have made large investments in all three of these areas (training, procurement, and technology) which we believe will translate into both higher growth and greater customer satisfaction. While the timing of these expenditures is certain, we cannot be exactly sure of the timing of the associated rewards. We want to grow at a rate we can support, without sacrificing quality or returns. We are a "ground up" company and it can take time for associates and General Managers (GMs) to digest and adopt operational changes. Importantly, these folks run the business; our corporate staff exists largely to support their critical work.

The pandemic provided us with the opportunity to reset and refresh our inventory of quality used vehicles. Every GM has limited time and multiple responsibilities - buying, coordinating transport and repairs to vehicles, selling cars, servicing customers, and collecting payments, running an office, and more. Since the process begins with putting the customer in a quality vehicle, historically our best GMs have devoted considerable resources to inventory procurement while dedicating less time to pursuing strategic growth opportunities. To address this issue, we have a renewed focus on procurement, led by our Vice President of Inventory Operations. We are establishing regional reconditioning efforts, building a network of preferred vendors which will provide a consistent quality and higher quantity of vehicles while

Return on Average Equity



simplifying our sourcing. Doing more volume with fewer vendors helps our GMs by increasing accountability, simultaneously simplifying logistics for our suppliers, and most importantly freeing up time to focus on market share and serving more customers at the highest levels.

By supporting the GMs and associates with these investments in procurement, they are able to focus on value-add activities which are a better use of their time, allowing them to grow market share by taking care of associates and customers. Given the right tools, most of our GMs can support 1,000 or more customers; our average location currently has about 550 customers. With a healthy balance sheet and solid cash flows, we can continue to deploy capital for growth in markets where we believe sustained market share growth is attainable. While we cannot be certain as to the long-term impact of the pandemic on our financial condition and growth plans, we are pushing hard to get there.

Over the last year, we have continued to improve the selection of quality vehicles, both by brand and type, on our lots. Responding to customer demand, we have also added lower-mileage, higher-priced cars to keep our best customers shopping at Car-Mart. Our recent efforts to source vehicles from rental car companies complement this effort nicely. Our "Dare to Compare" messaging focuses on the total cost of vehicle ownership, not just monthly payment, and highlights the substantial savings a Car-Mart customer enjoys over both third-party finance companies and traditional "buy-here, pay-here" dealers.

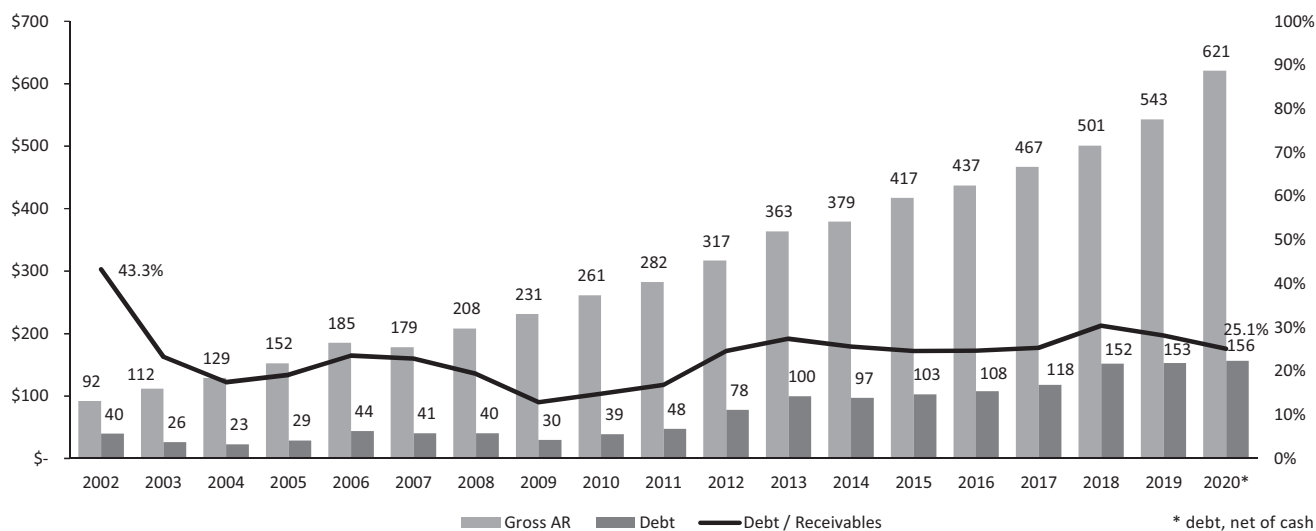
We are a small-town character lender, where our customers and associates know each other. As a fully integrated automobile retailer, we work hard to maintain

frequent contact with our customers over the course of time. During the pandemic, customers could easily reach our local office, and vice versa, to take care of customers' needs as they were presented with significant stress and anxiety related to the unknowns surrounding the pandemic. This type of service makes Car-Mart more convenient for many. It is imperative that we provide customers with a quality, mechanically sound vehicle that they can afford. Our "Cars on the Road Pledge" is under development and being piloted, and will include lengthening our service contract and adding roadside assistance and oil changes, features that provide real value to our customers. Our customers' quality of life is directly impacted by our daily work. Just because they are buying an older model, higher mileage vehicle, does not mean that they should not enjoy the peace of mind which comes from reliable transportation. The support we offer after the sale, regardless of what comes along, coupled with our presence in the local community, are also important to delivering good value. We are deeply committed to the advancement of our associates and to the success of our customers. We are working hard to be the best in the world at providing transportation solutions to credit-challenged customers in the markets where we operate.

We believe the credit quality of our book of loans is superior to many of the securitizations of subprime loans that we see. Just as important, we strive for an expense structure that compares well to best-in-class used-car dealers for our dealership operations and to the most well-regarded finance companies for our finance company, all with the overriding goal to provide our customers with an unmatched experience before, during and after the sale. Given our value proposition, we have an obligation to grow at a rate which allows

Self-Funded Growth (\$'s in millions)

\$240 million in Share Re-Purchases since Feb 2010



us to continue to deliver unparalleled service to our customers. Given the efficiencies of our scale and our unique customer experience, we have the opportunity to continue to gain market share where we operate.

We believe the cash we generate is invested for shareholders according to the highest and best use. Over time, our receivables have generated around a 55% discounted cash-on-cash return; the internal rate of return on our share repurchases since 2010 is around 15%. Our relatively low level of indebtedness provides us with the flexibility to grow, leveraging the cash flows generated by our top performing managers. Given the returns in our business, the opportunities to gain market share and the demand for our services, we direct our cash flow first to growing our base business in a prudent manner. We have grown our active customer count by 6.7% during the past year and by more than 25% over the past five years, with a high percentage of our growth being supported and served by our top performing GMs.

We are optimistic about our acquisition of Taylor Motors in the fourth quarter of 2020 and are excited to have Steve Taylor and his team working with us. We believe we can provide a great home to other family-owned dealerships, enabling the owners to both collect the investment they have made in existing receivables and provide a career runway to long-time associates. While we are exploring other potential acquisitions with people whom we would like as partners, we are also wary of risking our capital by acquiring an existing book of receivables. Over the years, our cash flows and returns have been tested – we understand our market position and our

strengths and try to stay mindful of our weaknesses and shortcomings. We are excited by the wide range of opportunities to invest our cash flow in our business, and we are centralizing digital activities, facilitating online sales, working toward an increasingly convenient customer experience, enhancing our service contracts, and continually working on improving our collections efforts.

Even though our Company can in many ways be considered a 39 year-old start-up, one thing has never changed and never will – our focus on the customer experience and earning repeat business. Our business is operated from the ground up, and we grind it out every day out in the field. Our Chief Operating Officer, Leon Walthall, continues to drive lot level execution by consistently pushing our “Non-Negotiables” and demanding excellence in our daily work.

Operational Non-Negotiables

Customer Experience • Facilities and Associates
Inventory • Collections
Expense Management

We believe that our customers need us more than ever. What we do is very important to the quality of life for many, and we make a big difference in the world.

We are very excited about our future and the opportunities we have to continue to grow and serve

more customers. We have real purpose in our work and have a responsibility to positively contribute to the growth of our associates and to improve the communities we serve. Our 2,000 associates serve almost 81,000 customers in 148 communities. We also have several thousand vendor partners that are part of our team. Through this network we have a tremendous opportunity to be a positive force in making our country a better place in the future. We will be fully engaged and doing our part to build bridges and we are optimistic that we will make a meaningful and lasting difference.

As shareholders, we focus on increasing long-term value and will continue to push to improve our business as we move forward. There are certainly question marks around what a post-pandemic world looks like and how our highly fragmented industry will be affected. Thus far, our customers have responded well and have continued to support our sales and collections. Despite the uncertain environment, we believe the unique nature of what we do will position us to continue to grow at a healthy, sustainable rate for the foreseeable future.

We would like to thank our customers for choosing us, our associates for their dedication and sacrifices, and you, our fellow shareholders, for your support.

OUR VALUES

Integrity • Respect
Compassion • Excellence



Jeffrey A. Williams
President and Chief Executive Officer



Vickie D. Judy
Chief Financial Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended April 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 0-14939

AMERICA'S CAR-MART, INC.

(Exact name of registrant as specified in its charter)

Texas **63-0851141**
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No)

1805 North 2nd Street, Suite 401
Rogers, Arkansas **72756**
(Address of principal executive offices) (Zip Code)
(479) 464-9944

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	CRMT	NASDAQ Global Select Market

Securities registered pursuant to section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
 Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates on October 31, 2019 was \$546,262,034 (6,003,539 shares), based on the closing price of the registrant's common stock on October 31, 2019 of \$90.99.

There were 6,632,819 shares of the registrant's common stock outstanding as of June 15, 2020.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be furnished to stockholders in connection with its 2020 Annual Meeting of Stockholders are incorporated by reference in response to Part III of this report.

PART I

Forward-Looking Statements

This Annual Report on Form 10-K and the documents incorporated by reference in this Annual Report on Form 10-K contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address the Company’s future objectives, plans and goals, as well as the Company’s intent, beliefs and current expectations regarding future operating performance, and can generally be identified by words such as “may”, “will”, “should”, “could”, “believe”, “expect”, “anticipate”, “intend”, “plan”, “foresee” and other similar words or phrases. Specific events addressed by these forward-looking statements include, but are not limited to:

- new dealership openings;
- performance of new dealerships;
- same dealership revenue growth;
- future revenue growth;
- receivables growth as related to revenue growth;
- gross margin percentages;
- interest rates;
- future credit losses;
- the Company’s collection results, including but not limited to collections during income tax refund periods;
- seasonality;
- compliance with tax regulations;
- the Company’s business and growth strategies;
- financing the majority of growth from profits; and
- having adequate liquidity to satisfy the Company’s capital needs.

These forward-looking statements are based on the Company’s current estimates and assumptions and involve various risks and uncertainties. As a result, you are cautioned that these forward-looking statements are not guarantees of future performance, and that actual results could differ materially from those projected in these forward-looking statements. Factors that may cause actual results to differ materially from the Company’s projections include those risks described elsewhere in this report, as well as:

- business and economic disruptions and uncertainty resulting from the COVID-19 pandemic and efforts to mitigate the financial impact and health risks associated with the pandemic;
- general economic conditions in the markets in which the Company operates, including but not limited to fluctuations in gas prices, grocery prices and employment levels;
- the availability of credit facilities to support the Company’s business;
- the Company’s ability to underwrite and collect its contracts effectively;
- competition;
- dependence on existing management;
- ability to attract, develop and retain qualified general managers;
- availability of quality vehicles at prices that will be affordable to customers;
- changes in consumer finance laws or regulations, including but not limited to rules and regulations that have recently been enacted or could be enacted by federal and state governments;
- security breaches, cyber-attacks, or fraudulent activity; and
- the ability to successfully identify, complete and integrate new acquisitions.

The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the dates on which they are made.

Item 1. Business

Business and Organization

America's Car-Mart, Inc., a Texas corporation initially formed in 1981 (the "Company"), is one of the largest publicly held automotive retailers in the United States focused exclusively on the "Integrated Auto Sales and Finance" segment of the used car market. References to the "Company" include the Company's consolidated subsidiaries. The Company's operations are principally conducted through its two operating subsidiaries, America's Car Mart, Inc., an Arkansas corporation ("Car-Mart of Arkansas"), and Colonial Auto Finance, Inc., an Arkansas corporation ("Colonial"). Collectively, Car-Mart of Arkansas and Colonial are referred to herein as "Car-Mart." The Company primarily sells older model used vehicles and provides financing for substantially all of its customers. Many of the Company's customers have limited financial resources and would not qualify for conventional financing as a result of limited credit histories or past credit problems. As of April 30, 2020, the Company operated 148 dealerships located primarily in small cities throughout the South-Central United States.

Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a global pandemic, and, in the following weeks, many U.S. states and localities issued lockdown orders impacting the operations of our stores and consumer demand. Since then, the COVID-19 situation within the U.S. has rapidly escalated with many businesses being closed or operating in limited capacities. While our dealerships have remained open and are operating under all CDC recommendations, the fluidity of the current environment leads to uncertainty in regard to consumer demand and ongoing changes in government mandates, as well as unpredictable risks and challenges stemming from COVID-19. We have taken measures to enhance our liquidity position and provide additional financial flexibility, including drawing down funds on our revolving credit facility and aligning operating expenses to the current state of the business. We continue to monitor the situation closely. Our top priority is ensuring the health and safety of our associates and customers. We have made process updates such as enhanced cleaning and social distancing measures and instituted new efforts like disinfectant spraying. We have distributed personal protective equipment, such as masks and gloves for our associates, and implemented disinfectant spraying and temperature checks across our operations. We have also supported associates impacted by COVID-19 by providing extra paid time off in addition to their other paid and unpaid time off options.

Business Strategy

In general, it is the Company's objective to continue to expand its business using the same business model that has been developed and used by Car-Mart for over 38 years. This business strategy focuses on:

Collecting Customer Accounts. Collecting customer accounts is perhaps the single most important aspect of operating an Integrated Auto Sales and Finance used car business and is a focal point for dealership level and corporate office personnel on a daily basis. The Company measures and monitors the collection results of its dealerships using internally developed delinquency and account loss standards. Substantially all associate incentive compensation is tied directly or indirectly to collection results. The Company has a vice president of collection services and support staff at the corporate level to work with field operators to improve credit results. This team monitors efficiencies and the effectiveness of account representatives as they work to improve customer success rates. Over the last five fiscal years, the Company's annual credit losses as a percentage of sales have ranged from a low of 24.8% in fiscal 2020 to a high of 28.7% in fiscal 2017 (average of 26.9%), with the fiscal year 2020 credit loss percentage reflecting a \$9.1 million adjustment to the allowance for credit losses primarily as a result of COVID-19. See Item 1A. Risk Factors for further discussion.

Maintaining a Decentralized Operation. The Company's dealerships operate on a decentralized basis. Each dealership is ultimately responsible for buying and selling its own vehicles, making credit decisions, and collecting the contracts it originates in accordance with established policies and procedures. Most customers make their payments in person at one of the Company's dealerships. This decentralized structure is complemented by the

oversight and involvement of corporate office management and the maintenance of centralized financial controls, including monitoring proprietary credit scoring, establishing standards for down-payments and contract terms, and an internal compliance function.

Expanding Through Controlled Organic Growth and Strategic Acquisitions. The Company grows by increasing revenues at existing dealerships and opening or acquiring new dealerships. The Company will continue to view organic growth as its primary source for growth. The Company continues to make infrastructure investments in order to improve performance of existing dealerships and to support growth of its customer count. The Company added five new dealerships during the year and closed one, ending fiscal 2020 with 148 locations. The Company intends to continue to add new dealerships, subject to favorable operating performance and available general manager talent to run these dealerships, and to consider and pursue strategic acquisition opportunities that we believe will enhance our franchise and maximize the return to our shareholders. These plans, of course, are subject to change based on both internal and external factors.

Selling Basic Transportation. The Company focuses on selling basic and affordable transportation to its customers. The Company's average retail sales price was \$11,793 per unit in fiscal 2020. By selling vehicles at this price point, the Company is able to keep the terms of its installment sales contracts relatively short (overall portfolio weighted average of 33.3 months), while requiring relatively low payments.

Operating in Smaller Communities. The majority of the Company's dealerships are located in cities and towns with a population of 50,000 or less. The Company believes that by operating in smaller communities it develops strong personal relationships, resulting in better collection results. Further, the Company believes that operating costs, such as salaries, rent and advertising, are lower in smaller communities than in major metropolitan areas.

Enhanced Management Talent and Experience. The Company seeks to hire honest and hardworking individuals to fill entry level positions, nurture and develop these associates, and promote them to managerial positions from within the Company. By promoting from within, the Company believes it is able to train its associates in the Car-Mart way of doing business, maintain the Company's unique culture and develop the loyalty of its associates by providing opportunity for advancement. The Company has recently focused, however, to a larger extent on looking outside of the Company for associates possessing requisite skills and who share the values and appreciate the unique culture the Company has developed over the years. The Company has been able to attract quality individuals via its General Manager Recruitment and Advancement team as well as other key areas. Management has determined that it will be increasingly difficult to grow the Company without looking for outside talent. The Company's operating success has been a benefit for recruiting outside talent; however, the Company expects the hiring environment going forward to be challenging as a result of wage rates, competition for qualified workers and the impact of COVID-19 on our business and operations.

Cultivating Customer Relationships. The Company believes that developing and maintaining a relationship with its customers is critical to the success of the Company. A large percentage of sales at mature dealerships are made to repeat customers, and the Company estimates an additional 10% to 15% of sales result from customer referrals. By developing a personal relationship with its customers, the Company believes it is in a better position to assist a customer, and the customer is more likely to cooperate with the Company should the customer experience financial difficulty during the term of his or her installment contract. The Company is able to cultivate these relationships through a variety of communication channels and the fact that a high percentage of customers make their payments in person at one of the Company's dealerships on a weekly or bi-weekly basis.

Business Strengths

The Company believes it possesses a number of strengths or advantages that distinguish it from most of its competitors. These business strengths include:

Experienced and Motivated Management. The Company's senior management team has significant experience in the industry and an average tenure of nearly 20 years. Several of Car-Mart's dealership managers have been with the Company for more than 10 years. Each dealership manager is compensated, at least in part, based upon the dealership's profitability. A significant portion of the compensation of senior management is incentive based and tied to operating profits or stock performance.

Proven Business Practices. The Company's operations are highly structured. While dealerships operate on a decentralized basis, the Company has established policies, procedures, and business practices for virtually every aspect of a dealership's operations. Detailed online operating manuals are available to assist the dealership manager and office, sales and collections personnel in performing their daily tasks. As a result, each dealership is operated in a uniform manner. Further, corporate office personnel monitor the dealerships' operations through weekly visits and a number of daily, weekly and monthly communications and reports.

Low Cost Operator. The Company has structured its dealership and corporate office operations to minimize operating costs. The number of associates employed at the dealership level is dictated by the number of active customer accounts each dealership services. Associate compensation is standardized for each dealership position. Other operating costs are closely monitored and scrutinized. Technology is utilized to maximize efficiency. The Company believes its operating costs as a percentage of revenues, and per unit sold, are among the lowest in the industry.

Well-Capitalized / Limited External Capital Required for Growth. As of April 30, 2020, the Company's debt to equity ratio (Revolving credit facilities and notes payable divided by Total equity on the Consolidated Balance Sheet) was 0.71 to 1.0, which reflects the Company's decision in March 2020 to borrow an additional \$30 million under its existing credit facilities in order to increase its cash position and preserve financial flexibility in light of the uncertainty due to the COVID-19 pandemic. Excluding the amount of debt equal to cash, the Company's adjusted debt to equity ratio (a non-GAAP measure) as of April 30, 2020 was 0.52 to 1.0, which the Company believes is lower than many of its competitors. Further, the Company believes it can fund a significant amount of its planned growth from net income generated from operations. Of the external capital that will be needed to fund growth, the Company plans to draw on its existing credit facilities, or renewals or replacements of those facilities. For a reconciliation of adjusted debt to equity ratio to the most directly comparable GAAP financial measure, see "Reconciliation of Adjusted Debt to Equity Ratio" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Significant Expansion Opportunities. The Company historically targets smaller communities in which to locate its dealerships (i.e., populations from 20,000 to 50,000), but is also operating in larger cities such as Tulsa, Oklahoma; Lexington, Kentucky; Springfield, Missouri and Little Rock, Arkansas. The Company believes there are numerous suitable communities of various sizes within the twelve states in which the Company currently operates and other contiguous states to satisfy anticipated dealership growth for the next several years.

Operations

Operating Segment. Each dealership is an operating segment with its results regularly reviewed by the Company's chief operating decision maker in an effort to make decisions about resources to be allocated to the segment and to assess its performance. Individual dealerships meet the aggregation criteria for reporting purposes under the current accounting guidance. The Company operates in the Integrated Auto Sales and Finance segment of the used car market. In this industry, the nature of the sale and the financing of the transaction, financing processes, the type of customer and the methods used to distribute the Company's products and services, including the actual servicing of the contracts as well as the regulatory environment in which the Company operates, all have similar characteristics. Each dealership is similar in nature and only engages in the selling and financing of used vehicles. All individual dealerships have similar operating characteristics. As such, individual dealerships have been aggregated into one reportable segment.

Dealership Organization. Dealerships operate on a decentralized basis. Each dealership is responsible for buying and selling vehicles, making credit decisions, and servicing and collecting the installment contracts it originates. Dealerships also maintain their own records and make daily deposits. Dealership-level financial statements are prepared by the corporate office on a monthly basis. Depending on the number of active customer accounts, a dealership may have as few as three or as many as twenty-five full-time associates employed at that location. Associate positions at a large dealership may include a general manager, assistant manager(s), office manager, office clerk(s), service manager, purchasing agent, collections personnel, sales personnel, inventory associates (detailers), and on-call drivers. Dealerships are generally open Monday through Saturday from 9:00 a.m. to 6:00 p.m.

Dealership Locations and Facilities. Below is a summary of dealerships operating during the fiscal years ended April 30, 2020, 2019 and 2018:

	Years Ended April 30,		
	2020	2019	2018
Dealerships at beginning of year	144	139	140
Dealerships opened or acquired	5	5	3
Dealerships closed	(1)	-	(4)
Dealerships at end of year	<u>148</u>	<u>144</u>	<u>139</u>

Below is a summary of dealership locations by state as of April 30, 2020, 2019 and 2018:

Dealerships by State	As of April 30,		
	2020	2019	2018
Arkansas	37	36	35
Oklahoma	27	27	25
Missouri	18	18	18
Alabama	16	16	15
Texas	13	13	12
Kentucky	12	12	12
Georgia	9	9	9
Tennessee	6	6	6
Mississippi	5	5	5
Illinois	3	-	-
Indiana	1	1	1
Iowa	1	1	1
Total	<u>148</u>	<u>144</u>	<u>139</u>

Dealerships are typically located in smaller communities. As of April 30, 2020, approximately 73% of the Company's dealerships were located in cities with populations of less than 50,000. Dealerships are located on leased or owned property between one and three acres in size. When opening a new dealership, the Company will typically use an existing structure on the property to conduct business or purchase a modular facility while business at the new location develops. Dealership facilities typically range in size from 1,500 to 5,000 square feet.

Purchasing. The Company purchases vehicles primarily from wholesalers, new car dealers, individuals and auctions. The majority of vehicle purchasing is performed by the Company's purchasing agents, although dealership managers are authorized to purchase vehicles as needed. A purchasing agent will purchase vehicles for one to three dealerships depending on the size of the dealerships. Purchasing agents report to the dealership manager, or managers, for whom they make purchases. The Company centrally monitors the quantity and quality of vehicles purchased and continuously compares the cost of vehicles purchased to outside valuation sources and

holds responsible parties accountable for results. The Company has recently started to make some corporate level purchases and form relationships with national vendors that can supply a large quantity of high-quality vehicles.

Generally, the Company's purchasing agents purchase vehicles between 5 and 12 years of age with 70,000 to 150,000 miles and pay between \$4,000 and \$12,000 per vehicle. The Company focuses on providing basic transportation to its customers. The Company typically does not purchase sports cars or luxury cars. The Company sells a significant number of trucks and sport utility vehicles. Some of the more popular vehicles the Company sells include the Chevrolet Impala, Chevrolet Malibu, Dodge Charger, Chrysler Mini-Van, Ford Focus, Ford Taurus, Ford Fusion, Dodge Ram Pickup and the Ford F-150 Pickup. The Company's purchasing agents or general managers inspect and test-drive almost every vehicle prior to a sale. Purchasing agents strive to purchase vehicles that require little or no repair as the Company has limited facilities to repair or recondition vehicles.

Selling, Marketing and Advertising. Dealerships generally maintain an inventory of 20 to 90 vehicles depending on the size and maturity of the dealership and the time of the year. Inventory turns over approximately 9 to 10 times each year. Selling is done predominantly by the dealership manager, assistant manager, manager trainee or sales associate. Sales associates are paid a commission for sales that they make in addition to an hourly wage. Sales are made on an "as is" basis; however, customers are given an option to purchase a service contract which covers certain vehicle components and assemblies. For covered components and assemblies, the Company coordinates service with third-party service centers with which the Company typically has previously negotiated labor rates. The vast majority of the Company's customers elect to purchase a service contract when purchasing a vehicle. Additionally, the Company offers its customers to whom financing is extended a payment protection plan product. This product contractually obligates the Company to cancel the remaining amount owed on a contract where the vehicle has been totaled, as defined in the plan, or the vehicle has been stolen. This product is available in most of the states in which the Company operates and the vast majority of financed customers elect to purchase this product when purchasing a vehicle in those states.

The Company's objective is to offer its customers basic transportation at a fair price and treat each customer in such a manner as to earn his or her repeat business. The Company attempts to build a positive reputation in each community where it operates and generate new business from such reputation as well as from customer referrals. The Company estimates that approximately 10% to 15% of the Company's sales result from customer referrals. For mature dealerships, a large percentage of sales are to repeat customers.

The Company primarily advertises using local newspapers, radio, internet and social media. In addition, the Company periodically conducts promotional sales campaigns in an effort to increase sales. The Company uses an outside marketing firm and has recently hired a director of digital experience in order to broaden and increase the Company's usage of digital and social media channels as a part of its marketing strategy.

Underwriting and Finance. 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. The Company's installment sales contracts as of April 30, 2020 typically include down payments ranging from 0% to 20% (average of 6.4%), terms ranging from 18 months to 48 months (average of 33.3 months), and a fixed annual interest rate of 16.5% (19.5% to 21.5% in Illinois) for contracts originating after fiscal 2016 (weighted average of 16.4%).

The Company requires that payments be made on a weekly, bi-weekly, semi-monthly or monthly basis, scheduled to coincide with the day the customer is paid by his or her employer. Upon the customer and the Company reaching a preliminary agreement as to financing terms, the Company obtains a credit application from the customer which includes information regarding employment, residence and credit history, personal references and a detailed budget itemizing the customer's monthly income and expenses. Certain information is then verified by Company personnel. After the verification process, the dealership manager makes the decision to accept, reject or modify (perhaps obtain a greater down payment or suggest a lower priced vehicle) the proposed transaction. In general, the dealership manager attempts to assess the stability and character of the applicant. The dealership manager who makes the credit decision is ultimately responsible for collecting the contract, and his or her compensation is directly

related to the collection results of his or her dealership. The Company provides centralized support to the dealership manager in the form of a proprietary credit scoring system used for monitoring and other supervisory assistance to assist with the credit decision. Credit quality is monitored centrally by corporate office personnel on a daily, weekly and monthly basis.

Collections. All of the Company's retail installment contracts are serviced by Company personnel at the dealership level. A high percentage of the Company's customers make their payments in person at the dealership where they purchased their vehicle; however, in an effort to make paying convenient for its customers, the Company offers a variety of payment options. Customers can send their payments through the mail, set up ACH auto draft, make mobile and online payments, and make payments at certain money service centers. Each dealership closely monitors its customer accounts using the Company's proprietary receivables and collections software that stratifies past due accounts by the number of days past due. The vice presidents of operations and the area operations managers routinely review and monitor the status of customer collections to ensure collection activities are conducted in compliance with applicable policies and procedures. In addition, the vice president of collections services oversees the collections department and provides timely oversight and additional accountability on a consistent basis. The Company believes that the timely response to past due accounts is critical to its collections success.

The Company has established standards with respect to the percentage of accounts one and two weeks past due, 15 or more days past due and 30 or more days past due (delinquency standards), and the percentage of accounts where the vehicle was repossessed or the account was charged off that month (account loss standard).

The Company works very hard to keep its delinquency percentages low and not to repossess vehicles. Accounts three days late are contacted by telephone. Notes from each telephone contact are electronically maintained in the Company's computer system. The Company also utilizes text messaging notifications which allows customers to elect to receive payment reminders and late notices via text message.

The Company attempts to resolve payment delinquencies amicably prior to repossessing a vehicle. If a customer becomes severely delinquent in his or her payments, and management determines that timely collection of future payments is not probable, the Company will take steps to repossess the vehicle. Periodically, the Company enters into contract modifications with its customers to extend or modify the payment terms. The Company only enters into a contract modification or extension if it believes such action will increase the amount of monies the Company will ultimately realize on the customer's account and will increase the likelihood of the customer being able to pay off the vehicle contract. At the time of modification, the Company expects to collect amounts due including accrued interest at the contractual interest rate for the period of delay. No other concessions are granted to customers, beyond the extension of additional time, at the time of modification. Modifications are minor and are made for pay day changes, minor vehicle repairs and other reasons. For those vehicles that are repossessed, the majority are returned or surrendered by the customer on a voluntary basis. Other repossessions are performed by Company personnel or third-party repossession agents. Depending on the condition of a repossessed vehicle, it is either resold on a retail basis through a Company dealership or sold for cash on a wholesale basis, primarily through physical or online auctions.

New Dealership Openings. Senior management, with the assistance of the corporate office staff, will make decisions with respect to the communities in which to locate a new dealership and the specific sites within those communities. New dealerships have historically been located in the general proximity of existing dealerships to facilitate the corporate office's oversight of the Company's dealerships. The Company intends to add new dealerships, subject to favorable operating performance of existing dealerships and availability of qualified managers. Recently, the Company has opened new dealerships under experienced top performing general managers and may continue to do so in order to grow and leverage the talents of these experienced managers.

The Company's approach with respect to new dealership openings has been one of gradual development. The manager in charge of a new dealership is normally a recently promoted associate who was an assistant manager at a larger dealership and in most cases participated in the formal manager-in-training program. The corporate

office provides significant resources and support with pre-opening and initial operations of new dealerships. Historically, new dealerships have operated with a low level of inventory and personnel. As a result of the modest staffing level, the new dealership manager performs a variety of duties (i.e., selling, collecting and administrative tasks) during the early stages of his or her dealership's operations. As the dealership develops and the customer base grows, additional staff are hired.

Monthly sales levels at new dealerships are typically substantially less than sales levels at mature dealerships. Over time, new dealerships gain recognition in their communities, and a combination of customer referrals and repeat business generally facilitates sales growth. Historically, sales growth at new dealerships could exceed 10% per year for a number of years, whereas mature dealerships typically experience annual sales growth but at a lower percentage than new dealerships. Due to continual operational initiatives, the Company is able to support higher sales levels, and recently the Company has raised its volume expectation level of new locations somewhat as infrastructure improvements related to new dealership openings have improved.

New dealerships are generally provided with approximately \$1.5 million to \$2.5 million in capital from the corporate office during the first few years of operation. These funds are used principally to fund receivables growth. After this start-up period, new dealerships can typically begin generating positive cash flow, allowing for some continuing growth in receivables without additional capital from the corporate office. As these dealerships become cash flow positive, a decision is made by senior management to either increase the investment due to favorable return rates on the invested capital, or to deploy capital elsewhere. This limitation of capital to new, as well as existing, dealerships serves as an important operating discipline. Dealerships must be profitable in order to grow and typically new dealerships can be profitable within the first year of opening.

In addition to opening new dealerships, the Company believes that strategic acquisitions of existing dealerships can complement the Company's business and increase its profitability. The Company recently completed the acquisition of the ongoing dealership assets of Taylor Motor Company and Auto Credit of Southern Illinois (collectively, "Taylor Motors") based in Benton, Illinois, through which the Company acquired three dealerships located in Illinois and will continue to evaluate other acquisition opportunities. These dealerships are established businesses with an expectation of sales levels similar to mature dealerships. As part of its growth strategy, the Company intends to consider and pursue future strategic acquisition opportunities that the Company believes will enhance our franchise and maximize the return to our shareholders.

Corporate Office Oversight and Management. The corporate office, based in Rogers, Arkansas, consists of regional vice presidents, area operations managers, regional inventory purchasing directors, a sales director, a vice president of collection services, a vice president inventory operations, a director of audit and compliance and compliance auditors, a vice president of human resources, a director of general manager recruitment and development, associate and management development personnel, accounting and management information systems personnel, administrative personnel and senior management. The corporate office monitors and oversees dealership operations. The corporate office has access to operating and financial information and reports on each dealership on a daily, weekly and monthly basis. This information includes cash receipts and disbursements, inventory and receivables levels and statistics, receivables aging and sales and account loss data. The corporate office uses this information to compile Company-wide reports, plan dealership visits and prepare monthly financial statements.

Periodically, area operations managers, regional vice presidents, compliance auditors and senior management visit the Company's dealerships to inspect, review and comment on operations. The corporate office assists in training new managers and other dealership level associates. Compliance auditors visit dealerships to ensure policies and procedures are being followed and that the Company's assets are being safe-guarded. In addition to financial results, the corporate office uses delinquency and account loss standards and a point system to evaluate a dealership's performance. Also, bankrupt and legal action accounts and other accounts that have been written off at dealerships are handled by the corporate office in an effort to allow dealership personnel time to focus on more current accounts.

The Company's dealership managers meet monthly on an area, regional or Company-wide basis. At these meetings, corporate office personnel provide training and recognize achievements of dealership managers. Near the end of every fiscal year, the respective area operations manager, regional vice president and senior management conduct "projection" meetings with each dealership manager. At these meetings, the year's results are reviewed and ranked relative to other dealerships, and both quantitative and qualitative goals are established for the upcoming year. The qualitative goals may focus on staff development, effective delegation, and leadership and organization skills. Quantitatively, the Company establishes unit sales goals and profit goals based on invested capital and, depending on the circumstances, may establish delinquency, account loss or expense goals.

The corporate office is also responsible for establishing policy, maintaining the Company's management information systems, conducting compliance audits, orchestrating new dealership openings and setting the strategic direction for the Company.

Industry

Used Car Sales. The market for used car sales in the United States is significant. Used car retail sales typically occur through franchised new car dealerships that sell used cars or independent used car dealerships. The Company operates in the Integrated Auto Sales and Finance segment of the independent used car sales and finance market. Integrated Auto Sales and Finance dealers sell and finance used cars to individuals with limited credit histories or past credit problems. Integrated Auto Sales and Finance dealers typically offer their customers certain advantages over more traditional financing sources, such as less restrictive underwriting guidelines, flexible payment terms (including scheduling payments on a weekly or bi-weekly basis to coincide with a customer's payday), and the ability to make payments in person, an important feature to individuals who may not have a checking account.

Used Car Financing. The used automobile financing industry is served by traditional lending sources such as banks, savings and loans, and captive finance subsidiaries of automobile manufacturers, as well as by independent finance companies and Integrated Auto Sales and Finance dealers. Many loans that flow through the more traditional sources have historically ended up packaged in the securitization markets. Despite significant opportunities, many of the traditional lending sources have not historically been consistent in providing financing to individuals with limited credit histories or past credit problems. Management believes traditional lenders have historically avoided this market because of its high credit risk and the associated collections efforts. Management believes that there was constriction in the financing sources that existed for the deep sub-prime automobile market after the financial crisis in 2008. Since the Company does not rely on securitizations as a financing source, it was largely unaffected by the credit constrictions during the crisis and was able to continue to grow its revenue level and receivable base. Beginning in 2012, funding for the deep subprime automobile market increased significantly. Management attributed the increase to the ultra-low interest rate environment combined with the historical credit performance of the used automobile financing market during and after the recession. At this time, it is unclear what impact COVID-19 will have on the availability of consumer credit; however management expects the availability of consumer credit within the automotive industry to continue to remain high when compared to historical trends.

Competition

The used automotive retail industry is fragmented and highly competitive. The Company competes principally with other independent Integrated Auto Sales and Finance dealers, as well as with (i) the used vehicle retail operations of franchised automobile dealerships, (ii) independent used vehicle dealers, and (iii) individuals who sell used vehicles in private transactions. The Company competes for both the purchase and resale of used vehicles. The increased funding to the used automobile industry has led to increased competitive pressures which have been the primary contributors to the Company's decision in recent periods to allow longer term lengths and slightly lower down payments in connection with our customer financing contracts.

Management believes the principal competitive factors in the sale of its used vehicles include (i) the availability of financing to consumers with limited credit histories or past credit problems, (ii) the breadth and

quality of vehicle selection, (iii) pricing, (iv) the convenience of a dealership's location, (v) the option to purchase a service contract and a payment protection plan, and (vi) customer service. Management believes that its dealerships are not only competitive in each of these areas, but have some distinct advantages, specifically related to the provision of strong customer service. The Company's local face-to-face presence allows it to serve customers at a higher level by forming strong personal relationships.

Seasonality

Historically, the Company's third fiscal quarter (November through January) has been the slowest period for vehicle sales. Conversely, the Company's first and fourth fiscal quarters (May through July and February through April) have historically been the busiest times for vehicle sales. Therefore, the Company generally realizes a higher proportion of its revenue and operating profit during the first and fourth fiscal quarters. The Company expects this pattern to continue in future years.

If conditions arise that impair vehicle sales during the first or fourth fiscal quarters, the adverse effect on the Company's revenues and operating results for the year could be disproportionately large.

Regulation and Licensing

The Company is committed to a culture of compliance by promoting and supporting efforts to design, implement, manage, and maintain compliance initiatives. The Company's operations are subject to various federal, state and local laws, ordinances and regulations pertaining to the sale and financing of vehicles. Under various state laws, the Company's dealerships must obtain a license in order to operate or relocate. These laws also regulate advertising and sales practices. The Company's financing activities are subject to federal laws such as truth-in-lending and equal credit opportunity laws and regulations as well as state and local motor vehicle finance laws, installment finance laws, usury laws and other installment sales laws. Among other things, these laws require that the Company limit or prescribe terms of the contracts it originates, require specified disclosures to customers, restrict collections practices, limit the Company's right to repossess and sell collateral, and prohibit discrimination against customers on the basis of certain characteristics including age, race, gender and marital status.

The Company's consumer financing and collection activities are also subject to oversight by the federal Consumer Financial Protection Bureau ("CFPB"), which has broad regulatory powers over consumer credit products and services such as those offered by the Company. Under a CFPB rule adopted in 2015, the Company's finance subsidiary, Colonial, is deemed a "larger participant" in the automobile financing market and is therefore subject to examination and supervision by the CFPB.

The states in which the Company operates impose limits on interest rates the Company can charge on its installment contracts. These limits have generally been based on either (i) a specified margin above the federal primary credit rate, (ii) the age of the vehicle, or (iii) a fixed rate.

We are subject to a variety of federal, state and local laws and regulations that pertain to the environment, including compliance with regulations concerning the use, handling and disposal of hazardous substances and wastes.

Additionally, the Company is subject to various laws, regulations and other government mandates by state and local authorities adopted in response to the COVID-19 pandemic.

Management believes the Company is in compliance in all material respects with all applicable federal, state and local laws, ordinances and regulations; however, the adoption of additional laws, changes in the interpretation of existing laws, or the Company's entrance into jurisdictions with more stringent regulatory requirements could have a material adverse effect on the Company's used vehicle sales and finance business.

Employees

As of April 30, 2020, the Company, including its consolidated subsidiaries, employed a diverse associate base of approximately 1,750 full time associates. None of the Company's employees are covered by a collective bargaining agreement and the Company believes that its relations with its employees are positive.

Available Information

The Company's website is located at www.car-mart.com. The Company makes available on this website, free of charge, access to its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports, as well as proxy statements and other information the Company files with, or furnishes to, the Securities and Exchange Commission ("SEC") as soon as reasonably practicable after the Company electronically submits this material to the SEC. The information contained on the website or available by hyperlink from the website is not incorporated into this Annual Report on Form 10-K or other documents the Company files with, or furnishes to, the SEC.

Executive Officers of the Registrant

The following table provides information regarding the executive officers of the Company as of April 30, 2020:

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>
Jeffrey A. Williams.....	57	President, Chief Executive Officer and Director
Vickie D. Judy.....	54	Chief Financial Officer
Leonard L. Walthall.....	54	Chief Operating Officer

Jeffrey A. Williams has served as Chief Executive Officer of the Company since January 2018, President of the Company since March 2016, and as a director since 2011. Before becoming President in March 2016, Mr. Williams served as Chief Financial Officer, Secretary and Vice President Finance of the Company since October 2005. Mr. Williams is a Certified Public Accountant, inactive, and prior to joining the Company, his experience included approximately seven years in public accounting with Arthur Andersen & Co. and Coopers and Lybrand LLC in Tulsa, Oklahoma and Dallas, Texas. His experience also includes approximately five years as Chief Financial Officer and Vice President of Operations of Wynco, LLC, a nationwide distributor of animal health products.

Vickie D. Judy has served as Chief Financial Officer of the Company since January 2018 and served as Secretary of the Company from May 2018 to August 2019. Before becoming Chief Financial Officer, Ms. Judy served a Principal Accounting Officer since March 2016 and Vice President of Accounting since August 2015. She joined the Company in May 2010, serving as Controller and Director of Financial Reporting. Ms. Judy is a Certified Public Accountant and prior to joining the Company her experience included approximately five years in public accounting with Arthur Andersen & Co. and approximately 17 years at National Home Center, Inc., a home improvement products and building materials retailer, most recently as Vice President of Financial Reporting.

Leonard L. Walthall has served as Chief Operating Officer of the Company since August 2019. Before becoming Chief Operating Officer, Mr. Walthall served as the Company's Field Operations Officer since March 2016, and previously served as the Company's Vice President of Operations since March 2009 and as a store manager for approximately 20 years.

Item 1A. Risk Factors

The Company is subject to various risks. The following is a discussion of risks that could materially and adversely affect the Company's business, operating results, and financial condition.

The recent outbreak of COVID-19 could have a significant negative impact on our business, sales, results of operations and financial condition.

The global outbreak of COVID-19 has led to severe disruptions in general economic activities, particularly retail operations, as businesses and federal, state, and local governments implement mandates to mitigate this public health crisis. The pandemic has affected consumer demand and the overall health of the US economy. These conditions could negatively impact all aspects of our business, including used vehicle sales and financing, finance receivable collections, repossession activity and inventory acquisition. Our business is also dependent on the continued health and productivity of our associates, including management teams, throughout this crisis. The consequences of the COVID-19 outbreak could have a material adverse effect on our business, sales, results of operations and financial condition.

Additionally, our liquidity could be negatively impacted if these conditions continue for a significant period of time and we may be required to pursue additional sources of financing to obtain working capital, maintain appropriate inventory levels, support the origination of vehicle financing, and meet our financial obligations. Currently capital and credit markets have been disrupted by the crisis and our ability to obtain any new or additional financing is not guaranteed and largely dependent upon evolving market conditions and other factors.

The extent to which the COVID-19 outbreak ultimately impacts our business, sales, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, the development of testing and a vaccine, and how quickly and to what extent normal economic and operating conditions can resume.

The Company may have a higher risk of delinquency and default than traditional lenders because it finances its sales of used vehicles to credit-impaired borrowers.

Substantially all of the Company's automobile contracts involve financing to individuals with impaired or limited credit histories, or higher debt-to-income ratios than permitted by traditional lenders. Financing made to borrowers who are restricted in their ability to obtain financing from traditional lenders generally entails a higher risk of delinquency, default and repossession, and higher losses than financing made to borrowers with better credit. Delinquency interrupts the flow of projected interest income and repayment of principal from a contract, and a default can ultimately lead to a loss if the net realizable value of the automobile securing the contract is insufficient to cover the principal and interest due on the contract or if the vehicle cannot be recovered. The Company's profitability depends, in part, upon its ability to properly evaluate the creditworthiness of non-prime borrowers and efficiently service such contracts. Although the Company believes that its underwriting criteria and collection methods enable it to manage the higher risks inherent in financing made to non-prime borrowers, no assurance can be given that such criteria or methods will afford adequate protection against such risks. If the Company experiences higher losses than anticipated, its financial condition, results of operations and business prospects could be materially and adversely affected.

The Company's allowance for credit losses may not be sufficient to cover actual credit losses, which could adversely affect its financial condition and operating results.

When applicable, the Company has to recognize losses resulting from the inability of certain borrowers to pay contracts and the insufficient realizable value of the collateral securing contracts. The Company maintains an allowance for credit losses in an attempt to cover credit losses inherent in its contract portfolio. Additional credit losses will likely occur in the future and may occur at a rate greater than the Company has experienced to date. The allowance for credit losses is based primarily upon historical credit loss experience, with consideration given to

delinquency levels, collateral values, economic conditions and underwriting and collections practices. This evaluation is inherently subjective as it requires estimates of material factors that may be susceptible to significant change. If the Company's assumptions and judgments prove to be incorrect, its current allowance may not be sufficient and adjustments may be necessary to allow for different economic conditions or adverse developments in its contract portfolio which could adversely affect the Company's financial condition and results of operations. In the first quarter of fiscal 2020, the Company reduced its allowance for credit losses from 25.0% to 24.5% as a result of improvements in net chargeoffs as a percentage of average receivables, the quality of the portfolio and the allowance analysis. During the fourth quarter of fiscal 2020, the Company increased its allowance for credit losses from 24.5% to 26.5% of the principal balance in our finance receivables due to the impact of COVID-19. However, the deterioration in economic conditions as a result of COVID-19 may result in additional future credit losses that may not be fully reflected in the allowance for credit losses.

A reduction in the availability or access to sources of inventory could adversely affect the Company's business by increasing the costs of vehicles purchased.

The Company acquires vehicles primarily through wholesalers, new car dealers, individuals and auctions. There can be no assurance that sufficient inventory will continue to be available to the Company or will be available at comparable costs. Any reduction in the availability of inventory or increases in the cost of vehicles could adversely affect gross margin percentages as the Company focuses on keeping payments affordable to its customer base. The Company could have to absorb a portion of cost increases. The overall new car sales volumes in the United States decreased dramatically from peak sales years during the economic recession of 2008 and did not return back to pre-recession levels until fiscal 2016. The reduction in new car sales had a significant negative effect on the supply of vehicles at appropriate prices available to the Company in recent years. Any future decline in new car sales could further adversely affect the Company's access to and costs of inventory. Our ability to source vehicles could also be impacted by the closure of auctions and wholesalers as a result of COVID-19 or other factors.

The used automotive retail industry is fragmented and highly competitive, which could result in increased costs to the Company for vehicles and adverse price competition. Increased competition on the financing side of the business could result in increased credit losses.

The Company competes principally with other independent Integrated Auto Sales and Finance dealers, and with (i) the used vehicle retail operations of franchised automobile dealerships, (ii) independent used vehicle dealers, and (iii) individuals who sell used vehicles in private transactions. The Company competes for both the purchase and resale, which includes, in most cases, financing for the customer, of used vehicles. The Company's competitors may sell the same or similar makes of vehicles that Car-Mart offers in the same or similar markets at competitive prices. Increased competition in the market, including new entrants to the market, could result in increased wholesale costs for used vehicles and lower-than-expected vehicle sales and margins. Further, if any of the Company's competitors seek to gain or retain market share by reducing prices for used vehicles, the Company would likely reduce its prices in order to remain competitive, which may result in a decrease in its sales and profitability and require a change in its operating strategies. Increased competition on the financing side puts pressure on contract structures and increases the risk for higher credit losses. More qualified applicants have more financing options on the front-end, and if events adversely affecting the borrower occur after the sale, the increased competition may tempt the borrower to default on their contract with the Company in favor of other financing options, which in turn increases the likelihood of the Company not being able to save that account.

The used automotive retail industry operates in a highly regulated environment with significant attendant compliance costs and penalties for non-compliance.

The used automotive retail industry is subject to a wide range of federal, state, and local laws and regulations, such as local licensing requirements and laws regarding advertising, vehicle sales, financing, and employment practices. Facilities and operations are also subject to federal, state, and local laws and regulations relating to environmental protection and human health and safety. The violation of these laws and regulations could result in administrative, civil, or criminal penalties against the Company or in a cease and desist order. As a result,

the Company has incurred, and will continue to incur, capital and operating expenditures, and other costs of complying with these laws and regulations. Further, over the past several years, private plaintiffs and federal, state, and local regulatory and law enforcement authorities have increased their scrutiny of advertising, sales and finance activities in the sale of motor vehicles. Additionally, the Company's finance subsidiary, Colonial, is deemed a "larger participant" in the automobile finance market and is therefore subject to examination and supervision by the CFPB, which has broad regulatory powers over consumer credit products and services such as those offered by the Company.

Inclement weather can adversely impact the Company's operating results.

The occurrence of weather events, such as rain, snow, wind, storms, hurricanes, or other natural disasters, which adversely affect consumer traffic at the Company's automotive dealerships, could negatively impact the Company's operating results.

Recent and future disruptions in domestic and global economic and market conditions could have adverse consequences for the used automotive retail industry in the future and may have greater consequences for the non-prime segment of the industry.

In the normal course of business, the used automotive retail industry is subject to changes in regional U.S. economic conditions, including, but not limited to, interest rates, gasoline prices, inflation, personal discretionary spending levels, and consumer sentiment about the economy in general. Recent and future disruptions in domestic and global economic and market conditions could adversely affect consumer demand or increase the Company's costs, resulting in lower profitability for the Company. Due to the Company's focus on non-prime customers, its actual rate of delinquencies, repossessions and credit losses on contracts could be higher under adverse economic conditions than those experienced in the automotive retail finance industry in general. The Company is unable to predict with certainty the future impact of the most recent global economic conditions on consumer demand in our markets or on the Company's costs.

The Company's business is geographically concentrated; therefore, the Company's results of operations may be adversely affected by unfavorable conditions in its local markets.

The Company's performance is subject to local economic, competitive, and other conditions prevailing in the twelve states where the Company operates. The Company provides financing in connection with the sale of substantially all of its vehicles. These sales are made primarily to customers residing in Alabama, Arkansas, Georgia, Illinois, Kentucky, Mississippi, Missouri, Oklahoma, Tennessee and Texas with approximately 29% of revenues resulting from sales to Arkansas customers. The Company's current results of operations depend substantially on general economic conditions and consumer spending habits in these local markets. Any decline in the general economic conditions or decreased consumer spending in these markets may have a negative effect on the Company's results of operations.

The Company's success depends upon the continued contributions of its management teams and the ability to attract and retain qualified employees.

The Company is dependent upon the continued contributions of its management teams. Because the Company maintains a decentralized operation in which each dealership is responsible for buying and selling its own vehicles, making credit decisions and collecting contracts it originates, the key employees at each dealership are important factors in the Company's ability to implement its business strategy. Consequently, the loss of the services of key employees could have a material adverse effect on the Company's results of operations. In addition, when the Company decides to open new dealerships, the Company will need to hire additional personnel. The market for qualified employees in the industry and in the regions in which the Company operates is highly competitive and may subject the Company to increased labor costs during periods of low unemployment.

The Company's business is dependent upon the efficient operation of its information systems.

The Company relies on its information systems in managing its sales, inventory, consumer financing, and customer information effectively. The failure of the Company's information systems to perform as designed, or the failure to maintain and continually enhance or protect the integrity of these systems, could disrupt the Company's business, impact sales and profitability, or expose the Company to customer or third-party claims.

Security breaches, cyber-attacks or fraudulent activity could result in damage to the Company's operations or lead to reputational damage.

Our information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons and security breaches, usage errors by our employees, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. A security breach of the Company's computer systems could also interrupt or damage its operations or harm its reputation. In addition, the Company could be subject to liability if confidential customer information is misappropriated from its computer systems. Any compromise of security, including security breaches perpetrated on persons with whom the Company has commercial relationships, that result in the unauthorized release of its users' personal information, could result in a violation of applicable privacy and other laws, significant legal and financial exposure, damage to the Company's reputation, and a loss of confidence in the Company's security measures, which could harm its business. Any compromise of security could deter people from entering into transactions that involve transmitting confidential information to the Company's systems and could harm relationships with the Company's suppliers, which could have a material adverse effect on the Company's business. Actual or anticipated attacks may cause the Company to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Despite the implementation of security measures, these systems may still be vulnerable to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. The Company may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks.

Most of the Company's customers provide personal information when applying for financing. The Company relies on encryption and authentication technology to provide security to effectively store and securely transmit confidential information. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in the technology used by the Company to protect transaction data being breached or compromised.

In addition, many of the third parties who provide products, services, or support to the Company could also experience any of the above cyber risks or security breaches, which could impact the Company's customers and its business and could result in a loss of customers, suppliers, or revenue.

Changes in the availability or cost of capital and working capital financing could adversely affect the Company's growth and business strategies, and volatility and disruption of the capital and credit markets and adverse changes in the global economy could have a negative impact on the Company's ability to access the credit markets in the future and/or obtain credit on favorable terms.

The Company generates cash from income from continuing operations. The cash is primarily used to fund finance receivables growth. To the extent finance receivables growth exceeds income from continuing operations, generally the Company increases its borrowings under its revolving credit facilities to provide the cash necessary to fund operations. On a long-term basis, the Company expects its principal sources of liquidity to consist of income from continuing operations and borrowings under revolving credit facilities and/or fixed interest term loans. Any adverse changes in the Company's ability to borrow under revolving credit facilities or fixed interest term loans, or any increase in the cost of such borrowings, would likely have a negative impact on the Company's ability to finance receivables growth which would adversely affect the Company's growth and business strategies. Further, the Company's current credit facilities contain various reporting and financial performance covenants. Any failure of the Company to comply with these covenants could have a material adverse effect on the Company's ability to implement its business strategy.

If the capital and credit markets experience disruptions and/or the availability of funds becomes restricted, it is possible that the Company's ability to access the capital and credit markets may be limited or available on less favorable terms which could have an impact on the Company's ability to refinance maturing debt or react to changing economic and business conditions. In addition, if negative global economic conditions persist for an extended period of time or worsen substantially, the Company's business may suffer in a manner which could cause the Company to fail to satisfy the financial and other restrictive covenants under its credit facilities.

The Company's growth strategy is dependent upon the following factors:

- *Favorable operating performance.* Our ability to expand our business through additional dealership openings or strategic acquisitions is dependent on a sufficiently favorable level of operating performance to support the management, personnel and capital resources necessary to successfully open and operate or acquire new locations.
- *Availability of suitable dealership sites.* Our ability to open new dealerships is subject to the availability of suitable dealership sites in locations and on terms favorable to the Company. If and when the Company decides to open new dealerships, the inability to acquire suitable real estate, either through lease or purchase, at favorable terms could limit the expansion of the Company's dealership base. In addition, if a new dealership is unsuccessful and we are forced to close the dealership, we could incur additional costs if we are unable to dispose of the property in a timely manner or on terms favorable to the Company. Any of these circumstances could have a material adverse effect on the Company's expansion strategy and future operating results.
- *Ability to attract and retain management for new dealerships.* The success of new dealerships is dependent upon the Company being able to hire and retain additional competent personnel. The market for qualified employees in the industry and in the regions in which the Company operates is highly competitive. If we are unable to hire and retain qualified and competent personnel to operate our new dealerships, these dealerships may not be profitable, which could have a material adverse effect on our future financial condition and operating results.
- *Availability and cost of vehicles.* The cost and availability of sources of inventory could affect the Company's ability to open new dealerships. The overall new car sales volumes in the United States decreased dramatically from peak sales years during the economic recession of 2008 and did not return back to pre-recession levels until fiscal 2016. The long-term impacts of the current downturn due to COVID-19 on new car sales volumes and the ability of auctions and wholesalers to continue to operate is uncertain. Any of these factors could potentially have a significant negative effect on the supply of vehicles at appropriate prices available to the Company in future periods. This could also make it difficult for the Company to supply appropriate levels of inventory for an increasing number of dealerships without significant additional costs, which could limit our future sales or reduce future profit margins if we are required to incur substantially higher costs to maintain appropriate inventory levels.
- *Acceptable levels of credit losses at new dealerships.* Credit losses tend to be higher at new dealerships due to fewer repeat customers and less experienced associates; therefore, the opening of new dealerships tends to increase the Company's overall credit losses. In addition, new dealerships may experience higher than anticipated credit losses, which may require the Company to incur additional costs to reduce future credit losses or to close the underperforming locations altogether. Any of these circumstances could have a material adverse effect on the Company's future financial condition and operating results.
- *Ability to successfully identify, complete and integrate new acquisitions.* Part of our current growth strategy includes strategic acquisitions of dealerships. We could have difficulty identifying attractive target dealerships, completing the acquisition or integrating the acquired business' assets, personnel and operations with our own. Acquisitions are accompanied by a number of inherent risks, including, without limitation, the difficulty of integrating acquired companies and operations; potential disruption of our

ongoing business and distraction of our management or the management of the target company; difficulties in maintaining controls, procedures and policies; potential impairment of relationships with associates and partners as a result of any integration of new personnel; potential inability to manage an increased number of locations and associates; failure to realize expected efficiencies, synergies and cost savings; or the effect of any government regulations which relate to the businesses acquired.

The Company's business is subject to seasonal fluctuations.

Historically, the Company's third fiscal quarter (November through January) has been the slowest period for vehicle sales. Conversely, the Company's first and fourth fiscal quarters (May through July and February through April) have historically been the busiest times for vehicle sales. Therefore, the Company generally realizes a higher proportion of its revenue and operating profit during the first and fourth fiscal quarters. The Company expects this pattern to continue in future years.

If conditions arise that impair vehicle sales during the first or fourth fiscal quarters, the adverse effect on the Company's revenues and operating results for the year could be disproportionately large.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

As of April 30, 2020, the Company leased approximately 87% of its facilities, including dealerships and the Company's corporate offices. These facilities are located principally in the states of Alabama, Arkansas, Georgia, Illinois, Kentucky, Mississippi, Missouri, Oklahoma, Tennessee and Texas. The Company's corporate offices are located in approximately 34,000 square feet of leased space in Rogers, Arkansas. For additional information regarding the Company's properties, see "Operations-Dealership Locations and Facilities" under Item 1 above and "Contractual Payment Obligations" and "Off-Balance Sheet Arrangements" under Item 7 of Part II.

Item 3. Legal Proceedings

In the ordinary course of business, the Company has become a defendant in various types of legal proceedings. While the outcome of these proceedings cannot be predicted with certainty, the Company does not expect the final outcome of any of these proceedings, individually or in the aggregate, to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Item 4. Mine Safety Disclosure

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

General

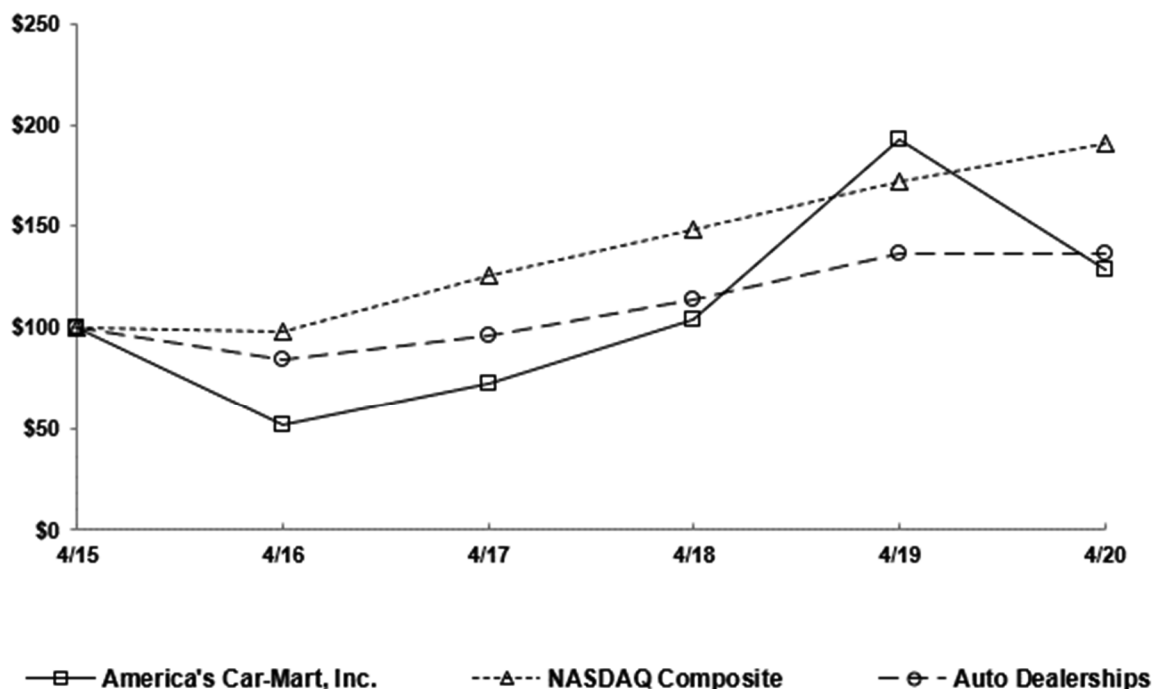
The Company's common stock is traded on the NASDAQ Global Select Market under the symbol CRMT. As of June 15, 2020, there were approximately 885 shareholders of record. This number excludes stockholders holding the Company's common stock as "beneficial owners" under nominee security position listings.

Stockholder Return Performance Graph

Set forth below is a line graph comparing the fiscal year end percentage change in the cumulative total stockholder return on the Company's common stock to (i) the cumulative total return of the NASDAQ Market Index (U.S. companies), and (ii) the Hemsco Group 744 Index – Auto Dealerships ("Automobile Index"), for the period of five fiscal years commencing on May 1, 2015 and ending on April 30, 2020.

The graph assumes that the value of the investment in the Company's common stock and each index was \$100 on April 30, 2015.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN* Among America's Car-Mart, Inc., the NASDAQ Composite Index, and Auto Dealerships



* \$100 invested on 4/30/2015 in stock or index, including reinvestment of dividends.
Fiscal year ending April 30.

The dollar value at April 30, 2020 of \$100 invested in the Company's common stock on April 30, 2015 was \$128.46, compared to \$136.56 for the automobile index described above and \$190.32 for the NASDAQ Market Index (U.S. Companies).

Dividend Policy

Since its inception, the Company has paid no cash dividends on its common stock. The Company currently intends for the foreseeable future to continue its policy of retaining earnings to finance future growth. Payment of cash dividends in the future will be determined by the Company's Board of Directors and will depend upon, among other things, the Company's future earnings, operations, capital requirements and surplus, general financial condition, contractual restrictions that may exist, and such other factors as the Board of Directors may deem relevant. The Company is also limited in its ability to pay dividends or make other distributions to its shareholders without the consent of its lender. Please see "Liquidity and Capital Resources" under Item 7 of Part II for more information regarding this limitation.

Issuer Purchases of Equity Securities

The Company is authorized to repurchase shares of its common stock under its common stock repurchase program. The Board of Directors most recently approved, and the Company announced, on November 16, 2017 the authorization to repurchase up to an additional one million shares along with the balance remaining under its previous authorization approved in July 2016. The following table sets forth information with respect to purchases made by or on behalf of the Company of shares of the Company's common stock during the periods indicated:

Period	Total Number of Shares Purchased ⁽²⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
February 1, 2020 through February 28, 2020	-	-	-	125,109
March 1, 2020 through March 31, 2020	-	-	-	125,109
April 1, 2020 through April 30, 2020	2,823	\$65.95	-	125,109
Total	2,823	\$65.95	-	125,109

(1) The above described stock repurchase program has no expiration date.

(2) 2,823 of the shares purchased during April 2020 were originally granted to employees as restricted stock pursuant to the Company's Amended and Restated Stock Incentive Plan. Pursuant to the Amended and Restated Stock Incentive Plan, these shares were surrendered by the employees in exchange for the Company's agreement to pay federal and state withholding obligations resulting from the vesting of the restricted stock. These repurchases were not made pursuant to a publicly announced plan or program and do not reduce the number of shares that may yet be purchased under the Company's publicly announced repurchase program.

Item 6. Selected Financial Data

The financial data set forth below was derived from the audited consolidated financial statements of the Company and should be read in conjunction with the Consolidated Financial Statements and the Notes thereto contained in Item 8, and the information contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

	Years Ended April 30,				
	(In thousands, except per share amounts)				
	2020	2019	2018	2017	2016
Revenues	\$ 744,611	\$ 669,122	\$ 612,201	\$ 587,751	\$ 567,906
Net income attributable to common stockholders	\$ 51,303	\$ 47,585	\$ 36,469	\$ 20,165	\$ 11,556
Diluted earnings per share from continuing operations	\$ 7.39	\$ 6.73	\$ 4.90	\$ 2.49	\$ 1.33

	April 30,				
	(In thousands)				
	2020	2019	2018	2017	2016
Total assets	\$ 667,324	\$ 492,542	\$ 455,584	\$ 424,258	\$ 406,296
Total debt	\$ 215,568	\$ 152,918	\$ 152,367	\$ 117,944	\$ 107,902
Mandatorily redeemable preferred stock	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400
Total equity	\$ 302,759	\$ 260,510	\$ 230,535	\$ 233,008	\$ 228,817
Shares outstanding	6,619	6,699	6,849	7,608	8,074

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto appearing in Item 8 of this Annual Report on Form 10-K.

Overview

America's Car-Mart, Inc., a Texas corporation (the "Company"), is one of the largest publicly held automotive retailers in the United States focused exclusively on the "Integrated Auto Sales and Finance" segment of the used car market. References to the Company include the Company's consolidated subsidiaries. The Company's operations are principally conducted through its two operating subsidiaries, America's Car Mart, Inc., an Arkansas corporation ("Car-Mart of Arkansas"), and Colonial Auto Finance, Inc., an Arkansas corporation ("Colonial"). Collectively, Car-Mart of Arkansas and Colonial are referred to herein as "Car-Mart." The Company primarily sells older model used vehicles and provides financing for substantially all of its customers. Many of the Company's customers have limited financial resources and would not qualify for conventional financing as a result of limited credit histories or past credit problems. As of April 30, 2020, the Company operated 148 dealerships located primarily in small cities throughout the South-Central United States.

Car-Mart has been operating since 1981. Car-Mart has grown its revenues between approximately 3% and 13% per year over the last ten years (average 8%). Growth results from same dealership revenue growth and the addition of new dealerships. Revenue increased 11.3% for the fiscal year ended April 30, 2020 compared to fiscal 2019 primarily due to a 6.0% increase in average retail sales price, a 5.3% increase in units sold and a 10.9% increase in interest income. The Company added a net of four new dealerships in fiscal 2020.

The Company earns revenue from the sale of used vehicles, and in most cases a related service contract and a payment protection plan product, as well as interest income and late fees from the related financing. The Company's cost structure is more fixed in nature and is sensitive to volume changes. Revenues can be affected by our level of competition, which is influenced to a large extent by the availability of funding to the sub-prime automobile industry, together with the availability and resulting purchase cost of the types of vehicles the Company purchases for resale. Revenues can also be affected by the macro-economic environment. Down payments, contract term lengths and proprietary credit scoring are critical to helping customers succeed and are monitored closely by corporate management at the point of sale. After the sale, collections, delinquencies and charge-offs are crucial elements of the Company's evaluation of its financial condition and results of operations and are monitored and reviewed on a continuous basis. Management believes that developing and maintaining a relationship with its customers and earning their repeat business is critical to the success and growth of the Company and can serve to offset the effects of increased competition and negative macro-economic factors.

A challenging competitive environment puts pressure on sales volumes especially at older dealerships which tend to have higher overall sales volumes and more repeat customers. Additionally, as the Company attempts to attract and retain target customers, increased competition can contribute to lower down payments and longer contract terms which can have a negative effect on collection percentages, liquidity and credit losses. Management believes that the ultra-low interest rate environment combined with a lack of other investment alternatives has been attracting excess capital into the sub-prime automobile market and increasing competition. In an effort to combat the increased competition the Company will continue to focus on the benefits of excellent customer service and its "local" face to face offering in an effort to help customers succeed. The Company, over recent years, has focused on providing a good mix of vehicles in various price ranges to increase affordability for customers, to address sales volume challenges and to improve credit performance in the future by improving the equity position of customers who may be tempted to default on their contracts, especially when competition on the lending side is elevated.

The purchase price the Company pays for its vehicles can also have a significant effect on revenues, liquidity and capital resources. Because the Company bases its selling price on the purchase cost of the vehicle, increases in purchase costs result in increased selling prices. As the selling price increases, it becomes more difficult to keep the gross margin percentage and contract term in line with historical results because the Company's

customers have limited incomes and their car payments must remain affordable within their individual budgets. Decreases in the overall volume of new car sales, particularly domestic brands, lead to decreased supply and generally increased prices in the used car market. Also, expansions or constrictions in consumer credit, as well as general economic conditions, can have an overall effect on the demand and the resulting purchase cost of the types of vehicles the Company purchases for resale.

COVID-19 has had an impact on the availability and prices of the vehicles the Company purchases. Auctions and other wholesale outlets have been closed, forced to operate at limited capacity, or converted to online. The timing and duration of these closures could continue to impact the availability of product. The Company constantly reviews and adjusts purchasing avenues in order to obtain an appropriate flow of vehicles. Declining purchase costs may present the opportunity to purchase a slightly newer, lower mileage vehicle for our customers.

The Company's primary focus is on collections. Each dealership is responsible for its own collections with supervisory involvement of the corporate office. Over the last five fiscal years, the Company's credit losses as a percentage of sales have ranged from approximately 24.8% in fiscal 2020 to 28.7% in fiscal 2017 (average of 26.9%). Credit losses as a percentage of sales increased in recent years prior to 2018, primarily due to increased contract term lengths and lower down payments resulting from increased competitive pressures as well as higher charge-offs caused, to an extent, by negative macro-economic factors affecting the Company's customer base. Credit losses as a percentage of sales have improved in each of the past three fiscal years as improvements in collection processes and higher recovery rates on repossessions progressively offset the continuing competitive pressures. However, the Company's credit loss results were negatively impacted during the fourth quarter of fiscal 2020 by the impacts of COVID-19, including the Company's suspension of certain collection activities, including repossession efforts, for a period of time and the Company's decision to increase the allowance for credit losses as a result of the pandemic.

Historically, credit losses, on a percentage basis, tend to be higher at new and developing dealerships than at mature dealerships. Generally, this is because the management at new and developing dealerships tends to be less experienced in making credit decisions and collecting customer accounts and the customer base is less seasoned. Normally more mature dealerships have more repeat customers and, on average, repeat customers are a better credit risk than non-repeat customers. Negative macro-economic issues do not always lead to higher credit loss results for the Company because the Company provides basic affordable transportation which in many cases is not a discretionary expenditure for customers. The Company does believe, however, that general inflation, particularly within staple items such as groceries and gasoline, as well as overall unemployment levels and potentially lower or stagnant personal income levels affecting customers can have, and has had in recent years, a negative impact on collections. Additionally, increased competition for used vehicle financing can have a negative effect on collections and charge-offs.

In an effort to offset credit losses and to operate more efficiently, the Company continues to look for improvements to its business practices, including better underwriting and better collection procedures. The Company has a proprietary credit scoring system which enables the Company to monitor the quality of contracts. Corporate office personnel monitor proprietary credit scores and work with dealerships when the distribution of scores falls outside of prescribed thresholds. The Company also uses credit reporting and the use of global positioning system ("GPS") units on vehicles. Additionally, the Company has placed significant focus on the collection area as the Company's training department continues to spend significant time and effort on collections improvements. The Company's vice president of collections services oversees the collections department and provides timely oversight and additional accountability on a consistent basis. The Company believes that the proper execution of its business practices is the single most important determinant of its long-term credit loss experience.

Historically, the Company's gross margin as a percentage of sales has been fairly consistent from year to year at approximately 40% or 41% over each of the previous five fiscal years. The Company's gross margin is based upon the cost of the vehicle purchased, with lower-priced vehicles typically having higher gross margin percentages, and is also affected by the percentage of wholesale sales to retail sales, which relates for the most part to repossessed vehicles sold at or near cost. The gross margin percentage decreased in fiscal 2020 to 40.5% from

41.4% in the prior fiscal year, while gross margin dollars per retail unit sold increased by \$172, primarily as a result of the Company selling on average a higher priced vehicle in fiscal 2020. The Company expects that increasing vehicle purchase costs and sales prices will continue to put pressure on its gross margin percentage over the near term.

Hiring, training and retaining qualified associates is critical to the Company's success. The rate at which the Company adds new dealerships and is able to implement operating initiatives is limited by the number of trained managers and support personnel the Company has at its disposal. Excessive turnover, particularly at the dealership manager level, could impact the Company's ability to add new dealerships and to meet operational initiatives. The Company has added resources to recruit, train, and develop personnel, especially personnel targeted to fill dealership manager positions. The Company expects to continue to invest in the development of its workforce.

Consolidated Operations
(Operating Statement Dollars in Thousands)

	Years Ended April 30,			% Change		As a % of Sales		
				2020	2019			
	2020	2019	2018	vs. 2019	vs. 2018	2020	2019	2018
Operating Statement:								
Revenues:								
Sales	\$ 652,992	\$ 586,508	\$ 537,528	11.3 %	9.1 %	100.0 %	100.0 %	100.0 %
Interest and other income	91,619	82,614	74,673	10.9	10.6	14.0	14.1	13.9
Total	744,611	669,122	612,201	11.3	9.3	114.0	114.1	113.9
Costs and expenses:								
Cost of sales, excluding depreciation shown below	388,475	343,898	315,273	13.0 %	9.1 %	59.5	58.6	58.7
Selling, general and administrative	117,762	107,249	99,023	9.8	8.3	18.0	18.3	18.4
Provision for credit losses	162,246	146,363	149,059	10.9	(1.8)	24.8	25.0	27.7
Interest expense	8,052	7,883	5,599	2.1	40.8	1.2	1.3	1.0
Depreciation and amortization	3,839	3,969	4,250	(3.3)	(6.6)	0.6	0.7	0.8
Loss (gain) on disposal of property and equipment	(114)	(91)	91	25.3	(200.0)	-	-	-
Total	680,260	609,271	573,295	11.7	6.3	104.1	103.9	106.8
Income before income taxes	\$ 64,351	\$ 59,851	\$ 38,906			9.9 %	10.2 %	7.2 %
Operating Data (Unaudited):								
Retail units sold	52,914	50,257	48,271	5.3 %	4.1 %			
Average dealerships in operation	146	142	140	2.8	1.4			
Average units sold per dealership	362	354	345	2.4	2.6			
Average retail sales price	\$ 11,793	\$ 11,125	\$ 10,604	6.0	4.9			
Same store revenue growth	9.3%	8.4%	5.2%					
Receivables average yield	15.7%	15.6%	15.2%					

2020 Compared to 2019

Total revenues increased \$75.5 million, or 11.3%, in fiscal 2020, as compared to revenue growth of 9.3% in fiscal 2019, principally as a result of (i) revenue growth from dealerships that operated a full twelve months in both fiscal years (\$61.5 million), and (ii) revenue from stores opened or acquired during or after the year ended April 30, 2019 (\$17.0 million), partially offset by (iii) decreased revenue from dealerships closed during or after the year ended April 30, 2019 (\$3.0 million). The increase in revenue for fiscal 2020 is attributable to (i) a 6.0% increase in average retail sales price, (ii) a 5.3% increase in retail units sold and (iii) a 10.9% increase in interest and other income.

Cost of sales, as a percentage of sales, increased slightly to 59.5% compared to 58.6% in fiscal 2019. The average retail sales price for fiscal 2020 was \$11,793, a \$668 increase over the prior fiscal year, reflecting the high demand for used cars, especially in the market we serve. As purchase costs increase, the margin between the purchase cost and the sales price of the vehicles we sell generally narrows on a percentage basis because the Company must offer affordable prices to our customers. However, on a dollar basis, our gross margin per retail unit sold increased by \$172 in fiscal 2020 compared to fiscal 2019. Demand for the vehicles we purchase for resale has remained high relative to supply largely due to excess funding to the used vehicle financing market and the depressed levels of new car sales during and after the last recession, although more robust new car sales in recent years have bolstered the supply of used vehicles. While the long-term impact of COVID-19 on the availability of vehicles in our market and new car sales is undetermined at this time, the Company has seen disruptions in the supply of vehicles since the beginning of the pandemic and expects the supply to be tighter in the near-term relative to demand.

Selling, general and administrative expenses, as a percentage of sales remained relatively consistent at 18.0% in fiscal 2020, compared to 18.3% for fiscal 2019. Selling, general and administrative expenses are, for the most part, more fixed in nature. In dollar terms, overall selling, general and administrative expenses increased \$10.5 million from fiscal 2019. The increase is primarily focused on investments in our associates, especially general manager recruitment, training and collections support along with improvements in digital marketing, all in an effort to provide superior customer service.

Provision for credit losses as a percentage of sales decreased slightly to 24.8% for fiscal 2020 compared to 25.0% for fiscal 2019. Net charge-offs as a percentage of average finance receivables decreased to 23.1% for fiscal 2020 compared to 25.7% for the prior year. The decrease in net charge-offs for fiscal 2020 primarily resulted from a lower frequency of losses combined with a lower severity of losses, primarily due to improvements in collections processes and higher recovery rates on repossessions. However, the fiscal 2020 credit loss results were negatively impacted by net provision changes of \$9.1 million primarily as a result of the Company's decision to increase the allowance for credit losses in light of the uncertainty regarding the COVID-19 impact and the fact that the Company suspended certain collection activities including repossession efforts for a period of time due to the pandemic. The Company uses several operational initiatives (including credit reporting and the use of GPS units on vehicles) to improve collections and continually pushes for improvements and better execution of its collection practices. The Company believes that the proper execution of its business practices is the single most important determinant of credit loss experience and that improvements in oversight and accountability provided by the Company's investments in our corporate infrastructure within the collections area and the somewhat improved macro-economic environment prior to the pandemic mitigated the competitive pressures and positively impacted credit loss results for fiscal 2020.

Interest expense for fiscal 2020 as a percentage of sales remained relatively consistent at 1.2% compared to 1.3% for fiscal 2019. Although the Company had a higher average borrowings in fiscal 2020 (\$179.9 million in fiscal 2020 compared to \$161.0 million for fiscal 2019), the lower interest rates offset the interest on the higher debt balances.

2019 Compared to 2018

Total revenues increased \$56.9 million, or 9.3%, in fiscal 2019, as compared to revenue growth of 4.2% in fiscal 2018, principally as a result of (i) revenue growth from dealerships that operated a full twelve months in both fiscal years (\$50.7 million), and (ii) revenue from stores opened during or after the year ended April 30, 2018 (\$11.9 million), partially offset by (iii) decreased revenue from dealerships closed during or after the year ended April 30, 2018 (\$5.7 million). The increase in revenue for fiscal 2019 is attributable to (i) a 4.9% increase in average retail sales price, (ii) a 4.1% increase in retail units sold and (iii) a 10.6% increase in interest and other income.

Cost of sales, as a percentage of sales, remained relatively consistent at 58.6% in fiscal 2019 compared to 58.7% in fiscal 2018. The average retail sales price for fiscal 2019 was \$11,125, a \$521 increase over the prior fiscal year. In fiscal 2019, the slight improvement in the margin in spite of increasing purchase costs was due to improvements in inventory management and lower repair costs.

Selling, general and administrative expenses, as a percentage of sales remained relatively consistent at 18.3% in fiscal 2019, compared to 18.4% for fiscal 2018. In dollar terms, overall selling, general and administrative expenses increased \$8.2 million from fiscal 2018. The increase was primarily focused on investments in our associates, especially general manager recruitment, training and collections support along with improvements in digital marketing, all in an effort to provide superior customer service.

Provision for credit losses as a percentage of sales decreased to 25.0% for fiscal 2019 compared to 27.7% for fiscal 2018. Net charge-offs as a percentage of average finance receivables decreased to 25.7% for fiscal 2019 compared to 28.8% for the prior year. The decrease in net charge-offs for fiscal 2019 primarily resulted from a lower frequency of losses combined with a lower severity of losses, primarily due to improvements in collections processes and higher recovery rates on repossessions.

Interest expense for fiscal 2019 as a percentage of sales increased slightly to 1.3% compared to 1.0% for fiscal 2018, due to higher average borrowings during the fiscal year 2019 (\$161.0 million compared to \$136.7 million in the prior year) and increased interest rates.

Financial Condition

The following table sets forth the major balance sheet accounts of the Company at April 30, 2020, 2019 and 2018 (in thousands):

	April 30,		
	2020	2019	2018
Assets:			
Finance receivables, net	\$ 466,141	\$ 415,486	\$ 383,617
Inventory	36,414	37,483	33,610
Property and equipment, net	30,140	28,537	28,594
Liabilities:			
Accounts payable and accrued liabilities	32,846	32,496	29,569
Deferred revenue	36,121	31,959	30,155
Income taxes payable (receivable), net	3,841	(1,947)	(1,450)
Deferred income tax liabilities, net	12,979	14,259	12,558
Debt facilities	215,568	152,918	152,367

The following table shows receivables growth compared to revenue growth during each of the past three fiscal years. For fiscal year 2020, growth in finance receivables of 14.4% exceeded revenue growth of 11.3%. The Company currently anticipates going forward that the growth in finance receivables will generally be slightly higher than overall revenue growth on an annual basis due to overall term length increases in our installment sales contracts in recent prior years, partially offset by improvements in underwriting and collection procedures in an effort to reduce credit losses. The average term for installment sales contracts at April 30, 2020 was 33.3 months, compared to 32.1 months for April 30, 2019.

	Years Ended April 30,		
	2020	2019	2018
Growth in finance receivables, net of deferred revenue			
	14.4%	8.5%	7.4%
Revenue growth	11.3%	9.3%	4.2%

At fiscal year-end 2020, inventory decreased 2.9% (\$1.1 million), compared to fiscal year-end 2019. This decrease was primarily related to COVID-19, as the Company held off on inventory purchases for a period of time to conserve cash flow and for additional clarity on restrictions and sales volumes during the pandemic. The Company strives to improve the quality of the inventory and improve turns while maintaining inventory levels to ensure adequate supply of vehicles, in volume and mix, and to meet sales demand.

Property and equipment, net, increased by approximately \$1.6 million as of April 30, 2020 as compared to fiscal 2019. The increase is attributable to approximately \$5.5 million in additions, partially offset by depreciation expense of \$3.8 million and disposals of almost \$100,000.

Accounts payable and accrued liabilities increased slightly by approximately \$350,000 at April 30, 2020 as compared to April 30, 2019 partially due to the deferral of the employer's share of social security and payroll taxes as permitted under the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act.

Income taxes payable, net, increased approximately \$5.8 million at April 30, 2020 compared to April 30, 2019 primarily due to the relief provided by the CARES Act, as the Company elected to defer certain estimated tax payments in the fourth quarter.

Deferred revenue increased \$4.2 million at April 30, 2020 over April 30, 2019, primarily resulting from the increase in sales of the payment protection plan and service contract products.

Deferred income tax liabilities, net, decreased approximately \$1.3 million at April 30, 2020 as compared to April 30, 2019 due primarily to the deferred tax asset created by the disallowed interest deduction as a result of the Tax Cuts and Jobs Act of 2017.

Debt facilities increased primarily as a result of the \$60 million in cash held at the end of the year due to the uncertainty related to COVID-19 and to ensure financial flexibility. Typically, the cash would have been used to pay down the debt facilities.

Borrowings on the Company's revolving credit facilities fluctuate primarily based upon a number of factors including (i) net income, (ii) finance receivables changes, (iii) income taxes, (iv) capital expenditures and (v) common stock repurchases. Historically, income from continuing operations, as well as borrowings on the revolving credit facilities, have funded the Company's finance receivables growth, capital asset purchases and common stock repurchases. In fiscal 2020, the Company had a \$4.8 million net increase in total debt, net of cash, used to contribute to the funding of finance receivables growth of \$77.9 million, net capital expenditures of \$5.5 million and common stock repurchases of \$16.0 million.

Liquidity and Capital Resources

The following table sets forth certain historical information with respect to the Company's Statements of Cash Flows (in thousands):

	Years Ended April 30,		
	2020	2019	2018
Operating activities:			
Net income	\$ 51,343	\$ 47,625	\$ 36,509
Provision for credit losses	162,246	146,363	149,059
Losses on claims for payment protection plan	17,966	17,020	16,748
Depreciation and amortization	3,839	3,969	4,250
Amortization of debt issuance costs	273	251	260
Stock based compensation	4,732	3,703	1,603
Deferred income taxes	(1,280)	1,701	(6,360)
Finance receivable originations	(604,497)	(540,505)	(494,641)
Finance receivable collections	322,180	293,739	260,104
Accrued interest on finance receivables	(750)	(159)	(91)
Inventory	53,827	47,641	38,793
Accounts payable and accrued liabilities	1,009	2,226	4,712
Deferred payment protection plan revenue	3,113	1,544	1,351
Deferred service contract revenue	1,049	259	721
Income taxes, net	5,788	(497)	(2,335)
Other	79	22	(689)
Total	20,917	24,902	9,994
Investing activities:			
Purchase of investments	(4,648)	-	-
Purchase of property and equipment	(5,422)	(4,029)	(2,258)
Proceeds from sale of property and equipment	184	142	554
Total	(9,886)	(3,887)	(1,704)
Financing activities:			
Debt facilities, net	62,377	300	33,046
Change in cash overdrafts	(1,274)	768	(163)
Purchase of common stock	(16,009)	(26,577)	(42,301)
Dividend payments	(40)	(40)	(40)
Exercise of stock options, including tax benefits and issuance of common stock	1,723	5,264	1,756
Total	46,777	(20,285)	(7,702)
Increase in cash	\$ 57,808	\$ 730	\$ 588

The primary drivers of operating profits and cash flows include (i) top line sales (ii) interest rates on finance receivables, (iii) gross margin percentages on vehicle sales, and (iv) credit losses, a significant portion of which relates to the collection of principal on finance receivables. The Company generates cash flow from income from operations. Historically, most or all of this cash is used to fund finance receivables growth, capital expenditures and common stock repurchases. To the extent finance receivables growth, common stock repurchases and capital expenditures exceed income from operations the Company generally increases its borrowings under its revolving credit facilities. The majority of the Company's growth has been self-funded.

Cash flows from operations in fiscal 2020 compared to fiscal 2019 decreased primarily as a result of (i) an increase in finance receivable originations, (ii) an increase in deferred tax assets and (iii) accounts payable and accrued liabilities increasing at a lower rate than the prior year, offset by (iv) an increase in finance receivable

collections and (v) an increase in the provision for credit losses. Finance receivables, net, increased by \$50.7 million during fiscal 2020.

Cash flows from operations in fiscal 2019 compared to fiscal 2018 increased primarily as a result of (i) net income, (ii) an increase in deferred taxes, (iii) an increase in finance receivable collections and (iv) an increase in stock based compensation, offset by (v) an increase in finance receivable originations and (vi) accounts payable and accrued liabilities increasing at a lower rate than the prior year. Finance receivables, net, increased by \$31.9 million during fiscal 2019.

The purchase price the Company pays for a vehicle has a significant effect on liquidity and capital resources. Because the Company bases its selling price on the purchase cost for the vehicle, increases in purchase costs result in increased selling prices. As the selling price increases, it generally becomes more difficult to keep the gross margin percentage and contract term in line with historical results because the Company's customers have limited incomes and their car payments must remain affordable within their individual budgets. Several external factors can negatively affect the purchase cost of vehicles. Decreases in the overall volume of new car sales, particularly domestic brands, lead to decreased supply in the used car market. Also, constrictions in consumer credit, as well as general economic conditions, can increase overall demand for the types of vehicles the Company purchases for resale as used vehicles become more attractive than new vehicles in times of economic instability. A negative shift in used vehicle supply, combined with strong demand, results in increased used vehicle prices and thus higher purchase costs for the Company.

New vehicle sales decreased dramatically during the economic recession of 2008 and did not return to pre-recession levels until 2016. In addition, the challenging macro-economic environment, together with the constriction in consumer credit starting in 2008, contributed to increased demand for the types of vehicles the Company purchases and a resulting increase in used car prices. These negative macro-economic conditions have continued to affect our customers in the years since the recession and, in turn, have helped keep demand high for the types of vehicles we purchase. This increased demand, coupled with depressed levels of new vehicle sales in recent years, negatively impacted both the quality and the quantity of the used vehicle supply available to the Company. Our ability to source vehicles could also be impacted by the closure of auctions and wholesalers as a result of COVID-19 or other factors.

The Company has devoted significant efforts to improving its purchasing processes to ensure adequate supply at appropriate prices, including expanding its purchasing territories to larger cities in close proximity to its dealerships and increasing its efforts to purchase vehicles from individuals at the dealership level as well as via the internet. The Company has also increased the level of accountability for its purchasing agents including the establishment of sourcing and pricing guidelines. The Company has also recently begun to make some corporate level purchases and form relationships with national vendors that can supply a large quantity of high-quality vehicles. Even with these efforts, the Company expects gross margin percentages to remain under pressure over the near term.

The Company believes that the amount of credit available for the sub-prime auto industry will remain relatively consistent with levels in recent years, which management expects will contribute to continued strong overall demand for most, if not all, of the vehicles the Company purchases for resale. Increased competition resulting from availability of funding to the sub-prime auto industry has contributed to lower down payments and longer terms, which have had a negative effect on collection percentages, liquidity and credit losses when compared to historical periods. However, COVID-19 and the resulting economic changes substantially affected consumer behavior during the Company's fourth quarter and could have a long-term impact on the availability of credit and consumer demand depending on the duration and severity of the pandemic and resulting economic disruption.

The Company's liquidity is also impacted by our credit losses. Macro-economic factors such as unemployment levels and general inflation, particularly within staple items such as groceries, can significantly affect our collection results and ultimately credit losses. The long-term economic impact of the COVID-19 pandemic and the resulting effects on the Company's collections and credit loss results remains uncertain. However,

past-due amounts as a percentage of receivables have increased as a result of COVID-19 and given the uncertainty regarding how customers will pay and react in this new environment, the Company expects credit losses to increase over the near-term. The Company has made improvements to its business processes within the last few years to strengthen controls and provide stronger infrastructure to support its collections efforts. The Company continues to strive to reduce credit losses in spite of the current economic challenges and continued competitive pressures by improving deal structures. Management continues to focus on improved execution at the dealership level, specifically as related to working individually with customers concerning collection issues.

The Company has generally leased the majority of the properties where its dealerships are located. As of April 30, 2020, the Company leased approximately 87% of its dealership properties. The Company expects to continue to lease the majority of the properties where its dealerships are located.

The Company's revolving credit facilities generally restrict distributions by the Company to its shareholders. The distribution limitations under the credit facilities allow the Company to repurchase shares of its common stock so long as either: (a) the aggregate amount of repurchases after September 30, 2019 does not exceed \$50 million, net of proceeds received from the exercise of stock options, and the total availability under the credit facilities is equal to or greater than 20% of the sum of the borrowing bases, in each case after giving effect to such repurchases (repurchases under this item are excluded from fixed charges for covenant calculations), or (b) the aggregate amount of such repurchases does not exceed 75% of the consolidated net income of the Company measured on a trailing twelve month basis; provided that immediately before and after giving effect to the Company's stock repurchases, at least 12.5% of the aggregate funds committed under the credit facilities remains available. Thus, although the Company currently does routinely repurchase stock, the Company is limited in its ability to pay dividends or make other distributions to its shareholders without the consent of the Company's lenders.

At April 30, 2020, the Company had approximately \$60 million of cash on hand and \$23 million of availability under its revolving credit facilities (see Note F to the Consolidated Financial Statements in Item 8). The Company significantly increased its cash position during the fourth quarter of fiscal 2020 by reducing inventory purchases and other expenses, drawing \$30 million in additional funds under its revolving credit facilities and delaying repayments under its credit facilities to preserve financial flexibility in light of the uncertainty due to the COVID-19 pandemic. On a short-term basis, the Company's principal sources of liquidity include income from operations and borrowings under its revolving credit facilities. On a longer-term basis, the Company expects its principal sources of liquidity to consist of income from operations and borrowings under revolving credit facilities or fixed interest term loans. The Company's revolving credit facilities mature in September 2022 and the Company expects that it will be able to renew or refinance its revolving credit facilities on or before the date they mature. Furthermore, while the Company has no specific plans to issue debt or equity securities, the Company believes, if necessary, it could raise additional capital through the issuance of such securities.

The Company expects to use cash from operations and borrowings to (i) grow its finance receivables portfolio, (ii) purchase property and equipment of approximately \$6.5 million in the next 12 months in connection with refurbishing existing dealerships and adding new dealerships, subject to strong operating results, (iii) repurchase shares of common stock when favorable conditions exist and (iv) reduce debt to the extent excess cash is available.

The Company believes it will have adequate liquidity to continue to grow its revenues and to satisfy its capital needs for the foreseeable future.

Contractual Payment Obligations

The following is a summary of the Company's contractual payment obligations as of April 30, 2020, including renewal periods under operating leases that are reasonably assured (in thousands):

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Revolving lines of credit	\$ 215,831	-	215,831	-	-
Notes payable	79	79	-	-	-
Finance lease	445	445	-	-	-
Operating leases	86,373	6,831	13,216	11,919	54,407
Interest on debt facilities	21,975	6,433	15,542	-	-
Total	<u>\$ 324,703</u>	<u>13,788</u>	<u>244,589</u>	<u>11,919</u>	<u>54,407</u>

The table above includes estimated interest payments on the Company's revolving lines of credit. We have assumed \$216 million remains outstanding under our revolving lines of credit until the maturity date of September 30, 2022, using the interest rate in effect on April 30, 2020, which was approximately 2.98%. The estimated interest payments on notes payable have been calculated based on the amortization of the notes in accordance with the respective agreements. The \$86.4 million of operating lease commitments includes \$26.2 million of non-cancelable lease commitments under the lease terms, and \$60.2 million of lease commitments for renewal periods at the Company's option that are reasonably assured.

Off-Balance Sheet Arrangements

The Company has a standby letter of credit relating to an insurance policy totaling \$250,000 at April 30, 2020.

Other than its letter of credit, the Company is not a party to any off-balance sheet arrangement that management believes is reasonably likely to have a current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Related Finance Company Contingency

Car-Mart of Arkansas and Colonial do not meet the affiliation standard for filing consolidated income tax returns, and as such they file separate federal and state income tax returns. Car-Mart of Arkansas routinely sells its finance receivables to Colonial at what the Company believes to be fair market value and is able to take a tax deduction at the time of sale for the difference between the tax basis of the receivables sold and the sales price. These types of transactions, based upon facts and circumstances, have been permissible under the provisions of the Internal Revenue Code as described in the Treasury Regulations. For financial accounting purposes, these transactions are eliminated in consolidation and a deferred income tax liability has been recorded for this timing difference. The sale of finance receivables from Car-Mart of Arkansas to Colonial provides certain legal protection for the Company's finance receivables and, principally because of certain state apportionment characteristics of Colonial, also has the effect of reducing the Company's overall effective state income tax rate by approximately 287 basis points. The actual interpretation of the Regulations is in part a facts and circumstances matter. The Company believes it satisfies the material provisions of the Regulations. Failure to satisfy those provisions could result in the loss of a tax deduction at the time the receivables are sold and have the effect of increasing the Company's overall effective income tax rate as well as the timing of required tax payments.

The Company's policy is to recognize accrued interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company had no accrued penalties or interest as of April 30, 2020.

Critical Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires the Company to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the Company's estimates. The Company believes the most significant estimate made in the preparation of the Consolidated Financial Statements in Item 8 relates to the determination of its allowance for credit losses, which is discussed below. The Company's accounting policies are discussed in Note B to the Consolidated Financial Statements in Item 8.

The Company maintains an allowance for credit losses on an aggregate basis at a level it considers sufficient to cover estimated losses inherent in the portfolio at the balance sheet date in the collection of its finance receivables currently outstanding. At April 30, 2020, the weighted average total contract term was 33.3 months with 24.5 months remaining. The reserve amount in the allowance for credit losses at April 30, 2020, \$155.0 million, was 26.5% of the principal balance in finance receivables of \$621.2 million, less unearned payment protection plan revenue of \$24.5 million and unearned service contract revenue of \$11.6 million. In the first quarter of fiscal 2020, the Company reduced its allowance for credit losses from 25.0% to 24.5% as a result of improvements in net chargeoffs as a percentage of average receivables, the quality of the portfolio and the allowance analysis. Based on the analysis discussed below and factoring in the uncertainty regarding how the COVID-19 pandemic will impact collections and charge-offs going forward, management decided to increase the allowance for credit losses at April 30, 2020 to 26.5% from 24.5%. The net increase to the allowance for credit losses resulted in a \$9.1 million (\$7.0 million after tax effects, \$1.02 per diluted share) charge to the provision for credit losses for fiscal year 2020.

The estimated reserve amount is the Company's anticipated future net charge-offs for losses incurred through the balance sheet date. The allowance takes into account historical credit loss experience (both timing and severity of losses), with consideration given to recent credit loss trends and changes in contract characteristics (i.e., average amount financed, months outstanding at loss date, term and age of portfolio), delinquency levels, collateral values, economic conditions and underwriting and collection practices. The allowance for credit losses is reviewed at least quarterly by management with any changes reflected in current operations. The calculation of the allowance for credit losses uses the following primary factors:

- The number of units repossessed or charged-off as a percentage of total units financed over specific historical periods of time from one year to five years.
- The average net repossession and charge-off loss per unit during the last eighteen months, segregated by the number of months since the contract origination date, and adjusted for the expected future average net charge-off loss per unit. Approximately 50% of the charge-offs that will ultimately occur in the portfolio are expected to occur within 10-11 months following the balance sheet date. The average age of an account at charge-off date is 13 months.
- The timing of repossession and charge-off losses relative to the date of sale (i.e., how long it takes for a repossession or charge-off to occur) for repossessions and charge-offs occurring during the last eighteen months.

A point estimate is produced by this analysis which is then supplemented by any positive or negative subjective factors to arrive at an overall reserve amount that management considers to be a reasonable estimate of losses inherent in the portfolio at the balance sheet date that will be realized via actual charge-offs in the future. Although it is at least reasonably possible that the deterioration in economic conditions and high unemployment as a result of COVID-19 could lead to additional losses in the portfolio or that other events or circumstances could occur in the future that are not presently foreseen which could cause actual credit losses to be materially different from the recorded allowance for credit losses, the Company believes that it has given appropriate consideration to all relevant factors and has made reasonable assumptions in determining the allowance for credit losses. While

challenging economic conditions can negatively impact credit losses, the effectiveness of the execution of internal policies and procedures within the collections area and the competitive environment on the funding side have historically had a more significant effect on collection results than macro-economic issues. A 1% change, as a percentage of Finance receivables, in the allowance for credit losses would equate to an approximate pre-tax change of \$5.9 million.

Recent Accounting Pronouncements

Occasionally, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) or other standard setting bodies which the Company will adopt as of the specified effective date. Unless otherwise discussed, the Company believes the implementation of recently issued standards which are not yet effective will not have a material impact on its consolidated financial statements upon adoption.

Adopted in Current Period

Leases. In February 2016, the FASB issued ASU 2016-02, Leases. The new guidance requires that lessees recognize all leases, including operating leases, with a term greater than 12 months on-balance sheet and also requires disclosure of key information about leasing transactions. The guidance in ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within those years. The Company adopted this ASU and related amendments for its fiscal year beginning May 1, 2019 and elected certain practical expedients permitted under the transition guidance, including to retain the historical lease classification as well as relief from reviewing expired or existing contracts to determine if they contain leases. The adoption of this ASU and related amendments resulted in total assets and liabilities increasing \$34.5 million at the time of adoption. The Company’s Consolidated Statements of Income and Consolidated Statements of Cash Flows were not materially impacted.

Effective in Future Periods

Credit Losses. In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses (Topic 326). ASU 2016-13 requires financial assets such as loans to be presented net of an allowance for credit losses that reduces the cost basis to the amount expected to be collected over the estimated life. Expected credit losses will be measured based on historical experience and current conditions, as well as forecasts of future conditions that affect the collectability of the reported amount. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, and interim reporting periods within those years using a modified retrospective approach. Our allowance for loan loss calculation will be modified to comply with these new requirements and adopted for our fiscal year beginning May 1, 2020. We do not expect a material impact to our financial statements as a result of this adoption.

Cloud Computing Arrangement. In August 2018, the FASB issued ASU 2018-15, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40). ASU 2018-15 aligns the requirements for capitalizing implementation costs in a cloud computing arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2019, and interim reporting periods within those years. The Company is currently evaluating the potential effects of the adoption of this guidance on the consolidated financial statements but does not expect such impact to be material.

Reference Rate Reform. In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform. The pronouncement provides optional guidance for a limited period of time to ease the potential burden of accounting for reference rate reform. This guidance is effective for all entities as of March 12, 2020 through December 31, 2022. The Company expects to utilize this optional guidance but does not expect the impact to be material.

Impact of Inflation

Inflation has not historically been a significant factor impacting the Company's results; however, recent purchase price increases for vehicles, most pronounced over the last five fiscal years, have had a negative effect on the Company's gross margin percentages when compared to past years. This is due to the fact that the Company focuses on keeping payments affordable for its customer base and at the same time ensuring that the term of the contract matches the economic life of the vehicle.

Non-GAAP Financial Measure

The reconciliation between the Company's debt to equity ratio and adjusted debt, net of cash, to equity ratio for fiscal year ending April 30, 2020 is summarized in the table below.

April 30, 2020	
Debt to Equity	0.71
Cash to Equity	0.20
Debt net of Cash to Equity	0.52

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company is exposed to market risk on its financial instruments from changes in interest rates. In particular, the Company has historically had exposure to changes in the federal primary credit rate and has exposure to changes in the prime interest rate of its lender. The Company does not use financial instruments for trading purposes but has in the past entered into an interest rate swap agreement to manage interest rate risk.

Interest rate risk. The Company's exposure to changes in interest rates relates primarily to its debt obligations. The Company is exposed to changes in interest rates as a result of its revolving credit facilities, and the interest rates charged to the Company under its credit facilities fluctuate based on its primary lender's base rate of interest. The Company had total revolving debt of \$215.8 million outstanding at April 30, 2020. The impact of a 1% increase in interest rates on this amount of debt would result in increased annual interest expense of approximately \$2.1 million and a corresponding decrease in net income before income tax.

The Company's earnings are impacted by its net interest income, which is the difference between the income earned on interest-bearing assets and the interest paid on interest-bearing notes payable. The Company's finance receivables carry a fixed interest rate of 15% or 16.5% per annum (19.5% to 21.5% in Illinois), based on the Company's contract interest rate as of the contract origination date, while its revolving credit facilities contain variable interest rates that fluctuate with market interest rates.

Item 8. Financial Statements and Supplementary Data

The following financial statements and accountant's report are included in Item 8 of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of April 30, 2020 and 2019

Consolidated Statements of Operations for the years ended April 30, 2020, 2019 and 2018

Consolidated Statements of Cash Flows for the years ended April 30, 2020, 2019 and 2018

Consolidated Statement of Equity for the years ended April 30, 2020, 2019 and 2018

Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
America's Car-Mart, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of America's Car-Mart, Inc. (a Texas corporation) and subsidiaries (the "Company") as of April 30, 2020 and 2019, the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended April 30, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of April 30, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated June 24, 2020 expressed an unqualified opinion.

Change in accounting principle

As discussed in Note B to the consolidated financial statements, the Company has changed its method of accounting for leases in the year ended April 30, 2020 due to the adoption of FASB Accounting Standards Codification Topic 842, Leases.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2000.

Tulsa, Oklahoma
June 24, 2020

Consolidated Balance Sheets
America's Car-Mart, Inc.
(Dollars in thousands)

	April 30, 2020	April 30, 2019
Assets:		
Cash and cash equivalents	\$ 59,560	\$ 1,752
Accrued interest on finance receivables	3,098	2,348
Finance receivables, net	466,141	415,486
Inventory	36,414	37,483
Prepaid expenses and other assets	4,441	4,634
Income taxes receivable, net	-	1,947
Right-of-use asset	60,713	-
Goodwill	6,817	355
Property and equipment, net	30,140	28,537
	<u>30,140</u>	<u>28,537</u>
Total Assets	<u>\$ 667,324</u>	<u>\$ 492,542</u>
Liabilities, mezzanine equity and equity:		
Liabilities:		
Accounts payable	\$ 13,117	\$ 13,659
Income taxes payable, net	3,841	-
Deferred payment protection plan revenue	24,480	21,367
Deferred service contract revenue	11,641	10,592
Accrued liabilities	19,729	18,837
Deferred income tax liabilities, net	12,979	14,259
Lease liability	62,810	-
Debt facilities	215,568	152,918
	<u>215,568</u>	<u>152,918</u>
Total liabilities	<u>364,165</u>	<u>231,632</u>
Commitments and contingencies (Note L)		
Mezzanine equity:		
Mandatorily redeemable preferred stock	400	400
	<u>400</u>	<u>400</u>
Equity:		
Preferred stock, par value \$.01 per share, 1,000,000 shares authorized; none issued or outstanding	-	-
Common stock, par value \$.01 per share, 50,000,000 shares authorized; 13,478,733 and 13,376,030 issued at April 30, 2020 and April 30, 2019, respectively, of which 6,619,319 and 6,699,421 were outstanding at April 30, 2020 and April 30, 2019, respectively	135	134
	<u>135</u>	<u>134</u>
Additional paid-in capital	88,559	81,605
Retained earnings	460,876	409,573
Less: Treasury stock, at cost, 6,859,414 and 6,676,609 shares at April 30, 2020 and April 30, 2019, respectively	(246,911)	(230,902)
	<u>(246,911)</u>	<u>(230,902)</u>
Total stockholders' equity	<u>302,659</u>	<u>260,410</u>
Non-controlling interest	100	100
	<u>100</u>	<u>100</u>
Total equity	<u>302,759</u>	<u>260,510</u>
	<u>302,759</u>	<u>260,510</u>
Total Liabilities, mezzanine equity and equity	<u>\$ 667,324</u>	<u>\$ 492,542</u>

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations
America's Car-Mart, Inc.
(Dollars in thousands except per share amounts)

	Years Ended April 30,		
	2020	2019	2018
Revenues:			
Sales	\$ 652,992	\$ 586,508	\$ 537,528
Interest and other income	91,619	82,614	74,673
Total revenues	744,611	669,122	612,201
Costs and expenses:			
Cost of sales, excluding depreciation	388,475	343,898	315,273
Selling, general and administrative	117,762	107,249	99,023
Provision for credit losses	162,246	146,363	149,059
Interest expense	8,052	7,883	5,599
Depreciation and amortization	3,839	3,969	4,250
Loss (gain) on disposal of property and equipment	(114)	(91)	91
Total costs and expenses	680,260	609,271	573,295
Income before income taxes	64,351	59,851	38,906
Provision for income taxes	13,008	12,226	2,397
Net income	\$ 51,343	\$ 47,625	\$ 36,509
Less: Dividends on mandatorily redeemable preferred stock			
	40	40	40
Net income attributable to common stockholders	\$ 51,303	\$ 47,585	\$ 36,469
Earnings per share:			
Basic	\$ 7.74	\$ 6.99	\$ 5.04
Diluted	\$ 7.39	\$ 6.73	\$ 4.90
Weighted average number of shares outstanding:			
Basic	6,630,023	6,810,879	7,232,014
Diluted	6,945,652	7,071,768	7,441,358

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
America's Car-Mart, Inc.
(In thousands)

	Years Ended April 30,		
	2020	2019	2018
Operating activities:			
Net income	\$ 51,343	\$ 47,625	\$ 36,509
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	162,246	146,363	149,059
Losses on claims for payment protection plan	17,966	17,020	16,748
Depreciation and amortization	3,839	3,969	4,250
Amortization of debt issuance costs	273	251	260
Loss (gain) on disposal of property and equipment	(114)	(91)	91
Stock-based compensation	4,732	3,703	1,603
Deferred income taxes	(1,280)	1,701	(6,360)
Change in operating assets and liabilities:			
Finance receivable originations	(604,497)	(540,505)	(494,641)
Finance receivable collections	322,180	293,739	260,104
Accrued interest on finance receivables	(750)	(159)	(91)
Inventory	53,827	47,641	38,793
Prepaid expenses and other assets	193	113	(780)
Accounts payable and accrued liabilities	1,009	2,226	4,712
Deferred payment protection plan revenue	3,113	1,544	1,351
Deferred service contract revenue	1,049	259	721
Income taxes, net	5,788	(497)	(2,335)
Net cash provided by operating activities	<u>20,917</u>	<u>24,902</u>	<u>9,994</u>
Investing Activities:			
Purchase of investments	(4,648)	-	-
Purchases of property and equipment	(5,422)	(4,029)	(2,258)
Proceeds from sale of property and equipment	184	142	554
Net cash used in investing activities	<u>(9,886)</u>	<u>(3,887)</u>	<u>(1,704)</u>
Financing Activities:			
Exercise of stock options	1,533	5,117	1,641
Issuance of common stock	190	147	115
Purchase of common stock	(16,009)	(26,577)	(42,301)
Dividend payments	(40)	(40)	(40)
Debt issuance costs	(505)	(371)	(103)
Change in cash overdrafts	(1,274)	768	(163)
Principal payments on notes payable	(509)	(389)	(107)
Proceeds from revolving credit facilities	442,490	450,554	433,818
Payments on revolving credit facilities	(379,099)	(449,494)	(400,562)
Net cash provided by (used in) financing activities	<u>46,777</u>	<u>(20,285)</u>	<u>(7,702)</u>
Increase in cash and cash equivalents	57,808	730	588
Cash and cash equivalents, beginning of period	1,752	1,022	434
Cash and cash equivalents, end of period	<u>\$ 59,560</u>	<u>\$ 1,752</u>	<u>\$ 1,022</u>

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Equity
America's Car-Mart, Inc.
(Dollars in thousands)
For the Years Ended April 30, 2020, 2019 and 2018

	Common Stock		Additional	Retained	Treasury	Non-	Total
	Shares	Amount	Paid-In	Earnings	Stock	Controlling	Equity
			Capital			Interest	
Balance at April 30, 2017	12,927,413	\$ 129	\$ 69,284	\$ 325,519	\$ (162,024)	\$ 100	\$ 233,008
Issuance of common stock	3,096	-	115	-	-	-	115
Stock options exercised	216,634	2	1,639	-	-	-	1,641
Purchase of 979,040 treasury shares	-	-	-	-	(42,301)	-	(42,301)
Stock based compensation	-	-	1,603	-	-	-	1,603
Dividends on subsidiary preferred stock	-	-	-	(40)	-	-	(40)
Net income	-	-	-	36,509	-	-	36,509
Balance at April 30, 2018	13,147,143	\$ 131	\$ 72,641	\$ 361,988	\$ (204,325)	\$ 100	\$ 230,535
Issuance of common stock	2,267	-	147	-	-	-	147
Stock options exercised	226,620	3	5,114	-	-	-	5,117
Purchase of 378,627 treasury shares	-	-	-	-	(26,577)	-	(26,577)
Stock based compensation	-	-	3,703	-	-	-	3,703
Dividends on subsidiary preferred stock	-	-	-	(40)	-	-	(40)
Net income	-	-	-	47,625	-	-	47,625
Balance at April 30, 2019	13,376,030	\$ 134	\$ 81,605	\$ 409,573	\$ (230,902)	\$ 100	\$ 260,510
Issuance of common stock	9,760	-	190	-	-	-	190
Stock options exercised	92,943	1	1,532	-	-	-	1,533
Purchase of 182,805 treasury shares	-	-	-	-	(16,009)	-	(16,009)
Stock based compensation	-	-	4,732	-	-	-	4,732
Issuance of restricted stock	-	-	500	-	-	-	500
Dividends on subsidiary preferred stock	-	-	-	(40)	-	-	(40)
Net income	-	-	-	51,343	-	-	51,343
Balance at April 30, 2020	<u>13,478,733</u>	<u>\$ 135</u>	<u>\$ 88,559</u>	<u>\$ 460,876</u>	<u>\$ (246,911)</u>	<u>\$ 100</u>	<u>\$ 302,759</u>

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements **America's Car-Mart, Inc.**

A - Organization and Business

America's Car-Mart, Inc., a Texas corporation (the "Company"), is one of the largest publicly held automotive retailers in the United States focused exclusively on the "Integrated Auto Sales and Finance" segment of the used car market. References to the Company typically include the Company's consolidated subsidiaries. The Company's operations are conducted principally through its two operating subsidiaries, America's Car Mart, Inc., an Arkansas corporation ("Car-Mart of Arkansas"), and Colonial Auto Finance, Inc., an Arkansas corporation ("Colonial"). Collectively, Car-Mart of Arkansas and Colonial are referred to herein as "Car-Mart". The Company primarily sells older model used vehicles and provides financing for substantially all of its customers. Many of the Company's customers have limited financial resources and would not qualify for conventional financing as a result of limited credit histories or past credit problems. As of April 30, 2020, the Company operated 148 dealerships located primarily in small cities throughout the South-Central United States.

B - Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of America's Car-Mart, Inc. and its subsidiaries. All intercompany accounts and transactions have been eliminated.

Segment Information

Each dealership is an operating segment with its results regularly reviewed by the Company's chief operating decision maker in an effort to make decisions about resources to be allocated to the segment and to assess its performance. Individual dealerships meet the aggregation criteria for reporting purposes under the current accounting guidance. In the Integrated Auto Sales and Finance industry, the nature of the sale and the financing of the transaction, financing processes, the type of customer and the methods used to distribute the Company's products and services, including the actual servicing of the contracts as well as the regulatory environment in which the Company operates all have similar characteristics. Each of our individual dealerships is similar in nature and only engages in the selling and financing of used vehicles. All individual dealerships have similar operating characteristics. As such, individual dealerships have been aggregated into one reportable segment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the Company's allowance for credit losses.

Concentration of Risk

The Company provides financing in connection with the sale of substantially all of its vehicles. These sales are made primarily to customers residing in Alabama, Arkansas, Georgia, Illinois, Kentucky, Mississippi, Missouri, Oklahoma, Tennessee, and Texas, with approximately 29% of revenues resulting from sales to Arkansas customers.

As of April 30, 2020, and periodically throughout the year, the Company maintained cash in financial institutions in excess of the amounts insured by the federal government. The cash is held in several highly rated banking institutions. We regularly monitor our counterparty credit risk and mitigate exposure by limiting the amount we invest in one institution. The Company's revolving credit facilities mature in September 2022. The Company expects that these credit facilities will be renewed or refinanced on or before the scheduled maturity dates.

Restrictions on Distributions/Dividends

The Company's revolving credit facilities generally restrict distributions by the Company to its shareholders. The distribution limitations under the credit facilities allow the Company to repurchase the Company's stock so long as either: (a) the aggregate amount of such repurchases after September 30, 2019 does not exceed \$50 million, net of proceeds received from the exercise of stock options, and the total availability under the credit facilities is equal to or greater than 20% of the sum of the borrowing bases, in each case after giving effect to such repurchases (repurchases under this item are excluded from fixed charges for covenant calculations), or (b) the aggregate amount of such repurchases does not exceed 75% of the consolidated net income of the Company measured on a trailing twelve month basis; provided that immediately before and after giving effect to the stock repurchases, at least 12.5% of the aggregate funds committed under the credit facilities remain available. Thus, the Company is limited in its ability to pay dividends or make other distributions to its shareholders without the consent of the Company's lenders.

Cash Equivalents

The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

Finance Receivables, Repossessions and Charge-offs and Allowance for Credit Losses

The Company originates installment sale contracts from the sale of used vehicles at its dealerships. These installment sale contracts carry an average interest rate of approximately 16.4% using the simple effective interest method including any deferred fees. Contract origination costs are not significant. The installment sale contracts are not pre-computed contracts whereby borrowers are obligated to pay back principal plus the full amount of interest that will accrue over the entire term of the contract. Finance receivables are collateralized by vehicles sold and consist of contractually scheduled payments from installment contracts net of unearned finance charges and an allowance for credit losses. Unearned finance charges represent the balance of interest receivable to be earned over the entire term of the related installment contract, less the earned amount (\$3.1 million at April 30, 2020 and \$2.3 million at April 30, 2019), and as such, have been reflected as a reduction to the gross contract amount in arriving at the principal balance in finance receivables. An account is considered delinquent when the customer is one day or more behind on their contractual payments. While the Company does not formally place contracts on nonaccrual status, the immaterial amount of interest that may accrue after an account becomes delinquent up until the point of resolution via repossession or write-off, is reserved for against the accrued interest on the Consolidated Balance Sheets. Delinquent contracts are addressed and either made current by the customer, which is the case in most situations, or the vehicle is repossessed or written off if the collateral cannot be recovered quickly. Customer payments are set to match their payday with approximately 76% of payments due on either a weekly or bi-weekly basis. The frequency of the payment due dates combined with the declining value of collateral lead to prompt resolutions on problem accounts. At April 30, 2020, 6.2% of the Company's finance receivables balances were 30 days or more past due compared to 2.9% at April 30, 2019.

Substantially all of the Company's automobile contracts involve contracts made to individuals with impaired or limited credit histories, or higher debt-to-income ratios than permitted by traditional lenders. Contracts made with buyers who are restricted in their ability to obtain financing from traditional lenders generally entail a higher risk of delinquency, default and repossession, and higher losses than contracts made with buyers with better credit. At the time of originating a finance agreement, the Company requires customers to meet certain criteria that demonstrate their intent and ability to pay for the financed principle and interest on the vehicle they are purchasing. However, the Company recognizes that their customer base is at a higher risk of default given their impaired or limited credit histories.

The Company strives to keep its delinquency percentages low, and not to repossess vehicles. Accounts three days late are contacted by telephone. Notes from each telephone contact are electronically maintained in the Company's computer system. The Company also utilizes text messaging notifications which allows customers to elect to receive reminders on their due dates and late notifications, if applicable. The Company attempts to resolve

payment delinquencies amicably prior to repossessing a vehicle. If a customer becomes severely delinquent in his or her payments, and management determines that timely collection of future payments is not probable, the Company will take steps to repossess the vehicle.

Periodically, the Company enters into contract modifications with its customers to extend or modify the payment terms. The Company only enters into a contract modification or extension if it believes such action will increase the amount of monies the Company will ultimately realize on the customer's account and will increase the likelihood of the customer being able to pay off the vehicle contract. At the time of modification, the Company expects to collect amounts due including accrued interest at the contractual interest rate for the period of delay. No other concessions are granted to customers, beyond the extension of additional time, at the time of modifications. Modifications are minor and are made for payday changes, minor vehicle repairs and other reasons. For those vehicles that are repossessed, the majority are returned or surrendered by the customer on a voluntary basis. Other repossessions are performed by Company personnel or third-party repossession agents. Depending on the condition of a repossessed vehicle, it is either resold on a retail basis through a Company dealership or sold for cash on a wholesale basis primarily through physical or online auctions.

The Company takes steps to repossess a vehicle when the customer becomes delinquent in his or her payments and management determines that timely collection of future payments is not probable. Accounts are charged-off after the expiration of a statutory notice period for repossessed accounts, or when management determines that the timely collection of future payments is not probable for accounts where the Company has been unable to repossess the vehicle. For accounts with respect to which the vehicle was repossessed, the fair value of the repossessed vehicle is charged as a reduction of the gross finance receivables balance charged-off. On average, accounts are approximately 60 days past due at the time of charge-off. For previously charged-off accounts that are subsequently recovered, the amount of such recovery is credited to the allowance for credit losses.

The Company maintains an allowance for credit losses on an aggregate basis, as opposed to a contract-by-contract basis, at an amount it considers sufficient to cover estimated losses inherent in the portfolio at the balance sheet date in the collection of its finance receivables currently outstanding. The Company accrues an estimated loss for the amount it believes will not be collected. The amount of the loss can be reasonably estimated in the aggregate. The allowance for credit losses is based primarily upon historical credit loss experience, with consideration given to recent credit loss trends and changes in contract characteristics (i.e., average amount financed and term), delinquency levels, collateral values, economic conditions and underwriting and collection practices. The allowance for credit losses is periodically reviewed by management with any changes reflected in current operations. Although it is at least reasonably possible that the deterioration in economic conditions and high unemployment as a result of COVID-19 could lead to additional losses in the portfolio or that other events or circumstances could occur in the future that are not presently foreseen which could cause actual credit losses to be materially different from the recorded allowance for credit losses, the Company believes that it has given appropriate consideration to all relevant factors and has made reasonable assumptions in determining the allowance for credit losses. The calculation of the allowance for credit losses uses the following primary factors:

- The number of units repossessed or charged-off as a percentage of total units financed over specific historical periods of time from one year to five years.
- The average net repossession and charge-off loss per unit during the last eighteen months, segregated by the number of months since the contract origination date, and adjusted for the expected future average net charge-off loss per unit. Approximately 50% of the charge-offs that will ultimately occur in the portfolio are expected to occur within 10-11 months following the balance sheet date. The average age of an account at charge-off date is 13 months.
- The timing of repossession and charge-off losses relative to the date of sale (i.e., how long it takes for a repossession or charge-off to occur) for repossessions and charge-offs occurring during the last eighteen months.

A point estimate is produced by this analysis which is then supplemented by a review of static pools coupled with any positive or negative subjective factors to arrive at an overall reserve amount that management considers to be a reasonable estimate of losses inherent in the portfolio at the balance sheet date that will be realized via actual charge-offs in the future. While challenging economic conditions can negatively impact credit losses, the effectiveness of the execution of internal policies and procedures within the collections area and the competitive environment on the lending side have historically had a more significant effect on collection results than macro-economic issues.

In the first quarter of fiscal 2020, the Company reduced its allowance for credit losses from 25.0% to 24.5% as a result of improvements in net chargeoffs as a percentage of average receivables, the quality of the portfolio and the allowance analysis. However, in the fourth quarter of fiscal 2020, COVID-19 impacted our customers, resulting in an increased past-due amount as a percentage of receivables (to 6.2% from 2.9%). As a result, the Company increased the allowance for credit losses from 24.5% to 26.5%. The net increase resulted in a \$9.1 million pre-tax charge to the provision for credit losses (\$7.0 million after tax effects, \$1.02 per diluted share). The full impact of COVID-19 is uncertain at this point.

In most states, the Company offers retail customers who finance their vehicle the option of purchasing a payment protection plan product as an add-on to the installment sale contract. This product contractually obligates the Company to cancel the remaining principal outstanding for any contract where the retail customer has totaled the vehicle, as defined by the product, or the vehicle has been stolen. The Company periodically evaluates anticipated losses to ensure that if anticipated losses exceed deferred payment protection plan revenues, an additional liability is recorded for such difference. No such liability was required at April 30, 2020 or 2019.

Inventory

Inventory consists of used vehicles and is valued at the lower of cost or net realizable value on a specific identification basis. Vehicle reconditioning costs are capitalized as a component of inventory. Repossessed vehicles and trade-in vehicles are recorded at fair value, which approximates wholesale value. The cost of used vehicles sold is determined using the specific identification method.

Goodwill

Goodwill reflects the excess of purchase price over the fair value of specifically identified net assets purchased. Goodwill and intangible assets deemed to have indefinite lives are not amortized but are subject to qualitative annual impairment tests at the Company's year-end. The impairment tests are based on the comparison of the fair value of the reporting unit to the carrying value of such unit. The implied goodwill is compared to the carrying value of the goodwill to determine the impairment, if any. There was no impairment of goodwill during fiscal 2020 or fiscal 2019.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions, remodels and improvements are capitalized. Costs of repairs and maintenance are expensed as incurred. Leasehold improvements are amortized over the shorter of the estimated life of the improvement or the lease period. The lease period includes the primary lease term plus any extensions that are reasonably assured. Depreciation is computed principally using the straight-line method generally over the following estimated useful lives:

Furniture, fixtures and equipment	3 to 7 years
Leasehold improvements	5 to 15 years
Buildings and improvements	18 to 39 years

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated

by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying values of the impaired assets exceed the fair value of such assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Cash Overdraft

As checks are presented for payment from the Company's primary disbursement bank account, monies are automatically drawn against cash collections for the day and, if necessary, are drawn against one of its revolving credit facilities. Any cash overdraft balance principally represents outstanding checks, net of any deposits in transit that as of the balance sheet date had not yet been presented for payment. Any cash overdraft balance is reflected in accrued liabilities on the Company's Consolidated Balance Sheets.

Deferred Sales Tax

Deferred sales tax represents a sales tax liability of the Company for vehicles sold on an installment basis in the states of Alabama and Texas. Under Alabama and Texas law, for vehicles sold on an installment basis, the related sales tax is due as the payments are collected from the customer, rather than at the time of sale. Deferred sales tax liabilities are reflected in accrued liabilities on the Company's Consolidated Balance Sheets.

Income Taxes

Income taxes are accounted for under the liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates expected to apply in the years in which these differences are expected to be recovered or settled.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act includes significant changes to the U.S. tax code that affected our fiscal year ending April 30, 2018, and future periods. Changes in the tax laws from the Tax Act had a material impact on our financial statements in fiscal 2018. Under generally accepted accounting principles (U.S. GAAP) specifically ASC Topic 740, *Income Taxes*, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted, or December 22, 2017, for the Tax Act. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment, the Company's deferred taxes were re-measured based upon the new tax rates. The change in deferred taxes is recorded as an adjustment to our deferred tax provision. The Tax Act reduced the corporate tax rate from 35% to 21%, effective January 1, 2018. This results in a blended federal corporate tax rate of approximately 30.4% in fiscal year 2018 and 21% thereafter. In the third quarter of fiscal 2018, we recorded a discrete net deferred income tax benefit of \$8.1 million with a corresponding provisional reduction to our net deferred income tax liability.

Occasionally, the Company is audited by taxing authorities. These audits could result in proposed assessments of additional taxes. The Company believes that its tax positions comply in all material respects with applicable tax law; however, tax law is subject to interpretation, and interpretations by taxing authorities could be different from those of the Company, which could result in the imposition of additional taxes.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company applies this methodology to all tax positions for which the statute of limitations remains open.

The Company is subject to income taxes in the U.S. federal jurisdiction and various state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the fiscal years before 2017.

The Company's policy is to recognize accrued interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company had no accrued penalties or interest as of April 30, 2020 and 2019, respectively.

Revenue Recognition

Revenues are generated principally from the sale of used vehicles, which in most cases includes a service contract and a payment protection plan product, as well as interest income and late fees earned on finance receivables. Revenues are net of taxes collected from customers and remitted to government agencies. Cost of vehicle sales include costs incurred by the Company to prepare the vehicle for sale including license and title costs, gasoline, transport services and repairs.

The Company's performance obligations are clearly identifiable, and the transaction price is explicitly stated on the customers' contracts. The Company collects payments in accordance with the terms of the customers' accounts, ranging between 18 to 48 months. Revenues from the sale of used vehicles are recognized when the sales contract is signed, the customer has taken possession of the vehicle and, if applicable, financing has been approved. Revenues from the sale of vehicles sold at wholesale are recognized at the time the proceeds are received. Revenues from the sale of service contracts are recognized ratably over the expected duration of the product. Service contract revenues are included in sales and the related expenses are included in cost of sales. Payment protection plan revenues are initially deferred and then recognized to income using the "Rule of 78's" interest method over the life of the contract so that revenues are recognized in proportion to the amount of cancellation protection provided. Payment protection plan revenues are included in sales and related losses are included in cost of sales as incurred. Interest income is recognized on all active finance receivables accounts using the simple effective interest method. Active accounts include all accounts except those that have been paid-off or charged-off.

Sales consist of the following for the years ended April 30, 2020, 2019 and 2018:

<i>(In thousands)</i>	Years Ended April 30,		
	2020	2019	2018
Sales – used autos	\$ 567,816	\$ 506,184	\$ 462,956
Wholesales – third party	28,966	27,376	25,638
Service contract sales	31,480	30,243	28,482
Payment protection plan revenue	<u>24,730</u>	<u>22,705</u>	<u>20,452</u>
Total	<u>\$ 652,992</u>	<u>\$ 586,508</u>	<u>\$ 537,528</u>

At April 30, 2020 and 2019, finance receivables more than 90 days past due were approximately \$3.1 million and \$1.2 million, respectively. Late fee revenues totaled approximately \$2.3 million, \$1.9 million and \$1.9 million for the fiscal years ended 2020, 2019 and 2018, respectively. Late fee revenue is recognized when collected and is reflected within Interest and other income on the Consolidated Statements of Operations.

During the years ended April 30, 2020 and 2019, the Company recognized \$9.4 million and \$9.1 million of revenues that were included in deferred service contract revenues for the years ended April 30, 2019 and 2018, respectively.

Advertising Costs

Advertising costs are expensed as incurred and consist principally of radio, print media and digital marketing costs. Advertising costs amounted to \$3.1 million, \$3.1 million and \$3.8 million for the years ended April 30, 2020, 2019 and 2018, respectively.

Employee Benefit Plans

The Company has 401(k) plans for all of its employees meeting certain eligibility requirements. The plans provide for voluntary employee contributions and the Company matches 50% of employee contributions up to a maximum of 6% of each employee's compensation. The Company contributed approximately \$769,000, \$523,000, and \$465,000 to the plans for the years ended April 30, 2020, 2019 and 2018, respectively.

The Company offers employees the right to purchase common shares at a 15% discount from market price under the 2006 Employee Stock Purchase Plan which was approved by shareholders in October 2006. The Company takes a charge to earnings for the 15% discount, included in stock-based compensation. Amounts for fiscal years 2020, 2019 and 2018 were not material individually or in the aggregate. A total of 200,000 shares were registered and 139,763 remain available for issuance under this plan at April 30, 2020.

Earnings per Share

Basic earnings per share are computed by dividing net income attributable to common stockholders by the average number of common shares outstanding during the period. Diluted earnings per share are computed by dividing net income attributable to common stockholders by the average number of common shares outstanding during the period plus dilutive common stock equivalents. The calculation of diluted earnings per share takes into consideration the potentially dilutive effect of common stock equivalents, such as outstanding stock options and non-vested restricted stock, which if exercised or converted into common stock would then share in the earnings of the Company. In computing diluted earnings per share, the Company utilizes the treasury stock method and anti-dilutive securities are excluded.

Stock-Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments, such as stock options and restricted stock, based on the fair value of those awards at the date of grant over the requisite service period. The Company uses the Black-Scholes option pricing model to determine the fair value of stock option awards. The Company may issue either new shares or treasury shares upon exercise of these awards. Stock-based compensation plans, related expenses, and assumptions used in the Black-Scholes option pricing model are more fully described in Note K. If an award contains a performance condition, expense is recognized only for those shares for which it is considered reasonably probable as of the current period end that the performance condition will be met. In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, to simplify the accounting for share-based payment transactions. The Company adopted the guidance prospectively on May 1, 2017. The Company recognized a \$1.7 million tax benefit during fiscal 2018. In connection with the adoption, we elected to account for forfeitures as they occur; previously, we were required to record stock compensation expense based on awards that were expected to vest, which had required us to apply an estimated forfeiture rate. The differential between the amount of compensation previously recorded and the amount that would have been recorded, if we did not assume a forfeiture rate, was not material to our consolidated financial statements. Also, in connection with the adoption, the Company now records any excess tax benefits or deficiencies from its equity awards in its Consolidated Statements of Operations in the reporting period in which the exercise occurs. As a result, going forward, the Company's income tax expenses and associated effective tax rate will be impacted by fluctuations in stock price between the grant dates and exercise dates of equity awards.

Treasury Stock

The Company purchased 182,805, 378,627, and 979,040 shares of its common stock to be held as treasury stock for a total cost of \$16.0 million, \$26.6 million and \$42.3 million during the years ended April 30, 2020, 2019 and 2018, respectively. Treasury stock may be used for issuances under the Company's stock-based compensation plans or for other general corporate purposes. The Company has a reserve account of 10,000 shares of treasury stock to secure outstanding service contracts issued in Iowa in accordance with the regulatory requirements of that state and another reserve account of 14,000 shares of treasury stock for its subsidiary, ACM Insurance Company, in accordance with the requirements of the Arkansas Department of Insurance.

Facility Leases

The Company's leases primarily consist of operating leases related to retail stores, office space, and land. For more information on financing obligations, see Note F.

The initial term for real property leases is typically 3 to 10 years. Most leases include one or more options to renew, with renewal terms that can extend the lease term from 3 to 10 years or more. The Company includes options to renew (or terminate) in the lease term, and as part of the right-of-use ("ROU") asset and lease liability, when it is reasonably certain that the options will be exercised. The weighted average remaining lease term as of April 30, 2020 was 15.0 years.

The ROU asset and the related lease liability are initially measured at the present value of future lease payments over the lease term. As most leases do not provide an implicit interest rate, the Company obtains a quote for a collateralized debt obligation from the group of lenders each quarter to determine the present value of future payments of leases commenced for that quarter. The weighted average discount rate as of April 30, 2020 was 4.35%.

The Company includes variable lease payments in the initial measurement of ROU assets and lease liabilities only to the extent they depend on an index or rate. Changes in such indices or rates are accounted for in the period the change occurs, and do not result in the remeasurement of the ROU asset or liability. The Company is also responsible for payment of certain real estate taxes, insurance, and other expenses on leases. These amounts are generally considered to be variable and are not included in the measurement of the ROU asset and lease liability. Non-lease components are generally accounted for separately from lease components. The Company's leases do not contain any material residual value guarantees or material restricted covenants.

Recent Accounting Pronouncements

Occasionally, new accounting pronouncements are issued by the Financial Accounting Standards Board ("FASB") or other standard setting bodies which the Company will adopt as of the specified effective date. Unless otherwise discussed, the Company believes the implementation of recently issued standards which are not yet effective will not have a material impact on its consolidated financial statements upon adoption.

Adopted in Current Period

Leases. In February 2016, the FASB issued ASU 2016-02, *Leases*. The new guidance requires that lessees recognize all leases, including operating leases, with a term greater than 12 months on-balance sheet and also requires disclosure of key information about leasing transactions. The guidance in ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within those years. The Company adopted this ASU and related amendments for its fiscal year beginning May 1, 2019 and elected certain practical expedients permitted under the transition guidance, including to retain the historical lease classification as well as relief from reviewing expired or existing contracts to determine if they contain leases. The adoption of this ASU and related amendments resulted in total assets and liabilities increasing \$34.5 million at the time of adoption. The Company's Consolidated Statements of Income and Consolidated Statements of Cash Flows were not materially impacted.

Effective in Future Periods

Credit Losses. In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses* (Topic 326). ASU 2016-13 requires financial assets such as loans to be presented net of an allowance for credit losses that reduces the cost basis to the amount expected to be collected over the estimated life. Expected credit losses will be measured based on historical experience and current conditions, as well as forecasts of future

conditions that affect the collectability of the reported amount. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2019, and interim reporting periods within those years using a modified retrospective approach. Our allowance for loan loss calculation will be modified to comply with these new requirements and adopted for our fiscal year beginning May 1, 2020. We do not expect a material impact to our financial statements as a result of this adoption.

Cloud Computing Arrangement. In August 2018, the FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software* (Subtopic 350-40). ASU 2018-15 aligns the requirements for capitalizing implementation costs in a cloud computing arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2019, and interim reporting periods within those years. The Company is currently evaluating the potential effects of the adoption of this guidance on the consolidated financial statements but does not expect such impact to be material.

Reference Rate Reform. In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform. The pronouncement provides optional guidance for a limited period of time to ease the potential burden of accounting for reference rate reform. This guidance is effective for all entities as of March 12, 2020 through December 31, 2022. The Company expects to utilize this optional guidance but does not expect the impact to be material.

C - Finance Receivables, Net

The Company originates installment sale contracts from the sale of used vehicles at its dealerships. These installment sale contracts, which carry a fixed interest rate of 15% or 16.5% per annum (19.5% to 21.5% in Illinois), are collateralized by the vehicle sold and typically provide for payments over periods ranging from 18 to 48 months. The Company's finance receivables are defined as one segment and one class of loans, which is sub-prime consumer automobile contracts. The level of risks inherent in our financing receivables is managed as one homogeneous pool. The components of finance receivables as of April 30, 2020 and 2019 are as follows:

<i>(In thousands)</i>	April 30, 2020	April 30, 2019
Gross contract amount	\$ 728,841	\$ 631,681
Less unearned finance charges	<u>(107,659)</u>	<u>(88,353)</u>
Principal balance	621,182	543,328
Less allowance for credit losses	<u>(155,041)</u>	<u>(127,842)</u>
Finance receivables, net	<u>\$ 466,141</u>	<u>\$ 415,486</u>

Changes in the finance receivables, net for the years ended April 30, 2020, 2019 and 2018 are as follows:

<i>(In thousands)</i>	Years Ended April 30,		
	2020	2019	2018
Balance at beginning of period	\$ 415,486	\$ 383,617	\$ 357,161
Finance receivable originations	604,497	540,505	494,641
Finance receivable collections	(322,180)	(293,739)	(260,104)
Provision for credit losses	(162,246)	(146,363)	(149,059)
Losses on claims for payment protection plan	(17,966)	(17,020)	(16,748)
Inventory acquired in repossession and payment protection plan claims	<u>(51,450)</u>	<u>(51,514)</u>	<u>(42,274)</u>
Balance at end of period	<u>\$ 466,141</u>	<u>\$ 415,486</u>	<u>\$ 383,617</u>

Changes in the finance receivables allowance for credit losses for the years ended April 30, 2020, 2019 and 2018 are as follows:

<i>(In thousands)</i>	Years Ended April 30,		
	2020	2019	2018
Balance at beginning of period	\$ 127,842	\$ 117,821	\$ 109,693
Provision for credit losses	162,246	146,363	149,059
Charge-offs, net of recovered collateral	<u>(135,047)</u>	<u>(136,342)</u>	<u>(140,931)</u>
Balance at end of period	<u>\$ 155,041</u>	<u>\$ 127,842</u>	<u>\$ 117,821</u>

The factors which influenced management's judgment in determining the amount of the additions to the allowance charged to provision for credit losses are described below.

The level of actual charge-offs, net of recovered collateral, is the most important factor in determining the charges to the provision for credit losses. This is due to the fact that once a contract becomes delinquent the account is either made current by the customer, the vehicle is repossessed, or the account is written off if the collateral cannot be recovered. Net charge-offs as a percentage of average finance receivables was 23.1% for fiscal 2020 as compared to 25.7% for fiscal 2019. The decrease in net charge-offs for fiscal 2020 primarily resulted from a lower frequency of losses combined with a lower severity of losses, primarily due to improvements in the collections processes and higher recovery rates on repossessions. However, as a result of COVID-19 restrictions and for the health and safety of our associates and customers, we suspended repossession efforts for a period of time beginning in the fourth quarter, which also decreased the percentage of net charge-offs in fiscal 2020.

Collections and delinquency levels can have a significant effect on additions to the allowance and are reviewed frequently. Collections as a percentage of average finance receivables were 55.1% for the year ended April 30, 2020 compared to 55.3% for the year ended April 30, 2019. Delinquencies greater than 30 days increased to 6.2% at April 30, 2020 compared to 2.9% at April 30, 2019. Many of our customers were impacted by the pandemic resulting in increased past due amounts. Although delinquency levels have improved since year end, there is still uncertainty regarding the impact of COVID-19 on the economy and unemployment, which could affect our collections and past due receivables going forward.

Macro-economic factors, and more importantly, proper execution of operational policies and procedures have a significant effect on additions to the allowance charged to the provision. Higher unemployment levels, higher gasoline prices and higher prices for staple items can potentially have a significant effect. As a result, the Company increased the allowance for credit losses from 25.0% to 26.5% in fiscal 2020.

Credit quality information for finance receivables is as follows:

<i>(Dollars in thousands)</i>	April 30, 2020		April 30, 2019	
	Principal Balance	Percent of Portfolio	Principal Balance	Percent of Portfolio
Current	\$ 515,390	82.97%	\$ 435,603	80.17%
3 - 29 days past due	67,259	10.83%	91,747	16.89%
30 - 60 days past due	25,311	4.07%	11,362	2.09%
61 - 90 days past due	10,140	1.63%	3,429	0.63%
> 90 days past due	3,082	0.50%	1,187	0.22%
Total	<u>\$ 621,182</u>	<u>100.00%</u>	<u>\$ 543,328</u>	<u>100.00%</u>

Accounts one and two days past due are considered current for this analysis, due to the varying payment dates and variation in the day of the week at each period end. Delinquencies may vary from period to period based on the average age of the portfolio, seasonality within the calendar year, the day of the week and overall economic factors. The above categories are consistent with internal operational measures used by the Company to monitor credit results.

Substantially all of the Company's automobile contracts involve contracts made to individuals with impaired or limited credit histories, or higher debt-to-income ratios than permitted by traditional lenders. Contracts made with buyers who are restricted in their ability to obtain financing from traditional lenders generally entail a higher risk of delinquency, default and repossession, and higher losses than contracts made with buyers with better credit. The Company monitors contract term length, down payment percentages, and collections for credit quality indicators.

	Twelve Months Ended April 30,	
	2020	2019
Principal collected as a percent of average finance receivables	55.1%	55.3%
Average down-payment percentage	6.4%	6.5%
	April 30, 2020	April 30, 2019
Average originating contract term <i>(in months)</i>	30.7	29.5
Portfolio weighted average contract term, including modifications <i>(in months)</i>	33.3	32.1

D - Property and Equipment

A summary of property and equipment is as follows:

<i>(In thousands)</i>	April 30, 2020	April 30, 2019
Land	\$ 7,799	\$ 7,413
Buildings and improvements	12,678	11,815
Furniture, fixtures and equipment	14,118	13,307
Leasehold improvements	27,519	26,064
Construction in progress	3,186	1,523
Accumulated depreciation and amortization	<u>(35,160)</u>	<u>(31,585)</u>
Property and equipment, net	<u>\$ 30,140</u>	<u>\$ 28,537</u>

E - Accrued Liabilities

A summary of accrued liabilities is as follows:

<i>(In thousands)</i>	April 30, 2020	April 30, 2019
Employee compensation	\$ 8,199	\$ 6,321
Cash overdrafts (see Note B)	-	1,274
Deferred sales tax (see Note B)	2,974	3,571
Reserve for PPP claims	2,926	2,433
Health insurance	1,187	-
Fair value of contingent consideration	2,713	-
Other	1,730	5,238
Accrued liabilities	<u>\$ 19,729</u>	<u>\$ 18,837</u>

F – Debt Facilities

A summary of debt facilities is as follows:

<i>(In thousands)</i>	2020	2019
Revolving lines of credit	\$ 215,831	\$ 152,440
Notes payable	79	194
Finance lease	445	839
Debt issuance costs	<u>(787)</u>	<u>(555)</u>
Debt facilities	<u>\$ 215,568</u>	<u>\$ 152,918</u>

On September 30, 2019, the Company and its subsidiaries, Colonial, Car-Mart of Arkansas (“ACM”) and Texas Car-Mart, Inc. (“TCM”) entered into a Third Amended and Restated Loan and Security Agreement (the “Agreement”), which amended and restated the Company’s revolving credit facilities. Under the Agreement, BMO Harris Bank, N.A. replaced Bank of America, N.A. as agent, lead arranger and book manager, and Wells Fargo Bank, N.A. joined the group of lenders. The Agreement also extended the term of the Company’s revolving credit facilities to September 30, 2022 and increased the total permitted borrowings from \$215 million to \$241 million, including an increase in the Colonial revolving line of credit from \$205 million to \$231 million. The ACM-TCM revolving line of credit commitment remained the same at \$10 million. The Agreement also increased the accordion feature from \$50 million to \$100 million.

The revolving credit facilities are collateralized primarily by finance receivables and inventory, are cross collateralized and contain a guarantee by the Company. The Company also granted a security interest in the equity ownership interests of its subsidiaries. Interest is payable monthly under the revolving credit facilities. The credit facilities provide for four pricing tiers for determining the applicable interest rate, based on the Company’s consolidated leverage ratio for the preceding fiscal quarter. The current applicable interest rate under the credit facilities is generally LIBOR plus 2.35%, or 2.98% at April 30, 2020 and 4.73% at April 30, 2019. The credit facilities contain various reporting and performance covenants including (i) maintenance of certain financial ratios and tests, (ii) limitations on borrowings from other sources, (iii) restrictions on certain operating activities and (iv) restrictions on the payment of dividends or distributions (see note B).

The Company was in compliance with the covenants at April 30, 2020. The amount available to be drawn under the credit facilities is a function of eligible finance receivables and inventory; based upon eligible finance receivables and inventory at April 30, 2020, the Company had additional availability of approximately \$23 million under the revolving credit facilities. The Company took a \$30 million draw on our credit facilities during March 2020 to ensure financial flexibility during the uncertainty as a result of COVID-19. We have grown our cash balance

to approximately \$60 million at April 30, 2020, which would have typically been used to pay down the line of credit.

The Company recognized \$273,000, \$251,000 and 260,000 of amortization for the twelve months ended April 30, 2020, 2019 and 2018, respectively, related to debt issuance costs. The amortization is reflected as interest expense in the Company's Consolidated Statements of Operations.

During the years ended April 30, 2020 and April 30, 2019, the Company incurred approximately \$505,000 and \$371,000, respectively, in debt issuance costs related to amendments of the credit facilities. Debt issuance costs of approximately \$787,000 and \$555,000 as of April 30, 2020 and 2019, respectively, are shown as a deduction from the revolving credit facilities in the Consolidated Balance Sheet.

On December 15, 2015, the Company entered into an agreement to purchase the property on which one of its dealerships is located for a purchase price of \$550,000. Under the agreement, the purchase price is being paid in monthly principal and interest installments of \$10,005. The debt matures in December 2020, bears interest at a rate of 3.50% and is secured by the property. The balance on this note payable was approximately \$79,000 as of April 30, 2020.

On March 29, 2018, the Company entered into a lease classified as a finance lease. The present value of the minimum lease payments is approximately \$445,000, which is included in Debt facilities in the Consolidated Balance Sheet. The leased equipment is amortized on a straight-line basis over three years. As of April 30, 2020, there is approximately \$340,000 in accumulated depreciation related to the leased equipment.

G – Fair Value Measurements

The table below summarizes information about the fair value of financial instruments included in the Company's financial statements at April 30, 2020 and 2019:

<i>(In thousands)</i>	April 30, 2020		April 30, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	\$ 59,560	\$ 59,560	\$ 1,752	\$ 1,752
Finance receivables, net	466,141	382,027	415,486	308,384
Accounts payable	13,117	13,117	13,659	13,659
Debt facilities	215,568	215,568	152,918	152,918

Because no market exists for certain of the Company's financial instruments, fair value estimates are based on judgments and estimates regarding yield expectations of investors, credit risk and other risk characteristics, including interest rate and prepayment risk. These estimates are subjective in nature and involve uncertainties and matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The methodology and assumptions utilized to estimate the fair value of the Company's financial instruments are as follows:

<u>Financial Instrument</u>	<u>Valuation Methodology</u>
Cash	The carrying amount is considered to be a reasonable estimate of fair value due to the short-term nature of the financial instrument.
Finance receivables, net	The Company estimated the fair value of its receivables at what a third-party purchaser might be willing to pay. The Company has had discussions with third parties and has bought and sold portfolios and has had a third-party appraisal in January 2019 that indicates a range of 34% to 39% discount to face would be a reasonable fair value in a negotiated third-party transaction. The sale of finance receivables from Car-Mart of Arkansas to Colonial is made at a 38.5% discount. For financial reporting purposes these sale transactions are eliminated. Since the Company does not intend to offer the receivables for sale to an outside third party, the expectation is that the net book value at April 30, 2020, will ultimately be collected. By collecting the accounts internally, the Company expects to realize more than a third-party purchaser would expect to collect with a servicing requirement and a profit margin included.
Accounts payable	The carrying amount is considered to be a reasonable estimate of fair value due to the short-term nature of the financial instrument.
Revolving credit facilities and notes payable	The fair value approximates carrying value due to the variable interest rates charged on the borrowings, which reprice frequently.

H - Income Taxes

The provision for income taxes was as follows:

<i>(In thousands)</i>	Years Ended April 30,		
	2020	2019	2018
Provision for income taxes			
Current	\$ 14,288	\$ 10,525	\$ 8,757
Deferred	(1,280)	1,701	(6,360)
Total	<u>\$ 13,008</u>	<u>\$ 12,226</u>	<u>\$ 2,397</u>

The provision for income taxes is different from the amount computed by applying the statutory federal income tax rate to income before income taxes for the following reasons:

<i>(In thousands)</i>	Years Ended April 30,		
	2020	2019	2018
Tax provision at statutory rate	\$ 13,514	\$ 12,569	\$ 11,827
State taxes, net of federal benefit	1,931	1,796	1,077
Tax benefit from option exercises	(1,498)	(1,961)	(1,721)
Deferred tax adjustment related to Tax Act	-	-	(8,083)
Other, net	(939)	(178)	(703)
Total	<u>\$ 13,008</u>	<u>\$ 12,226</u>	<u>\$ 2,397</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax assets and liabilities were as follows:

<i>(In thousands)</i>	Years Ended April 30,	
	2020	2019
Deferred income tax liabilities related to:		
Finance receivables	\$ 19,342	\$ 19,254
Property and equipment	69	-
Goodwill	90	76
Total	19,501	19,330
Deferred income tax assets related to:		
Accrued liabilities	1,565	1,638
Inventory	107	127
Disallowed interest deduction	1,365	-
Share based compensation	2,490	2,186
Property and equipment	-	76
State net operating loss	42	29
Deferred revenue	953	1,015
Total	6,522	5,071
Deferred income tax liabilities, net	<u>\$ 12,979</u>	<u>\$ 14,259</u>

I – Capital Stock

The Company is authorized to issue up to one million shares of \$.01 par value preferred stock in one or more series having such respective terms, rights and preferences as are designated by the Board of Directors. The Company has not issued any preferred stock.

A subsidiary of the Company has issued 500,000 shares of \$1.00 par value preferred stock which carries an 8% cumulative dividend. The Company's subsidiary can redeem the preferred stock at any time at par value plus any unpaid dividends. After April 30, 2017, a holder of 400,000 shares of the subsidiary preferred stock can require the Company's subsidiary to redeem such stock for \$400,000 plus any unpaid dividends.

J – Weighted Average Shares Outstanding

Weighted average shares of common stock outstanding used in the calculation of basic and diluted earnings per share were as follows:

	Years Ended April 30,		
	2020	2019	2018
Weighted average shares outstanding-basic	6,630,023	6,810,879	7,232,014
Dilutive options and restricted stock	<u>315,629</u>	<u>260,889</u>	<u>209,344</u>
Weighted average shares outstanding-diluted	<u>6,945,652</u>	<u>7,071,768</u>	<u>7,441,358</u>
Antidilutive securities not included:			
Options	118,750	60,000	229,000
Restricted Stock	7,224	-	-

K – Stock-Based Compensation Plans

The Company has stock-based compensation plans available to grant non-qualified stock options, incentive stock options and restricted stock to employees, directors and certain advisors of the Company. The current stock-based compensation plans are the Amended and Restated Stock Option Plan and the Amended and Restated Stock Incentive Plan. The Company recorded total stock-based compensation expense for all plans of \$4.7 million (\$3.6 million after tax effects), \$3.7 million (\$2.8 million after tax effects) and \$1.6 million (\$1.1 million after tax effects) for the years ended April 30, 2020, 2019 and 2018, respectively. Tax benefits were recognized for these costs at the Company's overall effective tax rate.

Stock Option Plan

The Company has options outstanding under the Amended and Restated Stock Option Plan. The shareholders of the Company approved the Amended and Restated Stock Option Plan (the "Stock Option Plan") on August 5, 2015, which extended the term of the Stock Option Plan to June 10, 2025 and increased the number of shares of common stock reserved for issuance under the plan by an additional 300,000 shares to 1,800,000 shares. On August 29, 2018, the shareholders of the Company approved an amendment to the Stock Option Plan, which increased the number of shares of common stock reserved for issuance under the plan by an additional 200,000 shares to 2,000,000 shares. The Stock Option Plan provides for the grant of options to purchase shares of the Company's common stock to employees, directors and certain advisors of the Company at a price not less than the fair market value of the stock on the date of grant and for periods not to exceed ten years. Options granted under the Company's stock option plans expire in the calendar years 2022 through 2029.

Minimum exercise price as a percentage of fair market value at date of grant	<u>Option Plan</u> 100%
Last expiration date for outstanding options	December 30, 2029
Shares available for grant at April 30, 2020	75,000

The aggregate intrinsic value of outstanding options at April 30, 2020 and 2019 was \$7.7 million and \$29.9 million, respectively.

The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model based on the assumptions in the table below.

	April 30, 2020	April 30, 2019	April 30, 2018
Expected terms (years)	5.5	5.5	5.5
Risk-free interest rate	1.75%	2.79%	1.81%
Volatility	39%	36%	36%
Dividend yield	-	-	-

The expected term of the options is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected life at the grant date. Volatility is based on historical volatility of the Company's common stock. The Company has not historically issued dividends and does not expect to do so in the foreseeable future.

There were 225,000 options granted during fiscal 2020. The grant-date fair value of all options granted during fiscal 2020, 2019 and 2018 was \$9.3 million, \$3.0 million and \$336,000, respectively. The options were granted at fair market value on date of grant. Generally, options vest after three to five years, except for options issued to directors which are immediately vested at date of grant.

The following is an aggregate summary of the activity in the Company's stock option plans from April 30, 2017 to April 30, 2020:

	Number of Options	Exercise Price per Share	Proceeds on Exercise	Weighted Average Exercise Price per Share
	(in thousands)			
Outstanding at April 30, 2017	1,028,500		\$ 34,084	\$ 33.51
Granted	25,000	\$ 37.30	933	37.30
Exercised	(323,000)	\$ 11.90 to \$ 37.94	(6,692)	20.72
Expired	(15,000)	\$44.52 to \$51.81	(710)	47.26
Cancelled	(20,000)	\$ 41.86 to \$ 53.02	(932)	46.61
Outstanding at April 30, 2018	695,500		\$ 26,683	\$ 30.50
Granted	145,000	\$ 53.30 to \$ 54.85	7,915	54.58
Exercised	(275,000)	\$ 18.86 to \$ 53.30	(8,511)	30.95
Outstanding at April 30, 2019	565,500		\$ 26,087	\$ 46.13
Granted	225,000	\$ 99.05 to \$ 109.06	24,287	107.95
Exercised	(121,250)	\$ 22.87 to \$ 53.02	(4,517)	37.25
Cancelled	(1,500)	\$ 53.02	(80)	53.02
Outstanding at April 30, 2020	667,750		\$ 45,777	\$ 68.55

Stock option compensation expense on a pre-tax basis was \$3.6 million (\$2.9 million after tax effects), \$2.7 million (\$2.0 million after tax effects) and \$1.2 million (\$773,000 after tax effects) for the years ended April 30, 2020, 2019 and 2018, respectively. As of April 30, 2020, the Company had approximately \$8.7 million of total unrecognized compensation cost related to unvested options that are expected to vest. These options have a weighted-average remaining vesting period of 1.9 years.

The Company had the following options exercised for the periods indicated. The impact of these cash receipts is included in financing activities in the accompanying Consolidated Statements of Cash Flows.

<i>(Dollars in thousands)</i>	Years Ended April 30,		
	2020	2019	2018
Options Exercised	121,250	275,000	323,000
Cash Received from Options Exercised	\$ 2,928	\$ 5,663	\$ 2,832
Intrinsic Value of Options Exercised	\$ 7,580	\$ 10,817	\$ 8,381

During the year ended April 30, 2020, there were 57,500 options exercised through net settlements in accordance with plan provisions, wherein the shares issued were reduced by 28,307 shares to satisfy the exercise price and applicable withholding taxes to acquire 29,193 shares.

As of April 30, 2020, there were 155,250 vested and exercisable stock options outstanding with an aggregate intrinsic value of \$2.6 million and a weighted average remaining contractual life of 3.7 years and a weighted average exercise price of \$36.38.

Stock Incentive Plan

On August 5, 2015, the shareholders of the Company approved the Amended and Restated Stock Incentive Plan (the “Stock Incentive Plan”), which extended the term of the Stock Incentive Plan to June 10, 2025. On August 29, 2018, the shareholders of the Company approved an amendment to the Company’s Stock Incentive Plan that increased the number of shares of common stock that may be issued under the Stock Incentive Plan from 350,000 to 450,000. For shares issued under the Stock Incentive Plan, the associated compensation expense is generally recognized equally over the vesting periods established at the award date and is subject to the employee’s continued employment by the Company.

The following is a summary of the activity in the Company’s Stock Incentive Plan:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested shares at April 30, 2017	17,000	\$ 44.86
Shares granted	166,500	45.86
Shares vested	-	-
Shares cancelled	(4,500)	38.28
Unvested shares at April 30, 2018	179,000	\$ 45.96
Shares granted	3,000	53.30
Shares vested	-	-
Shares cancelled	(1,500)	36.38
Unvested shares at April 30, 2019	180,500	\$ 46.16
Shares granted	12,328	102.03
Shares vested	(7,000)	52.10
Shares cancelled	(1,000)	37.07
Unvested shares at April 30, 2020	<u>184,828</u>	\$ 49.71

The fair value at vesting for awards under the stock incentive plan was \$9.2 million, \$8.3 million and \$8.2 million in fiscal 2020, 2019 and 2018, respectively.

During the fiscal year 2020, 3,000 shares were granted with a fair value of \$99.05, 4,224 shares were granted with a fair value of \$109.06 and 5,104 shares were granted with a fair value of \$97.97. During the fiscal year 2019, 3,000 restricted shares were granted with a fair value of \$53.30 per share. During the fiscal year 2018,

132,000 restricted shares were granted with a fair value of \$48.70 per share and 34,500 shares were granted with a fair value of \$35.00 per share. A total of 94,199 shares remain available for award at April 30, 2020.

The Company recorded compensation cost of \$1.1 million (\$839,000 after tax effects), \$1.0 million (\$760,000 after tax effects) and \$430,000 (\$288,000 after tax effects) related to the Stock Incentive Plan during the years ended April 30, 2020, 2019 and 2018, respectively. As of April 30, 2020, the Company had \$6.3 million of total unrecognized compensation cost related to unvested awards granted under the Stock Incentive Plan, which the Company expects to recognize over a weighted-average remaining period of 6.3 years.

L - Commitments and Contingencies

Letter of Credit

The Company has a standby letter of credit relating to an insurance policy totaling \$250,000 at April 30, 2020.

Facility Leases

The Company leases certain dealership and office facilities under various non-cancelable operating leases. Dealership leases are generally for periods from three to five years and contain multiple renewal options. As of April 30, 2020, the aggregate rentals due under such leases, including renewal options that are reasonably assured, were as follows:

Years Ending April 30,	Amount <i>(In thousands)</i>
2021	\$ 6,831
2022	6,646
2023	6,570
2024	6,043
2025	5,876
Thereafter	54,407
Total undiscounted operating lease payments	86,373
Less: imputed interest	23,563
Present value of operating lease liabilities	<u>\$ 62,810</u>

The \$86.4 million of operating lease commitments includes \$26.2 million of non-cancelable lease commitments under the lease terms, and \$60.2 million of lease commitments for renewal periods at the Company's option that are reasonably assured. The lease commitments also include \$13.2 million of lease commitments associated with entities owned or controlled by a preferred shareholder of the Company's subsidiary. For the years ended April 30, 2020, 2019 and 2018, rent expense for all operating leases amounted to approximately \$6.9 million, \$6.7 million and \$6.2 million, respectively.

Litigation

In the ordinary course of business, the Company has become a defendant in various types of legal proceedings. The Company does not expect the final outcome of any of these actions, individually or in the aggregate, to have a material adverse effect on the Company's financial position, annual results of operations or cash flows. The results of legal proceedings cannot be predicted with certainty; however, and an unfavorable resolution of one or more of these legal proceedings could have a material adverse effect on the Company's financial position, annual results of operations or cash flows.

Related Finance Company

Car-Mart of Arkansas and Colonial do not meet the affiliation standard for filing consolidated income tax returns, and as such they file separate federal and state income tax returns. Car-Mart of Arkansas routinely sells its finance receivables to Colonial at what the Company believes to be fair market value and is able to take a tax deduction at the time of sale for the difference between the tax basis of the receivables sold and the sales price.

These types of transactions, based upon facts and circumstances, have been permissible under the provisions of the Internal Revenue Code as described in the Treasury Regulations. For financial accounting purposes, these transactions are eliminated in consolidation, and a deferred income tax liability has been recorded for this timing difference. The sale of finance receivables from Car-Mart of Arkansas to Colonial provides certain legal protection for the Company's finance receivables and, principally because of certain state apportionment characteristics of Colonial, also has the effect of reducing the Company's overall effective state income tax rate. The actual interpretation of the regulations is in part a facts and circumstances matter. The Company believes it satisfies the material provisions of the regulations. Failure to satisfy those provisions could result in the loss of a tax deduction at the time the receivables are sold and have the effect of increasing the Company's overall effective income tax rate as well as the timing of required tax payments.

M - Supplemental Cash Flow Information

Supplemental cash flow disclosures for the years ended April 30, 2020, 2019 and 2018 are as follows:

<i>(in thousands)</i>	Years Ended April 30,		
	2020	2019	2018
Supplemental disclosures:			
Interest paid	\$ 8,152	\$ 7,259	\$ 5,599
Income taxes paid, net	8,505	11,022	11,092
Non-cash transactions:			
Inventory acquired in repossession and payment protection plan claims	51,450	51,514	42,274
Purchase of property and equipment using the issuance of debt	-	-	1,151
Loss accrued on disposal of property and equipment	3	29	-
Net settlement option exercises	1,589	2,848	3,859

N - Quarterly Results of Operations (unaudited)

A summary of the Company's quarterly results of operations for the years ended April 30, 2020 and 2019 is as follows (in thousands, except per share information):

	Year Ended April 30, 2020				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$ 171,878	\$ 190,310	\$ 186,734	\$ 195,689	\$ 744,611
Gross profit	61,189	67,917	65,749	69,662	264,517
Net income	15,511	13,887	12,686	9,259	51,343
Net income attributable to common stockholders	15,501	13,877	12,676	9,249	51,303
Earnings per share:					
Basic	2.32	2.10	1.92	1.40	7.74
Diluted	2.21	2.00	1.83	1.35	7.39
	Year Ended April 30, 2019				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenues	\$ 164,015	\$ 167,171	\$ 161,054	\$ 176,882	\$ 669,122
Gross profit	59,933	61,045	58,063	63,569	242,610
Net income	10,884	11,281	10,895	14,565	47,625
Net income attributable to common stockholders	10,874	11,271	10,885	14,555	47,585
Earnings per share:					
Basic	1.57	1.64	1.61	2.17	6.99
Diluted	1.53	1.58	1.55	2.07	6.73

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Based on management's evaluation (with the participation of the Company's Chief Executive Officer and Chief Financial Officer), as of April 30, 2020, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of April 30, 2020. In making this assessment, management used the criteria set forth in *The 2013 Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on management's assessment, management believes that the Company maintained effective internal control over financial reporting as of April 30, 2020.

The Company's independent registered public accounting firm independently assessed the effectiveness of the Company's internal control over financial reporting and has issued their report on the effectiveness of the Company's internal control over financial reporting at April 30, 2020. That report appears below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
America's Car-Mart, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of America's Car-Mart, Inc. (a Texas corporation) and subsidiaries (the "Company") as of April 30, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended April 30, 2020, and our report dated June 24, 2020 expressed an unqualified opinion on those financial statements.

Basis for opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma
June 24, 2020

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Except as to information with respect to executive officers which is contained in a separate heading under Part I, Item 1 of this Form 10-K, the information required by Items 10 through 14 of this Form 10-K is, pursuant to General Instruction G (3) of Form 10-K, incorporated by reference herein from the Company's definitive proxy statement to be filed pursuant to Regulation 14A for the Company's Annual Meeting of Stockholders to be held in August 2020 (the "Proxy Statement"). The Company will, within 120 days of the end of its fiscal year, file with the SEC a definitive proxy statement pursuant to Regulation 14A.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be contained in the Proxy Statement and such information is incorporated herein by reference. Information regarding the executive officers of the Company is set forth under the heading "Executive Officers" in Part I, Item 1 of this report.

Item 11. Executive Compensation

The information required by this item will be contained in the Proxy Statement and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in the Proxy Statement and such information is incorporated herein by reference.

The Company's equity compensation plans consist of the Amended and Restated Stock Incentive Plan, the Amended and Restated Stock Option Plan and the 2006 Employee Stock Purchase Plan. These plans have been approved by the stockholders.

The following table sets forth information regarding outstanding options and shares reserved for future issuance under the foregoing plans as of April 30, 2020:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding shares reflected in column (a)) (c) ⁽¹⁾
Equity compensation plans approved by the stockholders	667,750	\$68.55	308,962
Equity compensation plans not approved by the stockholders	-	-	-

- (1) Includes 94,199 shares available for issuance under the Amended and Restated Stock Incentive Plan, 75,000 shares under the Amended and Restated Stock Option Plan and 139,763 shares under the 2006 Employee Stock Purchase Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in the Proxy Statement and such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item will be contained in the Proxy Statement and such information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)1. Financial Statements

The following financial statements and accountant's report are included in Item 8 of this report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of April 30, 2020 and 2019

Consolidated Statements of Operations for the years ended April 30, 2020, 2019 and 2018

Consolidated Statements of Cash Flows for the years ended April 30, 2020, 2019 and 2018

Consolidated Statements of Equity for the years ended April 30, 2020, 2019 and 2018

Notes to Consolidated Financial Statements

(a)2. Financial Statement Schedules

The financial statement schedules are omitted since the required information is not present, or is not present in amounts sufficient to require submission of the schedules, or because the information required is included in the Consolidated Financial Statements and Notes thereto.

(a)3. Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.1	<u>Articles of Incorporation of the Company, as amended. (Incorporated by reference to Exhibits 4.1-4.8 to the Company's Registration Statement on Form S-8 filed with the SEC on November 16, 2005 (File No. 333-129727)).</u>
3.2	<u>Amended and Restated Bylaws of the Company dated December 4, 2007. (Incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2007 filed with the SEC on December 7, 2007).</u>
3.3	<u>Amendment No. 1 to the Amended and Restated Bylaws of the Company dated February 18, 2014. (Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on February 19, 2014).</u>
4.1	Specimen stock certificate. (Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended April 30, 1994 (File No. 000-14939))(filed in paper format).
4.2	Description of Securities
10.1*	<u>Amended and Restated Stock Incentive Plan (Incorporated by reference to Appendix A to the Company's Proxy Statement on Schedule 14A filed with the SEC on June 23, 2015).</u>

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.1.1*	<u>Amendment to Amended and Restated Stock Incentive Plan ((Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 4, 2018).</u>
10.2*	<u>Amended and Restated Stock Option Plan (Incorporated by reference to Appendix B to the Company's Proxy Statement on Schedule 14A filed with the SEC on June 23, 2015).</u>
10.2.1*	<u>Amendment to Amended and Restated Stock Option Plan ((Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 4, 2018).</u>
10.2.2*	<u>Option Agreement for Amended and Restated Stock Option Plan, dated August 5, 2015, between America's Car-Mart, Inc., a Texas corporation, and Jeffrey A. Williams (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 10, 2015).</u>
10.2.3*	<u>Option Agreement for Amended and Restated Stock Option Plan, dated August 5, 2015, between America's Car-Mart, Inc., a Texas corporation, and Jeffrey A. Williams (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on August 10, 2015).</u>
10.2.4*	<u>Option Agreement for Amended and Restated Stock Option Plan, dated August 5, 2015, between America's Car-Mart, Inc., a Texas corporation, and William H. Henderson (Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on August 10, 2015).</u>
10.2.5*	<u>Option Agreement for Amended and Restated Stock Option Plan, dated August 5, 2015, between America's Car-Mart, Inc., a Texas corporation, and William H. Henderson (Incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on August 10, 2015).</u>
10.3*	Form of Indemnification Agreement between the Company and certain officers and directors of the Company. (Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended July 31, 1993) (filed in paper format).
10.4*	<u>Employment Agreement, dated as of May 1, 2015, between America's Car Mart, Inc., an Arkansas corporation, and Jeffrey A. Williams (Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on June 14, 2017).</u>
10.5*	<u>Employment Agreement, dated as of February 27, 2020, between America's Car-Mart, Inc., an Arkansas corporation, and Jeffrey A. Williams (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on March 4, 2020).</u>
10.6*	<u>America's Car-Mart, Inc. Nonqualified Deferred Compensation Plan (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 10, 2014).</u>

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.7*	<u>Retirement and Transition Agreement, dated as of January 1, 2018, between America's Car-Mart, Inc. and William H. Henderson (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 11, 2018).</u>
10.8	<u>Third Amended and Restated Loan and Security Agreement dated September 30, 2019, among America's Car-Mart, Inc., a Texas corporation, as Parent; Colonial Auto Finance, Inc., an Arkansas corporation, America's Car Mart, Inc., an Arkansas corporation, and Texas Car-Mart, Inc., a Texas corporation, as Borrowers; and certain financial institutions, as Lenders, with BMO Harris Bank, N.A., as Agent, Lead Arranger and Book Manager (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 1, 2019).</u>
14.1	<u>Code of Business Conduct and Ethics. (Incorporated by reference to Exhibit 14.1 to the Company's Current Report on Form 8-K filed with the SEC on July 22, 2016)</u>
21.1	Subsidiaries of America's Car-Mart, Inc.
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Indicates management contract or compensatory plan or arrangement covering executive officers or directors of the Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICA'S CAR-MART, INC.

Dated: June 24, 2020

By: /s/ Vickie D. Judy
Vickie D. Judy
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jeffrey A. Williams</u> Jeffrey A. Williams	President, Chief Executive Officer and Director (Principal Executive Officer)	June 24, 2020
<u>/s/ Vickie D. Judy</u> Vickie D. Judy	Chief Financial Officer (Principal Financial Officer)	June 24, 2020
<u>/s/ Ray C. Dillon</u> Ray C. Dillon	Chairman of the Board	June 24, 2020
<u>/s/ Daniel J. Englander</u> Daniel J. Englander	Director	June 24, 2020
<u>/s/ William H. Henderson</u> William H. Henderson	Director	June 24, 2020
<u>/s/ Ann G. Bordelon</u> Ann G. Bordelon	Director	June 24, 2020
<u>/s/ Jim von Grep</u> Jim von Grep	Director	June 24, 2020
<u>/s/ Joshua G. Welch</u> Joshua G. Welch	Director	June 24, 2020

Exhibit 4.2

Description of Securities

The following is a description of the capital stock of America's Car-Mart, Inc. (the "Company") and certain provisions of the Company's Articles of Incorporation, as amended ("Articles"), Amended and Restated Bylaws, as amended ("Bylaws"), and certain provisions of applicable law. The following is only a summary and is qualified by applicable law and by the provisions of the Company's Articles and Bylaws, copies of which have been filed with the Securities and Exchange Commission.

General

The Company is authorized to issue up to 50,000,000 shares of common stock, par value \$0.01 per share, and up to 1,000,000 shares of preferred stock, par value \$0.01 per share. Each share of the Company's common stock has the same relative rights as, and is identical in all respects to, each other share of the Company's common stock.

As of June 15, 2020, 6,632,819 shares of the Company's common stock were issued and outstanding, and 276,962 shares of common stock were reserved for issuance pursuant to the Company's stock incentive, option and purchase plans. The Company's common stock is listed on the NASDAQ Global Select Market. The outstanding shares of the Company's common stock are fully paid and non-assessable.

As of June 15, 2020, no shares of the Company's preferred stock were issued and outstanding.

Common Stock

Dividend Rights. Subject to such preferential rights as the Board of Directors of the Company (the "Board") may grant in connection with future issuances of preferred stock, holders of shares of common stock are entitled to receive such dividends as the Board may declare in its discretion out of funds legally available therefor. Under the Company's Bylaws, the Board may declare dividends at any regular or special meeting, and dividends may be paid in cash, in property, or in shares of the capital stock, subject to any provisions of the Articles.

Voting Rights. Holders of shares of common stock are entitled to elect all of the members of the Board, and such holders are entitled to vote as a class on all matters required or permitted to be submitted to the shareholders of the Company. Each director shall be elected by a majority of the votes cast with respect to that director at the annual meeting. However, if the number of nominees is greater than the number of directors to be elected, the directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at the annual meeting. All other matters require the affirmative vote of the holders of a majority of the shares entitled to vote on, and that voted for or against or expressly abstained with respect to, that matter at a meeting of shareholders at which a quorum is present. Holders of the Company's common stock do not have cumulative voting rights.

Liquidation and Dissolution. Holders of shares of common stock are entitled to share ratably in any distribution made to holders of common stock in the event of a liquidation, dissolution or winding up of the Company after payment of liabilities and any liquidation preference on any shares of preferred stock then outstanding.

Other Rights. Holders of shares of common stock have no preemptive rights, nor do they have any conversion, preemptive or other rights to subscribe for additional shares or other securities. There are no redemption or sinking fund provisions with respect to such shares.

Modification of Rights. The Board, acting by a majority vote of the members present and without shareholder approval, may amend the Company's Bylaws and may issue shares of the Company's preferred stock under terms determined by the Board as described below under "Preferred Stock." Rights of holders of the Company's common stock may not otherwise be modified by less than a majority vote of the common stock outstanding.

Preferred Stock

The Board is authorized, without further action of the shareholders of the Company, to issue up to 1,000,000 shares of preferred stock in one or more series and to fix the number of shares constituting any such series and the rights and preferences thereof, including dividend rates, terms of redemption (including sinking fund provisions), redemption price or prices, voting rights, conversion rights and liquidation preferences of the shares constituting such series. The issuance of preferred stock by the Board could adversely affect the rights of holders of common stock. For example, an issuance of preferred stock could result in a class of securities outstanding with preferences over the common stock with respect to dividends and liquidations, and that could (upon conversion or otherwise) enjoy all of the rights appurtenant to common stock.

The Company has no present plans to issue any shares of the preferred stock.

Anti-Takeover Provisions of the Company's Articles, Bylaws and Texas Law

The Company's authorized but unissued shares of common stock and preferred stock are available for future issuance without shareholder approval, subject to any limitations imposed by the listing standards of the NASDAQ Stock Market. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could make it more difficult or discourage an attempt to obtain control of a majority of the Company's common stock by means of a proxy contest, tender offer, merger or otherwise.

As discussed above, the ability to designate and issue preferred stock makes it possible for the Board, without approval of the shareholders, to issue preferred stock with super voting, special approval, dividend or other rights or preferences on a discriminatory basis that could impede the success of any attempt to acquire the Company or otherwise effect a change in control of the Company. These and other provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company. Such provisions may also impede or discourage transactions that some, or a majority, of the Company's shareholders might believe to be in their best interests, or in which the Company's shareholders might receive a premium for their shares of common stock over the market price for such shares.

If the Company meets the definition of an "issuing public corporation," provisions of Texas law also may discourage delay or prevent someone from acquiring or merging with the Company, which may cause the market price of the Company's common stock to decline. Under Title 2, Chapter 21, Subchapter M of the Texas Business Organizations Code, a Texas issuing public corporation may not engage in specified types of business combinations, including mergers, consolidations and asset sales, with an affiliated shareholder, or an affiliate or associate of an affiliated shareholder, unless:

- the business combination or the acquisition of shares by the affiliated shareholder was approved by the board of directors of the corporation before the affiliated shareholder became an affiliated shareholder; or
- the business combination was approved by the affirmative vote of the holders of at least two-thirds of the outstanding voting shares of the corporation not beneficially owned by the affiliated shareholder, at a meeting of shareholders called for that purpose, not less than six months after the affiliated shareholder became an affiliated shareholder.

Under Texas law, a shareholder who beneficially owns more than 20% of the Company's outstanding voting stock or who during the preceding three-year period was the beneficial owner of 20% or more of the Company's outstanding voting stock is an affiliated shareholder. An "issuing public corporation" means a domestic corporation that has: (i) 100 or more shareholders of record as shown by the share transfer records of the corporation; (ii) a class or series of the corporation's voting shares registered under the Securities Exchange Act of 1934, as amended; or (iii) a class or series of the corporation's voting shares qualified for trading on a national securities exchange.

Other provisions of Texas law and the Company's Bylaws may have the effect of delaying or preventing a change in control or acquisition, whether by means of a tender offer, business combination, proxy contest, or otherwise. Texas law requires that a change in control generally be approved by the holders of two thirds of the outstanding votes, rather than a mere majority. The Company's Bylaws include certain procedural requirements governing the nomination of directors and proposals of other business by shareholders and shareholder meetings. These provisions could have the effect of delaying or preventing a change in control or management of the Company.

Limitation of Liability and Indemnification

The Company's Articles provide that a director shall not be personally liable to the Company or its shareholders for monetary damages for an act or omission in the director's capacity as a director, except that such provision shall not eliminate or limit the liability of a director for (a) a breach of the director's duty of loyalty to the Company or its shareholders; (b) an act or omission not in good faith that constitutes a breach of duty of the director to the Company or an act or omission that involves intentional misconduct or a knowing violation of the law; (c) a transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office; or (d) an act or omission for which the liability of a director is expressly provided by an applicable statute. In appropriate circumstances, equitable remedies or non-monetary relief, such as an injunction, will remain available to a shareholder seeking redress from a violation of fiduciary duty. In addition, the provision applies only to claims against a director arising out of his or her role as a director and not in any other capacity (such as an officer or employee of the Company).

The Company's Bylaws provide that directors and officers of the Company will be indemnified by the Company to the fullest extent authorized by Texas law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with service for or on behalf of the Company.

Transfer Agent and Registrar

Securities Transfer Corporation acts as the transfer agent and registrar for the common stock.

Exhibit 21.1

Subsidiaries of America's Car-Mart, Inc.

Crown Delaware Investments Corp. (a Delaware corporation)

America's Car Mart, Inc. (an Arkansas Corporation)

Colonial Auto Finance, Inc. (an Arkansas Corporation)

Colonial Underwriting, Inc. (an Arkansas Corporation)

Texas Car-Mart, Inc. (a Texas corporation)

Auto Finance Investors, Inc. (a Texas corporation)

ACM Insurance Company (an Arkansas corporation)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated June 24, 2020, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of America's Car-Mart, Inc. on Form 10-K for the year ended April 30, 2020. We consent to the incorporation by reference of said reports in the Registration Statements of America's Car-Mart, Inc. on Forms S-8 (File Nos. 333-139270, 333-139269, 333-208414, 333-208416, 333-227856, and 333-227857).

/s/ GRANT THORNTON LLP

Tulsa, Oklahoma
June 24, 2020

Exhibit 31.1

Certification

I, Jeffrey A. Williams, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended April 30, 2020 of America's Car-Mart, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 24, 2020

/s/ Jeffrey A. Williams
Jeffrey A. Williams
President,
Chief Executive Officer

Exhibit 31.2

Certification

I, Vickie D. Judy, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended April 30, 2020 of America's Car-Mart, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

June 24, 2020

/s/ Vickie D. Judy
Vickie D. Judy
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K for the period ended April 30, 2020 of America's Car-Mart, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jeffrey A. Williams, President and Chief Executive Officer of the Company, and Vickie D. Judy, Chief Financial Officer of the Company, certify in our capacities as officers of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Jeffrey A. Williams
Jeffrey A. Williams
President, Chief Executive Officer
June 24, 2020

By: /s/ Vickie D. Judy
Vickie D. Judy
Chief Financial Officer
June 24, 2020

America's Car-Mart, Inc.
2020 Annual Report

CORPORATE INFORMATION

Board of Directors

Ray C. Dillon
Chairman of the Board
Retired Chief Executive Officer,
Deltic Timber Corporation

Jeffrey A. Williams
President and Chief Executive Officer
America's Car-Mart, Inc.

Jim von Gremp
Retired Certified Public Accountant

Ann G. Bordelon
Vice Chancellor for Finance and Administration
University of Arkansas

Daniel J. Englander
Managing Partner, Ursula Investors

William H. ("Hank") Henderson
Retired Chief Executive Officer
America's Car-Mart, Inc.

Joshua G. Welch
Managing Partner, Vicuna Capital I, LP

Executive Officers

Jeffrey A. Williams
President and Chief Executive Officer

Vickie D. Judy
Chief Financial Officer

Leonard L. Walthall
Chief Operating Officer

Corporate Headquarters

1805 N 2nd St, Suite 401
Rogers, Arkansas 72756
(479) 464-9944

Annual Meeting

The annual meeting of stockholders will be held at America's Car-Mart Corporate Headquarters, 1805 N 2nd St, Suite 401, Rogers, Arkansas 72756 at 10:00 a.m. Central Time on Wednesday, August 26, 2020.

Transfer Agent and Registrar

Securities Transfer Corporation
2901 N Dallas Parkway, Suite 380
Plano, Texas 75093

Independent Public Accountants

Grant Thornton, LLP
Tulsa, Oklahoma

America's
CAR-MART[®]

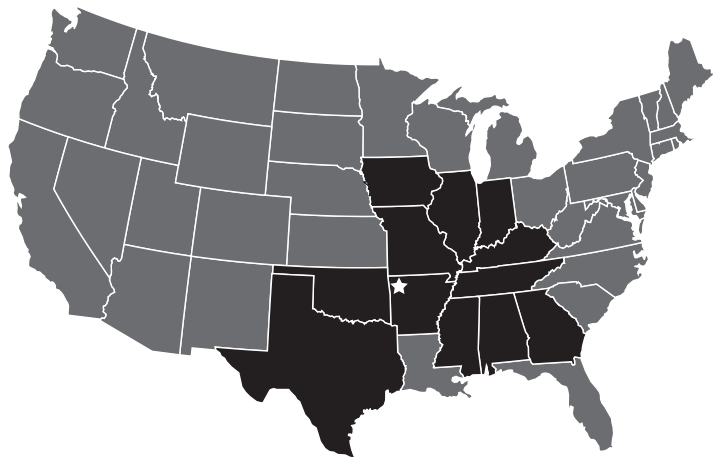
America's **CAR-MART**[®]

America's Car-Mart currently operates 148 dealerships in twelve states, with headquarters in Rogers, Arkansas.

★ **Corporate Headquarters**

1805 N 2nd St, Suite 401
Rogers, Arkansas 72756
Phone: (479) 464-9944
Fax: (479) 273-7556

www.car-mart.com



ALABAMA (16)

Albertville
Anniston
Athens
Cullman
Decatur
Dothan
Enterprise
Florence
Gadsden
Montgomery
Muscle Shoals
Opelika
Phenix City
Prattville
Troy
Tuscaloosa

ARKANSAS (37)

Arkadelphia
Batesville
Benton
Berryville
Bryant
Camden
Centerton
Clarksville
Conway (2)
El Dorado
Fayetteville (2)
Fort Smith
Harrison
Hope
Hot Springs
Jonesboro
Little Rock
Magnolia
Malvern
Morrilton
Mountain Home
North Little Rock

Paragould
Pine Bluff
Rogers (2)
Russellville (2)
Searcy
Siloam Springs (2)
Springdale (2)
Van Buren
West Memphis

GEORGIA (9)

Brunswick
Carrollton
Covington
Dalton
Macon
Millidgeville
Rome
Valdosta
Woodstock

ILLINOIS (3)

Benton
Marion
Mt. Vernon

INDIANA (1)

Evansville

IOWA (1)

Burlington

KENTUCKY (12)

Bowling Green (2)
Elizabethtown
Glasgow
Henderson
Hopkinsville
Lexington
Madisonville

Owensboro
Paducah
Richmond
Winchester

MISSISSIPPI (5)

Columbus
Corinth
Meridian
Oxford
Tupelo

MISSOURI (18)

Cape Girardeau
Carthage
Columbia
Farmington
Harrisonville
Joplin
Kirksville
Lebanon
Moberly
Neosho
Poplar Bluff
Rolla
Saint Joseph
Sedalia
Springfield (2)
West Plains
Warrensburg

OKLAHOMA (27)

Ada
Altus
Ardmore
Bartlesville
Bixby
Broken Arrow
Claremore
Duncan

Durant
Enid
Grove
Lawton
McAlester
Miami
Muskogee
Okmulgee
Owasso
Ponca City
Poteau
Pryor
Sapulpa
Shawnee
Stillwater
Stilwell
Tahlequah
Tulsa (2)

TENNESSEE (6)

Clarksville
Columbia
Hixson
Jackson
Madison
Tullahoma

TEXAS (13)

Corsicana
Greenville
Longview
Lufkin
Mount Pleasant
Nacogdoches
Palestine
Paris
Sherman
Sulphur Springs
Texarkana
Tyler
Wichita Falls