

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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CARMAX INC

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SIC: 5500 Auto dealers & gasoline stations

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the Quarterly Period Ended November 30, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

Commission File Number: 1-31420

CARMAX, INC.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of incorporation)

54-1821055

(I.R.S. Employer Identification No.)

12800 Tuckahoe Creek Parkway

23238

Richmond, Virginia

(Address of Principal Executive Offices)

(Zip Code)

(804) 747-0422

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock	KMX	New York Stock Exchange

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.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

<u>Class</u>	<u>Outstanding as of January 4, 2023</u>
Common Stock, par value \$0.50	158,023,499

CARMAX, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CARMAX, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

(Unaudited)

	Three Months Ended November 30				Nine Months Ended November 30			
	2022	% ⁽¹⁾	2021	% ⁽¹⁾	2022	% ⁽¹⁾	2021	% ⁽¹⁾
<i>(In thousands except per share data)</i>								
SALES AND OPERATING REVENUES:								
Used vehicle sales	\$ 5,204,584	80.0	\$ 6,435,590	75.5	\$ 18,503,159	77.2	\$ 18,697,300	77.2
Wholesale vehicle sales	1,152,207	17.7	1,922,283	22.5	4,959,050	20.7	4,998,212	20.6
Other sales and revenues	149,165	2.3	169,886	2.0	500,171	2.1	518,205	2.1
NET SALES AND OPERATING REVENUES	6,505,956	100.0	8,527,759	100.0	23,962,380	100.0	24,213,717	100.0
COST OF SALES:								
Used vehicle cost of sales	4,801,790	73.8	5,927,237	69.5	17,041,898	71.1	17,085,416	70.6
Wholesale vehicle cost of sales	1,037,534	15.9	1,710,103	20.1	4,512,053	18.8	4,411,175	18.2
Other cost of sales	89,944	1.4	53,859	0.6	219,205	0.9	140,573	0.6
TOTAL COST OF SALES	5,929,268	91.1	7,691,199	90.2	21,773,156	90.9	21,637,164	89.4
GROSS PROFIT	576,688	8.9	836,560	9.8	2,189,224	9.1	2,576,553	10.6
CARMAX AUTO FINANCE INCOME	152,196	2.3	165,968	1.9	539,538	2.3	607,732	2.5
Selling, general and administrative expenses	591,727	9.1	575,930	6.8	1,914,508	8.0	1,704,285	7.0
Depreciation and amortization	57,377	0.9	54,428	0.6	170,717	0.7	157,107	0.6
Interest expense	30,150	0.5	24,303	0.3	91,670	0.4	67,247	0.3
Other income	(363)	—	(8,094)	(0.1)	(2,303)	—	(35,453)	(0.1)
Earnings before income taxes	49,993	0.8	355,961	4.2	554,170	2.3	1,291,099	5.3
Income tax provision	12,413	0.2	86,523	1.0	138,420	0.6	299,638	1.2
NET EARNINGS	\$ 37,580	0.6	\$ 269,438	3.2	\$ 415,750	1.7	\$ 991,461	4.1
WEIGHTED AVERAGE COMMON SHARES:								
Basic	158,003		162,006		159,044		162,710	
Diluted	158,536		164,873		160,195		165,606	
NET EARNINGS PER SHARE:								
Basic	\$ 0.24		\$ 1.66		\$ 2.61		\$ 6.09	
Diluted	\$ 0.24		\$ 1.63		\$ 2.60		\$ 5.99	

⁽¹⁾ Percents are calculated as a percentage of net sales and operating revenues and may not total due to rounding.

See accompanying notes to consolidated financial statements.

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CARMAX, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
(Unaudited)

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	November 30		November 30	
	2022	2021	2022	2021
NET EARNINGS	\$ 37,580	\$ 269,438	\$ 415,750	\$ 991,461
Other comprehensive income, net of taxes:				
Net change in retirement benefit plan unrecognized actuarial losses	482	659	1,444	1,976
Net change in cash flow hedge unrecognized gains	24,939	11,383	102,398	16,414
Other comprehensive income, net of taxes	25,421	12,042	103,842	18,390
TOTAL COMPREHENSIVE INCOME	\$ 63,001	\$ 281,480	\$ 519,592	\$ 1,009,851

See accompanying notes to consolidated financial statements.

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CARMAX, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(Unaudited)

<i>(In thousands except share data)</i>	As of November 30 2022	As of February 28 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 688,618	\$ 102,716
Restricted cash from collections on auto loans receivable	466,525	548,099
Accounts receivable, net	246,794	560,984
Inventory	3,414,937	5,124,569
Other current assets	167,143	212,922
TOTAL CURRENT ASSETS	4,984,017	6,549,290
Auto loans receivable, net of allowance for loan losses of \$491,047 and \$433,030 as of November 30, 2022 and February 28, 2022, respectively	16,240,832	15,289,701
Property and equipment, net of accumulated depreciation of \$1,585,271 and \$1,437,548 as of November 30, 2022 and February 28, 2022, respectively	3,375,001	3,209,068
Deferred income taxes	87,262	120,931
Operating lease assets	529,781	537,357
Goodwill	141,258	141,258
Other assets	580,790	490,659
TOTAL ASSETS	\$ 25,938,941	\$ 26,338,264
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 802,780	\$ 937,717
Accrued expenses and other current liabilities	496,202	533,271
Current portion of operating lease liabilities	51,215	44,197
Current portion of long-term debt	112,708	11,203
Current portion of non-recourse notes payable	474,147	521,069
TOTAL CURRENT LIABILITIES	1,937,052	2,047,457
Long-term debt, excluding current portion	1,903,223	3,255,304
Non-recourse notes payable, excluding current portion	15,737,459	14,919,715
Operating lease liabilities, excluding current portion	509,106	523,269
Other liabilities	364,528	357,080
TOTAL LIABILITIES	20,451,368	21,102,825
Commitments and contingent liabilities		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 350,000,000 shares authorized; 158,019,398 and 161,053,983 shares issued and outstanding as of November 30, 2022 and February 28, 2022, respectively	79,010	80,527
Capital in excess of par value	1,697,062	1,677,268
Accumulated other comprehensive income (loss)	57,420	(46,422)
Retained earnings	3,654,081	3,524,066
TOTAL SHAREHOLDERS' EQUITY	5,487,573	5,235,439
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 25,938,941	\$ 26,338,264

See accompanying notes to consolidated financial statements.

CARMAX, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)

**Nine Months Ended November
30**

(In thousands)

	2022	2021
OPERATING ACTIVITIES:		
Net earnings	\$ 415,750	\$ 991,461
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	202,655	200,819
Share-based compensation expense	64,974	108,962
Provision for loan losses	218,967	87,342
Provision for cancellation reserves	79,924	91,607
Deferred income tax (benefit) provision	(2,178)	19,564
Other	8,879	(26,808)
Net decrease (increase) in:		
Accounts receivable, net	314,190	(290,346)
Inventory	1,709,632	(1,502,323)
Other current assets	149,777	(13,615)
Auto loans receivable, net	(1,170,098)	(1,764,693)
Other assets	(43,502)	(18,309)
Net (decrease) increase in:		
Accounts payable, accrued expenses and other current liabilities and accrued income taxes	(195,154)	170,474
Other liabilities	(91,739)	(136,780)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,662,077	(2,082,645)
INVESTING ACTIVITIES:		
Capital expenditures	(319,486)	(226,903)
Proceeds from disposal of property and equipment	3,806	260
Proceeds from sale of business	—	12,284
Purchases of investments	(6,460)	(13,676)
Sales and returns of investments	3,486	36,915
Business acquisition, net of cash acquired	—	(241,563)
NET CASH USED IN INVESTING ACTIVITIES	(318,654)	(432,683)
FINANCING ACTIVITIES:		
Proceeds from issuances of long-term debt	2,863,500	5,804,200
Payments on long-term debt	(4,116,775)	(4,524,973)
Cash paid for debt issuance costs	(13,987)	(14,473)
Payments on finance lease obligations	(10,056)	(8,822)
Issuances of non-recourse notes payable	11,351,696	11,217,298
Payments on non-recourse notes payable	(10,581,076)	(9,565,649)
Repurchase and retirement of common stock	(333,814)	(475,950)
Equity issuances	13,504	76,310
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(827,008)	2,507,941
Increase (decrease) in cash, cash equivalents, and restricted cash	516,415	(7,387)
Cash, cash equivalents, and restricted cash at beginning of year	803,618	771,947

See accompanying notes to consolidated financial statements.

CARMAX, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(Unaudited)

Nine Months Ended November 30, 2022

	Common Shares Outstanding	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<i>(In thousands)</i>						
Balance as of February 28, 2022	161,054	\$ 80,527	\$ 1,677,268	\$ 3,524,066	\$ (46,422)	\$ 5,235,439
Net earnings	—	—	—	252,265	—	252,265
Other comprehensive income	—	—	—	—	52,314	52,314
Share-based compensation expense	—	—	21,594	—	—	21,594
Repurchases of common stock	(1,644)	(822)	(17,207)	(139,565)	—	(157,594)
Exercise of common stock options	49	24	3,418	—	—	3,442
Stock incentive plans, net shares issued	155	78	(6,901)	—	—	(6,823)
Balance as of May 31, 2022	159,614	\$ 79,807	\$ 1,678,172	\$ 3,636,766	\$ 5,892	\$ 5,400,637
Net earnings	—	—	—	125,905	—	125,905
Other comprehensive income	—	—	—	—	26,107	26,107
Share-based compensation expense	—	—	15,062	—	—	15,062
Repurchases of common stock	(1,730)	(865)	(18,279)	(143,873)	—	(163,017)
Exercise of common stock options	155	78	9,762	—	—	9,840
Stock incentive plans, net shares issued	5	2	(309)	—	—	(307)
Balance as of August 31, 2022	158,044	\$ 79,022	\$ 1,684,408	\$ 3,618,798	\$ 31,999	\$ 5,414,227
Net earnings	—	—	—	37,580	—	37,580
Other comprehensive income	—	—	—	—	25,421	25,421
Share-based compensation expense	—	—	12,797	—	—	12,797
Repurchases of common stock	(30)	(15)	(320)	(2,297)	—	(2,632)
Exercise of common stock options	4	2	218	—	—	220
Stock incentive plans, net shares issued	1	1	(41)	—	—	(40)
Balance as of November 30, 2022	158,019	\$ 79,010	\$ 1,697,062	\$ 3,654,081	\$ 57,420	\$ 5,487,573

See accompanying notes to consolidated financial statements.

CARMAX, INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(Unaudited)

Nine Months Ended November 30, 2021

<i>(In thousands)</i>	Common	Capital in			Retained	Accumulated Other	Total
	Shares Outstanding	Common Stock	Excess of Par Value	Earnings	Comprehensive Loss		
Balance as of February 28, 2021	163,172	\$ 81,586	\$ 1,513,821	\$ 2,887,897	\$ (118,691)	\$ 4,364,613	
Net earnings	—	—	—	436,756	—	436,756	
Other comprehensive income	—	—	—	—	2,937	2,937	
Share-based compensation expense	—	—	20,102	—	—	20,102	
Repurchases of common stock	(998)	(499)	(9,348)	(114,695)	—	(124,542)	
Exercise of common stock options	375	187	21,403	—	—	21,590	
Stock incentive plans, net shares issued	254	127	(18,102)	—	—	(17,975)	
Balance as of May 31, 2021	162,803	\$ 81,401	\$ 1,527,876	\$ 3,209,958	\$ (115,754)	\$ 4,703,481	
Net earnings	—	—	—	285,267	—	285,267	
Other comprehensive income	—	—	—	—	3,411	3,411	
Share-based compensation expense	—	—	14,116	—	—	14,116	
Shares issued for acquisition	776	388	90,183	—	—	90,571	
Repurchases of common stock	(1,754)	(877)	(17,164)	(202,004)	—	(220,045)	
Exercise of common stock options	621	311	38,185	—	—	38,496	
Stock incentive plans, net shares issued	24	12	(130)	—	—	(118)	
Balance as of August 31, 2021	162,470	\$ 81,235	\$ 1,653,066	\$ 3,293,221	\$ (112,343)	\$ 4,915,179	
Net earnings	—	—	—	269,438	—	269,438	
Other comprehensive income	—	—	—	—	12,042	12,042	
Share-based compensation expense	—	—	12,347	—	—	12,347	
Repurchases of common stock	(851)	(425)	(8,695)	(106,226)	—	(115,346)	
Exercise of common stock options	253	126	16,097	—	—	16,223	
Stock incentive plans, net shares issued	—	—	(87)	—	—	(87)	
Balance as of November 30, 2021	161,872	\$ 80,936	\$ 1,672,728	\$ 3,456,433	\$ (100,301)	\$ 5,109,796	

See accompanying notes to consolidated financial statements.

CARMAX, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Unaudited)

1. Background

Business. CarMax, Inc. (“we,” “our,” “us,” “CarMax” and “the company”), including its wholly owned subsidiaries, is the nation’s largest retailer of used vehicles. We operate in two reportable segments: CarMax Sales Operations and CarMax Auto Finance (“CAF”). Our CarMax Sales Operations segment consists of all aspects of our auto merchandising and service operations, excluding financing provided by CAF. Our CAF segment consists solely of our own finance operation that provides financing to customers buying retail vehicles from CarMax. On June 1, 2021, we completed the acquisition of Edmunds Holding Company (“Edmunds”), which does not meet the quantitative thresholds to be considered a reportable segment. See Note 17 for additional information on our reportable segments and Note 2 for additional information regarding our acquisition of Edmunds.

We deliver an unrivaled customer experience by offering a broad selection of quality used vehicles and related products and services at competitive, no-haggle prices using a customer-friendly sales process. Our omni-channel platform, which gives us the largest addressable market in the used car industry, empowers our retail customers to buy a car on their terms – online, in-store or an integrated combination of both. We offer customers a range of related products and services, including the appraisal and purchase of vehicles directly from consumers; the financing of retail vehicle purchases through CAF and third-party finance providers; the sale of extended protection plan (“EPP”) products, which include extended service plans (“ESPs”) and guaranteed asset protection (“GAP”); and vehicle repair service. Vehicles purchased through the appraisal process that do not meet our retail standards are sold to licensed dealers through on-site or virtual wholesale auctions.

Basis of Presentation and Use of Estimates. The accompanying interim unaudited consolidated financial statements include the accounts of CarMax and our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. These interim unaudited consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, such interim consolidated financial statements reflect all normal recurring adjustments considered necessary to present fairly the financial position and the results of operations and cash flows for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full fiscal year.

The accounting policies followed in the presentation of our interim financial results are consistent with those included in the company’s Annual Report on Form 10-K for the fiscal year ended February 28, 2022 (the “2022 Annual Report”), with the exception of those related to recent accounting pronouncements adopted in the current fiscal year. These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in our 2022 Annual Report.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. In particular, the novel coronavirus (“COVID-19”) pandemic and the resulting adverse impacts to global economic conditions, as well as our operations, may impact future estimates including, but not limited to, our allowance for loan losses, inventory valuations, fair value measurements, downward adjustments to investments in equity securities, asset impairment charges, the effectiveness of the company’s hedging instruments, deferred tax valuation allowances, cancellation reserves, actuarial losses on our retirement benefit plans and discount rate assumptions. Certain prior year amounts have been reclassified to conform to the current year’s presentation. Amounts and percentages may not total due to rounding.

Recent Accounting Pronouncements.

Effective in Future Periods

In September 2022, the Financial Accounting Standards Board (“FASB”) issued an accounting pronouncement (ASU 2022-04) related to disclosure requirements for buyers in supplier finance programs. The amendments in the update require that buyers disclose qualitative and quantitative information about their supplier finance programs. Interim and annual requirements include disclosure of outstanding amounts under the obligations as of the end of the reporting period, and annual requirements include a rollforward of those obligations for the annual reporting period, as well as a description of payment and other key terms of the programs. This update is effective for annual periods beginning after December 15, 2022, and interim periods within those fiscal years, except for the requirement to disclose rollforward information, which is effective for fiscal years beginning after December 15, 2023. We plan to adopt this pronouncement for our fiscal year beginning March 1, 2023, and we do not expect it to have a material effect on our consolidated financial statements.

2. Acquisition of Edmunds

On June 1, 2021, we completed the acquisition of Edmunds Holding Company, one of the most well established and trusted online guides for automotive information and a recognized leader in digital car shopping innovations. With this acquisition, CarMax has enhanced its digital capabilities and further strengthened its role and reach across the used auto ecosystem while adding exceptional technology and creative talent. Edmunds continues to operate independently and remains focused on delivering confidence to consumers and excellent value to its dealer and Original Equipment Manufacturer (“OEM”) clients. Additionally, this acquisition allows both businesses to accelerate their respective capabilities to deliver an enhanced digital experience to their customers by leveraging Edmunds’ compelling content and technology, CarMax’s unparalleled national scale and infrastructure, and the combined talent of both businesses.

The acquisition was accounted for in accordance with Accounting Standards Codification (“ASC”) Topic 805, Business Combinations, and, accordingly, Edmunds’ results of operations have been consolidated in our financial statements since the date of acquisition. We recorded a preliminary allocation of the purchase price to assets acquired and liabilities assumed based on their estimated fair values as of June 1, 2021. The transaction costs associated with the acquisition were approximately \$8.0 million and were expensed as incurred within selling, general and administrative expenses.

The following table summarizes the total purchase consideration:

(In thousands)

Total cash consideration for outstanding shares	\$	251,047
Fair value of common stock ⁽¹⁾		90,571
Fair value of preexisting relationship		60,200
Total	\$	401,818

⁽¹⁾ Represents the issuance of 776,097 shares of CarMax common stock to Edmunds equity holders, the fair value of which was based on the market value of CarMax common stock as of market close on the acquisition date (June 1, 2021).

In January 2020, we acquired a minority stake in Edmunds for \$50 million. The noncontrolling equity investment in Edmunds was remeasured at a fair value of \$60.2 million prior to the acquisition of the remaining ownership stake on June 1, 2021, which resulted in the recognition of a gain of \$8.7 million. The gain was included in other income in the consolidated statements of earnings for the second quarter of fiscal 2022.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition:

<i>(In thousands)</i>	Fair Value
Cash	\$ 9,484
Accounts receivable, net	33,719
Other current assets	2,397
Property and equipment, net	20,741
Goodwill ⁽¹⁾	141,258
Intangible assets	218,000
Operating lease assets	97,250
Other assets	191
Total assets acquired	523,040
Accounts payable	5,063
Accrued expenses and other current liabilities	11,277
Current portion of operating lease liabilities	12,795
Deferred income taxes ⁽¹⁾	3,823
Operating lease liabilities, excluding current portion	88,264
Total liabilities assumed	121,222
Net assets acquired	\$ 401,818

⁽¹⁾ During the third quarter of fiscal 2022, we obtained new information about facts and circumstances that existed as of the acquisition date, which resulted in a change in the fair value of assets and liabilities recognized. The adjustments were primarily related to research and development tax credits, which resulted in a decrease in goodwill and a decrease in deferred income taxes of \$8.4 million.

The excess of purchase consideration over the fair value of net identifiable assets acquired and liabilities assumed was recorded as goodwill, which was primarily attributed to expected synergies and the assembled workforce of the acquired business and was not deductible for tax purposes. The fair values assigned to the net identifiable assets and liabilities assumed were based on management's estimates and assumptions.

Identifiable intangible assets were recognized at their estimated acquisition date fair values. The fair value of identifiable intangible assets was determined by using certain estimates and assumptions that were not observable in the market. The fair values of the trade name asset and the internally developed software asset were determined using the relief-from-royalty method, and the fair value of the customer relationships asset was determined using the excess earnings method. These income-based approaches included significant assumptions such as the amount and timing of projected cash flows, growth rates, customer attrition rates, discount rates, and the assessment of the asset's life cycle. The estimated fair value and estimated remaining useful lives of identifiable intangible assets as of the acquisition date were as follows:

<i>(In thousands)</i>	Useful Life (Years)	Fair Value
Trade name	Indefinite	\$ 31,900
Internally developed software	7	52,900
Customer relationships	17	133,200
Identifiable intangible assets		\$ 218,000

The operating results of Edmunds have been included in our consolidated financial statements since the date of the acquisition. Net sales and operating revenues and net earnings attributable to Edmunds were not material for the reporting periods presented. Our pro forma results as if the acquisition had taken place on the first day of fiscal 2021 would not be materially different from the amounts reflected in the accompanying consolidated financial statements, and therefore were not presented.

3. Revenue

We recognize revenue when control of the good or service has been transferred to the customer, generally either at the time of sale or upon delivery to a customer. Our contracts have a fixed contract price and revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. We collect sales taxes and other taxes from customers on behalf of governmental authorities at the time of sale. These taxes are accounted for on a net basis and are not included in net sales and operating revenues or cost of sales. We generally expense sales commissions when incurred because the amortization period would have been less than one year. These costs are recorded within selling, general and administrative expenses. We do not have any significant payment terms as payment is received at or shortly after the point of sale.

Disaggregation of Revenue

<i>(In millions)</i>	Three Months Ended November 30		Nine Months Ended November 30	
	2022	2021	2022	2021
Used vehicle sales	\$ 5,204.6	\$ 6,435.6	\$ 18,503.2	\$ 18,697.3
Wholesale vehicle sales	1,152.2	1,922.3	4,959.1	4,998.2
Other sales and revenues:				
Extended protection plan revenues	91.8	106.6	318.1	353.8
Third-party finance income/(fees), net	1.0	1.6	7.1	(0.3)
Advertising & subscription revenues ⁽¹⁾	33.3	33.3	101.9	67.9
Service revenues	19.6	19.7	60.8	62.9
Other	3.5	8.7	12.3	33.9
Total other sales and revenues	149.2	169.9	500.2	518.2
Total net sales and operating revenues	\$ 6,506.0	\$ 8,527.8	\$ 23,962.4	\$ 24,213.7

⁽¹⁾ Excludes intersegment sales and operating revenues that have been eliminated in consolidation. See Note 17 for further details.

Used Vehicle Sales. Revenue from the sale of used vehicles is recognized upon transfer of control of the vehicle to the customer. As part of our customer service strategy, we guarantee the retail vehicles we sell with a 30-day/1,500 mile, money-back guarantee. We record a reserve for estimated returns based on historical experience and trends. The reserve for estimated returns is presented gross on the consolidated balance sheets, with a return asset recorded in other current assets and a refund liability recorded in accrued expenses and other current liabilities. We also guarantee the used vehicles we sell with a 90-day/4,000-mile limited warranty. These warranties are deemed assurance-type warranties and are accounted for as warranty obligations. See Note 16 for additional information on this warranty and its related obligation.

Wholesale Vehicle Sales. Wholesale vehicles are sold at our auctions, and revenue from the sale of these vehicles is recognized upon transfer of control of the vehicle to the customer. Dealers also pay a fee to us based on the sale price of the vehicles they purchase. This fee is recognized as revenue at the time of sale. While we provide condition disclosures on each wholesale vehicle sold, the vehicles are subject to a limited right of return. We record a reserve for estimated returns based on historical experience and trends. The reserve for estimated returns is presented gross on the consolidated balance sheets, with a return asset recorded in other current assets and a refund liability recorded in accrued expenses and other current liabilities.

EPP Revenues. We also sell ESP and GAP products on behalf of unrelated third parties, who are primarily responsible for fulfilling the contract, to customers who purchase a retail vehicle. The ESPs we currently offer on all used vehicles provide coverage up to 60 months

(subject to mileage limitations), while GAP covers the customer for the term of their finance contract. We recognize revenue, on a net basis, at the time of sale. We also record a reserve, or refund liability, for estimated contract cancellations. The reserve for cancellations is evaluated for each product and is based on forecasted forward cancellation curves utilizing historical experience, recent trends and credit mix of the customer base. Our risk related to contract cancellations is limited to the revenue that we receive. Cancellations fluctuate depending on the volume of EPP sales, customer financing default or prepayment rates, and shifts in customer behavior, including those related to changes in the coverage or term of the product. The current portion of estimated cancellation reserves is recognized as a component of accrued expenses and other current liabilities with the remaining amount recognized in other liabilities. See Note 8 for additional information on cancellation reserves.

We are contractually entitled to receive profit-sharing revenues based on the performance of the ESPs administered by third parties. These revenues are a form of variable consideration included in EPP revenues to the extent that it is probable that it

will not result in a significant revenue reversal. An estimate of the amount to which we expect to be entitled, subject to various constraints, is recognized upon satisfying the performance obligation of selling the ESP. These constraints include factors that are outside of the company's influence or control and the length of time until settlement. We apply the expected value method, utilizing historical claims and cancellation data from CarMax customers, as well as external data and other qualitative assumptions. This estimate is reassessed each reporting period with changes reflected in other sales and revenues on our consolidated statements of earnings and other assets on our consolidated balance sheets. As of November 30, 2022 and February 28, 2022, no current or long-term contract asset was recognized related to cumulative profit-sharing payments to which we expect to be entitled.

Third-Party Finance Income/(Fees). Customers applying for financing who are not approved or are conditionally approved by CAF are generally evaluated by other third-party finance providers. These providers generally either pay us or are paid a fixed, pre-negotiated fee per contract. We recognize these fees at the time of sale.

Advertising and Subscription Revenues. Advertising and subscription revenues consist of revenues earned by our Edmunds business. Advertising revenues are derived from advertising contracts with automotive manufacturers based on fixed fees per impression and fees for certain activities completed by customers on the manufacturers' websites. These fees are recognized in the period the impressions are delivered or certain activities occurred. Subscription revenues are derived from packages sold to automotive dealers that include car leads, inventory listings and enhanced placement in Edmunds' dealer locator and are recognized over the period that the services are made available to the dealers. Subscription revenues also include a digital marketing subscription service, which allows dealers to gain exposure on third party partner websites. Revenues for this service are recognized on a net basis.

Service Revenues. Service revenue consists of labor and parts income related to vehicle repair service, including repairs of vehicles covered under an ESP we sell or warranty program. Service revenue is recognized at the time the work is completed.

Other Revenues. Other revenues consist primarily of new vehicle sales and sales of accessories. Revenue in this category is recognized upon transfer of control to the customer.

4. CarMax Auto Finance

CAF provides financing to qualified retail customers purchasing vehicles from CarMax. CAF provides us the opportunity to capture additional profits, cash flows and sales while managing our reliance on third-party finance sources. Management regularly analyzes CAF's operating results by assessing profitability, the performance of the auto loans receivable, including trends in credit losses and delinquencies, and CAF direct expenses. This information is used to assess CAF's performance and make operating decisions, including resource allocation.

We typically use securitizations or other funding arrangements to fund loans originated by CAF. CAF income primarily reflects the interest and fee income generated by the auto loans receivable less the interest expense associated with the debt issued to fund these receivables, a provision for estimated loan losses and direct CAF expenses.

CAF income does not include any allocation of indirect costs. Although CAF benefits from certain indirect overhead expenditures, we have not allocated indirect costs to CAF to avoid making subjective allocation decisions. Examples of indirect costs not allocated to CAF include retail store expenses and corporate expenses. In addition, except for auto loans receivable, which are disclosed in Note 5, CAF assets are not separately reported nor do we allocate assets to CAF because such allocation would not be useful to management in making operating decisions.

Components of CAF Income

<i>(In millions)</i>	Three Months Ended November 30				Nine Months Ended November 30			
	2022	% ⁽¹⁾	2021	% ⁽¹⁾	2022	% ⁽¹⁾	2021	% ⁽¹⁾
Interest margin:								
Interest and fee income	\$ 365.4	8.8	\$ 330.0	8.6	\$ 1,069.3	8.8	\$ 964.4	8.7
Interest expense	(88.8)	(2.1)	(53.6)	(1.4)	(200.1)	(1.6)	(180.0)	(1.6)
Total interest margin	276.6	6.7	276.4	7.2	869.2	7.2	784.4	7.1
Provision for loan losses	(85.7)	(2.1)	(76.2)	(2.0)	(219.0)	(1.8)	(87.3)	(0.8)
Total interest margin after provision for loan losses	190.9	4.6	200.2	5.2	650.2	5.4	697.1	6.3
Direct expenses:								
Payroll and fringe benefit expense	(16.1)	(0.4)	(12.7)	(0.3)	(46.7)	(0.4)	(37.7)	(0.3)
Depreciation and amortization	(4.0)	(0.1)	(2.4)	(0.1)	(11.6)	(0.1)	(2.8)	—
Other direct expenses	(18.7)	(0.5)	(19.2)	(0.5)	(52.4)	(0.4)	(48.9)	(0.4)
Total direct expenses	(38.8)	(0.9)	(34.3)	(0.9)	(110.7)	(0.9)	(89.4)	(0.8)
CarMax Auto Finance income	\$ 152.2	3.7	\$ 166.0	4.3	\$ 539.5	4.4	\$ 607.7	5.5
Total average managed receivables	\$ 16,540.2		\$ 15,288.8		\$ 16,177.8		\$ 14,706.9	

⁽¹⁾ Annualized percentage of total average managed receivables.

5. Auto Loans Receivable

Auto loans receivable include amounts due from customers related to retail vehicle sales financed through CAF and are presented net of an allowance for estimated loan losses. These auto loans represent a large group of smaller-balance homogeneous loans, which we consider to be part of one class of financing receivable and one portfolio segment for purposes of determining our allowance for loan losses. We generally use warehouse facilities to fund auto loans receivable originated by CAF until we elect to fund them through an asset-backed term funding transaction, such as a term securitization or alternative funding arrangement. We recognize transfers of auto loans receivable into the warehouse facilities and asset-backed term funding transactions (together, “non-recourse funding vehicles”) as secured borrowings, which result in recording the auto loans receivable and the related non-recourse notes payable on our consolidated balance sheets. The majority of the auto loans receivable serve as collateral for the related non-recourse notes payable of \$16.24 billion as of November 30, 2022, and \$15.47 billion as of February 28, 2022. See Note 10 for additional information on securitizations and non-recourse notes payable.

Interest income and expenses related to auto loans are included in CAF income. Interest income on auto loans receivable is recognized when earned based on contractual loan terms. All loans continue to accrue interest until repayment or charge-off. When a charge-off occurs, accrued interest is written off by reversing interest income. Direct costs associated with loan originations are not considered material, and thus, are expensed as incurred. See Note 4 for additional information on CAF income.

Auto Loans Receivable, Net

<i>(In millions)</i>	As of November 30	As of February 28
	2022	2022
Asset-backed term funding	\$ 12,342.0	\$ 11,653.8
Warehouse facilities	3,420.9	3,291.9
Overcollateralization ⁽¹⁾	688.1	489.1
Other managed receivables ⁽²⁾	201.7	217.5
Total ending managed receivables	16,652.7	15,652.3
Accrued interest and fees	83.3	67.3
Other	(4.2)	3.1
Less: allowance for loan losses	(491.0)	(433.0)
Auto loans receivable, net	\$ 16,240.8	\$ 15,289.7

⁽¹⁾ Represents receivables restricted as excess collateral for the non-recourse funding vehicles.

⁽²⁾ Other managed receivables includes receivables not funded through the non-recourse funding vehicles.

Credit Quality. When customers apply for financing, CAF's proprietary scoring models utilize the customers' credit history and certain application information to evaluate and rank their risk. We obtain credit histories and other credit data that includes information such as number, age, type of and payment history for prior or existing credit accounts. The application information that is used includes income, collateral value and down payment. The scoring models yield credit grades that represent the relative likelihood of repayment. Customers with the highest probability of repayment are A-grade customers. Customers assigned a lower grade are determined to have a lower probability of repayment. For loans that are approved, the credit grade influences the terms of the agreement, such as the required loan-to-value ratio and interest rate. After origination, credit grades are generally not updated.

CAF uses a combination of the initial credit grades and historical performance to monitor the credit quality of the auto loans receivable on an ongoing basis. We validate the accuracy of the scoring models periodically. Loan performance is reviewed on a recurring basis to identify whether the assigned grades adequately reflect the customers' likelihood of repayment.

Ending Managed Receivables by Major Credit Grade

As of November 30, 2022

Fiscal Year of Origination ⁽¹⁾

<i>(In millions)</i>	2023	2022	2021	2020	2019	Prior to 2019	Total	% ⁽²⁾
Core managed receivables ⁽³⁾ :								
A	\$ 3,154.3	\$ 2,815.6	\$ 1,252.9	\$ 800.6	\$ 290.0	\$ 63.4	\$ 8,376.8	50.3
B	2,079.9	2,020.1	907.2	564.1	268.0	87.4	5,926.7	35.6
C and other	595.5	667.8	350.1	194.4	90.7	38.3	1,936.8	11.6
Total core managed receivables	5,829.7	5,503.5	2,510.2	1,559.1	648.7	189.1	16,240.3	97.5
Other managed receivables ⁽⁴⁾ :								
C and other	222.4	127.2	16.9	23.8	15.5	6.6	412.4	2.5
Total ending managed receivables	\$ 6,052.1	\$ 5,630.7	\$ 2,527.1	\$ 1,582.9	\$ 664.2	\$ 195.7	\$ 16,652.7	100.0

As of February 28, 2022

Fiscal Year of Origination ⁽¹⁾

<i>(In millions)</i>	2022	2021	2020	2019	2018	Prior to 2018	Total	% ⁽²⁾
Core managed receivables ⁽³⁾ :								
A	\$ 3,885.5	\$ 1,788.3	\$ 1,266.1	\$ 574.1	\$ 203.4	\$ 32.3	\$ 7,749.7	49.5
B	2,795.2	1,288.5	857.7	473.1	205.2	50.4	5,670.1	36.2
C and other	919.1	496.2	294.8	156.7	73.8	29.6	1,970.2	12.6
Total core managed receivables	7,599.8	3,573.0	2,418.6	1,203.9	482.4	112.3	15,390.0	98.3
Other managed receivables ⁽⁴⁾ :								
C and other	165.2	23.9	34.7	23.8	10.0	4.7	262.3	1.7
Total ending managed receivables	\$ 7,765.0	\$ 3,596.9	\$ 2,453.3	\$ 1,227.7	\$ 492.4	\$ 117.0	\$ 15,652.3	100.0

⁽¹⁾ Classified based on credit grade assigned when customers were initially approved for financing.

⁽²⁾ Percent of total ending managed receivables.

⁽³⁾ Represents CAF's Tier 1 originations.

⁽⁴⁾ Represents CAF's Tier 2 and Tier 3 originations.

Allowance for Loan Losses. The allowance for loan losses at November 30, 2022 represents the net credit losses expected over the remaining contractual life of our managed receivables. The allowance for loan losses is determined using a net loss timing curve, primarily based on the composition of the portfolio of managed receivables and historical gross loss and recovery trends. Due to the fact that losses for receivables with less than 18 months of performance history can be volatile, our net loss estimate weights both historical losses by credit grade at origination and actual loss data on the receivables to-date, along with forward loss curves, in estimating future performance. Once the receivables have 18 months of performance history, the net loss estimate reflects actual loss experience of those receivables to date, along with forward loss curves, to predict future performance. The forward loss curves are constructed using historical performance data and show the average timing of losses over the course of a receivable's life. The net loss estimate is calculated by applying the loss rates developed using the methods described above to the amortized cost basis of the managed receivables at inception of the loan.

The output of the net loss timing curve is adjusted to take into account reasonable and supportable forecasts about the future. Specifically, the change in U.S. unemployment rates and the National Automobile Dealers Association used vehicle price index are used to predict changes in gross loss and recovery rates, respectively. An economic adjustment factor, based upon a single macroeconomic scenario, is developed to capture the relationship between changes in these forecasts and changes in gross loss and recovery rates. This factor is applied to the output of the net loss timing curve for the reasonable and supportable forecast period of two years. After the end of this two-year period, we revert to historical experience on a straight-line basis over a period of 12 months. We periodically consider whether the use of alternative metrics would result in improved model performance and revise the models when appropriate. We also consider whether qualitative adjustments are necessary for factors that are not reflected in the quantitative methods but impact the measurement of estimated credit losses. Such adjustments include the uncertainty of the impacts of recent economic trends on customer behavior. The change in the allowance for loan losses is recognized through an adjustment to the provision for loan losses.

Allowance for Loan Losses

Three Months Ended November 30, 2022

<i>(In millions)</i>	Core	Other	Total	% ⁽¹⁾
Balance as of beginning of period	\$ 396.1	\$ 81.4	\$ 477.5	2.92
Charge-offs	(96.3)	(16.3)	(112.6)	
Recoveries	35.7	4.7	40.4	
Provision for loan losses	60.9	24.8	85.7	
Balance as of end of period	\$ 396.4	\$ 94.6	\$ 491.0	2.95

Three Months Ended November 30, 2021

<i>(In millions)</i>	Core	Other	Total	% ⁽¹⁾
Balance as of beginning of period	\$ 360.0	\$ 38.1	\$ 398.1	2.66
Charge-offs	(61.6)	(6.6)	(68.2)	
Recoveries	18.8	1.6	20.4	
Provision for loan losses	68.5	7.7	76.2	
Balance as of end of period	\$ 385.7	\$ 40.8	\$ 426.5	2.75

Nine Months Ended November 30, 2022

<i>(In millions)</i>	Core	Other	Total	% ⁽¹⁾
Balance as of beginning of period	\$ 377.5	\$ 55.5	\$ 433.0	2.77
Charge-offs	(241.9)	(35.0)	(276.9)	
Recoveries	104.7	11.2	115.9	
Provision for loan losses	156.1	62.9	219.0	
Balance as of end of period	\$ 396.4	\$ 94.6	\$ 491.0	2.95

Nine Months Ended November 30, 2021

<i>(In millions)</i>	Core	Other	Total	% ⁽¹⁾
Balance as of beginning of period	\$ 379.4	\$ 31.7	\$ 411.1	2.97
Charge-offs	(140.6)	(13.1)	(153.7)	
Recoveries	76.1	5.7	81.8	
Provision for loan losses	70.8	16.5	87.3	
Balance as of end of period	\$ 385.7	\$ 40.8	\$ 426.5	2.75

⁽¹⁾ Percent of total ending managed receivables.

⁽²⁾ Net of costs incurred to recover vehicle.

During the first nine months of fiscal 2023, the allowance for loan losses increased \$58.0 million, primarily reflecting growth in receivables. The increase in the allowance as a percent of total ending managed receivables was primarily driven by the previously disclosed expansion of our Tier 2 and Tier 3 originations within CAF's portfolio. While loss performance was unfavorable compared to the prior year period, the prior year performance fluctuated outside normal expectations. The allowance for loan losses as of November 30, 2022 reflects the historical loss performance experienced prior to the pandemic as well as increases for our Tier 3 expansion and growing Tier 2 portfolio.

Past Due Receivables. An account is considered delinquent when the related customer fails to make a substantial portion of a scheduled payment on or before the due date. In general, accounts are charged-off on the last business day of the month during which the earliest of the following occurs: the receivable is 120 days or more delinquent as of the last business day of the month, the related vehicle is repossessed and liquidated, or the receivable is otherwise deemed uncollectible. For purposes of

determining impairment, auto loans are evaluated collectively, as they represent a large group of smaller-balance homogeneous loans, and therefore, are not individually evaluated for impairment.

Past Due Receivables

As of November 30, 2022								
(In millions)	Core Receivables				Other	Total		
	A	B	C & Other	Total	Receivables C & Other	\$	%	
Current	\$ 8,340.4	\$ 5,570.5	\$ 1,605.2	\$ 15,516.1	\$ 304.8	\$ 15,820.9	95.01	
Delinquent loans:								
31-60 days past due	21.7	211.9	183.2	416.8	57.3	474.1	2.85	
61-90 days past due	11.6	116.4	122.7	250.7	41.4	292.1	1.75	
Greater than 90 days past due	3.1	27.9	25.7	56.7	8.9	65.6	0.39	
Total past due	36.4	356.2	331.6	724.2	107.6	831.8	4.99	
Total ending managed receivables	\$ 8,376.8	\$ 5,926.7	\$ 1,936.8	\$ 16,240.3	\$ 412.4	\$ 16,652.7	100.00	

As of February 28, 2022								
(In millions)	Core Receivables				Other	Total		
	A	B	C & Other	Total	Receivables C & Other	\$	%	
Current	\$ 7,711.9	\$ 5,401.3	\$ 1,702.7	\$ 14,815.9	\$ 206.4	\$ 15,022.3	95.98	
Delinquent loans:								
31-60 days past due	25.4	173.3	160.4	359.1	33.0	392.1	2.50	
61-90 days past due	9.2	75.6	85.2	170.0	19.1	189.1	1.21	
Greater than 90 days past due	3.2	19.9	21.9	45.0	3.8	48.8	0.31	
Total past due	37.8	268.8	267.5	574.1	55.9	630.0	4.02	
Total ending managed receivables	\$ 7,749.7	\$ 5,670.1	\$ 1,970.2	\$ 15,390.0	\$ 262.3	\$ 15,652.3	100.00	

⁽¹⁾ Percent of total ending managed receivables.

6. Derivative Instruments and Hedging Activities

We use derivatives to manage certain risks arising from both our business operations and economic conditions, particularly with regard to issuances of debt. Primary exposures include LIBOR and other rates used as benchmarks in our securitizations and other debt financing. We enter into derivative instruments to manage exposures related to the future known receipt or payment of uncertain cash amounts, the values of which are impacted by interest rates, and generally designate these derivative instruments as cash flow hedges for accounting purposes. In certain cases, we may choose not to designate a derivative instrument as a cash flow hedge for accounting purposes due to uncertainty around the probability that future hedged transactions will occur. Our derivative instruments are used to manage (i) differences in the amount of our known or expected cash receipts and our known or expected cash payments principally related to the funding of our auto loans receivable, and (ii) exposure to variable interest rates associated with our term loans.

For the derivatives associated with our non-recourse funding vehicles that are designated as cash flow hedges, the changes in fair value are initially recorded in accumulated other comprehensive income (loss) (“AOCI”). For the majority of these derivatives, the amounts are subsequently reclassified into CAF income in the period that the hedged forecasted transaction affects earnings, which occurs as interest expense is recognized on those future issuances of debt. During the next 12 months, we estimate that an additional \$47.2 million will be reclassified from AOCI as an increase to CAF income. Changes in fair value related to derivatives that have not been designated as cash flow hedges for accounting purposes are recognized in the income statement in the period in which the change occurs. For the three and nine months ended November 30, 2022, we recognized income of \$5.0 million and \$23.6 million, respectively, in CAF income representing these changes in fair value.

As of November 30, 2022 and February 28, 2022, we had interest rate swaps outstanding with a combined notional amount of \$4.68 billion and \$3.64 billion, respectively, that were designated as cash flow hedges of interest rate risk. As of November 30,

2022 and February 28, 2022, we had interest rate swaps with a combined notional amount of \$1.11 billion and \$578.3 million, respectively, outstanding that were not designated as cash flow hedges for accounting purposes.

See Note 7 for discussion of fair values of financial instruments and Note 13 for the effect on comprehensive income.

7. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or, if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as the “exit price”). The fair value should be based on assumptions that market participants would use, including a consideration of nonperformance risk.

We assess the inputs used to measure fair value using the three-tier hierarchy. The hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market.

- Level 1** Inputs include unadjusted quoted prices in active markets for identical assets or liabilities that we can access at the measurement date.
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets in active markets, quoted prices from identical or similar assets in inactive markets, observable inputs, such as interest rates and yield curves, and assumptions about risk.
- Level 3** Inputs that are significant to the measurement that are not observable in the market and include management’s judgments about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk).

Our fair value processes include controls that are designed to ensure that fair values are appropriate. Such controls include model validation, review of key model inputs, analysis of period-over-period fluctuations and reviews by senior management.

Valuation Methodologies

Money Market Securities. Money market securities are cash equivalents, which are included in cash and cash equivalents, restricted cash from collections on auto loans receivable and other assets. They consist of highly liquid investments with original maturities of three months or less and are classified as Level 1.

Mutual Fund Investments. Mutual fund investments consist of publicly traded mutual funds that primarily include diversified equity investments in large-, mid- and small-cap domestic and international companies or investment grade debt securities. The investments, which are included in other assets, are held in a rabbi trust established to fund informally our executive deferred compensation plan and are classified as Level 1.

Derivative Instruments. The fair values of our derivative instruments are included in either other current assets, other assets, accounts payable or other liabilities. Our derivatives are not exchange-traded and are over-the-counter customized derivative instruments. All of our derivative exposures are with highly rated bank counterparties.

We measure derivative fair values assuming that the unit of account is an individual derivative instrument and that derivatives are sold or transferred on a stand-alone basis. We estimate the fair value of our derivatives using quotes determined by the derivative counterparties and third-party valuation services. Quotes from third-party valuation services and quotes received from bank counterparties project future

cash flows and discount the future amounts to a present value using market-based expectations for interest rates and the contractual terms of the derivative instruments. The models do not require significant judgment and model inputs can typically be observed in a liquid market; however, because the models include inputs other than quoted prices in active markets, all derivatives are classified as Level 2.

Our derivative fair value measurements consider assumptions about counterparty and our own nonperformance risk. We monitor counterparty and our own nonperformance risk and, in the event that we determine that a party is unlikely to perform under terms of the contract, we would adjust the derivative fair value to reflect the nonperformance risk.

Items Measured at Fair Value on a Recurring Basis

	As of November 30, 2022		
<i>(In thousands)</i>	Level 1	Level 2	Total
Assets:			
Money market securities	\$ 1,261,183	\$ —	\$ 1,261,183
Mutual fund investments	21,485	—	21,485
Derivative instruments designated as hedges	—	89,485	89,485
Derivative instruments not designated as hedges	—	32,923	32,923
Total assets at fair value	\$ 1,282,668	\$ 122,408	\$ 1,405,076
Percent of total assets at fair value	91.3 %	8.7 %	100.0 %
Percent of total assets	4.9 %	0.5 %	5.4 %
Liabilities:			
Derivative instruments designated as hedges	\$ —	\$ (3,599)	\$ (3,599)
Total liabilities at fair value	\$ —	\$ (3,599)	\$ (3,599)
Percent of total liabilities	— %	— %	— %

	As of February 28, 2022		
<i>(In thousands)</i>	Level 1	Level 2	Total
Assets:			
Money market securities	\$ 701,865	\$ —	\$ 701,865
Mutual fund investments	24,022	—	24,022
Derivative instruments designated as hedges	—	39,452	39,452
Derivative instruments not designated as hedges	—	9,339	9,339
Total assets at fair value	\$ 725,887	\$ 48,791	\$ 774,678
Percent of total assets at fair value	93.7 %	6.3 %	100.0 %
Percent of total assets	2.8 %	0.2 %	2.9 %
Liabilities:			
Derivative instruments designated as hedges	\$ —	\$ (1,379)	\$ (1,379)
Total liabilities at fair value	\$ —	\$ (1,379)	\$ (1,379)
Percent of total liabilities	— %	— %	— %

Fair Value of Financial Instruments

The carrying value of our cash and cash equivalents, accounts receivable, other restricted cash deposits and accounts payable approximates fair value due to the short-term nature and/or variable rates associated with these financial instruments. Auto loans

receivable are presented net of an allowance for estimated loan losses, which we believe approximates fair value. We believe that the carrying value of our revolving credit facility and term loans approximates fair value due to the variable rates associated with these obligations. The fair value of our senior unsecured notes, which are not carried at fair value on our consolidated balance sheets, was determined using Level 2 inputs based on quoted market prices. The carrying value and fair value of the senior unsecured notes as of November 30, 2022 and February 28, 2022, respectively, are as follows:

<i>(In thousands)</i>	As of November 30, 2022		As of February 28, 2022	
Carrying value	\$	500,000	\$	500,000
Fair value	\$	474,771	\$	517,396

8. Cancellation Reserves

We recognize revenue for EPP products, on a net basis, at the time of sale. We also record a reserve, or refund liability, for estimated contract cancellations. Cancellations of these services may result from early termination by the customer, or default or prepayment on the finance contract. The reserve for cancellations is evaluated for each product and is based on forecasted forward cancellation curves utilizing historical experience, recent trends and credit mix of the customer base.

Cancellation Reserves

<i>(In millions)</i>	Three Months Ended November 30		Nine Months Ended November 30	
	2022	2021	2022	2021
Balance as of beginning of period	\$ 148.8	\$ 144.3	\$ 144.7	\$ 124.5
Cancellations	(25.2)	(25.2)	(80.3)	(68.3)
Provision for future cancellations	20.7	28.7	79.9	91.6
Balance as of end of period	\$ 144.3	\$ 147.8	\$ 144.3	\$ 147.8

The current portion of estimated cancellation reserves is recognized as a component of accrued expenses and other current liabilities with the remaining amount recognized in other liabilities. As of November 30, 2022 and February 28, 2022, the current portion of cancellation reserves was \$80.4 million and \$78.7 million, respectively.

9. Income Taxes

We had \$26.7 million of gross unrecognized tax benefits as of November 30, 2022, and \$24.8 million as of February 28, 2022. There were no significant changes to the gross unrecognized tax benefits as reported for the fiscal year ended February 28, 2022.

On August 16, 2022, federal legislation commonly referred to as the Inflation Reduction Act of 2022 (“IRA”), was enacted. We have evaluated the tax provisions of the IRA, the most significant of which are the corporate alternative minimum tax and the share repurchase tax. We do not expect the legislation to have a material impact on our results of operations. As the IRS issues additional guidance related to the IRA, we will evaluate any impact to our consolidated financial statements.

10. Debt

(In thousands)

Debt Description ⁽¹⁾	Maturity Date	As of November 30		As of February 28	
		2022		2022	
Revolving credit facility ⁽²⁾	June 2024	\$	—	\$	1,243,500
Term loan ⁽²⁾	June 2024		300,000		300,000
Term loan ⁽²⁾	October 2026		699,458		699,352
3.86% Senior notes	April 2023		100,000		100,000
4.17% Senior notes	April 2026		200,000		200,000
4.27% Senior notes	April 2028		200,000		200,000
Financing obligations	Various dates through February 2059		517,349		524,766
Non-recourse notes payable	Various dates through April 2029		16,237,419		15,466,799
Total debt			18,254,226		18,734,417
Less: current portion			(586,855)		(532,272)
Less: unamortized debt issuance costs			(26,689)		(27,126)
Long-term debt, net		\$	17,640,682	\$	18,175,019

⁽¹⁾ Interest is payable monthly, with the exception of our senior notes, which are payable semi-annually.

⁽²⁾ Borrowings accrue interest at variable rates based on the Eurodollar rate (LIBOR), or the successor benchmark rate, the federal funds rate, or the prime rate, depending on the type of borrowing.

Revolving Credit Facility. Borrowings under our \$2.00 billion unsecured revolving credit facility (the “credit facility”) are available for working capital and general corporate purposes. We pay a commitment fee on the unused portions of the available funds. Borrowings under the credit facility are either due “on demand” or at maturity depending on the type of

borrowing. Borrowings with “on demand” repayment terms are presented as short-term debt, while amounts due at maturity are presented as long-term debt. As of November 30, 2022, the unused capacity of \$2.00 billion was fully available to us.

Term Loans. Borrowings under our \$300 million and \$700 million term loans are available for working capital and general corporate purposes. The interest rate on our term loans was 4.67% as of November 30, 2022, and the loans were classified as long-term debt as no repayments are scheduled to be made within the next 12 months.

Senior Notes. Borrowings under our unsecured senior notes totaling \$500 million are available for working capital and general corporate purposes. The 3.86% senior note matures in April 2023 and is therefore classified as current. The remaining notes were classified as long-term debt as no repayments are scheduled to be made within the next 12 months.

Financing Obligations. Financing obligations relate to stores subject to sale-leaseback transactions that do not qualify for sale accounting. The financing obligations were structured at varying interest rates and generally have initial lease terms ranging from 15 to 20 years with payments made monthly. We have not entered into any new sale-leaseback transactions since fiscal 2009. In the event the agreements are modified or extended beyond their original term, the related obligation is adjusted based on the present value of the revised future payments, with a corresponding change to the assets subject to these transactions. Upon modification, the amortization of the obligation is reset, resulting in more of the payments being applied to interest expense in the initial years following the modification.

Non-Recourse Notes Payable. The non-recourse notes payable relate to auto loans receivable funded through non-recourse funding vehicles. The timing of principal payments on the non-recourse notes payable is based on the timing of principal collections and defaults on the related auto loans receivable. The current portion of non-recourse notes payable represents principal payments that are due to be distributed in the following period.

Notes payable related to our asset-backed term funding transactions accrue interest predominantly at fixed rates and have scheduled maturities through April 2029, but may mature earlier, depending upon the repayment rate of the underlying auto loans receivable.

Information on our funding vehicles of non-recourse notes payable as of November 30, 2022 are as follows:

<i>(In billions)</i>	Capacity
Warehouse facilities:	
December 2022 expiration	\$ 0.25
February 2023 expiration	2.85
August 2023 expiration	2.30
Combined warehouse facility limit	\$ 5.40
Unused capacity	\$ 1.98
Non-recourse notes payable outstanding:	
Warehouse facilities	\$ 3.42
Asset-backed term funding transactions	12.82
Non-recourse notes payable	\$ 16.24

We generally enter into warehouse facility agreements for one-year terms and typically renew the agreements annually. The return requirements of warehouse facility investors could fluctuate significantly depending on market conditions. At renewal, the cost, structure and capacity of the facilities could change. These changes could have a significant impact on our funding costs.

See Note 5 for additional information on the related auto loans receivable.

Capitalized Interest. We capitalize interest in connection with the construction of certain facilities. For the nine months ended November 30, 2022 and 2021, we capitalized interest of \$3.6 million and \$5.0 million, respectively.

Financial Covenants. The credit facility, term loans and senior note agreements contain representations and warranties, conditions and covenants. We must also meet financial covenants in conjunction with certain financing obligations. The agreements governing our non-recourse funding vehicles contain representations and warranties, financial covenants and

performance triggers. As of November 30, 2022, we were in compliance with all financial covenants and our non-recourse funding vehicles were in compliance with the related performance triggers.

11. Stock and Stock-Based Incentive Plans

(A) Share Repurchase Program

In April 2022, our board of directors (“board”) increased our share repurchase authorization by \$2.0 billion. As of November 30, 2022, a total of \$4.0 billion of board authorizations for repurchases of our common stock was outstanding, with no expiration date, of which \$2.45 billion remained available for repurchase. Share repurchases were paused during the third quarter of fiscal 2023.

Common Stock Repurchases

	Three Months Ended		Nine Months Ended	
	November 30		November 30	
	2022	2021	2022	2021
Number of shares repurchased <i>(in thousands)</i>	30.0	851.1	3,403.9	3,602.8
Average cost per share	\$ 87.70	\$ 135.52	\$ 94.95	\$ 127.65
Available for repurchase, as of end of period <i>(in millions)</i>	\$ 2,451.3	\$ 876.2	\$ 2,451.3	\$ 876.2

(B) Share-Based Compensation

Composition of Share-Based Compensation Expense

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	November 30		November 30	
	2022	2021	2022	2021
Cost of sales	\$ 333	\$ 1,896	\$ 1,474	\$ 5,719
CarMax Auto Finance income	981	1,560	1,394	4,749
Selling, general and administrative expenses	17,213	33,328	63,983	100,453
Share-based compensation expense, before income taxes	\$ 18,527	\$ 36,784	\$ 66,851	\$ 110,921

Composition of Share-Based Compensation Expense – By Grant Type

<i>(In thousands)</i>	Three Months Ended		Nine Months Ended	
	November 30		November 30	
	2022	2021	2022	2021
Nonqualified stock options	\$ 8,968	\$ 7,846	\$ 29,648	\$ 27,375
Cash-settled restricted stock units (RSUs)	5,167	23,836	15,521	62,398
Stock-settled market stock units (MSUs)	3,358	3,171	12,234	11,260
Other share-based incentives:				
Stock-settled performance stock units (PSUs)	209	964	5,150	5,334
Restricted stock (RSAs)	262	365	571	670
Stock-settled deferred stock units (DSUs)	—	—	1,850	1,925
Employee stock purchase plan	563	602	1,877	1,959
Total other share-based incentives	\$ 1,034	\$ 1,931	\$ 9,448	\$ 9,888
Share-based compensation expense, before income taxes	\$ 18,527	\$ 36,784	\$ 66,851	\$ 110,921

(C) Stock Incentive Plan Information

Share/Unit Activity

<i>(Shares/units in thousands)</i>	Nine Months Ended November 30, 2022			
	Equity Classified			Liability Classified
	Options	MSUs	Other	RSUs
Outstanding as of February 28, 2022	5,796	393	170	1,163
Granted	1,285	137	50	677
Exercised or vested and converted	(208)	(122)	(80)	(748)
Cancelled	(48)	(6)	(5)	(68)
Outstanding as of November 30, 2022	6,825	402	135	1,024

Weighted average grant date fair value per share/unit:

Granted	\$	33.35	\$	126.59	\$	95.58	\$	91.20
Ending outstanding	\$	25.69	\$	120.96	\$	99.04	\$	97.23

	As of November 30, 2022					
Unrecognized compensation <i>(in millions)</i>	\$	59.0	\$	18.2	\$	2.4

12. Net Earnings Per Share

Basic net earnings per share is computed by dividing net earnings available for basic common shares by the weighted average number of shares of common stock outstanding. Diluted net earnings per share is computed by dividing net earnings available for diluted common shares by the sum of weighted average number of shares of common stock outstanding and dilutive potential common stock. Diluted net earnings per share is calculated using the “if-converted” treasury stock method.

Basic and Dilutive Net Earnings Per Share Reconciliations

	Three Months Ended		Nine Months Ended	
	November 30		November 30	
	2022	2021	2022	2021
<i>(In thousands except per share data)</i>				
Net earnings	\$ 37,580	\$ 269,438	\$ 415,750	\$ 991,461
Weighted average common shares outstanding	158,003	162,006	159,044	162,710
Dilutive potential common shares:				
Stock options	268	2,373	857	2,391
Stock-settled stock units and awards	265	494	294	505
Weighted average common shares and dilutive potential common shares	158,536	164,873	160,195	165,606
Basic net earnings per share	\$ 0.24	\$ 1.66	\$ 2.61	\$ 6.09
Diluted net earnings per share	\$ 0.24	\$ 1.63	\$ 2.60	\$ 5.99

Certain options to purchase shares of common stock were outstanding and not included in the calculation of diluted net earnings per share because their inclusion would have been antidilutive. On a weighted average basis, for the three months ended November 30, 2022 and 2021, options to purchase 4,934,554 shares and 776,853 shares of common stock, respectively, were not included. For the nine months ended November 30, 2022 and 2021, options to purchase 1,917,727 shares and 701,970 shares of common stock, respectively, were not included.

13. Accumulated Other Comprehensive Income (Loss)

Changes in Accumulated Other Comprehensive Income (Loss) By Component

	Net Unrecognized Actuarial Losses	Net Unrecognized Hedge Gains	Total Accumulated Other Comprehensive Income (Loss)
<i>(In thousands, net of income taxes)</i>			
Balance as of February 28, 2022	\$ (73,001)	\$ 26,579	\$ (46,422)
Other comprehensive income before reclassifications	—	113,510	113,510
Amounts reclassified from accumulated other comprehensive income (loss)	1,444	(11,112)	(9,668)
Other comprehensive income	1,444	102,398	103,842
Balance as of November 30, 2022	\$ (71,557)	\$ 128,977	\$ 57,420

Changes In and Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

	Three Months Ended November		Nine Months Ended November	
	30		30	
(In thousands)	2022	2021	2022	2021
Retirement Benefit Plans:				
Actuarial loss amortization reclassifications recognized in net pension expense:				
Cost of sales	\$ 272	\$ 367	\$ 810	\$ 1,083
CarMax Auto Finance income	19	21	51	64
Selling, general and administrative expenses	346	481	1,048	1,458
Total amortization reclassifications recognized in net pension expense	637	869	1,909	2,605
Tax expense	(155)	(210)	(465)	(629)
Amortization reclassifications recognized in net pension expense, net of tax	482	659	1,444	1,976
Net change in retirement benefit plan unrecognized actuarial losses, net of tax	482	659	1,444	1,976
Cash Flow Hedges (Note 6):				
Changes in fair value	42,521	11,339	152,731	8,668
Tax expense	(10,919)	(2,985)	(39,221)	(2,282)
Changes in fair value, net of tax	31,602	8,354	113,510	6,386
Reclassifications to CarMax Auto Finance income	(8,965)	4,111	(14,951)	13,610
Tax benefit (expense)	2,302	(1,082)	3,839	(3,582)
Reclassification of hedge (gains) losses, net of tax	(6,663)	3,029	(11,112)	10,028
Net change in cash flow hedge unrecognized gains, net of tax	24,939	11,383	102,398	16,414
Total other comprehensive income, net of tax	\$ 25,421	\$ 12,042	\$ 103,842	\$ 18,390

Changes in the funded status of our retirement plans and changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in accumulated other comprehensive income (loss). The cumulative balances are net of deferred taxes of \$21.7 million as of November 30, 2022 and \$14.2 million as of February 28, 2022.

14. Leases

Our leases primarily consist of operating and finance leases related to retail stores, office space, land and equipment. We also have stores subject to sale-leaseback transactions that do not qualify for sale accounting and are accounted for as financing obligations. For more information on these financing obligations see Note 10.

The initial term for real property leases is typically 5 to 20 years. For equipment leases, the initial term generally ranges from 3 to 8 years. Most leases include one or more options to renew, with renewal terms that can extend the lease term from 1 to 20 years or more. We include options to renew (or terminate) in our lease term, and as part of our right-of-use (“ROU”) assets and lease liabilities, when it is reasonably certain that we will exercise that option.

ROU assets and the related lease liabilities are initially measured at the present value of future lease payments over the lease term. As most of our leases do not provide an implicit rate, we use our collateralized incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. We include 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. We are also responsible for payment of certain real estate taxes, insurance and other expenses on our leases. These amounts are generally considered to be variable and are not included in the measurement of the ROU asset and lease liability. We generally account for non-lease components, such as maintenance, separately from lease components. For certain equipment leases, we apply a portfolio approach to account for the lease assets and liabilities.

Our lease agreements do not contain any material residual value guarantees or material restricted covenants. Leases with a term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

The components of lease expense were as follows:

<i>(In thousands)</i>	Three Months Ended November 30		Nine Months Ended November 30	
	2022	2021	2022	2021
Operating lease cost ⁽¹⁾	\$ 22,450	\$ 20,581	\$ 68,381	\$ 53,631
Finance lease cost:				
Depreciation of lease assets	4,178	3,383	11,701	9,784
Interest on lease liabilities	5,728	4,257	16,129	12,531
Total finance lease cost	9,906	7,640	27,830	22,315
Total lease cost	\$ 32,356	\$ 28,221	\$ 96,211	\$ 75,946

⁽¹⁾ Includes short-term leases and variable lease costs, which are immaterial.

Supplemental balance sheet information related to leases was as follows:

<i>(In thousands)</i>	Classification	As of November 30 2022	As of February 28 2022
Assets:			
Operating lease assets	Operating lease assets	\$ 529,781	\$ 537,357
Finance lease assets	Property and equipment, net ⁽¹⁾	146,826	127,183
Total lease assets		\$ 676,607	\$ 664,540
Liabilities:			
Current:			
Operating leases	Current portion of operating lease liabilities	\$ 51,215	\$ 44,197
Finance leases	Accrued expenses and other current liabilities	18,152	10,290
Long-term:			
Operating leases	Operating lease liabilities, excluding current portion	509,106	523,269
Finance leases	Other liabilities	162,264	145,179
Total lease liabilities		\$ 740,737	\$ 722,935

⁽¹⁾ Finance lease assets are recorded net of accumulated depreciation of \$42.4 million as of November 30, 2022 and \$30.7 million as of February 28, 2022.

Lease term and discount rate information related to leases was as follows:

Lease Term and Discount Rate	As of November 30 2022	As of February 28 2022
Weighted Average Remaining Lease Term <i>(in years)</i>		
Operating leases	16.68	17.31
Finance leases	11.02	12.42
Weighted Average Discount Rate		
Operating leases	4.84 %	4.80 %
Finance leases	19.50 %	14.35 %

Supplemental cash flow information related to leases was as follows:

Nine Months Ended November 30

(In thousands)

2022

2021

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$	67,675	\$	51,527
Operating cash flows from finance leases	\$	12,747	\$	8,086
Financing cash flows from finance leases	\$	10,056	\$	8,822

Lease assets obtained in exchange for lease obligations:

Operating leases	\$	29,027	\$	45,491
Finance leases	\$	31,344	\$	24,772

Maturities of lease liabilities were as follows:

<i>(In thousands)</i>	As of November 30, 2022	
	Operating Leases ⁽¹⁾	Finance Leases ⁽¹⁾
Fiscal 2023, remaining	\$ 18,699	\$ 8,729
Fiscal 2024	76,168	40,620
Fiscal 2025	74,353	37,764
Fiscal 2026	68,771	38,901
Fiscal 2027	62,201	34,811
Thereafter	578,907	219,889
Total lease payments	879,099	380,714
Less: interest	(318,778)	(200,298)
Present value of lease liabilities	\$ 560,321	\$ 180,416

⁽¹⁾ Lease payments exclude \$31.3 million of legally binding minimum lease payments for leases signed but not yet commenced.

15. Supplemental Cash Flow Information

Supplemental disclosures of cash flow information:

<i>(In thousands)</i>	Nine Months Ended November 30	
	2022	2021
Non-cash investing and financing activities:		
Increase in accrued capital expenditures	\$ 3,123	\$ 9,933

See Note 14 for supplemental cash flow information related to leases.

16. Contingent Liabilities

Litigation. CarMax entities are defendants in a proceeding asserting wage and hour claims with respect to non-exempt CarMax employees in California. The asserted claims include failure to provide meal periods and rest breaks; pay statutory or contractual wages; reimburse for work-related expenses; and Private Attorneys General Act (“PAGA”) claims. On July 9, 2021, Daniel Bendure v. CarMax Auto Superstores California, LLC et al., a putative class action, was filed in the Superior Court of California, County of San Bernardino. The Bendure lawsuit seeks civil penalties for violation of the Labor Code, attorneys’ fees, costs, restitution of unpaid wages, interest, injunctive and equitable relief, general damages, and special damages. Bendure subsequently decided not to proceed with an individual or putative class claim, but rather filed and served a PAGA-only complaint in the Superior Court of California for the County of San Bernardino on December 7, 2021, based on the same allegations pled in the original complaint. CarMax filed a motion to compel arbitration. The Court has stayed all discovery until after it rules on CarMax’s motion to compel arbitration.

On June 15, 2022, the United States Supreme Court issued its decision in *Viking River Cruises v. Moriana*, holding that an individual who signs an arbitration agreement cannot circumvent that agreement by filing a related PAGA claim in court. The U.S. Supreme Court further held that, based on California law, an individual who pursues his PAGA claim in arbitration does not have standing to pursue a representative PAGA claim. However, the U.S. Supreme Court indicated that the issue of whether an individual has standing to pursue a

representative PAGA claim is a question of state law. The California Supreme Court has agreed to hear a new case, *Adolph v. Uber*, to address this issue of state law, which is expected to be decided in 2023.

In light of the *Viking River* decision, CarMax filed a motion to compel arbitration of the individual Bendure claim and to dismiss Bendure's representative PAGA claims. On November 29, 2022, the Court granted the motion to compel arbitration of the Bendure individual PAGA claims and stayed the motion to dismiss any representative PAGA claims pending the *Adolph v. Uber* decision.

We are unable to make a reasonable estimate of the amount or range of loss that could result from an unfavorable outcome in this matter.

We are involved in various other legal proceedings in the normal course of business. Based upon our evaluation of information currently available, we believe that the ultimate resolution of any such proceedings will not have a material adverse effect, either individually or in the aggregate, on our financial condition, results of operations or cash flows.

Other Matters. In accordance with the terms of real estate lease agreements, we generally agree to indemnify the lessor from certain liabilities arising as a result of the use of the leased premises, including environmental liabilities and repairs to leased property upon termination of the lease. Additionally, in accordance with the terms of agreements entered into for the sale of properties, we generally agree to indemnify the buyer from certain liabilities and costs arising subsequent to the date of the sale, including environmental liabilities and liabilities resulting from the breach of representations or warranties made in accordance with the agreements. We do not have any known material environmental commitments, contingencies or other indemnification issues arising from these arrangements.

As part of our customer service strategy, we guarantee the used vehicles we retail with a 90-day/4,000 mile limited warranty. A vehicle in need of repair within this period will be repaired free of charge. As a result, each vehicle sold has an implied liability associated with it. Accordingly, based on historical trends, we record a provision for estimated future repairs during the guarantee period for each vehicle sold. The liability for this guarantee was \$26.0 million as of November 30, 2022, and \$18.5 million as of February 28, 2022, and is included in accrued expenses and other current liabilities.

17. Segment Information

We operate in two reportable segments: CarMax Sales Operations and CAF. Our CarMax Sales Operations segment consists of all aspects of our auto merchandising and service operations, excluding financing provided by CAF. Our CAF segment consists solely of our own finance operation that provides financing to customers buying retail vehicles from CarMax.

We also have a non-reportable operating segment related to our recently acquired Edmunds business, which is reflected as “Other” in the segment tables below. Revenue generated by Edmunds primarily represents advertising and subscription revenues as discussed in Note 3. Edmunds also generates intersegment revenue as a result of transactions between Edmunds and CarMax Sales Operations, which represent arm’s length transactions at prevailing market prices. Such amounts are eliminated in consolidation.

The performance of our CarMax Sales Operations segment is reviewed by our chief operating decision maker at the gross profit level, the components of which are presented in the tables below. Required segment information related to our CAF segment is presented in Note 4. Additionally, asset information by segment is not utilized for purposes of assessing performance or allocating resources and, as a result, such information has not been presented.

Segment Information

Three Months Ended November 30, 2022

<i>(In thousands)</i>	CarMax Sales			Eliminations	Total
	Operations	Other			
Sales and operating revenues	\$ 6,472,702	\$ 33,254	\$ —	\$ —	\$ 6,505,956
Intersegment sales and operating revenues	—	5,549	(5,549)	—	—
Total sales and operating revenues	\$ 6,472,702	\$ 38,803	\$ (5,549)	\$ —	\$ 6,505,956
Depreciation and amortization ⁽¹⁾	\$ 404	\$ 3,735	\$ —	\$ —	\$ 4,139
Gross profit	\$ 554,057	\$ 23,780	\$ (1,149)	\$ —	\$ 576,688
Reconciliation to Consolidated Earnings Before Taxes:					
CAF Income					152,196
Selling, general and administrative expenses					(591,727)
Depreciation and amortization ⁽²⁾					(57,377)
Interest expense					(30,150)
Other income (expense)					363
Earnings before income taxes				\$ —	\$ 49,993

Nine Months Ended November 30, 2022

<i>(In thousands)</i>	CarMax Sales			Eliminations	Total
	Operations	Other			
Sales and operating revenues	\$ 23,860,462	\$ 101,918	\$ —	\$ —	\$ 23,962,380
Intersegment sales and operating revenues	—	20,219	(20,219)	—	—
Total sales and operating revenues	\$ 23,860,462	\$ 122,137	\$ (20,219)	\$ —	\$ 23,962,380
Depreciation and amortization ⁽¹⁾	\$ 1,092	\$ 10,199	\$ —	\$ —	\$ 11,291
Gross profit	\$ 2,115,631	\$ 77,869	\$ (4,276)	\$ —	\$ 2,189,224
Reconciliation to Consolidated Earnings Before Taxes:					
CAF Income					539,538
Selling, general and administrative expenses					(1,914,508)
Depreciation and amortization ⁽²⁾					(170,717)
Interest expense					(91,670)
Other income (expense)					2,303
Earnings before income taxes				\$ —	\$ 554,170

⁽¹⁾ Represents only the portion of depreciation and amortization recorded within Cost of sales, and thus included in the calculation of Gross profit.

⁽²⁾ Exclusive of depreciation and amortization recorded within Cost of sales.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is provided as a supplement to, and should be read in conjunction with, our audited consolidated financial statements, the accompanying notes and the MD&A included in our Annual Report on Form 10-K for the fiscal year ended February 28, 2022 ("fiscal 2022"), as well as our unaudited interim consolidated financial statements and the accompanying notes included in Item 1 of this Form 10-Q. Note references are to the notes to unaudited interim consolidated financial statements included in Item 1. All references to net earnings per share are to diluted net earnings per share. Certain prior year amounts have been reclassified to conform to the current year's presentation. Amounts and percentages may not total due to rounding.

OVERVIEW

CarMax is the nation's largest retailer of used vehicles. We operate in two reportable segments: CarMax Sales Operations and CarMax Auto Finance ("CAF"). Our CarMax Sales Operations segment consists of all aspects of our auto merchandising and service operations, excluding financing provided by CAF. Our CAF segment consists solely of our own finance operation that provides financing to customers buying retail vehicles from CarMax. Our consolidated financial statements include the financial results related to our Edmunds Holding Company ("Edmunds") business, which does not meet the definition of a reportable segment. For purposes of our MD&A discussion, amounts related to that business are discussed in combination with our CarMax Sales Operations segment. Separate discussion of these amounts is not considered meaningful for the purpose of gaining an understanding of our business, as the significant drivers of these operations in total are consistent with those of our CarMax Sales Operations segment. Where appropriate, specific amounts related to non-reportable segments have been disclosed for informational purposes.

CarMax Sales Operations

Our sales operations segment consists of retail sales of used vehicles and related products and services, such as wholesale vehicle sales; the sale of extended protection plan ("EPP") products, which include extended service plans ("ESPs") and guaranteed asset protection ("GAP"); and vehicle repair service. We offer competitive, no-haggle prices; a broad selection of CarMax Quality Certified used vehicles; value-added EPP products; and superior customer service. Our omni-channel platform, which gives us the largest addressable market in the used car industry, empowers our retail customers to buy a car on their terms – online, in-store or an integrated combination of both.

Our customers finance the majority of the retail vehicles purchased from us, and availability of on-the-spot financing is a critical component of the sales process. We provide financing to qualified retail customers through CAF and our arrangements with industry-leading third-party finance providers. All of the finance offers, whether by CAF or our third-party providers, are backed by a 3-day payoff option.

As of November 30, 2022, we operated 235 used car stores in 108 U.S. television markets. As of that date, wholesale auctions previously held at many of our used car stores were being conducted virtually.

CarMax Auto Finance

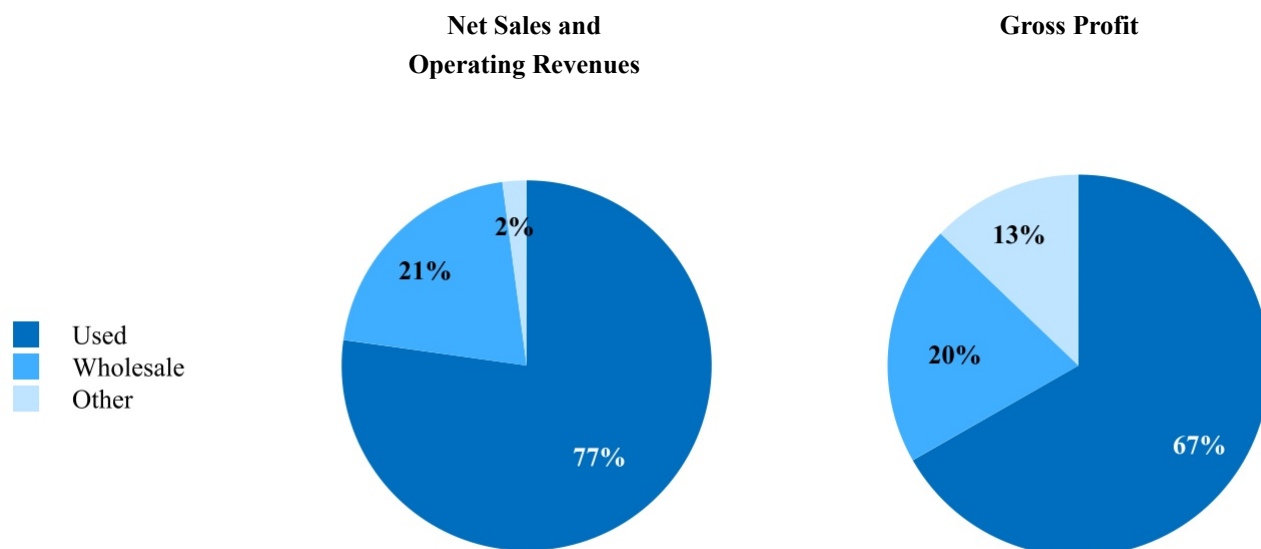
In addition to third-party finance providers, we provide vehicle financing through CAF, which offers financing solely to customers buying retail vehicles from CarMax. CAF allows us to manage our reliance on third-party finance providers and to leverage knowledge of our business to provide qualifying customers a competitive financing option. As a result, we believe CAF enables us to capture additional profits, cash flows and sales. CAF income primarily reflects the interest and fee income generated by the auto loans receivable less the interest expense associated with the debt issued to fund these receivables, a provision for estimated loan losses and direct expenses. CAF

income does not include any allocation of indirect costs. After the effect of 3-day payoffs and vehicle returns, CAF financed 41.4% of our retail used vehicle unit sales in the first nine months of fiscal 2023. As of November 30, 2022, CAF serviced approximately 1.1 million customer accounts in its \$16.65 billion portfolio of managed receivables.

Management regularly analyzes CAF's operating results by assessing the competitiveness of our consumer offer, profitability, the performance of the auto loans receivable, including trends in credit losses and delinquencies, and CAF direct expenses.

Revenues and Profitability

The sources of revenue and gross profit from the CarMax Sales Operations segment and other non-reportable segments for the first nine months of fiscal 2023 are as follows:



A high-level summary of our financial results for the third quarter and first nine months of fiscal 2023 as compared to the third quarter and first nine months of fiscal 2022 is as follows ⁽¹⁾:

	Three Months Ended November 30, 2022	Change from Three Months Ended November 30, 2021	Nine Months Ended November 30, 2022	Change from Nine Months Ended November 30, 2021
<i>(Dollars in millions except per share or per unit data)</i>				
Income statement information				
Net sales and operating revenues	\$ 6,506.0	(23.7)%	\$ 23,962.4	(1.0)%
Gross profit	\$ 576.7	(31.1)%	\$ 2,189.2	(15.0)%
CAF income	\$ 152.2	(8.3)%	\$ 539.5	(11.2)%
Selling, general and administrative expenses	\$ 591.7	2.7 %	\$ 1,914.5	12.3 %
Net earnings	\$ 37.6	(86.1)%	\$ 415.8	(58.1)%
Unit sales information				
Used unit sales	180,050	(20.8)%	637,939	(12.6)%
Change in used unit sales in comparable stores	(22.4)%	N/A	(14.3)%	N/A
Wholesale unit sales	118,757	(36.7)%	464,741	(16.6)%
Per unit information				
Used gross profit per unit	\$ 2,237	0.1 %	\$ 2,291	3.8 %
Wholesale gross profit per unit	\$ 966	(14.6)%	\$ 962	(8.7)%
SG&A as a % of gross profit	102.6 %	33.8 %	87.5 %	21.4 %
Per share information				
Net earnings per diluted share	\$ 0.24	(85.3)%	\$ 2.60	(56.6)%
Online sales metrics				
Online retail sales ⁽²⁾	12 %	3 %	11 %	2 %
Omni sales ⁽³⁾	52 %	(5)%	53 %	(3)%
Revenue from online transactions ⁽⁴⁾	28 %	(2)%	30 %	3 %

⁽¹⁾ Where applicable, amounts are net of intercompany eliminations.

⁽²⁾ An online retail sale is defined as a sale where the customer completes all four of the following activities remotely: reserving the vehicle; financing the vehicle, if needed; trading-in or opting out of a trade-in; and creating an online sales order.

⁽³⁾ An omni sale is defined as a sale where customers complete at least one of the four activities listed above online.

⁽⁴⁾ Revenue from online transactions is defined as revenue from retail sales that qualify as an online retail sale, as well as any related EPP and third-party finance contribution, wholesale sales where the winning bid was taken from an online bid and all revenue earned by Edmunds.

Refer to “Results of Operations” for further details on our revenues and profitability.

Liquidity

Our primary ongoing sources of liquidity include funds provided by operations, proceeds from non-recourse funding vehicles, and borrowings under our revolving credit facility or through other financing sources. In addition to funding our operations, this liquidity was used to fund the repurchase of common stock under our share repurchase program, our store growth and the Edmunds acquisition, which was completed during the second quarter of fiscal 2022.

Our current capital allocation strategy is to focus on our core business. Given our recent performance and continued market uncertainties, we are taking a conservative approach to our capital structure in order to maintain the flexibility that allows us to efficiently access the capital markets for both CAF and CarMax as a whole. We have taken steps to better align our expenses to sales, as well as paused our share repurchases and slowed the rate of our store growth and capital expenditures. We believe we have the appropriate liquidity, access to capital and financial strength to support our operations and continue investing in our strategic initiatives for the foreseeable future.

Strategic Update and Future Outlook

Our omni-channel experience provides a common platform across all of CarMax that leverages our scale, nationwide footprint and infrastructure and empowers our customers to buy a vehicle on their terms. Customers are seeking personalization, convenience and safety in how they shop for and buy a vehicle more than ever. Our omni-channel platform empowers customers to buy a car on their own terms, whether completely from home, in-store or through an integrated combination of online and in-store experiences. Our diversified business model, combined with our omni-channel experience, is a unique advantage in the used car industry that firmly positions us to continue growing our market share while creating shareholder value over the long-term.

During the first quarter of fiscal 2023, we enabled online self-progression for all of our retail customers. All customers are now eligible to complete an online retail sale independently if they choose. In the third quarter of fiscal 2023, online retail sales accounted for 12% of retail unit sales, up from 11% in the previous quarter and 9% in the prior year quarter. Omni sales represented approximately 52% of retail sales, down slightly from the previous quarter as well as the prior year quarter. Online, omni and in-person sales can vary from quarter to quarter depending on consumer preferences and how they choose to interact with us. While we expect our online and omni sales to grow over time, our goal is to provide the best experience whether in-store, online or a combination of the two.

Revenue from online transactions was \$1.8 billion, or approximately 28% of net revenues in the third quarter of fiscal 2023, down from 30% in the previous quarter as well as the prior year quarter.

We purchased approximately 238,000 vehicles from consumers and dealers during the third quarter of fiscal 2023, down 40% from the prior year quarter and up approximately 19% from the third quarter of fiscal 2021. Approximately 14,000 vehicles were purchased through MaxOffer, our digital appraisal product for dealers, down 32% from the prior quarter but up 16% from the prior year quarter. We leverage the Edmunds sales team to open new markets and sign up new dealers for MaxOffer. For the third quarter of fiscal 2023, our self-sufficiency rate remained above 70%. The success of our online instant appraisal offer continues to strengthen our leadership position as the largest used vehicle buyer from consumers.

Our investments in the near term will focus on initiatives that unlock operational efficiencies and create better experiences for our associates and customers. Examples of these initiatives include:

- Making it simple for customers to choose the express pick-up option through self-progression, which provides customers the ability to complete their transaction at one of our stores in as little as 30 minutes.
- Enhancing online features to help customers feel more confident in completing key transaction steps on their own and to make it easier to go back and forth between assisted help and self-progression.
- Integrating our finance-based shopping capability into our stores and CECs so that all consumers can utilize this product, as well as adding additional third-party finance providers to the finance-based shopping platform.

While we have slowed the pace of these investments, we continue to selectively invest in initiatives that have the potential to activate new capabilities while lowering our costs, including the following:

- Leveraging technology to enhance our transportation logistics capabilities, which will enable us to consolidate loads, increase our mix of full loads and reduce the truck volume in and out of our stores.
- Upgrading our auction experience by deploying a modernized vehicle detail page that is mobile friendly and efficiently displays the most relevant information dealers need to preview our wholesale inventory, similar to how customers shop our retail inventory.
- Updating the MaxOffer product to provide a fully digital, instant offer experience to dealers.

We are also focused on ensuring we are efficient in our spend, actively taking steps to further align our expenses to our sales levels. This included reducing staffing in our stores and CECs through attrition, limiting hiring and contractor utilization in our corporate offices and better aligning marketing spend to sales. Other steps we have taken to support our business for both the short- and long-term include slowing buys in light of steep market depreciation, reducing total inventory while maintaining saleable inventory levels, raising CAF's consumer rates, slowing our planned store growth and pausing share repurchases to provide more capital flexibility.

As a result of these actions, we expect SG&A expenses in the fourth quarter of fiscal 2023 to decrease from the prior year quarter. While SG&A as a percent of gross profit can fluctuate from quarter to quarter depending on variability in gross profit, our first step on the way to strengthening our SG&A to gross profit leverage over time is to achieve a rate in the mid-70% range on an annual basis. Achieving this will require both efficiency gains in our operating model and gross profit growth.

We expect our diversified model, the scale of our operations, our investments and omni-channel strategy to provide a solid foundation for further growth. As a result, we have set the following long-term targets, which were disclosed in our Annual Report on Form 10-K for fiscal 2022:

- Sell between 2 million and 2.4 million vehicles through our combined retail and wholesale channels by fiscal 2026.
- Generate between \$33 billion and \$45 billion in revenue by fiscal 2026.
- Grow our nationwide share of the age 0- to 10 used vehicle market to more than 5% by the end of calendar 2025.

These ranges include our assessment of macroeconomic factors that could result in ongoing volatility in consumer demand.

In calendar 2021, we estimate we sold approximately 4.0% of the age 0- to 10-year old vehicles sold on a nationwide basis, an increase from 3.5% in calendar 2020. We estimate we sold approximately 4.9% of the age 0- to 10-year old vehicles sold in the current comparable store markets in which we operate in calendar 2021, an increase from 4.3% in 2020. Based on external data, we gained market share on a year-to-date basis through October, with some recent loss of market share, as we saw competitors lower prices and margins to move inventory. We believe these are transitory competitive responses to the current environment. We believe we are well positioned to deliver profitable market share gains in any environment. Our strategy to increase our market share includes focusing on:

- Delivering a customer-driven, omni-channel buying and selling experience that is a unique and powerful integration of our in-store and online capabilities.
- Opening stores in new markets and expanding our presence in existing markets.
- Hiring, developing and retaining an engaged and skilled workforce.
- Improving efficiency in our stores and CECs and our logistics operations to reduce waste.
- Leveraging data and advanced analytics to continuously improve the customer experience as well as our processes and systems.

- Utilizing advertising to drive customer growth, educate customers about our omni-channel platform and to differentiate and elevate our brand.

As of November 30, 2022, we had used car stores located in 108 U.S. television markets, which covered approximately 86% of the U.S. population. The format and operating models utilized in our stores are continuously evaluated and may change or evolve over time based upon market and consumer expectations. During the first nine months of fiscal 2023, we opened five stores, and during the remainder of the fiscal year we plan to open an additional five stores.

While we execute both our short- and long-term strategy, there are trends and factors that could impact our strategic approach or our results in the short and medium term. For additional information about risks and uncertainties facing our company, see “Risk Factors,” included in Part I. Item 1A of the Annual Report on Form 10-K for the fiscal year ended February 28, 2022.

CRITICAL ACCOUNTING ESTIMATES

For information on critical accounting policies, see "Critical Accounting Estimates" in the MD&A included in Item 7 of the Annual Report on Form 10-K for the fiscal year ended February 28, 2022.

RESULTS OF OPERATIONS – CARMAX SALES OPERATIONS AND OTHER NON-REPORTABLE SEGMENTS

NET SALES AND OPERATING REVENUES

<i>(In millions)</i>	Three Months Ended November 30			Nine Months Ended November 30		
	2022	2021	Change	2022	2021	Change
Used vehicle sales	\$ 5,204.6	\$ 6,435.6	(19.1)%	\$ 18,503.2	\$ 18,697.3	(1.0)%
Wholesale vehicle sales	1,152.2	1,922.3	(40.1)%	4,959.1	4,998.2	(0.8)%
Other sales and revenues:						
Extended protection plan revenues	91.8	106.6	(13.9)%	318.1	353.8	(10.1)%
Third-party finance income/(fees), net	1.0	1.6	(38.2)%	7.1	(0.3)	2,825.4 %
Advertising & subscription revenues ⁽¹⁾	33.3	33.3	(0.2)%	101.9	67.9	50.2 %
Other	23.1	28.4	(18.6)%	73.1	96.8	(24.4)%
Total other sales and revenues	149.2	169.9	(12.2)%	500.2	518.2	(3.5)%
Total net sales and operating revenues	\$ 6,506.0	\$ 8,527.8	(23.7)%	\$ 23,962.4	\$ 24,213.7	(1.0)%

⁽¹⁾ Excludes intersegment sales and operating revenues that have been eliminated in consolidation. See Note 17 for further details.

UNIT SALES

	Three Months Ended November 30			Nine Months Ended November 30		
	2022	2021	Change	2022	2021	Change
Used vehicles	180,050	227,424	(20.8)%	637,939	730,020	(12.6)%
Wholesale vehicles	118,757	187,630	(36.7)%	464,741	557,117	(16.6)%

AVERAGE SELLING PRICES

	Three Months Ended November 30			Nine Months Ended November 30		
	2022	2021	Change	2022	2021	Change
Used vehicles	\$ 28,530	\$ 27,995	1.9 %	\$ 28,692	\$ 25,380	13.0 %
Wholesale vehicles	\$ 9,294	\$ 9,890	(6.0)%	\$ 10,280	\$ 8,634	19.1 %

COMPARABLE STORE USED VEHICLE SALES CHANGES

	Three Months Ended November 30 ⁽¹⁾		Nine Months Ended November 30 ⁽¹⁾	
	2022	2021	2022	2021
Used vehicle units	(22.4)%	15.8 %	(14.3)%	32.5 %
Used vehicle revenues	(21.0)%	51.4 %	(3.2)%	63.4 %

⁽¹⁾ Stores are added to the comparable store base beginning in their fourteenth full month of operation. We do not remove renovated stores from our comparable store base. Comparable store calculations include results for a set of stores that were included in our comparable store base in both the current and corresponding prior year periods.

VEHICLE SALES CHANGES

	Three Months Ended November 30		Nine Months Ended November 30	
	2022	2021	2022	2021
Used vehicle units	(20.8)%	16.9 %	(12.6)%	33.5 %
Used vehicle revenues	(19.1)%	52.9 %	(1.0)%	64.2 %
Wholesale vehicle units	(36.7)%	48.5 %	(16.6)%	72.7 %
Wholesale vehicle revenues	(40.1)%	132.1 %	(0.8)%	151.1 %

USED VEHICLE FINANCING PENETRATION BY CHANNEL (BEFORE THE IMPACT OF 3-DAY PAYOFFS)

	Three Months Ended November 30 ⁽¹⁾		Nine Months Ended November 30 ⁽¹⁾	
	2022	2021	2022	2021
CAF ⁽²⁾	47.3 %	46.1 %	44.9 %	46.6 %
Tier 2 ⁽³⁾	20.5 %	22.2 %	22.6 %	22.2 %
Tier 3 ⁽⁴⁾	6.1 %	6.5 %	6.4 %	8.0 %
Other ⁽⁵⁾	26.1 %	25.2 %	26.1 %	23.2 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

⁽¹⁾ Calculated as used vehicle units financed for respective channel as a percentage of total used units sold.

⁽²⁾ Includes CAF's Tier 2 and Tier 3 loan originations, which represent approximately 1% of total used units sold.

⁽³⁾ Third-party finance providers who generally pay us a fee or to whom no fee is paid.

⁽⁴⁾ Third-party finance providers to whom we pay a fee.

⁽⁵⁾ Represents customers arranging their own financing and customers that do not require financing.

CHANGE IN USED CAR STORE BASE

	Three Months Ended November 30		Nine Months Ended November 30	
	2022	2021	2022	2021
Used car stores, beginning of period	234	225	230	220
Store openings	1	1	5	6
Used car stores, end of period	235	226	235	226

During the first nine months of fiscal 2023, we opened five stores, including our entry into the New York metro market (Edison, NJ; Stockton, CA; Wayne, NJ; East Meadow, NY; and Oceanside, CA).

Used Vehicle Sales. The 19.1% decrease in used vehicle revenues in the third quarter of fiscal 2023 was primarily driven by a 20.8% decrease in used unit sales, partially offset by a 1.9% increase in average retail selling price. The decrease in used units included a 22.4% decrease in comparable store used unit sales. For the first nine months of fiscal 2023, used vehicle revenues decreased 1.0%, driven by a 12.6% decrease in used unit sales, partially offset by a 13.0% increase in average selling price. The decrease in used units included a 14.3% decrease in comparable store used unit sales. Online retail sales, as defined previously, accounted for 12% and 11% of used unit

sales for the third quarter and first nine months of fiscal 2023, respectively, compared with 9% for both the third quarter and first nine months of fiscal 2022.

During the third quarter and first nine months of fiscal 2023, we believe a number of macroeconomic factors impacted our used unit sales performance, including challenges to vehicle affordability that stem from broad inflation, rising interest rates and low consumer confidence. We believe our performance was also impacted by transitory competitive responses to the current environment as we saw competitors lower prices and margins to move inventory. Comparable store used unit sales declined sequentially during the quarter and December results were relatively consistent with the third quarter.

The increase in average retail selling price in both the third quarter and first nine months of fiscal 2023 reflected higher vehicle acquisition costs. This was partially offset by shifts in the mix of our sales by vehicle age during the third quarter. We expect average retail selling price to decrease in the fourth quarter of fiscal 2023.

Wholesale Vehicle Sales. Vehicles sold at our wholesale auctions are, on average, approximately 10 years old with more than 100,000 miles and are primarily comprised of vehicles purchased through our appraisal process that do not meet our retail standards. Our wholesale auction prices usually reflect trends in the general wholesale market for the types of vehicles we sell, although they can also be affected by changes in vehicle mix or the average age, mileage or condition of the vehicles being sold. During fiscal 2021, our wholesale auctions were moved to an online format and continue to operate completely online.

The 40.1% decrease in wholesale vehicle revenues in the third quarter of fiscal 2023 was primarily due to a 36.7% decrease in unit sales and a 6.0% decrease in average selling price. For the first nine months of fiscal 2023, wholesale vehicle revenues decreased 0.8%, driven by a 16.6% decrease in unit sales, partially offset by a 19.1% increase in average selling price. Wholesale volume was negatively impacted by our decision to shift some units from wholesale to retail to meet consumer demand for lower priced vehicles. Wholesale performance was also negatively impacted by rapidly changing market conditions, including depreciation of approximately \$2,000 during the third quarter, which was incremental to depreciation of approximately \$2,500 during the second quarter.

The decrease in average selling price during the third quarter of fiscal 2023 represents steep depreciation resulting from rapidly changing market conditions. The net increase in average selling price in the first nine months of fiscal 2023 was primarily due to increased acquisition costs resulting from strong industry valuations in the beginning of fiscal 2023, which continued from the prior fiscal year, offsetting recent depreciation.

Other Sales and Revenues. Other sales and revenues include revenue from the sale of ESPs and GAP (collectively reported in EPP revenues, net of a reserve for estimated contract cancellations), net third-party finance income/(fees), advertising and subscription revenues earned by our Edmunds business, and other revenues, which are predominantly comprised of service department sales. The fees we pay to the Tier 3 providers are reflected as an offset to finance fee revenues received from the Tier 2 providers. The mix of our retail vehicles financed by CAF, Tier 2 and Tier 3 providers, or customers that arrange their own financing, may vary from quarter to quarter depending on several factors, including the credit quality of applicants, changes in providers' credit decisioning and external market conditions. Changes in originations by one tier of credit providers may also affect the originations made by providers in other tiers.

Other sales and revenues decreased 12.2% in the third quarter of fiscal 2023, reflecting the decline in EPP revenues. EPP revenues decreased 13.9%, largely reflecting the combined effects of the decline in our retail unit sales, increased margins, a favorable year-over-year return reserve adjustment and stable penetration.

Other sales and revenues decreased 3.5% in the first nine months of fiscal 2023, reflecting the decrease in EPP revenue and a decline in new vehicle sales, partially offset by the addition of Edmunds' revenue and an improvement in net third-party finance income. EPP revenues decreased 10.1%, reflecting the combined effects of the decline in our retail unit volume, stable penetration and increased margins. The decline in new car sales was driven by the divestiture of our remaining new car franchise in the third quarter of fiscal 2022. Net third-party finance income improved as a result of lower Tier 3 originations.

Seasonality. Historically, our business has been seasonal. Our stores typically experience their strongest traffic and sales in the spring and summer, with an increase in traffic and sales in February and March, coinciding with federal income tax refund season. Sales are typically slowest in the fall.

GROSS PROFIT

<i>(In millions)</i>	Three Months Ended November 30 ⁽¹⁾			Nine Months Ended November 30 ⁽¹⁾		
	2022	2021	Change	2022	2021	Change
Used vehicle gross profit	\$ 402.8	\$ 508.4	(20.8)%	\$ 1,461.3	\$ 1,611.9	(9.3)%
Wholesale vehicle gross profit	114.7	212.2	(46.0)%	447.0	587.0	(23.9)%
Other gross profit	59.2	116.0	(49.0)%	280.9	377.7	(25.6)%
Total	\$ 576.7	\$ 836.6	(31.1)%	\$ 2,189.2	\$ 2,576.6	(15.0)%

⁽¹⁾ Amounts are net of intercompany eliminations.

GROSS PROFIT PER UNIT

	Three Months Ended November 30 ⁽¹⁾				Nine Months Ended November 30 ⁽¹⁾			
	2022		2021		2022		2021	
	\$ per unit ⁽²⁾	% ⁽³⁾	\$ per unit ⁽²⁾	% ⁽³⁾	\$ per unit ⁽²⁾	% ⁽³⁾	\$ per unit ⁽²⁾	% ⁽³⁾
Used vehicle gross profit	\$ 2,237	7.7	\$ 2,235	7.9	\$ 2,291	7.9	\$ 2,208	8.6
Wholesale vehicle gross profit	\$ 966	10.0	\$ 1,131	11.0	\$ 962	9.0	\$ 1,054	11.7
Other gross profit	\$ 329	39.7	\$ 510	68.3	\$ 440	56.2	\$ 517	72.9

⁽¹⁾ Amounts are net of intercompany eliminations. Those eliminations had the effect of increasing used vehicle gross profit per unit and wholesale vehicle gross profit per unit and decreasing other gross profit per unit by immaterial amounts.

⁽²⁾ Calculated as category gross profit divided by its respective units sold, except the other category, which is divided by total used units sold.

⁽³⁾ Calculated as a percentage of its respective sales or revenue.

Used Vehicle Gross Profit. We target a dollar range of gross profit per used unit sold. The gross profit dollar target for an individual vehicle is based on a variety of factors, including its probability of sale and its mileage relative to its age; however, it is not primarily based on the vehicle's selling price. Our ability to quickly adjust appraisal offers to be consistent with the broader market trade-in trends and the pace of our inventory turns reduce our exposure to the inherent continual fluctuation in used vehicle values and contribute to our ability to manage gross profit dollars per unit. Gross profit per used unit is consistent across our omni-channel platform.

We systematically adjust individual vehicle prices based on proprietary pricing algorithms in order to appropriately balance sales trends, inventory turns and gross profit achievement. Other factors that may influence gross profit include the wholesale and retail vehicle pricing environments, vehicle reconditioning and logistics costs, and the percentage of vehicles sourced directly from consumers through our appraisal process. Vehicles purchased directly from consumers generally have a lower cost per unit compared with vehicles purchased at auction or through other channels, which may generate more gross profit per unit. In any given period, our gross profit may also be impacted by the age mix of vehicles sold, as older vehicles are generally more profitable. We monitor macroeconomic factors and pricing elasticity and adjust our pricing accordingly to optimize unit sales and profitability while also maintaining a competitively priced inventory.

Used vehicle gross profit decreased 20.8% in the third quarter of fiscal 2023, driven by the 20.8% decrease in total used unit sales, while used vehicle gross profit per unit remained consistent with the prior year quarter. Used vehicle gross profit decreased 9.3% in the first nine months of fiscal 2023, driven by the 12.6% decrease in total used unit sales, partially offset by the \$83 increase in used vehicle gross profit per unit. We continue to focus on striking the right balance between covering cost increases, maintaining margin and passing along efficiencies to consumers to support vehicle affordability.

Wholesale Vehicle Gross Profit. Our wholesale gross profit per unit reflects the demand for older, higher mileage vehicles, which are the mainstay of our auctions, as well as strong dealer attendance and resulting high dealer-to-car ratios at our auctions. The frequency of our auctions, which are generally held weekly or bi-weekly, minimizes the depreciation risk on these vehicles. Our ability to adjust appraisal offers in response to the wholesale pricing environment is a key factor that influences wholesale gross profit.

Wholesale vehicle gross profit decreased 46.0% in the third quarter of fiscal 2023, primarily driven by the 36.7% decrease in wholesale unit sales as well as the \$165 decrease in wholesale vehicle gross profit per unit. Wholesale vehicle gross profit decreased 23.9% in the first nine months of fiscal 2023, primarily driven by the 16.6% decrease in wholesale unit sales as well as the \$92 decrease in wholesale vehicle gross profit per unit. Our decision to source a higher mix of older vehicles for retail sale also impacted wholesale vehicle gross profit per unit. When those vehicles cannot be reconditioned to our standards for consumer sales, we shift them to wholesale, which often

sell at lower margins. Wholesale gross profit per unit was also impacted by steep market depreciation, which began in the prior quarter and continued through the third quarter.

Other Gross Profit. Other gross profit includes profits related to EPP revenues, net third-party finance income/(fees), advertising and subscription profits earned by our Edmunds business, and other revenues. Other revenues are predominantly comprised of service department operations, including used vehicle reconditioning. We have no cost of sales related to EPP revenues or net third-party finance income/(fees), as these represent revenues paid to us by certain third-party providers. Third-party finance income is reported net of the fees we pay to third-party Tier 3 finance providers. Accordingly, changes in the relative mix of the components of other gross profit can affect the composition and amount of other gross profit.

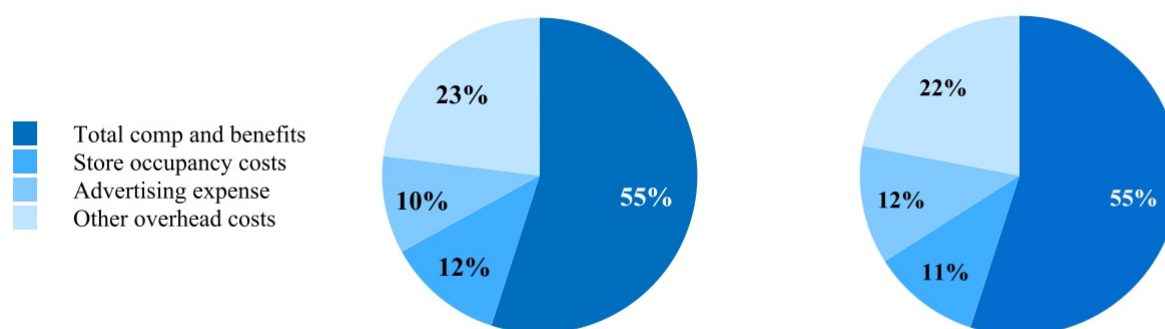
Other gross profit decreased 49.0% in the third quarter of fiscal 2023, primarily driven by a \$37.3 million decline in service department margins as well as a decrease in EPP revenues, as discussed above. The decline in service department profits was driven by deleverage resulting from lower retail unit sales as well as our decision to maintain technician staffing.

Other gross profit decreased 25.6% in the first nine months of fiscal 2023, primarily driven by an \$80.7 million decline in service department margins as well as a decrease in EPP revenues, as discussed above, partially offset by the inclusion of nine months of Edmunds' margin in fiscal 2023 compared with six months of Edmunds' margin in fiscal 2022. The decline in service department profits was driven by deleverage resulting from lower retail unit sales, inflationary pressure and our decision to maintain technician staffing.

SG&A Expenses

COMPONENTS OF SG&A EXPENSES AS A PERCENTAGE OF TOTAL SG&A EXPENSES

Three Months Ended November 30, 2022 Nine Months Ended November 30, 2022



COMPONENTS OF SG&A EXPENSES COMPARED WITH PRIOR PERIOD ⁽¹⁾

	Three Months Ended November 30			Nine Months Ended November 30		
	2022	2021	Change	2022	2021	Change
<i>(In millions except per unit data)</i>						
Compensation and benefits:						
Compensation and benefits, excluding share-based compensation expense	\$ 306.2	\$ 308.3	(0.7)%	\$ 985.2	\$ 891.8	10.5 %
Share-based compensation expense	17.2	33.3	(48.4)%	64.0	100.5	(36.3)%
Total compensation and benefits ⁽²⁾	\$ 323.4	\$ 341.6	(5.3)%	\$ 1,049.2	\$ 992.3	5.7 %
Occupancy costs	70.1	59.3	18.2 %	204.8	165.0	24.2 %
Advertising expense	58.7	76.1	(22.9)%	230.5	233.6	(1.3)%
Other overhead costs ⁽³⁾	139.5	98.9	41.0 %	430.0	313.4	37.2 %
Total SG&A expenses	\$ 591.7	\$ 575.9	2.7 %	\$ 1,914.5	\$ 1,704.3	12.3 %
SG&A as % of gross profit	102.6 %	68.8 %	33.8 %	87.5 %	66.1 %	21.4 %

⁽¹⁾ Amounts are net of intercompany eliminations.

⁽²⁾ Excludes compensation and benefits related to reconditioning and vehicle repair service, which are included in cost of sales. See Note 11 for details of share-based compensation expense by grant type.

⁽³⁾ Includes IT expenses, non-CAF bad debt, preopening and relocation costs, insurance, charitable contributions, travel and other administrative expenses.

SG&A expenses increased 2.7% in the third quarter of fiscal 2023. Factors contributing to the net increase include the following:

- \$40.6 million increase in other overhead costs, which included a \$22.6 million one-time benefit in the prior year quarter related to the receipt of settlement proceeds in a class action lawsuit. The remaining increase was driven by investments to advance our technology platforms and support our strategic and growth initiatives.

- \$10.8 million increase in store occupancy costs driven by the 4.4% increase in our store base since the beginning of last year's third quarter as well as other growth- and capacity-related costs.
- \$17.4 million decrease in advertising expense driven by our deliberate efforts to reduce marketing spend to align with sales.
- \$16.1 million decrease in stock-based compensation expense, primarily related to cash-settled restricted stock units, as the expense associated with these units was primarily driven by the change in the company's stock price during the relevant periods.

Adjusting for the settlement proceeds of \$22.6 million received in the prior year quarter, as discussed above, SG&A expenses would have declined 1.1% versus the prior year quarter. Similarly, we expect SG&A expenses in the fourth quarter of fiscal 2023 to decrease from the prior year quarter.

SG&A expenses increased 12.3% in the first nine months of fiscal 2023. Factors contributing to the net increase include the following:

- \$116.6 million increase in other overhead costs, driven by investments to advance our technology platforms and support our strategic and growth initiatives. The increase also included a \$22.6 million one-time benefit in the prior year related to the receipt of settlement proceeds in a class action lawsuit. Other overhead costs were also negatively impacted by a year-over-year increase in non-CAF uncollectible receivables. This increase reflects several factors including, but not limited to, ongoing DMV processing delays, costs associated with our Love Your Car Guarantee program and field execution opportunities stemming from the dynamic operating environment.
- \$93.4 million increase in compensation and benefits expense, excluding share-based compensation expense, driven by increased staffing and wage pressures as well as the inclusion of Edmunds for nine months in the current year compared to six months in the prior year, partially offset by a \$14.4 million decrease in bonus compensation expense.
- \$39.8 million increase in store occupancy costs driven by the 6.8% increase in our store base since the beginning of the last fiscal year as well as other growth- and capacity-related costs.
- \$36.5 million decrease in stock-based compensation expense, primarily related to cash-settled restricted stock units, as the expense associated with these units was primarily driven by the change in the company's stock price during the relevant periods.

Interest Expense. Interest expense includes the interest related to short- and long-term debt, financing obligations and finance lease obligations. It does not include interest on the non-recourse notes payable, which is reflected within CAF income.

Interest expense increased to \$30.2 million and \$91.7 million in the third quarter and first nine months of fiscal 2023, respectively, compared with \$24.3 million and \$67.2 million in the third quarter and first nine months of fiscal 2022, respectively. The increase for the quarter primarily reflected higher interest rates. The increase for the nine month period primarily reflected higher outstanding debt balances in the current fiscal year, including the \$700 million term loan issued in October 2021, as well as higher interest rates.

Other Income. Other income was \$0.4 million and \$2.3 million in the third quarter and first nine months of fiscal 2023, respectively, compared with \$8.1 million and \$35.5 million in the third quarter and first nine months of fiscal 2022, respectively. The decrease for the quarter was primarily due to a gain recorded from the sale of our last new car franchise during the prior year quarter. The decrease for the nine month period was primarily due to net gains on an equity investment recorded during fiscal 2022.

Income Taxes. The effective income tax rate was 24.8% in the third quarter of fiscal 2023 and 25.0% in the first nine months of fiscal 2023 versus 24.3% in the third quarter of fiscal 2022 and 23.2% in the first nine months of fiscal 2022. The increase in the effective income tax rate for the nine month period was primarily driven by the difference in excess tax benefit related to settlements of share-based awards.

RESULTS OF OPERATIONS – CARMAX AUTO FINANCE

CAF income primarily reflects interest and fee income generated by CAF's portfolio of auto loans receivable less the interest expense associated with the debt issued to fund these receivables, a provision for estimated loan losses and direct CAF expenses. Total interest margin reflects the spread between interest and fees charged to consumers and our funding costs. Changes in the interest margin on new originations affect CAF income over time. Increases in interest rates, which affect CAF's funding costs, or other competitive pressures on consumer rates, could result in compression in the interest margin on new originations. Changes in the allowance for loan losses as a percentage of ending managed receivables reflect the effect of changes in loss and delinquency experience and economic factors on our outlook for net losses expected to occur over the remaining contractual life of the loans receivable.

CAF's managed portfolio is composed primarily of loans originated over the past several years. Trends in receivable growth and interest margins primarily reflect the cumulative effect of changes in the business over a multi-year period. Historically, we have sought to originate loans in our core portfolio, which excludes Tier 2 and Tier 3 origination, with an underlying risk profile that we believe will, in the aggregate result in cumulative net losses in the 2% to 2.5% range (excluding CECL-required recovery costs) over the life of the loans. Actual loss performance of the loans may fall outside of this range based on various factors, including intentional changes in the risk profile of originations, economic conditions (including the effects of COVID-19) and wholesale recovery rates. Current period originations reflect current trends in both our retail sales and the CAF business, including the volume of loans originated, current interest rates charged to consumers, loan terms and average credit scores. Loans originated in a given fiscal period impact CAF income over time, as we recognize income over the life of the underlying auto loan.

CAF also originates a small portion of auto loans to customers who typically would be financed by our Tier 3 finance providers, in order to better understand the performance of these loans, mitigate risk and add incremental profits. Historically, CAF targeted originating approximately 5% of the total Tier 3 loan volume. During the first quarter of fiscal 2022, we increased our Tier 3 loan volume beyond our target of 5% of total Tier 3 loan volume to 10% by the end of the first quarter of fiscal 2022. Additionally, in the second quarter of fiscal 2022, CAF began to originate loans in the Tier 2 space on a test basis. Any future adjustments in Tier 2 and Tier 3 will consider the broader lending environment along with the long-term sustainability of the change. These loans have higher loss and delinquency rates than the remainder of the CAF portfolio, as well as higher contract rates.

CAF income does not include any allocation of indirect costs. Although CAF benefits from certain indirect overhead expenditures, we have not allocated indirect costs to CAF to avoid making subjective allocation decisions. Examples of indirect costs not allocated to CAF include retail store expenses and corporate expenses.

See Note 4 for additional information on CAF income and Note 5 for information on auto loans receivable, including credit quality.

SELECTED CAF FINANCIAL INFORMATION

<i>(In millions)</i>	Three Months Ended November 30				Nine Months Ended November 30			
	2022	% ⁽¹⁾	2021	% ⁽¹⁾	2022	% ⁽¹⁾	2021	% ⁽¹⁾
Interest margin:								
Interest and fee income	\$ 365.4	8.8	\$ 330.0	8.6	\$ 1,069.3	8.8	\$ 964.4	8.7
Interest expense	(88.8)	(2.1)	(53.6)	(1.4)	(200.1)	(1.6)	(180.0)	(1.6)
Total interest margin	\$ 276.6	6.7	\$ 276.4	7.2	\$ 869.2	7.2	\$ 784.4	7.1
Provision for loan losses	\$ (85.7)	(2.1)	\$ (76.2)	(2.0)	\$ (219.0)	(1.8)	\$ (87.3)	(0.8)
CarMax Auto Finance income	\$ 152.2	3.7	\$ 166.0	4.3	\$ 539.5	4.4	\$ 607.7	5.5

⁽¹⁾ Annualized percentage of total average managed receivables.

CAF ORIGINATION INFORMATION (AFTER THE IMPACT OF 3-DAY PAYOFFS)

	Three Months Ended November 30		Nine Months Ended November 30	
	2022	2021	2022	2021
Net loans originated (<i>in millions</i>)	\$ 2,147.2	\$ 2,420.3	\$ 6,928.0	\$ 7,276.1
Vehicle units financed	79,967	95,997	264,073	314,031
Net penetration rate ⁽¹⁾	44.4 %	42.2 %	41.4 %	43.0 %
Weighted average contract rate	9.8 %	8.3 %	9.4 %	8.6 %
Weighted average credit score ⁽²⁾	712	706	708	702
Weighted average loan-to-value (LTV) ⁽³⁾	88.9 %	88.0 %	88.1 %	89.2 %
Weighted average term (<i>in months</i>)	66.1	66.0	66.3	66.5

⁽¹⁾ Vehicle units financed as a percentage of total used units sold.

⁽²⁾ The credit scores represent FICO® scores and reflect only receivables with obligors that have a FICO® score at the time of application. The FICO® score with respect to any receivable with co-obligors is calculated as the average of each obligor's FICO® score at the time of application. FICO® scores are not a significant factor in our primary scoring model, which relies on information from credit bureaus and other application information as discussed in Note 5. FICO® is a federally registered servicemark of Fair Isaac Corporation.

⁽³⁾ LTV represents the ratio of the amount financed to the total collateral value, which is measured as the vehicle selling price plus applicable taxes, title and fees.

LOAN PERFORMANCE INFORMATION

<i>(In millions)</i>	As of and for the Three Months Ended November 30		As of and for the Nine Months Ended November 30	
	2022	2021	2022	2021
Total ending managed receivables	\$ 16,652.7	\$ 15,524.0	\$ 16,652.7	\$ 15,524.0
Total average managed receivables	\$ 16,540.2	\$ 15,288.8	\$ 16,177.8	\$ 14,706.9
Allowance for loan losses	\$ 491.0	\$ 426.5	\$ 491.0	\$ 426.5
Allowance for loan losses as a percentage of ending managed receivables	2.95 %	2.75 %	2.95 %	2.75 %
Net credit losses on managed receivables	\$ 72.2	\$ 47.8	\$ 161.0	\$ 71.9
Annualized net credit losses as a percentage of total average managed receivables	1.74 %	1.25 %	1.33 %	0.65 %
Past due accounts as a percentage of ending managed receivables	4.99 %	3.83 %	4.99 %	3.83 %
Average recovery rate ⁽¹⁾	61.3 %	71.9 %	66.7 %	67.3 %

⁽¹⁾ The average recovery rate represents the average percentage of the outstanding principal balance we receive when a vehicle is repossessed and liquidated, generally at our wholesale auctions. While in any individual period conditions may vary, over the past 10 fiscal years, the annual recovery rate has ranged from a low of 46% to a high of 71%, and it is primarily affected by the wholesale market environment.

- CAF Income (Decrease of \$13.8 million, or 8.3%, and decrease of \$68.2 million, or 11.2%, in the third quarter and first nine months of fiscal 2023, respectively)
 - The decrease in CAF income for the third quarter of fiscal 2023 reflects a decrease in the net interest margin percentage and an increase in the provision for loan losses, as discussed below, partially offset by an increase in average managed receivables.
 - The decrease in CAF income for the first nine months of fiscal 2023 reflects a year-over-year swing in the provision for loan losses, as discussed below, partially offset by an increase in average managed receivables.

- Provision for Loan Losses
 - The provision for loan losses resulted in expense of \$85.7 million and \$219.0 million in the third quarter and first nine months of fiscal 2023, respectively, compared with expense of \$76.2 million and \$87.3 million in the third quarter and first nine months of fiscal 2022, respectively.
 - The increase in the provision for both the third quarter and nine month period was primarily the result of the previously disclosed expansion of Tier 2 and Tier 3 originations within CAF's portfolio. The nine month period was also impacted by a reduced provision coming out of the pandemic in the prior year period.

- The allowance for loan losses as a percentage of ending managed receivables was 2.95% as of November 30, 2022, compared with 2.75% as of November 30, 2021 and 2.77% as of February 28, 2022. The increase in the allowance percentage from February primarily reflected the effect of the previously disclosed expansion of Tier 2 and Tier 3 originations within CAF's portfolio.
- Total Interest Margin (Decreased to 6.7% and increased to 7.2% in the third quarter and first nine months of fiscal 2023, respectively, from 7.2% and 7.1% in the third quarter and first nine months of fiscal 2022)
 - The decrease in the total interest margin percentage for the third quarter was primarily driven by higher funding costs, partially offset by higher customer rates.
 - The increase in the total interest margin percentage for the first nine months of fiscal 2023 was primarily the result of higher interest and fees from consumers, partially offset by higher funding costs, as well as a \$20.4 million benefit related to swaps not designated as hedges for accounting purposes.
- Loan Origination and Performance
 - The decrease in net loan originations in the third quarter of fiscal 2023 resulted from a decrease in used unit sales, partially offset by an increase in the average amount financed and an increase in the net penetration rate.
 - The decrease in net loan originations in the first nine months of fiscal 2023 resulted from a decrease in used unit sales and the net penetration rate, partially offset by an increase in the average amount financed.
 - CAF net penetration increased in the third quarter and declined in the first nine months of fiscal 2023 compared to the prior year periods, largely reflecting shifts in the mix of customers utilizing outside financing.
 - The weighted average contract rate increased to 9.8% in the third quarter of fiscal 2023, compared with 8.3% in the prior year quarter. The weighted average contract rate increased to 9.4% in the first nine months of fiscal 2023, compared with 8.6% in the prior year period. The increases for both periods were primarily due to higher rates charged to customers in response to the current interest rate environment.
 - The year-over-year increase in past due accounts as a percentage of ending managed receivables in the third quarter and first nine months of fiscal 2023 reflects an increase in delinquencies as well as our previously disclosed expansion of Tier 2 and Tier 3 originations within CAF's portfolio. The increase in delinquencies primarily reflects customer hardship in the current economic environment.

PLANNED FUTURE ACTIVITIES

We anticipate opening a total of ten stores in fiscal 2023. During fiscal 2023, we entered the New York City metro market by opening three stores. We anticipate opening two more stores in this market in the next fiscal year. For fiscal 2024, we have slowed our planned store growth to five stores while maintaining the ability to open more locations if market conditions change. We currently estimate capital expenditures will total approximately \$450 million in fiscal 2023, an increase from \$308.5 million in fiscal 2022. The increase in planned capital spending in fiscal 2023 largely reflects long-term growth capacity initiatives for our auction, sales and production facilities in addition to continued investments in technology. We expect approximately 25% of our capital expenditures in fiscal 2023 will be focused on investments in technology.

FINANCIAL CONDITION

Liquidity and Capital Resources

Our primary ongoing cash requirements are to fund our existing operations, store expansion and improvement, CAF and strategic growth initiatives. Since fiscal 2013, we have also elected to use cash for our share repurchase program. Our primary ongoing sources of liquidity include funds provided by operations, proceeds from non-recourse funding vehicles and borrowings under our revolving credit facility or through other financing sources.

Our current capital allocation strategy is to focus on our core business. Given our recent performance and continued market uncertainties, we are taking a conservative approach to our capital structure in order to maintain the flexibility that allows us to efficiently access the capital markets for both CAF and CarMax as a whole. We have taken steps to better align our expenses to sales, as well as paused our share repurchases and slowed the rate of our store growth and capital expenditures. We believe we have the appropriate liquidity, access to capital and financial strength to support our operations and continue investing in our strategic initiatives for the foreseeable future.

We currently target an adjusted debt-to-total capital ratio in a range of 35% to 45%. Our adjusted debt to capital ratio, net of cash on hand, was below our targeted range for the third quarter of fiscal 2023. In calculating this ratio, we utilize total debt excluding non-recourse notes payable, finance lease liabilities, a multiple of eight times rent expense and total shareholders' equity. Generally, we expect to use our revolving credit facility and other financing sources, together with stock repurchases, to

maintain this targeted ratio; however, in any period, we may be outside this range due to seasonal, market, strategic or other factors.

Operating Activities. During the first nine months of fiscal 2023, net cash provided by operating activities totaled \$1.66 billion, compared with cash used in operating activities of \$2.08 billion in the prior year period. Our operating cash flows are significantly impacted by changes in auto loans receivable, which increased \$1.17 billion in the current year period compared with \$1.76 billion in the prior year period.

The majority of the changes in auto loans receivable are accompanied by changes in non-recourse notes payable, which are issued to fund auto loans originated by CAF. Net issuances of non-recourse notes payable were \$770.6 million in the current year period compared with \$1.65 billion in the prior year period and are separately reflected as cash from financing activities. Due to the presentation differences between auto loans receivable and non-recourse notes payable on the consolidated statements of cash flows, fluctuations in these amounts can have a significant impact on our operating and financing cash flows without affecting our overall liquidity, working capital or cash flows.

As of November 30, 2022, total inventory was \$3.41 billion, representing a decrease of \$1.71 billion compared with the balance as of the start of the fiscal year. The decrease was primarily due to a decrease in vehicle units reflecting lower sales volume and the seasonal pattern in inventory levels.

The change in net cash provided by (used in) operating activities for the first nine months of the current fiscal year compared with the prior year period reflected the changes in inventory and auto loans receivable, as discussed above, as well as the net impact of volume and timing-related changes in accounts receivable and accounts payable, partially offset by a decrease in net earnings when excluding non-cash expenses, which include depreciation and amortization, share-based compensation expense and the provisions for loan losses and cancellation reserves.

Investing Activities. During the first nine months of fiscal 2023, net cash used in investing activities totaled \$318.7 million compared with \$432.7 million in fiscal 2022. Capital expenditures were \$319.5 million in the current year period versus \$226.9 million in the prior year period. Capital expenditures primarily included store construction costs as well as investments in growth capacity initiatives and technology. We maintain a multi-year pipeline of sites to support our store growth, so portions of capital spending in one year may relate to stores that we open in subsequent fiscal years.

As of November 30, 2022, 153 of our 235 used car stores were located on owned sites and 82 were located on leased sites, including 26 land-only leases and 56 land and building leases.

Financing Activities. During the first nine months of fiscal 2023, net cash used in financing activities totaled \$827.0 million compared with net cash provided by financing activities of \$2.51 billion in the prior year period. Included in these amounts were net issuances of non-recourse notes payable of \$770.6 million compared with \$1.65 billion in the prior year period. Non-recourse notes payable are typically used to fund changes in auto loans receivable (see “Operating Activities”).

During the first nine months of fiscal 2023, cash used in financing activities was impacted by stock repurchases of \$333.8 million as well as net payments on our long-term debt of \$1.25 billion. During the first nine months of fiscal 2022, cash provided by financing activities was impacted by stock repurchases of \$476.0 million as well as net proceeds on our long-term debt of \$1.28 billion.

TOTAL DEBT AND CASH AND CASH EQUIVALENTS

(In thousands)

Debt Description ⁽¹⁾	Maturity Date	As of November 30		As of February 28	
		2022		2022	
Revolving credit facility ⁽²⁾	June 2024	\$	—	\$	1,243,500
Term loan ⁽²⁾	June 2024		300,000		300,000
Term loan ⁽²⁾	October 2026		699,458		699,352
3.86% Senior notes	April 2023		100,000		100,000
4.17% Senior notes	April 2026		200,000		200,000
4.27% Senior notes	April 2028		200,000		200,000
Financing obligations	Various dates through February 2059		517,349		524,766
Non-recourse notes payable	Various dates through April 2029		16,237,419		15,466,799
Total debt ⁽³⁾		\$	18,254,226	\$	18,734,417
Cash and cash equivalents		\$	688,618	\$	102,716

⁽¹⁾ Interest is payable monthly, with the exception of our senior notes, which are payable semi-annually.

⁽²⁾ Borrowings accrue interest at variable rates based on the Eurodollar rate (LIBOR), or successor benchmark rate, the federal funds rate, or the prime rate, depending on the type of borrowing.

⁽³⁾ Total debt excludes unamortized debt issuance costs. See Note 10 for additional information.

Borrowings under our \$2.00 billion unsecured revolving credit facility are available for working capital and general corporate purposes, and the unused portion is fully available to us. The credit facility, term loans and senior note agreements contain representations and warranties, conditions and covenants. If these requirements are not met, all amounts outstanding or otherwise owed could become due and payable immediately and other limitations could be placed on our ability to use any available borrowing capacity. As of November 30, 2022, we were in compliance with these financial covenants.

See Note 10 for additional information on our revolving credit facility, term loans, senior notes and financing obligations.

CAF auto loans receivable are primarily funded through our warehouse facilities and asset-backed term funding transactions. These non-recourse funding vehicles are structured to legally isolate the auto loans receivable, and we would not expect to be able to access the assets of our non-recourse funding vehicles, even in insolvency, receivership or conservatorship proceedings. Similarly, the investors in the non-recourse notes payable have no recourse to our assets beyond the related receivables, the amounts on deposit in reserve accounts and the restricted cash from collections on auto loans receivable. We do, however, continue to have the rights associated with the interest we retain in these non-recourse funding vehicles.

As of November 30, 2022, \$12.82 billion and \$3.42 billion of non-recourse notes payable were outstanding related to asset-backed term funding transactions and our warehouse facilities, respectively. During the first nine months of fiscal 2023, we funded a total of \$4.54 billion in asset-backed term funding transactions. As of November 30, 2022, we had \$1.98 billion of unused capacity in our warehouse facilities.

We have periodically increased our warehouse facility limit over time, as our store base, sales and CAF loan originations have grown. See Note 10 for additional information on the warehouse facilities.

We generally repurchase the receivables funded through our warehouse facilities when we enter into an asset-backed term funding transaction. If our counterparties were to refuse to permit these repurchases it could impact our ability to execute on our funding program. Additionally, the agreements related to the warehouse facilities include various representations and warranties, covenants and performance triggers. If these requirements are not met, we could be unable to continue to fund receivables through the warehouse facilities. In addition, warehouse facility investors could charge us a higher rate of interest and could have us replaced as servicer. Further, we could be required to deposit collections on the related receivables with the warehouse facility agents on a daily basis and deliver executed lockbox agreements to the warehouse facility agents.

The timing and amount of stock repurchases are determined based on stock price, market conditions, legal requirements and other factors. Shares repurchased are deemed authorized but unissued shares of common stock. In April 2022, our board of directors increased our share repurchase authorization by \$2 billion. As of November 30, 2022, a total of \$4 billion of board authorizations for repurchases was outstanding, with no expiration date, of which \$2.45 billion remained available for repurchase. We paused the repurchase of our common stock during the third quarter of fiscal 2023 but may resume share

repurchases at any time in the future depending on market conditions and our capital needs, among other factors. See Note 11 for more information on share repurchase activity.

Fair Value Measurements

We recognize money market securities, mutual fund investments, certain equity investments and derivative instruments at fair value. See Note 7 for more information on fair value measurements.

FORWARD-LOOKING STATEMENTS

We caution readers that the statements contained in this report that are not statements of historical fact, including statements about our future business plans, operations, capital structure, opportunities, or prospects, including without limitation any statements or factors regarding expected operating capacity, sales, inventory, market share, online purchases of vehicles from consumers, gross profit per used unit, revenue, margins, expenditures, liquidity, loan originations, CAF income, stock repurchases, indebtedness, earnings, market conditions or expectations with regards to the continued impact of the COVID-19 pandemic, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements by the use of words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “outlook,” “plan,” “positioned,” “predict,” “target,” “should,” “will” and other similar expressions, whether in the negative or affirmative. Such forward-looking statements are based upon management’s current knowledge, expectations and assumptions and involve risks and uncertainties and assumptions about future events and involve risks and uncertainties that could cause actual results to differ materially from anticipated results. We disclaim any intent or obligation to update these statements. Among the factors that could cause actual results and outcomes to differ materially from those contained in the forward-looking statements are the following:

- The effect and consequences of the Coronavirus public health crisis on matters including U.S. and local economies; our business operations and continuity; the availability of corporate and consumer financing; the health and productivity of our associates; the ability of third-party providers to continue uninterrupted service; and the regulatory environment in which we operate.
- Changes in general or regional U.S. economic conditions, including inflationary pressures, climbing interest rates and the potential impact of Russia's invasion of Ukraine.
- Changes in the availability or cost of capital and working capital financing, including changes related to the asset-backed securitization market.
- Changes in the competitive landscape and/or our failure to successfully adjust to such changes.
- Events that damage our reputation or harm the perception of the quality of our brand.
- Our inability to realize the benefits associated with our omni-channel initiatives and strategic investments.
- Our inability to recruit, develop and retain associates and maintain positive associate relations.
- The loss of key associates from our store, regional or corporate management teams or a significant increase in labor costs.
- Security breaches or other events that result in the misappropriation, loss or other unauthorized disclosure of confidential customer, associate or corporate information.
- Significant changes in prices of new and used vehicles.
- Changes in economic conditions or other factors that result in greater credit losses for CAF’s portfolio of auto loans receivable than anticipated.
- A reduction in the availability of or access to sources of inventory or a failure to expeditiously liquidate inventory.

- Changes in consumer credit availability provided by our third-party finance providers.
- Changes in the availability of extended protection plan products from third-party providers.
- Factors related to the regulatory and legislative environment in which we operate.
- Factors related to geographic and sales growth, including the inability to effectively manage our growth.
- The failure of or inability to sufficiently enhance key information systems.
- The performance of the third-party vendors we rely on for key components of our business.

- The effect of various litigation matters.
- Adverse conditions affecting one or more automotive manufacturers, and manufacturer recalls.
- The failure or inability to realize the benefits associated with our strategic transactions.
- The inaccuracy of estimates and assumptions used in the preparation of our financial statements, or the effect of new accounting requirements or changes to U.S. generally accepted accounting principles.
- The volatility in the market price for our common stock.
- The failure or inability to adequately protect our intellectual property.
- The occurrence of severe weather events.
- Factors related to the geographic concentration of our stores.

For more details on factors that could affect expectations, see Part II, Item 1A, “Risk Factors” on Page 49 of this report, our Annual Report on Form 10-K for the fiscal year ended February 28, 2022, and our quarterly or current reports as filed with or furnished to the U.S. Securities and Exchange Commission (“SEC”). Our filings are publicly available on our investor information home page at investors.carmax.com. Requests for information may also be made to our Investor Relations Department by email to investor_relations@carmax.com or by calling 1-804-747-0422, ext. 7865. We undertake no obligation to update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to our market risk since February 28, 2022. For information on our exposure to market risk, refer to Part II, Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” contained in our Annual Report on Form 10-K for the fiscal year ended February 28, 2022.

Item 4. Controls and Procedures

Disclosure. We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Our disclosure controls and procedures are also designed to ensure that this information is accumulated and communicated to management, including the chief executive officer (“CEO”) and the chief financial officer (“CFO”), as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, with the participation of the CEO and CFO, we evaluated the effectiveness of our disclosure controls and procedures. Based upon that evaluation, the CEO and CFO concluded that our disclosure controls and procedures were effective as of the end of the period.

Internal Control over Financial Reporting. There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the quarter ended November 30, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of certain legal proceedings, see Note 16 to the consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

In connection with information set forth in this Form 10-Q, the factors discussed under “Risk Factors” in our Form 10-K for fiscal year ended February 28, 2022, should be considered. These risks could materially and adversely affect our business, financial condition, and results of operations. There have been no material changes to the factors discussed in our Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 23, 2018, the board authorized the repurchase of up to \$2 billion of our common stock with no expiration date. In April 2022, the board increased our share repurchase authorization by \$2 billion. Purchases may be made in open market or privately negotiated transactions at management's discretion and the timing and amount of repurchases are determined based on stock price, market conditions, legal requirements and other factors. Shares repurchased are deemed authorized but unissued shares of common stock.

The following table provides information relating to the company's repurchase of common stock for the third quarter of fiscal 2023. The table does not include transactions related to employee equity awards or exercise of employee stock options. We paused the repurchase of our common stock during the third quarter of fiscal 2023 but may resume share repurchases at any time in the future depending on market conditions and our capital needs, among other factors.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
September 1 - 30, 2022	30,000	\$ 87.70	30,000	\$ 2,451,306,850
October 1 - 31, 2022	—	\$ —	—	\$ 2,451,306,850
November 1 - 30, 2022	—	\$ —	—	\$ 2,451,306,850
Total	30,000		30,000	

Item 6. Exhibits

- [10.1](#) Severance Agreement, dated November 1, 2017, between CarMax, Inc. and Charles J. Wilson, filed herewith.*
 - [31.1](#) Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a), filed herewith.
 - [31.2](#) Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a), filed herewith.
 - [32.1](#) Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, filed herewith.
 - [32.2](#) Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, filed herewith.
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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 Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 104 Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

* Indicates management contract, compensatory plan or arrangement of the company required to be filed as an exhibit.

SIGNATURES

Pursuant to the requirements 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.

CARMAX, INC.

By: /s/ William D. Nash

William D. Nash

President and

Chief Executive Officer

By: /s/ Enrique N. Mayor-Mora

Enrique N. Mayor-Mora

Executive Vice President and

Chief Financial Officer

January 6, 2023

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (the "Agreement") is entered into as of November 1, 2017, by and between CarMax, Inc., a Virginia corporation, for itself and on behalf of its subsidiaries and affiliates (hereafter referred to collectively as "CarMax"), and Charles J. Wilson (hereafter referred to as the "Associate").

WHEREAS, CarMax and the Associate desire to agree upon the terms, conditions, compensation and benefits of the Associate's employment;

WHEREAS, CarMax recognizes that the Associate has developed or will continue to develop an intimate knowledge of and experience with respect to the business of CarMax;

WHEREAS, the Associate has developed or will develop and/or has or will come in contact with CarMax's proprietary and confidential information that is not readily available to the public, and which is of great importance to CarMax and is treated by CarMax as secret and confidential information; and

WHEREAS, upon execution of this Agreement, any prior severance or employment agreement, if any, between the Associate and CarMax, whether oral or written, will have no force and effect with respect to the terms and conditions of the Associate's employment with CarMax and will be replaced and superseded by the terms of this Agreement.

NOW, THEREFORE, in consideration of the Associate's employment and continued employment by CarMax and the mutual covenants and agreements of the parties set forth in this Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CarMax and the Associate, intending to be legally bound, agree as follows:

Article 1. Term.

The Associate's employment with CarMax shall continue until such time as the Associate's employment is terminated by either party in accordance with Article 7 of this Agreement or the Associate's term of employment is extended or shortened by a subsequent written agreement duly executed by the Associate and CarMax.

Article 2. Duties and Responsibilities.

CarMax shall employ the Associate in the position of Executive Vice President and Chief Operating Officer.¹ The specific duties of such position are set forth in the then-current written job description for such position and are incorporated herein by reference. The Associate acknowledges and agrees to perform those job duties and/or such other job duties that may be assigned to the Associate or required of the Associate by CarMax. In the event that the

¹ Mr. Wilson's title was updated by the CarMax, Inc. Board of Directors (the "Board"), effective November 14, 2022.



Associate accepts a new or different position with CarMax or receives a new position title, (i) the Associate acknowledges and agrees to perform such new job duties, if any, as may be assigned to the Associate or required of the Associate by CarMax and (ii) this Agreement shall remain in full force and effect.

Article 3. Standard of Care.

3.1 General. During the term of this Agreement, the Associate shall devote his full business time, attention, knowledge and skills to CarMax's business and interests. The Associate covenants, warrants, and represents that he shall:

- (a) devote his best efforts and talents to the performance of his employment obligations and duties for CarMax;
- (b) exercise the highest degree of loyalty and the highest standards of conduct in the performance of his duties;
- (c) observe and conform to the rules, regulations, and policies established or issued by CarMax; and
- (d) observe and conform to the law in the performance of his employment obligations and duties for CarMax.

3.2 Forfeiture and Return of Incentive Compensation. It is CarMax's expectation that the Associate will discharge his duties hereunder with utmost attention to the standards set forth in Section 3.1. In the event the CarMax, Inc. Board of Directors ("Board") determines that the Associate has engaged in conduct constituting Cause (as defined in Section 7.4), which conduct directly results in the filing of a restatement of any financial statement previously filed with the Securities and Exchange Commission (or other governmental agency) under the Federal securities laws, the Associate shall immediately (i) forfeit all unpaid Affected Compensation (as defined below) and (ii) upon demand by CarMax repay to CarMax all Affected Compensation received or realized by the Associate together with interest at the prime rate in effect from time to time as reported in The Wall Street Journal; provided, however, that the forfeiture and repayment provisions of this Section 3.2 shall only apply where the Board makes a good faith determination that the Associate's conduct constituting Cause also constitutes one or more of the following acts or omissions:

- (a) The Associate has committed a material breach of this Agreement, which breach was not cured or waived by CarMax, within ten (10) days of receipt by the Associate of notice from CarMax specifying the breach;
- (b) The Associate intentionally fails to perform his duties, engages in intentional misconduct or intentionally refuses to abide by or comply with the directives of the Board, CarMax's Chief Executive Officer, or CarMax's policies and procedures, as applicable, which actions continued for a period of ten (10) days after receipt by the Associate of notice of the need to cure or cease;



- (c) The Associate has willfully violated a material requirement of CarMax's code of conduct or breached his fiduciary duty to CarMax;
- (d) The Associate's conviction of (or a plea of guilty or nolo contendere to) a felony or any crime involving moral turpitude, dishonesty, fraud, theft or financial impropriety; or
- (e) The Associate has engaged in illegal conduct, embezzlement or fraud with respect to the business or affairs of CarMax.

For purposes of this Section 3.2, "Affected Compensation" means any payment to the Associate, any award or vesting of any equity or other short-term or long-term incentive compensation to the Associate, or any before-tax proceeds of a sale of previously awarded equity compensation realized by the Associate, in any instance in which (i) the payment, award or vesting of the foregoing was expressly conditioned upon the achievement of certain financial results that were subsequently the subject of such restatement, and (ii) a lesser amount of payment, award or vesting or before-tax proceeds of a sale of any of the foregoing would have been made to, vested in or otherwise earned or realized by, the Associate based upon such restated financial results.

Article 4. Other Employment.

The Associate shall not, during the term of this Agreement, be interested directly or indirectly, in any manner, as partner, officer, director, advisor, employee, or in any other capacity, in any other business similar to CarMax's business for the Associate's personal advantage or benefit or that of others; provided, further, the Associate agrees to obtain CarMax's prior written consent before engaging in any other occupation for compensation (actual or expected) while employed by CarMax. Such consent may be granted or withheld, in CarMax's absolute discretion; provided, however, such consent will not be required where such other occupation for compensation does not (i) in any manner infringe upon the Associate's job duties or the time or attention required to perform such duties, (ii) relate to any other business similar to CarMax's business or (iii) have a detrimental effect on CarMax's business, as determined in CarMax's absolute discretion.

Article 5. Compensation and Benefits.

As remuneration for all services to be rendered by the Associate during the term of this Agreement, and as consideration for complying with the covenants herein, CarMax shall pay and provide to the Associate the following:

- 5.1. **Base Salary.** The Associate shall be paid an annual salary of \$625,000.00² (the "Base Salary"), payable biweekly in the amount of \$24,038.46 (the "Biweekly Amount"), subject to applicable federal, state, and local withholding and any performance-based adjustments made by CarMax. In the event that the Associate accepts a new or different

² Mr. Wilson's updated base salary was approved by the Compensation and Personnel Committee of the Board, effective November 14, 2022.



position with CarMax or accepts a new position title, CarMax, in its sole discretion, may adjust the Base Salary and Biweekly Amount.

5.2 Bonus.

- (a) The Associate is eligible to participate in CarMax's performance-based bonus plan, as such plan may exist from time to time during the term of this Agreement and as defined and applied to the Associate's position.
- (b) The award and amount of any bonus shall be determined (i) under CarMax's then-current performance-based bonus plan and (ii) at the absolute discretion of CarMax.

5.3 Long Term Incentives. During the term, the Associate shall be eligible to participate in CarMax's 2002 Stock Incentive Plan (or any successor incentive plan thereto) to the extent that the CarMax Compensation Committee, in its sole discretion, determines is appropriate.

5.4 401(k) Plan. During the term of this Agreement, the Associate shall be entitled to participate in CarMax's 401(k) plan, subject to the eligibility and participation requirements of such plan.

5.5 Welfare Benefit Plans. During the term of this Agreement, the Associate and/or the Associate's family will be eligible to participate in and will receive benefits under CarMax's then-current welfare benefit plans, policies and programs (the "Welfare Plans") to the extent such Welfare Plans are made available to other CarMax associates who are professionally similarly situated to the Associate (the "Peer Associates"), subject to the eligibility requirements and other provisions of such Welfare Plans. The benefits available pursuant to such Welfare Plans may include group term life insurance, comprehensive health and major medical insurance, dental insurance, and short-term and long-term disability benefits.

5.6 Vacation. During the term of this Agreement, the Associate will be entitled to paid vacation each fiscal year in accordance with then-current CarMax Time Away Guidelines.

5.7 Right to Change Plans. Nothing herein shall obligate CarMax to institute, maintain, or refrain from changing, amending, or discontinuing any benefit plan, policy program, or guideline so long as such changes are similarly applicable to the Peer Associates.

Article 6. Expenses.

During the term of this Agreement, CarMax shall pay or reimburse the Associate for reasonable travel and business expenses incurred by the Associate in furtherance of CarMax business and in accordance with the then-current CarMax travel and expense policy and any other applicable policies, upon submission to CarMax of vouchers or receipts reflecting such expenses.



Article 7. Employment Termination.

The Associate's employment with CarMax may be terminated in accordance with any of the following provisions:

7.1 Termination by Death.

- (a) In the event the Associate's employment ends by reason of the Associate's death during the term of this Agreement, the Associate's benefits shall be determined in accordance with the then-current CarMax survivor's benefits, insurance, and/or other applicable programs. Further, stock options and grants, including performance-based grants, will become vested and exercisable by the Associate, the Associate's personal representatives, distributees, legatees, or estate in accordance with the terms and conditions of the applicable stock grant or option award agreement.
- (b) The date of termination due to death shall be the Associate's date of death. Upon the date of termination, CarMax shall be obligated to pay the Associate's beneficiary or estate any Base Salary that was accrued but not yet paid as of the date of termination plus all other vested rights and benefits that the Associate is entitled to pursuant to this Agreement and other CarMax plans and programs.

7.2 **Voluntary Termination by the Associate.** The Associate may terminate employment at any time by giving at least thirty (30) days prior written notice to his immediate supervisor. During the notice period, the Associate shall fulfill all required job duties and responsibilities and cooperate and assist in the training of a replacement, if any. CarMax reserves the right to require the Associate to discontinue working for CarMax at any time during the thirty (30) day notice period, but shall pay the Associate the amount the Associate would have earned during any non-working portion of the remaining thirty (30) day notice period in accordance with Article 5.1, in addition to any other benefits to which the Associate has a vested right on the last day of employment; provided, however, that the Associate shall forfeit any bonus with respect to the fiscal year in which his voluntary termination under this Article 7.2 occurs. Subject to Section 7.5, CarMax thereafter shall have no further obligations under this Agreement.

7.3 **Voluntary Termination by CarMax.** CarMax may terminate the Associate's employment at any time and for any reason other than death or Cause (as defined below), by providing the Associate with at least thirty (30) days prior written notice. CarMax reserves the right to require the Associate to discontinue working for CarMax during the thirty (30) day notice period, but shall pay the Associate the amount the Associate would have earned during any non-working portion of the remaining thirty (30) day notice period in accordance with Article 5.1, in addition to any other benefits to which the Associate has a vested right on the last day of employment. After the thirty (30) day notice period, the Associate shall receive thirty-nine (39) biweekly payments equal to the Biweekly Amount less applicable federal, state, and local withholdings; provided however that CarMax's obligation to provide such thirty-nine (39) biweekly payments is subject to the Associate's compliance with (a) Articles 8, 9, 10 and 11 of this Agreement



and (b) delivery to CarMax of an executed Agreement and General Release, which shall be substantially in the form attached hereto as Exhibit A (with such changes or additions as needed under then applicable law to give effect to its intent and purpose) (the “Agreement and General Release”) within twenty-one (21) days of presentation thereof by CarMax to the Associate. Any amounts due following a termination of employment under this Agreement shall not be due until after the expiration of any revocation period applicable to the Agreement and General Release without the Associate having revoked such Agreement and General Release. CarMax thereafter shall have no further obligations under this Agreement.

7.4 Voluntary Termination by CarMax For Cause. Nothing in this Agreement shall be construed to prevent CarMax from terminating the Associate’s employment under this Agreement, without notice or liability, for Cause. For purposes of this Agreement, “Cause” means that CarMax has any reason to believe any of the following:

- (a) the Associate has committed fraud, misappropriation of funds or property, embezzlement or other similar acts of dishonesty;
- (b) the Associate has been convicted of a felony or other crime involving moral turpitude (or pled nolo contendere thereto);
- (c) the Associate has used, possessed or distributed any illegal drug;
- (d) the Associate has committed any misconduct that may subject CarMax to criminal or civil liability;
- (e) the Associate has breached the Associate’s duty of loyalty to CarMax, including, without limitation, the misappropriation of any of CarMax’s corporate opportunities;
- (f) the Associate has committed a serious violation or violations of any CarMax policy or procedure;
- (g) the Associate has committed a violation of any term of this Agreement;
- (h) the Associate refuses to follow the lawful instructions of CarMax management;
- (i) the Associate has committed any material misrepresentation in the employment application process;
- (j) the Associate has committed deliberate actions, including neglect or failure to perform the job, which are contrary to the best interest of CarMax; or
- (k) the Associate has continually failed to perform substantially his duties with CarMax.



If the Associate's employment is terminated for Cause during the term of this Agreement, this Agreement will terminate without further obligation of CarMax to the Associate other than the payment to the Associate of his Base Salary through the date of termination for Cause. The Associate shall immediately thereafter forfeit all rights and benefits he would otherwise have been entitled to receive under this Agreement.

7.5 Good Reason Termination during Change in Control Employment Period.

(a) For purposes of this Section 7.5, the defined terms set forth below shall have the following meanings:

(i) "Change in Control" means, as related to CarMax, Inc. (the "CarMax Parent"), the occurrence of either of the following events: (i) a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, becomes, or obtains the right to become, the beneficial owner of CarMax Parent securities having twenty percent (20%) or more of the combined voting power of the then outstanding securities of the CarMax Parent that may be cast for the election of directors to the Board of the CarMax Parent (other than as a result of an issuance of securities initiated by the CarMax Parent in the ordinary course of business); or (ii) as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination, sale of assets or contested election, or any combination of the foregoing transactions, the persons who were directors of the CarMax Parent before such transactions shall cease to constitute a majority of the board or of the board of directors of any successor to the CarMax Parent.

(ii) "Asset Sale" shall mean a sale of all or substantially all of the assets of the CarMax Parent in a single transaction or a series of related transactions.

(iii) "Change in Control Date" shall mean the date on which a Change in Control or Asset Sale occurs.

(iv) "Change in Control Employment Period" shall mean the period beginning on the Change in Control Date and ending on the second (2nd) anniversary of such date provided an Associate is employed by CarMax on such Change in Control Date.

(v) "Good Reason" shall mean, without the Associate's express written consent, the occurrence of any one (1) or more of the following:

(1) A material reduction in the Associate's Base Salary or target annual bonus;

(2) A material reduction in the Associate's duties or authority, (except in connection with the termination of the Associate's employment (x) for Cause or disability, (y) as a result of the Associate's death or retirement or (z) by the Associate other than for Good Reason);



(3) The Associate being required to relocate to a principal place of employment more than thirty-five (35) miles from the CarMax Parent's headquarters;

(4) The failure of the CarMax Parent to obtain an agreement from any successor to all or substantially all of the assets or business of the CarMax Parent to assume and agree to perform this Agreement within fifteen (15) days after a merger, consolidation, sale or similar transaction.

Notwithstanding anything herein to the contrary, for purposes of this Agreement, any determination of Good Reason must satisfy the materiality requirement under Treasury Regulation § 1.409A-1(n)(2)(i), any successor thereto and other applicable guidance.

(b) At any time during the Change in Control Employment Period, the Associate may terminate his employment for Good Reason upon notice to CarMax. Such notice shall state the intended date of termination and shall be given to CarMax at least forty-five (45) days prior to such date and shall set forth in detail the facts and circumstances claimed to provide grounds for such termination. CarMax shall have the right to cure the facts and circumstances giving rise to such grounds for termination for Good Reason. If CarMax does not so cure within the forty-five (45) day notice period, then the Associate's employment shall terminate on the date of termination stated in the notice.

(c) Notwithstanding Article 7.2, in the event of the Associate's voluntary termination of employment for Good Reason during the Change in Control Employment Period, the Associate shall receive thirty-nine (39) biweekly payments equal to the Biweekly Amount less applicable federal, state, and local withholdings; provided however that CarMax's obligation to provide such thirty-nine (39) biweekly payments is subject to the Associate's compliance with (i) Articles 8, 9, 10 and 11 of this Agreement and (ii) delivery to CarMax of an executed Agreement and General Release within twenty-one (21) days of presentation thereof by CarMax to the Associate. Any amounts due following a termination of employment under this Agreement shall not be due until after the expiration of any revocation period applicable to the Agreement and General Release without the Associate having revoked such Agreement and General Release. CarMax thereafter shall have no further obligations under this Agreement.

Article 8. Covenant Not to Compete.

The terms and provisions contained in this Article 8 comprise a covenant not to compete (the "Covenant Not to Compete"). The Associate acknowledges and agrees as follows:

- 8.1 CarMax operates a unique business concept regarding the sale and servicing of new and used vehicles in a highly competitive industry.
- 8.2 CarMax's competitors have attempted to duplicate CarMax's business concept in various markets throughout the United States, including markets where CarMax does not currently have a business location, and may continue to do so.



- 8.3 In connection with the Associate's employment with CarMax, he will receive access to, and training regarding, CarMax's business concept and will, accordingly, acquire commercially valuable knowledge of and insight into CarMax's operations and CarMax's proprietary and confidential information, any of which if made available to any Competitor (as defined below) could place CarMax at a competitive disadvantage.
- 8.4 In order to protect CarMax's legitimate business interests from Competitors (as defined below) and to protect CarMax's critical interest in its proprietary and confidential information, the Associate covenants and agrees as follows:

During the Associate's employment with CarMax and for a period of twenty-four (24) months following the last day of the Associate's employment (the "Restricted Period"), the Associate will not, directly or indirectly, compete with CarMax by acting "in a competitive capacity" (as defined below), for, or on behalf of, any person or entity operating or developing, during the Restricted Period, a business that provides or intends to provide activities, products or services that are the same or substantially similar to, and competitive with, the business of CarMax as of Associate's last day of employment with CarMax (each, a "Competitor") within any Metropolitan Statistical Area (as defined by the United States Office of Management and Budget) in which CarMax has a retail store site as of Associate's last day of employment. Such Competitors include, but are not limited to: Sonic Automotive, Inc.; Lithia Motors, Inc.; Group 1 Automotive, Inc.; AutoNation, Inc.; Penske Automotive Group, Inc.; Asbury Automotive Group, Inc.; Hendrick Automotive Group; Auction Direct USA, L.P.; Car Sense Inc; AutoAmerica, Inc.; Left Gate Property Holding, Inc. d/b/a Texas Direct Auto; Off Lease Only, Inc.; Carvana, LLC; Carvana Group, LLC; AutoMatch USA, LLC; DriveTime Car Sales Company, LLC; DriveTime Automotive Group, Inc.; CarLotz, Inc.; Hertz Global Holdings, Inc.; Enterprise Holdings, Inc.; Avis Budget Group, Inc.; Cox Automotive, Inc.; Classified Ventures, LLC; TrueCar, Inc.; Edmunds.com, Inc.; Dealertrack Technologies, Inc.; Dealer Dot Com, Inc.; CarGurus, LLC; Blinker, Inc.; and Beepi, Inc., and any automotive retail operation affiliated with, owned, operated, or controlled by Berkshire Hathaway Inc.; Home Depot, Inc.; Lowe's Companies, Inc.; Target Corporation; Wal-Mart Stores, Inc.; Sears Holdings Corporation; Carrefour S.A.; Costco Wholesale Corporation; Royal Dutch Shell plc; Exxon Mobil Corporation; Chevron Corporation; and/or Gulliver International Co., Ltd.

- 8.5 A business, including any Competitor, or any of its respective subsidiaries or affiliates, will not be considered to be in competition with CarMax for purposes of Article 8 if the business, or operating unit of the business, or its respective subsidiaries or affiliates, by which the Associate will be or is employed (i) does not have within the twenty-four (24) months preceding the Associate's termination of employment with CarMax, annual gross revenues (calculated on a rolling 12-month basis) of at least \$5,000,000 derived from the sale and servicing of new or used vehicles; or (ii) is not projected (by the business or operating unit of the business) to have within the twenty-four (24) months following the Associate's termination of employment with CarMax, annual gross revenues (regardless of how calculated) of at least \$5,000,000 derived from the sale and servicing of new or used vehicles.



- 8.6 Acting “in a competitive capacity” shall mean providing to a Competitor, directly or indirectly, the same or substantially similar services that the Associate provided to CarMax at any time during Associate’s last twenty-four (24) months of employment.
- 8.7 Nothing herein shall prevent or restrict the Associate from working for any person in any role or in any capacity that is not in competition with CarMax.
- 8.8 Notwithstanding the foregoing, nothing herein shall be deemed to prevent or limit the right of the Associate to invest in the capital stock or other securities of any corporation whose stock or securities are regularly traded on any public exchange.
- 8.9 The Associate and CarMax have examined in detail the Covenant Not to Compete contained in this Article 8 and each agrees that the restraint imposed upon the Associate is reasonable in light of the legitimate business interests of CarMax and is not unduly harsh or burdensome with respect to the Associate’s ability to earn a livelihood. If any provision of the Covenant Not to Compete relating to the time period, geographic area or scope of restricted activities shall be declared by a court of competent jurisdiction to exceed the maximum time period, geographic area or scope of activities, as applicable, that such court deems reasonable and enforceable, then such time period, geographic area or scope of activities shall be deemed to be, and thereafter shall become, the maximum time period, scope of activities or largest geographic area that such court deems reasonable and enforceable and this Agreement shall automatically be considered to have been amended and revised to reflect such determination.
- 8.10 The Associate and CarMax acknowledge that the Associate’s services are of a special, extraordinary, and intellectual character that gives the Associate unique value, and that CarMax’s business is highly competitive, and that violation of the Covenant Not to Compete provided herein would cause immediate, immeasurable, and irreparable harm, loss, and damage to CarMax not adequately compensable by a monetary award. In the event of any breach or threatened breach by the Associate of the Covenant Not to Compete, CarMax shall be entitled to such equitable and injunctive relief as may be available to restrain the Associate from violating the provisions hereof. Nothing herein shall be construed as prohibiting CarMax from pursuing any other remedies available at law or in equity for such breach or threatened breach, including the recovery of damages and the immediate termination of the employment of the Associate hereunder for Cause.

Article 9. Non-Solicitation of Employees.

The Associate agrees that during the Associate’s employment with CarMax and for a period of twenty-four (24) months following the last day of the Associate’s employment, the Associate shall not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any employee of CarMax with whom the Associate had material business-related contact on behalf of CarMax, to leave employment with CarMax for any reason whatsoever (the “Covenant Not to Solicit”). For purposes of this Article 9, employee shall mean any individual employed by CarMax.



Article 10. Confidentiality.

The terms and provisions contained in this Article 10 comprise a covenant of confidentiality (the "Covenant of Confidentiality").

The Associate understands and agrees that any and all Protected Information is the property of CarMax and is essential to the protection of CarMax's goodwill and to the maintenance of CarMax's competitive position and accordingly should be kept secret. For purposes of this Agreement, "Protected Information" means trade secrets, confidential and proprietary business information of or about CarMax, and any other information of CarMax, including technical data, processes, know-how, financial data, analyses, forecasts, plans, operations information and data, customer lists (including potential customers) and information, marketing plans, materials and information, product and service information, accounts and billings information, sales transaction data, sales documents and information, discoveries, ideas, concepts, designs, drawings, specifications, techniques, models, information systems data and materials, computer software or hardware, data analyses and compilations, source code, object code, documentation, diagrams, flow charts, research, procedures, methods, systems, programs, price lists, pricing policies, supplier and distributor information, sources of supply, internal memoranda, promotional plans, internal policies, purchasing information, operating methods and procedures, training materials, and any products and services which may be developed from time to time by CarMax and its agents or employees, including the Associate; provided, however, that information that is in the public domain (other than as a result of a breach of this Agreement), approved for release by CarMax or lawfully obtained from third parties who are not bound by a confidentiality agreement with CarMax, is not Protected Information.

CarMax has advised the Associate and the Associate acknowledges that it is the policy of CarMax to maintain as secret and confidential all Protected Information, and that Protected Information has been and will be developed at substantial cost to and effort by CarMax. The Associate agrees to hold in strict confidence and safeguard any and all Protected Information accessed or accessible by the Associate during the Associate's employment. The Associate shall not, without the prior written consent of CarMax, at any time, directly or indirectly, divulge, furnish, use, disclose or make accessible to any person, firm, corporation, association, or other entity (otherwise than as may be required in the regular course of the Associate's employment with CarMax), any Protected Information, or cause any such Protected Information to enter the public domain.

Nothing contained in this Article 10 is intended to reduce in any way the protection available to CarMax pursuant to the Uniform Trade Secrets Act as adopted in Virginia or any other state or other applicable laws that prohibit the misuse or disclosure of confidential or proprietary information. Unless lengthened by the application of the Virginia Uniform Trade Secrets Act or other applicable law, the restrictions in Article 10 shall remain in effect during Associate's employment and for five (5) years thereafter.

Article 11. Return of CarMax Property.

Upon the termination (for any reason) of the Associate's employment with CarMax, the Associate shall deliver promptly to CarMax all CarMax property including, without limitation,



any automobiles, equipment, credit cards, keys, building access cards, identification, cellular phones, computers, software, CD ROMs, customer lists, and all Protected Information as defined in Article 10 of this Agreement. The Associate further agrees not to take or extract any portion of any such information and/or materials in written, computer, electronic or any other reproducible form.

Article 12. Monies Owed.

To the extent that the Associate owes CarMax any monies at the time of termination of employment, the Associate authorizes and agrees to have CarMax withhold such amounts owed from the Associate's final paycheck, to the maximum extent permitted by applicable law.

Article 13. Work Product.

- (a) All work product prepared by the Associate in connection with performing job duties for CarMax shall be the sole property of CarMax. CarMax shall have full and exclusive rights to use, reproduce, publish, or otherwise profit from such work product, as CarMax deems appropriate. The Associate agrees to assist CarMax, or any agent designated by CarMax, at any time and at no cost to the Associate, in obtaining any patents, copyrights, trademarks or other forms of legal protection for any such work product.
- (b) To the extent that any work product is deemed in any way to fall within the definition of "work made for hire," as such term is defined in 17 U.S.C. § 101, such work product shall be considered "work made for hire," the copyright of which shall be owned solely, completely and exclusively by CarMax.
- (c) For the purpose of this Agreement, the term "work product" includes, but is not limited to, reports, manuals, inventions, improvements, designs, formulae, processes, techniques, methods, computer software, proposals, technical solutions, patents, training materials, other works of authorship, innovations, and enhancements created by the Associate or the Associate's staff.

Article 14. Dispute Resolution.

Except for actions initiated by CarMax to enjoin a breach by the Associate, and/or recover damages from the Associate, related to the Covenant Not to Compete (Article 8), the Covenant Not to Solicit (Article 9) or the Covenant of Confidentiality (Article 10) (collectively, the "Restrictive Covenants"), which action(s) CarMax may bring in an appropriate court of law or equity, any disagreement between the Associate and CarMax concerning anything covered by this Agreement or concerning other terms or conditions of the Associate's employment or the termination of the Associate's employment will be settled by final and binding arbitration pursuant to CarMax's Dispute Resolution Rules and Procedures in effect at the time the disagreement or dispute arises or at the time of termination in the event the Associate's employment terminated. The decision of the arbitrator will be final and binding on both the Associate and CarMax and may be enforced in a court of appropriate jurisdiction.



Article 15. General Provisions.

- 15.1 Notices. If CarMax needs to send any notices to the Associate in connection with this Agreement, it will send such notice to the Associate's address of record, as shown in CarMax's most recent payroll records. The Associate shall send any similar notices to CarMax at:

CarMax, Inc.
Attention: Corporate Secretary
12800 Tuckahoe Creek Parkway
Richmond, VA 23238

- 15.2 Amendments and Entire Agreement. This Agreement may not be amended except by a writing executed by CarMax and the Associate. This Agreement constitutes the entire agreement of CarMax and the Associate relating to the subject matter hereof and supersedes all prior oral and written understandings and agreements relating to such subject matter. The terms and conditions of the Associate's employment shall, to the extent not addressed or described in this Agreement, be governed by CarMax's then-current policies and procedures and existing practices.
- 15.3 Successors and Assigns. The Associate hereby consents to CarMax's assignment of this Agreement to any affiliate, subsidiary or parent of CarMax at any time. Any other assignment by either party of the rights and obligations of such party hereunder shall not be made without the prior written consent of such other party.
- 15.4 Severability. All provisions of this Agreement shall be applicable only to the extent that they do not violate any applicable law, and are intended to be limited to the extent necessary so that they will not render this Agreement invalid, illegal or unenforceable under any applicable law. If any provision of this Agreement or any application thereof shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of other provisions of this Agreement or of any other application of such provision shall in no way be affected thereby. The Restrictive Covenants shall be severable, and if any of them is held invalid because of its duration, scope of area or activity, or any other reason, the parties agree that such covenant shall be adjusted or modified by the court to the extent necessary to cure that invalidity, and the modified covenant shall thereafter be enforceable as if originally made in this Agreement.
- 15.5 Attorney's Fees. In any action arising under this Agreement, CarMax, so long as it prevails, shall be entitled to recover its reasonable attorney's fees and costs.
- 15.6 Waiver of Rights. No waiver by CarMax or the Associate of a right or remedy hereunder shall be deemed to be a waiver of any other right or remedy or of any subsequent right or remedy of the same kind.
- 15.7 Restrictive Covenants of the Essence. The Restrictive Covenants in Articles 8, 9 and 10 of the Agreement are of the essence of this Agreement. In the event that the Associate



has a claim or cause of action against CarMax (whether related to this Agreement or not), such claim or cause of action, including but not limited to a breach of this Agreement by CarMax, shall not prevent or otherwise constitute a defense to CarMax's enforcement of the Restrictive Covenants and shall not excuse the Associate's performance of the Restrictive Covenants. CarMax shall at all times maintain the right to seek enforcement of the Restrictive Covenants whether or not CarMax has previously refrained from seeking enforcement of any such Restrictive Covenant as to the Associate or any other peer Associate who has signed an agreement with similar covenants.

- 15.8 **Definitions: Headings and Numbers; Construction.** A term defined in any part of this Agreement shall have the defined meaning wherever such term is used herein. The headings contained in this Agreement are for reference purposes only and shall not affect in any manner the meaning or interpretation of this Agreement. Where appropriate to the context of this Agreement, use of the singular shall be deemed also to refer to the plural, and use of the plural to the singular. This Agreement shall be construed and enforced without any presumption or construction against the party drafting the Agreement.
- 15.9 **Counterparts.** This Agreement may be executed in separate counterparts, each of which shall be deemed an original but both of which taken together shall constitute but one and the same instrument.
- 15.10 **Governing Laws and Forum.** This Agreement shall be governed by, construed and enforced in accordance with the laws of the Commonwealth of Virginia without regard to conflicts of laws principles thereof. In the event of any litigation between CarMax and Associate related to the enforcement or enforceability of the Restrictive Covenants, the parties agree that the Circuit Court for the County of Henrico, Virginia, shall have mandatory and exclusive jurisdiction and venue of any such action.
- 15.11 **Grants or Options.** This Agreement does not affect the terms and conditions controlling, or status of, any stock options or grants of restricted stock which previously have been or later may be awarded to the Associate. Any vested stock options or grants of restricted stock are governed by the terms of the letters by which they were made, which are incorporated herein by reference as if set forth in full in this Agreement.
- 15.12 **No Encumbrances.** In entering into this Agreement, the Associate certifies that he possesses the legal capacity to do so, and that his employment with CarMax is not in violation of any other valid agreement. The Associate agrees to hold CarMax harmless from any debts, judgments, or liens that the Associate acquired prior to entering into this Agreement. If the Associate is currently involved in, or becomes involved in, a lawsuit or any other legal proceeding unrelated to CarMax or any of its affiliates, subsidiaries, or related entities (collectively, the "CarMax Entities"), the Associate warrants that such CarMax Entities shall have no liability with respect to such lawsuit or legal proceeding and agrees to fully indemnify the CarMax Entities for any and all fees, costs and other expenses with respect to any such action.



15.13 **Opportunity to Review.** The Associate acknowledges that he has read this Agreement and has had an adequate opportunity to review it and to obtain any legal or financial advice that the Associate deems appropriate. The Associate acknowledges that he has signed this Agreement freely and voluntarily.

Article 16. Protected Rights.

Notwithstanding any other terms and conditions of this Agreement:

The Associate understands that nothing contained in this Agreement limits the Associate's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). The Associate further understands that this Agreement does not limit the Associate's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to CarMax. This Agreement does not limit the Associate's right to receive an award for information provided to any Government Agencies.

[Signature Page Follows]



IN WITNESS WHEREOF, CarMax and the Associate have executed this Agreement as of November 1, 2017.

By: /s/ Charles J. Wilson

Printed Name: Charles J. Wilson

CarMax, Inc.

By: /s/ Eric M. Margolin

Name: Eric M. Margolin

Title: Executive Vice President, General Counsel and
Corporate Secretary



EXHIBIT A

AGREEMENT AND GENERAL RELEASE

This Agreement and General Release (the "Agreement and General Release"), dated as of _____, 20__, is made by and between CarMax, Inc., for itself and its affiliates, subsidiaries, divisions, successors and assigns in such capacity, and the current, future and former employees, officers, directors, trustees and agents thereof (collectively referred to throughout this Agreement as the "Company") and _____ ("Associate"), for him/herself and his/her heirs, executors, administrators, successors and assigns (together with Associate, collectively referred to throughout this Agreement and General Release as "Employee") agree:

1. Last Day of Employment. The Associate's last day of employment with the Company is _____, 20__. In addition, effective as of _____, 20__, the Associate resigns from the Associate's position as _____ of the Company, and will not be eligible for any benefits or compensation after _____, 20__, other than as specifically provided in Article 7, as applicable, of the Severance Agreement between the Company and the Associate dated as of _____, 20__ ("Severance Agreement") and the Associate's continued right, if any, to indemnification and directors and officers liability insurance. In addition, effective as of _____, 20__, the Associate resigns from all offices, directorships, trusteeships, committee memberships and fiduciary capacities held with, or on behalf of, the Company or any benefit plans of the Company. These resignations will become irrevocable as set forth in Section 3 below.
2. Consideration. The parties acknowledge that this Agreement and General Release is being executed in accordance with Article 7.3 or 7.5 of the Severance Agreement, between the Company and the Associate dated as of _____, 20__ ("Severance Agreement") and that this Agreement and General Release is a condition to the receipt by Employee of all payments and benefits thereunder.
3. Revocation. The Associate may revoke this Agreement and General Release for a period of seven (7) calendar days following the day the Associate executes this Agreement and General Release. Any revocation within this period must be submitted, in writing, to the Company and state, "I hereby revoke my acceptance of our Agreement and General Release." The revocation must be personally delivered or mailed to the Company's _____ at the Company's corporate office, or his/her designee, and, if mailed, postmarked within seven (7) calendar days of execution of this Agreement and General Release. This Agreement and General Release shall not become effective or enforceable until the revocation period has expired. If the last day of the revocation period is a Saturday, Sunday, or legal holiday in Virginia, then the revocation period shall not expire until the next following day that is not a Saturday, Sunday, or legal holiday.
4. General Release of Claims. Employee knowingly and voluntarily releases and forever discharges the Company from any and all claims, rights, causes of action, demands, damages, fees, costs, expenses, including attorneys' fees, and liabilities of any kind whatsoever, whether known or unknown, against the Company, that Employee has, has ever had or may have as of the date of



execution of this Agreement and General Release, including, but not limited to, any alleged violation of:

- The Age Discrimination in Employment Act of 1967, as amended;
- The Older Workers Benefit Protection Act of 1990;
- Title VII of the Civil Rights Act of 1964, as amended;
- The Civil Rights Act of 1991;
- Sections 1811 through 1818 of Title 42 of the United States Code, as amended;
- The Employee Retirement Income Security Act of 1974, as amended;
- The Immigration Reform and Control Act, as amended;
- The Americans with Disabilities Act of 1990, as amended;
- The Worker Adjustment and Retraining Notification Act, as amended;
- The Occupational Safety and Health Act, as amended;
- The Family and Medical Leave Act of 1993;
- All other federal, state or local civil or human rights laws, whistleblower laws, or any other local, state or federal law, regulations and ordinances;
- All public policy, contract, tort, or common laws; and
- All allegations for costs, fees, and other expenses including attorneys' fees incurred in these matters.

Notwithstanding anything herein to the contrary, the sole matters to which the Agreement and General Release do not apply are: (i) Employee's rights, if any, of indemnification and directors and officers liability insurance coverage to which the Associate was entitled immediately prior to _____, 20__ with regard to the Associate's service as an officer and director of the Company; (ii) Employee's rights under any tax-qualified pension plan or claims for accrued vested benefits under any other employee benefit plan, policy or arrangement maintained by the Company or under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended; (iii) Employee's rights under Article 7.3 or 7.5 of the Severance Agreement, as the case may be; (iv) Employee's rights as a stockholder of the Company; (v) Employee's right to file charges or complaints with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"), although Employee waives the Associate's right to recover any damages or other relief in any claim or suit brought by or through the Government Agencies on behalf of Employee under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964 as amended, the Americans with Disabilities Act, or any other federal or state discrimination law, except where such waivers are prohibited by law, provided, however, this Agreement and General Release does not limit Employee's right to receive an award for information provided to any Government Agencies; (vi) Employee's rights to file charges with the Equal Employment Opportunity Commission, or any government agency concerning claims of discrimination, although Employee waives the Associate's right to recover any damages or other



relief in any claim or suit brought by or through the Equal Employment Opportunity Commission or any other federal, state or local agency on behalf of Employee under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964 as amended, the Americans with Disabilities Act, or any other federal or state discrimination law, except where such waivers are prohibited by law; and (vii) Employee's rights that cannot be released by private agreement under applicable law.

5. Affirmations. Employee affirms that the Associate has been paid or has received all compensation, wages, bonuses, commissions, and/or benefits to which the Associate may be entitled and no other compensation, wages, bonuses, commissions and benefits are due to the Associate, except as provided in Article 7.3 or 7.5 of the Severance Agreement, as applicable. The Employee also affirms the Associate has no known workplace injuries.

6. Return of Property. Employee represents that the Associate has returned to the Company all property belonging to the Company, including but not limited to any vehicle, laptop, cell phone, keys, access cards, phone cards and credit cards, and all Protected Information as defined in Article 10 of the Severance Agreement.

7. Cooperation. Employee agrees to reasonably cooperate with the Company to provide truthful and accurate information in connection with any administrative proceeding, arbitration, or litigation relating to any matter that occurred during the Associate's employment with the Company in which the Associate was involved or of which the Associate has knowledge. Employee further understands that this Agreement and General Release does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

8. Governing Law and Interpretation. This Agreement and General Release shall be governed and construed in accordance with the laws of the Commonwealth of Virginia, without reference to Virginia's choice of law statutes or decisions. In the event Employee or the Company breaches any provision of this Agreement and General Release, Employee and the Company acknowledge that either may institute an action to specifically enforce any term or terms of this Agreement and General Release pursuant to the dispute resolution provisions of Article 14 of the Severance Agreement. Should any provision of this Agreement and General Release be declared illegal or unenforceable by any court of competent jurisdiction and should the provision be incapable of being modified to be enforceable, such provision shall immediately become null and void, leaving the remainder of this Agreement and General Release in full force and effect. Nothing herein, however, shall operate to void or nullify any enforceable general release language contained in this Agreement and General Release.

9. No Admission of Wrongdoing. Employee agrees neither this Agreement and General Release nor the furnishing of the consideration for this Agreement and General Release shall be deemed or construed at any time for any purpose as an admission by the Company of any liability or unlawful conduct of any kind.



10. Amendment. This Agreement and General Release may not be modified, altered or changed except upon express written consent of both parties wherein specific reference is made to this Agreement and General Release.

11. Entire Agreement. This Agreement and General Release sets forth the entire agreement between the parties hereto and fully supersedes any prior agreements or understandings between the parties; provided, however, that notwithstanding anything in this Agreement and General Release, the provisions in the Severance Agreement that are intended to survive termination of the Severance Agreement, including but not limited to those contained in Articles 8, 9, 10, 11 and 14 shall survive and continue in full force and effect. Employee acknowledges the Associate has not relied on any representations, promises, or agreements of any kind made to the Associate in connection with the Associate's decision to accept this Agreement and General Release.

EMPLOYEE HAS BEEN ADVISED THAT ASSOCIATE HAS UP TO TWENTY-ONE (21) CALENDAR DAYS TO REVIEW AND CONSIDER THIS AGREEMENT AND GENERAL RELEASE AND HAS BEEN ADVISED IN WRITING TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTION OF THIS AGREEMENT AND GENERAL RELEASE.

EMPLOYEE AGREES ANY MODIFICATIONS, MATERIAL OR OTHERWISE, MADE TO THIS AGREEMENT AND GENERAL RELEASE DO NOT RESTART OR AFFECT IN ANY MANNER THE ORIGINAL TWENTY-ONE (21) CALENDAR DAY CONSIDERATION PERIOD.

HAVING ELECTED TO EXECUTE THIS AGREEMENT AND GENERAL RELEASE, TO FULFILL THE PROMISES SET FORTH HEREIN, AND TO RECEIVE THE SUMS AND BENEFITS SET FORTH IN THE SEVERANCE AGREEMENT, TO WHICH EMPLOYEE WOULD NOT OTHERWISE BE ENTITLED, EMPLOYEE FREELY AND KNOWINGLY, AND AFTER DUE CONSIDERATION, ENTERS INTO THIS AGREEMENT AND GENERAL RELEASE INTENDING TO WAIVE, SETTLE AND RELEASE ALL CLAIMS EMPLOYEE HAS OR MIGHT HAVE AGAINST THE COMPANY AS SET FORTH HEREIN.

IN WITNESS WHEREOF, the parties hereto knowingly and voluntarily executed this Agreement and General Release as of the date first above written:

CarMax, Inc.:

By: _____
Name: _____
Title: _____
Date: _____



Associate/Employee:

Name: _____

Date: _____



**Certification of the Chief Executive Officer
Pursuant to Rule 13a-14(a)**

I, William D. Nash, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CarMax, 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 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 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.

Date: January 6, 2023

/s/ William D. Nash
William D. Nash
President and
Chief Executive Officer

**Certification of the Chief Financial Officer
Pursuant to Rule 13a-14(a)**

I, Enrique N. Mayor-Mora, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CarMax, 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 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 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.

Date: January 6, 2023

/s/ Enrique N. Mayor-Mora
Enrique N. Mayor-Mora
Executive Vice President and
Chief Financial Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the CarMax, Inc. (the "company") Quarterly Report on Form 10-Q for the period ended November 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William D. Nash, President and Chief Executive Officer of the company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my 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 as of, and for, the periods presented in the Report.

Date: January 6, 2023

By: /s/ William D. Nash

William D. Nash

President and

Chief Executive Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the CarMax, Inc. (the "company") Quarterly Report on Form 10-Q for the period ended November 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Enrique N. Mayor-Mora, Executive Vice President and Chief Financial Officer of the company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my 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 as of, and for, the periods presented in the Report.

Date: January 6, 2023

By: /s/ Enrique N. Mayor-Mora
Enrique N. Mayor-Mora
Executive Vice President and
Chief Financial Officer

**Document And Entity
Information - shares**

**9 Months Ended
Nov. 30, 2022**

Jan. 04, 2023

Entity Information [Line Items]

<u>Document Type</u>	10-Q	
<u>Document Quarterly Report</u>	true	
<u>Document Period End Date</u>	Nov. 30, 2022	
<u>Document Transition Report</u>	false	
<u>Entity File Number</u>	1-31420	
<u>Entity Registrant Name</u>	CARMAX, INC.	
<u>Entity Central Index Key</u>	0001170010	
<u>Current Fiscal Year End Date</u>	--02-28	
<u>Document Fiscal Year Focus</u>	2023	
<u>Document Fiscal Period Focus</u>	Q3	
<u>Amendment Flag</u>	false	
<u>Entity Incorporation, State or Country Code</u>	VA	
<u>Entity Tax Identification Number</u>	54-1821055	
<u>Entity Address, Address Line One</u>	12800 Tuckahoe Creek Parkway	
<u>Entity Address, City or Town</u>	Richmond,	
<u>Entity Address, State or Province</u>	VA	
<u>Entity Address, Postal Zip Code</u>	23238	
<u>City Area Code</u>	804	
<u>Local Phone Number</u>	747-0422	
<u>Title of 12(b) Security</u>	Common Stock	
<u>Trading Symbol</u>	KMX	
<u>Security Exchange Name</u>	NYSE	
<u>Entity Current Reporting Status</u>	Yes	
<u>Entity Interactive Data Current</u>	Yes	
<u>Entity Filer Category</u>	Large Accelerated Filer	
<u>Entity Small Business</u>	false	
<u>Entity Emerging Growth Company</u>	false	
<u>Entity Shell Company</u>	false	
<u>Entity Common Stock, Shares Outstanding</u>		158,023,499

**Consolidated Statements Of
Earnings - USD (\$)
shares in Thousands, \$ in
Thousands**

3 Months Ended 9 Months Ended
Nov. 30, Nov. 30, Nov. 30, Nov. 30,
2022 2021 2022 2021

SALES AND OPERATING REVENUES:

NET SALES AND OPERATING REVENUES

	\$	\$	\$	\$
	6,505,956	8,527,759	23,962,380	24,213,717
<u>TOTAL COST OF SALES</u>	5,929,268	7,691,199	21,773,156	21,637,164
<u>GROSS PROFIT</u>	576,688	836,560	2,189,224	2,576,553
<u>CARMAX AUTO FINANCE INCOME</u>	152,196	165,968	539,538	607,732
<u>Selling, general and administrative expenses</u>	591,727	575,930	1,914,508	1,704,285
<u>Depreciation, Depletion and Amortization, Nonproduction</u>	57,377	54,428	170,717	157,107
<u>Interest expense</u>	30,150	24,303	91,670	67,247
<u>Other income</u>	(363)	(8,094)	(2,303)	(35,453)
<u>Earnings before income taxes</u>	49,993	355,961	554,170	1,291,099
<u>Income tax provision</u>	12,413	86,523	138,420	299,638
<u>NET EARNINGS</u>	\$ 37,580	\$ 269,438	\$ 415,750	\$ 991,461

WEIGHTED AVERAGE COMMON SHARES:

<u>Basic, shares</u>	158,003	162,006	159,044	162,710
<u>Diluted, shares</u>	158,536	164,873	160,195	165,606

NET EARNINGS PER SHARE:

<u>Basic (in dollars per share)</u>	\$ 0.24	\$ 1.66	\$ 2.61	\$ 6.09
<u>Diluted (in dollars per share)</u>	\$ 0.24	\$ 1.63	\$ 2.60	\$ 5.99

Used vehicle sales

SALES AND OPERATING REVENUES:

NET SALES AND OPERATING REVENUES

	\$	\$	\$	\$
	5,204,584	6,435,590	18,503,159	18,697,300
<u>TOTAL COST OF SALES</u>	4,801,790	5,927,237	17,041,898	17,085,416

Wholesale vehicle sales

SALES AND OPERATING REVENUES:

NET SALES AND OPERATING REVENUES

	1,152,207	1,922,283	4,959,050	4,998,212
<u>TOTAL COST OF SALES</u>	1,037,534	1,710,103	4,512,053	4,411,175

Total other sales and revenues

SALES AND OPERATING REVENUES:

NET SALES AND OPERATING REVENUES

	149,165	169,886	500,171	518,205
<u>TOTAL COST OF SALES</u>	\$ 89,944	\$ 53,859	\$ 219,205	\$ 140,573

NET SALES AND OPERATING REVENUES

Percentage of Sales

<u>Item as a percent of net sales and operating revenues</u>	100.00%	100.00%	100.00%	100.00%
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TOTAL COST OF SALES

Percentage of Sales

<u>Item as a percent of net sales and operating revenues</u>	91.10%	90.20%	90.90%	89.40%
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GROSS PROFIT

Percentage of Sales

<u>Item as a percent of net sales and operating revenues</u> <u>CARMAX AUTO FINANCE INCOME</u>	8.90%	9.80%	9.10%	10.60%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>Selling, general and administrative expenses</u>	2.30%	1.90%	2.30%	2.50%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>Depreciation and Amortization, Nonproduction</u>	9.10%	6.80%	8.00%	7.00%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>Interest expense</u>	0.90%	0.60%	0.70%	0.60%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>Other income</u>	0.50%	0.30%	0.40%	0.30%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>Earnings before income taxes</u>	0.00%	(0.10%)	0.00%	(0.10%)
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>Income tax provision</u>	0.80%	4.20%	2.30%	5.30%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>NET EARNINGS</u>	0.20%	1.00%	0.60%	1.20%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>NET SALES AND OPERATING REVENUES Used vehicle sales</u>	0.60%	3.20%	1.70%	4.10%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>NET SALES AND OPERATING REVENUES Wholesale vehicle sales</u>	80.00%	75.50%	77.20%	77.20%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>NET SALES AND OPERATING REVENUES Total other sales and revenues</u>	17.70%	22.50%	20.70%	20.60%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>TOTAL COST OF SALES Used vehicle sales</u>	2.30%	2.00%	2.10%	2.10%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>TOTAL COST OF SALES Wholesale vehicle sales</u>	73.80%	69.50%	71.10%	70.60%
<u>Percentage of Sales</u>				
<u>Item as a percent of net sales and operating revenues</u> <u>TOTAL COST OF SALES Total other sales and revenues</u>	15.90%	20.10%	18.80%	18.20%

Percentage of Sales

Item as a percent of net sales and operating revenues

1.40%

0.60%

0.90%

0.60%

Consolidated Statements Of Comprehensive Income - USD (\$) \$ in Thousands	3 Months Ended		9 Months Ended	
	Nov. 30,	Nov. 30,	Nov. 30,	Nov. 30,
	2022	2021	2022	2021
<u>Statement of Comprehensive Income [Abstract]</u>				
<u>NET EARNINGS</u>	\$ 37,580	\$ 269,438	\$ 415,750	\$ 991,461
<u>Other comprehensive income, net of taxes:</u>				
<u>Net change in retirement benefit plan unrecognized actuarial losses</u>	482	659	1,444	1,976
<u>Net change in cash flow hedge unrecognized gains</u>	24,939	11,383	102,398	16,414
<u>Other comprehensive income (loss), net of taxes</u>	25,421	12,042	103,842	18,390
<u>TOTAL COMPREHENSIVE INCOME</u>	\$ 63,001	\$ 281,480	\$ 519,592	\$ 1,009,851

Consolidated Balance Sheets
- USD (\$)
\$ in Thousands

	Nov. 30,	Feb. 28,
	2022	2022
<u>CURRENT ASSETS:</u>		
<u>Cash and cash equivalents</u>	\$ 688,618	\$ 102,716
<u>Restricted cash from collections on auto loans receivable</u>	466,525	548,099
<u>Accounts receivable, net</u>	246,794	560,984
<u>Inventory</u>	3,414,937	5,124,569
<u>Other current assets</u>	167,143	212,922
<u>TOTAL CURRENT ASSETS</u>	4,984,017	6,549,290
<u>Auto loans receivable, net of allowance for loan losses of \$491,047 and \$433,030 as of November 30, 2022 and February 28, 2022, respectively</u>	16,240,832	15,289,701
<u>Property and equipment, net of accumulated depreciation of \$1,585,271 and \$1,437,548 as of November 30, 2022 and February 28, 2022, respectively</u>	3,375,001	3,209,068
<u>Deferred Income Tax Assets, Net</u>	87,262	120,931
<u>Operating lease assets</u>	529,781	537,357
<u>Goodwill</u>	141,258	141,258
<u>Other assets</u>	580,790	490,659
<u>TOTAL ASSETS</u>	25,938,941	26,338,264
<u>CURRENT LIABILITIES:</u>		
<u>Accounts payable</u>	802,780	937,717
<u>Accrued expenses and other current liabilities</u>	496,202	533,271
<u>Current portion of operating lease liabilities</u>	51,215	44,197
<u>Current portion of long-term debt</u>	112,708	11,203
<u>Current portion of non-recourse notes payable</u>	474,147	521,069
<u>TOTAL CURRENT LIABILITIES</u>	1,937,052	2,047,457
<u>Long-term debt, excluding current portion</u>	1,903,223	3,255,304
<u>Non-recourse notes payable, excluding current portion</u>	15,737,459	14,919,715
<u>Operating lease liabilities, excluding current portion</u>	509,106	523,269
<u>Other liabilities</u>	364,528	357,080
<u>TOTAL LIABILITIES</u>	20,451,368	21,102,825
<u>SHAREHOLDERS' EQUITY:</u>		
<u>Common stock, \$0.50 par value; 350,000,000 shares authorized; 158,019,398 and 161,053,983 shares issued and outstanding as of November 30, 2022 and February 28, 2022, respectively</u>	79,010	80,527
<u>Capital in excess of par value</u>	1,697,062	1,677,268
<u>Accumulated other comprehensive income (loss)</u>	57,420	(46,422)
<u>Retained earnings</u>	3,654,081	3,524,066
<u>TOTAL SHAREHOLDERS' EQUITY</u>	5,487,573	5,235,439
<u>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</u>	\$ 25,938,941	\$ 26,338,264

Consolidated Balance Sheets
(Parenthetical) - USD (\$)
\$ in Thousands

	Nov. 30, 2022	Feb. 28, 2022
<u>Statement of Financial Position [Abstract]</u>		
<u>Financing Receivable, Allowance for Credit Loss</u>	\$ 491,047	\$ 433,030
<u>Accumulated Depreciation, Depletion and Amortization, Property, Plant, and Equipment</u>	\$ 1,585,271	\$ 1,437,548
<u>Common Stock, Par or Stated Value Per Share</u>	\$ 0.50	\$ 0.50
<u>Common Stock, Shares Authorized</u>	350,000,000	350,000,000
<u>Common Stock, Shares, Issued</u>	158,019,398	161,053,983
<u>Common stock, shares outstanding</u>	158,019,398	161,053,983

**Consolidated Statements Of
Cash Flows - USD (\$)
\$ in Thousands**

**9 Months Ended
Nov. 30, Nov. 30,
2022 2021**

OPERATING ACTIVITIES:

<u>Net earnings</u>	\$ 415,750	\$ 991,461
<u>Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:</u>		
<u>Depreciation and amortization</u>	202,655	200,819
<u>Share-based compensation expense</u>	64,974	108,962
<u>Provision for loan losses</u>	218,967	87,342
<u>Provision for cancellation reserves</u>	79,924	91,607
<u>Deferred income tax (benefit) provision</u>	(2,178)	19,564
<u>Other</u>	8,879	(26,808)
<u>Net decrease (increase) in:</u>		
<u>Accounts receivable, net</u>	314,190	(290,346)
<u>Inventory</u>	1,709,632	(1,502,323)
<u>Other current assets</u>	149,777	(13,615)
<u>Auto loans receivable, net</u>	(1,170,098)	(1,764,693)
<u>Other assets</u>	(43,502)	(18,309)
<u>Net (decrease) increase in:</u>		
<u>Accounts payable, accrued expenses and other current liabilities and accrued income taxes</u>	(195,154)	170,474
<u>Other liabilities</u>	(91,739)	(136,780)
<u>Net Cash Provided by (Used in) Operating Activities</u>	1,662,077	(2,082,645)

INVESTING ACTIVITIES:

<u>Capital expenditures</u>	(319,486)	(226,903)
<u>Proceeds from disposal of property and equipment</u>	3,806	260
<u>Proceeds from Sales of Business, Affiliate and Productive Assets</u>	0	12,284
<u>Purchases of investments</u>	(6,460)	(13,676)
<u>Sales and returns of investments</u>	3,486	36,915
<u>Payments to Acquire Businesses, Net of Cash Acquired</u>	0	(241,563)
<u>Net Cash Provided by (Used in) Investing Activities</u>	(318,654)	(432,683)

FINANCING ACTIVITIES:

<u>Proceeds from issuances of long-term debt</u>	2,863,500	5,804,200
<u>Payments on long-term debt</u>	(4,116,775)	(4,524,973)
<u>Cash paid for debt issuance costs</u>	(13,987)	(14,473)
<u>Payments on finance lease obligations</u>	(10,056)	(8,822)
<u>Issuances of non-recourse notes payable</u>	11,351,696	11,217,298
<u>Payments on non-recourse notes payable</u>	(10,581,076)	(9,565,649)
<u>Repurchase and retirement of common stock</u>	(333,814)	(475,950)
<u>Equity issuances</u>	13,504	76,310
<u>Net Cash Provided by (Used in) Financing Activities</u>	(827,008)	2,507,941
<u>Increase (decrease) in cash, cash equivalents, and restricted cash</u>	516,415	(7,387)
<u>Cash, cash equivalents, and restricted cash at beginning of year</u>	803,618	771,947

<u>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD</u>	1,320,033	764,560
<u>RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONSOLIDATED BALANCE SHEETS:</u>		
<u>Cash and cash equivalents</u>	688,618	62,598
<u>Restricted cash from collections on auto loans receivable</u>	466,525	552,487
<u>Restricted cash included in other assets</u>	164,890	149,475
<u>CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD</u>	\$ 1,320,033	\$ 764,560

Consolidated Statements of Shareholders' Equity Statement - USD (\$) \$ in Thousands	Total	Common Stock [Member]	Additional Paid-in Capital [Member]	Retained Earnings [Member]	AOCI Attributable to Parent [Member]
<u>BALANCE, SHARES at Feb. 28, 2021</u>		163,172,000			
<u>BALANCE at Feb. 28, 2021</u>	\$ 4,364,613	\$ 81,586	\$ 1,513,821	\$ 2,887,897	\$ (118,691)
<u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u>					
<u>Net earnings</u>	436,756			436,756	
<u>Other Comprehensive Income (Loss), Net of Tax</u>	2,937				2,937
<u>APIC, Share-based Payment Arrangement, Increase for Cost Recognition</u>	20,102		20,102		
<u>Stock Repurchased and Retired During Period, Shares</u>		(998,000)			
<u>Stock Repurchased and Retired During Period, Value</u>	(124,542)	\$ (499)	(9,348)	(114,695)	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Exercises in Period</u>		375,000			
<u>Stock Issued During Period, Value, Stock Options Exercised</u>	21,590	\$ 187	21,403		
<u>Shares Issued, Shares, Share-based Payment Arrangement, after Forfeiture</u>		254,000			
<u>Shares Issued, Value, Share-based Payment Arrangement, after Forfeiture</u>	(17,975)	\$ 127	(18,102)		
<u>BALANCE, SHARES at May. 31, 2021</u>		162,803,000			
<u>BALANCE at May. 31, 2021</u>	4,703,481	\$ 81,401	1,527,876	3,209,958	(115,754)
<u>BALANCE, SHARES at Feb. 28, 2021</u>		163,172,000			
<u>BALANCE at Feb. 28, 2021</u>	4,364,613	\$ 81,586	1,513,821	2,887,897	(118,691)
<u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u>					
<u>Net earnings</u>	991,461				
<u>Other Comprehensive Income (Loss), Net of Tax</u>	18,390				
<u>BALANCE, SHARES at Nov. 30, 2021</u>		161,872,000			
<u>BALANCE at Nov. 30, 2021</u>	5,109,796	\$ 80,936	1,672,728	3,456,433	(100,301)
<u>BALANCE, SHARES at May. 31, 2021</u>		162,803,000			
<u>BALANCE at May. 31, 2021</u>	4,703,481	\$ 81,401	1,527,876	3,209,958	(115,754)
<u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u>					
<u>Net earnings</u>	285,267			285,267	
<u>Other Comprehensive Income (Loss), Net of Tax</u>	3,411				3,411

APIC, Share-based Payment Arrangement, Increase for Cost Recognition	14,116		14,116	
Adjustments to Additional Paid in Capital, Other			90,183	
Stock Issued During Period, Value, Acquisitions	90,571	\$ 388		
Stock Issued During Period, Shares, Acquisitions		776,000		
Stock Repurchased and Retired During Period, Shares		(1,754,000)		
Stock Repurchased and Retired During Period, Value	(220,045)	\$ (877)	(17,164)	(202,004)
Share-based Compensation Arrangement by Share-based Payment Award, Options, Exercises in Period		621,000		
Stock Issued During Period, Value, Stock Options Exercised	38,496	\$ 311	38,185	
Shares Issued, Shares, Share-based Payment Arrangement, after Forfeiture		24,000		
Shares Issued, Value, Share-based Payment Arrangement, after Forfeiture	(118)	\$ 12	(130)	
BALANCE, SHARES at Aug. 31, 2021		162,470,000		
BALANCE at Aug. 31, 2021	4,915,179	\$ 81,235	1,653,066	3,293,221 (112,343)
Increase (Decrease) in Stockholders' Equity [Roll Forward]				
Net earnings	269,438			269,438
Other Comprehensive Income (Loss), Net of Tax	12,042			12,042
APIC, Share-based Payment Arrangement, Increase for Cost Recognition	12,347		12,347	
Stock Repurchased and Retired During Period, Shares		(851,000)		
Stock Repurchased and Retired During Period, Value	(115,346)	\$ (425)	(8,695)	(106,226)
Share-based Compensation Arrangement by Share-based Payment Award, Options, Exercises in Period		253,000		
Stock Issued During Period, Value, Stock Options Exercised	16,223	\$ 126	16,097	
Shares Issued, Shares, Share-based Payment Arrangement, after Forfeiture		0		
Shares Issued, Value, Share-based Payment Arrangement, after Forfeiture	(87)	\$ 0	(87)	
BALANCE, SHARES at Nov. 30, 2021		161,872,000		

<u>BALANCE at Nov. 30, 2021</u>	\$ 5,109,796	\$ 80,936	1,672,728	3,456,433	(100,301)
<u>BALANCE, SHARES at Feb. 28, 2022</u>	161,053,983	161,054,000			
<u>BALANCE at Feb. 28, 2022</u>	\$ 5,235,439	\$ 80,527	1,677,268	3,524,066	(46,422)
<u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u>					
<u>Net earnings</u>	252,265			252,265	
<u>Other Comprehensive Income (Loss), Net of Tax</u>	52,314				52,314
<u>APIC, Share-based Payment Arrangement, Increase for Cost Recognition</u>	21,594		21,594		
<u>Stock Repurchased and Retired During Period, Shares</u>		(1,644,000)			
<u>Stock Repurchased and Retired During Period, Value</u>	(157,594)	\$ (822)	(17,207)	(139,565)	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Exercises in Period</u>		49,000			
<u>Stock Issued During Period, Value, Stock Options Exercised</u>	3,442	\$ 24	3,418		
<u>Shares Issued, Shares, Share-based Payment Arrangement, after Forfeiture</u>		155,000			
<u>Shares Issued, Value, Share-based Payment Arrangement, after Forfeiture</u>	(6,823)	\$ 78	(6,901)		
<u>BALANCE, SHARES at May. 31, 2022</u>		159,614,000			
<u>BALANCE at May. 31, 2022</u>	\$ 5,400,637	\$ 79,807	1,678,172	3,636,766	5,892
<u>BALANCE, SHARES at Feb. 28, 2022</u>	161,053,983	161,054,000			
<u>BALANCE at Feb. 28, 2022</u>	\$ 5,235,439	\$ 80,527	1,677,268	3,524,066	(46,422)
<u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u>					
<u>Net earnings</u>	415,750				
<u>Other Comprehensive Income (Loss), Net of Tax</u>	\$ 103,842				
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Exercises in Period</u>	(208,000)				
<u>BALANCE, SHARES at Nov. 30, 2022</u>	158,019,398	158,019,000			
<u>BALANCE at Nov. 30, 2022</u>	\$ 5,487,573	\$ 79,010	1,697,062	3,654,081	57,420
<u>BALANCE, SHARES at May. 31, 2022</u>		159,614,000			
<u>BALANCE at May. 31, 2022</u>	5,400,637	\$ 79,807	1,678,172	3,636,766	5,892
<u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u>					
<u>Net earnings</u>	125,905			125,905	
<u>Other Comprehensive Income (Loss), Net of Tax</u>	26,107				26,107

<u>APIC, Share-based Payment Arrangement, Increase for Cost Recognition</u>	15,062		15,062		
<u>Stock Repurchased and Retired During Period, Shares</u>		(1,730,000)			
<u>Stock Repurchased and Retired During Period, Value</u>	(163,017)	\$ (865)	(18,279)	(143,873)	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Exercises in Period</u>		155,000			
<u>Stock Issued During Period, Value, Stock Options Exercised</u>	9,840	\$ 78	9,762		
<u>Shares Issued, Shares, Share-based Payment Arrangement, after Forfeiture</u>		5,000			
<u>Shares Issued, Value, Share-based Payment Arrangement, after Forfeiture</u>	(307)	\$ 2	(309)		
<u>BALANCE, SHARES at Aug. 31, 2022</u>		158,044,000			
<u>BALANCE at Aug. 31, 2022</u>	5,414,227	\$ 79,022	1,684,408	3,618,798	31,999
<u>Increase (Decrease) in Stockholders' Equity [Roll Forward]</u>					
<u>Net earnings</u>	37,580			37,580	
<u>Other Comprehensive Income (Loss), Net of Tax</u>	25,421				25,421
<u>APIC, Share-based Payment Arrangement, Increase for Cost Recognition</u>	12,797		12,797		
<u>Stock Repurchased and Retired During Period, Shares</u>		(30,000)			
<u>Stock Repurchased and Retired During Period, Value</u>	(2,632)	\$ (15)	(320)	(2,297)	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Exercises in Period</u>		4,000			
<u>Stock Issued During Period, Value, Stock Options Exercised</u>	220	\$ 2	218		
<u>Shares Issued, Shares, Share-based Payment Arrangement, after Forfeiture</u>		1,000			
<u>Shares Issued, Value, Share-based Payment Arrangement, after Forfeiture</u>	\$ (40)	\$ 1	(41)		
<u>BALANCE, SHARES at Nov. 30, 2022</u>	158,019,398	158,019,000			
<u>BALANCE at Nov. 30, 2022</u>	\$ 5,487,573	\$ 79,010	\$ 1,697,062	\$ 3,654,081	\$ 57,420

**Supplemental Cash Flow
Information**

**9 Months Ended
Nov. 30, 2022**

[Supplemental Cash Flow
Elements \[Abstract\]](#)
[Schedule of Cash Flow,
Supplemental Disclosures](#)
[\[Table Text Block\]](#)

Supplemental Cash Flow Information
Supplemental disclosures of cash flow information:

		Nine Months End 2022
<i>(In thousands)</i>		
<hr/>		
Non-cash investing and financing activities:		
Increase in accrued capital expenditures	\$	3,123

See Note 14 for supplemental cash flow information related to leases.

[Cash Flow, Supplemental
Disclosures \[Text Block\]](#)

		Nine Months End 2022
<i>(In thousands)</i>		
<hr/>		
Non-cash investing and financing activities:		
Increase in accrued capital expenditures	\$	3,123

Supplemental Cash Flow
Information Supplemental
Cash Flow Information

9 Months Ended

Nov. 30, 2022

[Supplemental Cash Flow
Elements \[Abstract\]](#)
[Cash Flow, Supplemental
Disclosures \[Text Block\]](#)

Nine Months End
2022

(In thousands)

Non-cash investing and financing activities:

Increase in accrued capital expenditures

\$

3,123

**Supplemental Cash Flow
Information Supplemental
Cash Flow Information -
USD (\$)**

9 Months Ended

Nov. 30, 2022 Nov. 30, 2021

\$ in Thousands

Supplemental Cash Flow Elements [Abstract]

<u>Capital Expenditures Incurred but Not yet Paid</u>	\$ 3,123	\$ 9,933
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Background

9 Months Ended
Nov. 30, 2022

[Organization, Consolidation and Presentation of](#)

[Financial Statements](#)

[\[Abstract\]](#)

[Business Description and](#)

[Accounting Policies \[Text Block\]](#)

Background

Business. CarMax, Inc. (“we,” “our,” “us,” “CarMax” and “the company”), including its wholly owned subsidiaries, is the nation’s largest retailer of used vehicles. We operate in two reportable segments: CarMax Sales Operations and CarMax Auto Finance (“CAF”). Our CarMax Sales Operations segment consists of all aspects of our auto merchandising and service operations, excluding financing provided by CAF. Our CAF segment consists solely of our own finance operation that provides financing to customers buying retail vehicles from CarMax. On June 1, 2021, we completed the acquisition of Edmunds Holding Company (“Edmunds”), which does not meet the quantitative thresholds to be considered a reportable segment. See Note 17 for additional information on our reportable segments and Note 2 for additional information regarding our acquisition of Edmunds.

We deliver an unrivaled customer experience by offering a broad selection of quality used vehicles and related products and services at competitive, no-haggle prices using a customer-friendly sales process. Our omni-channel platform, which gives us the largest addressable market in the used car industry, empowers our retail customers to buy a car on their terms – online, in-store or an integrated combination of both. We offer customers a range of related products and services, including the appraisal and purchase of vehicles directly from consumers; the financing of retail vehicle purchases through CAF and third-party finance providers; the sale of extended protection plan (“EPP”) products, which include extended service plans (“ESPs”) and guaranteed asset protection (“GAP”); and vehicle repair service. Vehicles purchased through the appraisal process that do not meet our retail standards are sold to licensed dealers through on-site or virtual wholesale auctions.

Basis of Presentation and Use of Estimates. The accompanying interim unaudited consolidated financial statements include the accounts of CarMax and our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. These interim unaudited consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, such interim consolidated financial statements reflect all normal recurring adjustments considered necessary to present fairly the financial position and the results of operations and cash flows for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full fiscal year.

The accounting policies followed in the presentation of our interim financial results are consistent with those included in the company’s Annual Report on Form 10-K for the fiscal year ended February 28, 2022 (the “2022 Annual Report”), with the exception of those related to recent accounting pronouncements adopted in the current fiscal year. These interim unaudited

consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in our 2022 Annual Report.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. In particular, the novel coronavirus (“COVID-19”) pandemic and the resulting adverse impacts to global economic conditions, as well as our operations, may impact future estimates including, but not limited to, our allowance for loan losses, inventory valuations, fair value measurements, downward adjustments to investments in equity securities, asset impairment charges, the effectiveness of the company’s hedging instruments, deferred tax valuation allowances, cancellation reserves, actuarial losses on our retirement benefit plans and discount rate assumptions. Certain prior year amounts have been reclassified to conform to the current year’s presentation. Amounts and percentages may not total due to rounding.

Recent Accounting Pronouncements.

Effective in Future Periods

In September 2022, the Financial Accounting Standards Board (“FASB”) issued an accounting pronouncement (ASU 2022-04) related to disclosure requirements for buyers in supplier finance programs. The amendments in the update require that buyers disclose qualitative and quantitative information about their supplier finance programs. Interim and annual requirements include disclosure of outstanding amounts under the obligations as of the end of the reporting period, and annual requirements include a rollforward of those obligations for the annual reporting period, as well as a description of payment and other key terms of the programs. This update is effective for annual periods beginning after December 15, 2022, and interim periods within those fiscal years, except for the requirement to disclose rollforward information, which is effective for fiscal years beginning after December 15, 2023. We plan to adopt this pronouncement for our fiscal year beginning March 1, 2023, and we do not expect it to have a material effect on our consolidated financial statements.

**Business Combinations and
Asset Acquisitions**

**3 Months Ended
Nov. 30, 2022**

[Business Combination and
Asset Acquisition \[Abstract\]](#)

[Business Combination
Disclosure](#)

On June 1, 2021, we completed the acquisition of Edmunds Holding Company, one of the most well established and trusted online guides for auto enthusiasts and a recognized leader in digital car shopping innovations. With this acquisition, CarMax has enhanced its digital capabilities and further strengthened the used auto ecosystem while adding exceptional technology and creative talent. Edmunds continues to operate independently and remains focused on providing value to consumers and excellent value to its dealer and Original Equipment Manufacturer (“OEM”) clients. Additionally, this acquisition allows both businesses to leverage their respective capabilities to deliver an enhanced digital experience to their customers by leveraging Edmunds’ compelling content and technology, CarMax’s national scale and infrastructure, and the combined talent of both businesses.

The acquisition was accounted for in accordance with Accounting Standards Codification (“ASC”) Topic 805, Business Combinations, and, accordingly, the operations have been consolidated in our financial statements since the date of acquisition. We recorded a preliminary allocation of the purchase price and liabilities assumed based on their estimated fair values as of June 1, 2021. The transaction costs associated with the acquisition were approximately \$10 million, expensed as incurred within selling, general and administrative expenses.

The following table summarizes the total purchase consideration:

(In thousands)

Total cash consideration for outstanding shares
Fair value of common stock ⁽¹⁾
Fair value of preexisting relationship
Total

⁽¹⁾ Represents the issuance of 776,097 shares of CarMax common stock to Edmunds equity holders, the fair value of which was based on the market value of CarMax common stock on the market close on the acquisition date (June 1, 2021).

In January 2020, we acquired a minority stake in Edmunds for \$50 million. The noncontrolling equity investment in Edmunds was remeasured at the end of the period prior to the acquisition of the remaining ownership stake on June 1, 2021, which resulted in the recognition of a gain of \$8.7 million. The gain was recorded in the consolidated statements of earnings for the second quarter of fiscal 2022.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition:

(In thousands)

Cash
Accounts receivable, net
Other current assets
Property and equipment, net
Goodwill ⁽¹⁾
Intangible assets
Operating lease assets
Other assets
Total assets acquired
Accounts payable
Accrued expenses and other current liabilities
Current portion of operating lease liabilities
Deferred income taxes ⁽¹⁾
Operating lease liabilities, excluding current portion
Total liabilities assumed
Net assets acquired

⁽¹⁾ During the third quarter of fiscal 2022, we obtained new information about facts and circumstances that existed as of the acquisition date, which resulted in the recognition of assets and liabilities. The adjustments were primarily related to research and development tax credits, which resulted in a decrease in goodwill of \$8.4 million.

The excess of purchase consideration over the fair value of net identifiable assets acquired and liabilities assumed was recorded as goodwill, which is attributable to expected synergies and the assembled workforce of the acquired business and was not deductible for tax purposes. The fair values assigned to the identifiable intangible assets and liabilities assumed were based on management's estimates and assumptions.

Identifiable intangible assets were recognized at their estimated acquisition date fair values. The fair value of identifiable intangible assets was based on management's estimates and assumptions that were not observable in the market. The fair values of the trade name asset and the internally developed software asset were determined using the relief-from-royalty method, and the fair value of the customer relationships asset was determined using the excess earnings method. These valuations included significant assumptions such as the amount and timing of projected cash flows, growth rates, customer attrition rates, discount rates, and the asset's life cycle. The estimated fair value and estimated remaining useful lives of identifiable intangible assets as of the acquisition date were as follows:

<i>(In thousands)</i>	Useful Life (Years)	
Trade name	Indefinite	\$
Internally developed software	7	
Customer relationships	17	
Identifiable intangible assets		\$

The operating results of Edmunds have been included in our consolidated financial statements since the date of the acquisition. Net sales and earnings attributable to Edmunds were not material for the reporting periods presented. Our pro forma results as if the acquisition had taken place on 1/1/2021 would not be materially different from the amounts reflected in the accompanying consolidated financial statements, and therefore were not presented.

Revenue

9 Months Ended
Nov. 30, 2022

[Revenue from Contract with Customer \[Abstract\]](#)

[Revenue from Contract with Customer \[Text Block\]](#)

Revenue

We recognize revenue when control of the good or service has been transferred to the customer, generally either at the time of sale or upon delivery. For contracts with a fixed contract price and revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods. We collect sales taxes and other taxes from customers on behalf of governmental authorities at the time of sale. These taxes are accounted for as a liability and are included in net sales and operating revenues or cost of sales. We generally expense sales commissions when incurred because the amortization period is less than one year. These costs are recorded within selling, general and administrative expenses. We do not have any significant payment terms as payment is received after the point of sale.

Disaggregation of Revenue

(In millions)	Three Months Ended November 30		Nine Months Ended	
	2022	2021	2022	
Used vehicle sales	\$ 5,204.6	\$ 6,435.6	\$	18,503.2
Wholesale vehicle sales	1,152.2	1,922.3		4,959.1
Other sales and revenues:				
Extended protection plan revenues	91.8	106.6		318.1
Third-party finance income/(fees), net	1.0	1.6		7.1
Advertising & subscription revenues ⁽¹⁾	33.3	33.3		101.9
Service revenues	19.6	19.7		60.8
Other	3.5	8.7		12.3
Total other sales and revenues	149.2	169.9		500.2
Total net sales and operating revenues	\$ 6,506.0	\$ 8,527.8	\$	23,962.4

⁽¹⁾ Excludes intersegment sales and operating revenues that have been eliminated in consolidation. See Note 17 for further details.

Used Vehicle Sales. Revenue from the sale of used vehicles is recognized upon transfer of control of the vehicle to the customer. As part of our customer guarantee the retail vehicles we sell with a 30-day/1,500 mile, money-back guarantee. We record a reserve for estimated returns based on historical experience. The reserve for estimated returns is presented gross on the consolidated balance sheets, with a return asset recorded in other current assets and a liability recorded in accrued expenses and other current liabilities. We also guarantee the used vehicles we sell with a 90-day/4,000-mile limited warranty. These warranties are recorded in accrued expenses and other current liabilities and are accounted for as warranty obligations. See Note 16 for additional information on this warranty and its related obligation.

Wholesale Vehicle Sales. Wholesale vehicles are sold at our auctions, and revenue from the sale of these vehicles is recognized upon transfer of control to the customer. Dealers also pay a fee to us based on the sale price of the vehicles they purchase. This fee is recognized as revenue at the time of sale. As part of our disclosures on each wholesale vehicle sold, the vehicles are subject to a limited right of return. We record a reserve for estimated returns based on historical experience and trends. The reserve for estimated returns is presented gross on the consolidated balance sheets, with a return asset recorded in other current assets and a liability recorded in accrued expenses and other current liabilities.

EPP Revenues. We also sell ESP and GAP products on behalf of unrelated third parties, who are primarily responsible for fulfilling the contract, including the sale of a retail vehicle. The ESPs we currently offer on all used vehicles provide coverage up to 60 months (subject to mileage limitations), while GAP provides coverage for the term of their finance contract. We recognize revenue, on a net basis, at the time of sale. We also record a reserve, or refund liability, for estimated cancellations. The reserve for cancellations is evaluated for each product and is based on forecasted forward cancellation curves utilizing historical experience, recent experience and our customer base. Our risk related to contract cancellations is limited to the revenue that we receive. Cancellations fluctuate depending on the volume of sales, financing default or prepayment rates, and shifts in customer behavior, including those related to changes in the coverage or term of the product. The reserve for estimated cancellations is recognized as a component of accrued expenses and other current liabilities with the remaining amount recognized in accrued expenses and other current liabilities. See Note 8 for additional information on cancellation reserves.

We are contractually entitled to receive profit-sharing revenues based on the performance of the ESPs administered by third parties. These revenues are recognized as consideration included in EPP revenues to the extent that it is probable that it will not result in a significant revenue reversal. An estimate of the amount to which we expect to be entitled, subject to various constraints, is recorded as a contract asset. The performance obligation of selling the ESP. These constraints include factors that are outside of the company's influence or control and the length of time to complete the performance obligation. We apply the expected value method, utilizing historical claims and cancellation data from CarMax customers, as well as external data and other quantitative information to estimate the amount of revenue we expect to receive. The estimate is reassessed each reporting period with changes reflected in other sales and revenues on our consolidated statements of earnings and other financial statements and balance sheets. As of November 30, 2022 and February 28, 2022, no current or long-term contract asset was recognized related to cumulative revenue that we expect to be entitled.

Third-Party Finance Income/(Fees). Customers applying for financing who are not approved or are conditionally approved by CAF are generally party finance providers. These providers generally either pay us or are paid a fixed, pre-negotiated fee per contract. We recognize these fees at the

Advertising and Subscription Revenues. Advertising and subscription revenues consist of revenues earned by our Edmunds business. Advertising revenues are derived from advertising contracts with automotive manufacturers based on fixed fees per impression and fees for certain activities completed by customers on our platform. These fees are recognized in the period the impressions are delivered or certain activities occurred. Subscription revenues are derived from products sold to dealers that include car leads, inventory listings and enhanced placement in Edmunds' dealer locator and are recognized over the period that the benefits accrue to the dealers. Subscription revenues also include a digital marketing subscription service, which allows dealers to gain exposure on third party advertising. Revenues for this service are recognized on a net basis.

Service Revenues. Service revenue consists of labor and parts income related to vehicle repair service, including repairs of vehicles covered under our warranty program. Service revenue is recognized at the time the work is completed.

Other Revenues. Other revenues consist primarily of new vehicle sales and sales of accessories. Revenue in this category is recognized at the time of transfer of control to the customer.

CarMax Auto Finance

CAF provides financing to qualified retail customers purchasing vehicles from CarMax. CAF provides us the opportunity to capture additional profit while managing our reliance on third-party finance sources. Management regularly analyzes CAF's operating results by assessing profitability, loans receivable, including trends in credit losses and delinquencies, and CAF direct expenses. This information is used to assess CAF's performance and make decisions, including resource allocation.

We typically use securitizations or other funding arrangements to fund loans originated by CAF. CAF income primarily reflects the interest and fees on auto loans receivable less the interest expense associated with the debt issued to fund these receivables, a provision for estimated loan losses and other expenses.

CAF income does not include any allocation of indirect costs. Although CAF benefits from certain indirect overhead expenditures, we have not allocated these costs to CAF to avoid making subjective allocation decisions. Examples of indirect costs not allocated to CAF include retail store expenses and corporate overhead, except for auto loans receivable, which are disclosed in Note 5, CAF assets are not separately reported nor do we allocate assets to CAF because it would not be useful to management in making operating decisions.

Components of CAF Income

(In millions)	Three Months Ended November 30				Nine Months Ended	
	2022	% ⁽¹⁾	2021	% ⁽¹⁾	2022	% ⁽¹⁾
Interest margin:						
Interest and fee income	\$ 365.4	8.8	\$ 330.0	8.6	\$ 1,069.3	8.8
Interest expense	(88.8)	(2.1)	(53.6)	(1.4)	(200.1)	(1.6)
Total interest margin	276.6	6.7	276.4	7.2	869.2	7.2
Provision for loan losses	(85.7)	(2.1)	(76.2)	(2.0)	(219.0)	(1.8)
Total interest margin after provision for loan losses	190.9	4.6	200.2	5.2	650.2	5.4
Direct expenses:						
Payroll and fringe benefit expense	(16.1)	(0.4)	(12.7)	(0.3)	(46.7)	(0.4)
Depreciation and amortization	(4.0)	(0.1)	(2.4)	(0.1)	(11.6)	(0.1)
Other direct expenses	(18.7)	(0.5)	(19.2)	(0.5)	(52.4)	(0.4)
Total direct expenses	(38.8)	(0.9)	(34.3)	(0.9)	(110.7)	(0.9)
CarMax Auto Finance income	\$ 152.2	3.7	\$ 166.0	4.3	\$ 539.5	4.4
Total average managed receivables	\$ 16,540.2		\$ 15,288.8		\$ 16,177.8	

(1) Annualized percentage of total average managed receivables.

Auto Loan Receivables

9 Months Ended
Nov. 30, 2022

[Receivables \[Abstract\]](#)
[Auto Loan Receivables](#)

Auto Loans Receivable

Auto loans receivable include amounts due from customers related to retail vehicle sales financed through CAF and are presented net of an allowance for loan losses. These auto loans represent a large group of smaller-balance homogeneous loans, which we consider to be part of one class of financing receivables segment for purposes of determining our allowance for loan losses. We generally use warehouse facilities to fund auto loans receivable originated and fund them through an asset-backed term funding transaction, such as a term securitization or alternative funding arrangement. We recognize transactions entered into the warehouse facilities and asset-backed term funding transactions (together, “non-recourse funding vehicles”) as secured borrowings, which are recorded as auto loans receivable and the related non-recourse notes payable on our consolidated balance sheets. The majority of the auto loans receivable serve as collateral for non-recourse notes payable of \$16.24 billion as of November 30, 2022, and \$15.47 billion as of February 28, 2022. See Note 10 for additional information on non-recourse notes payable.

Interest income and expenses related to auto loans are included in CAF income. Interest income on auto loans receivable is recognized when cash is received on loan terms. All loans continue to accrue interest until repayment or charge-off. When a charge-off occurs, accrued interest is written off by reversing the interest income. Costs associated with loan originations are not considered material, and thus, are expensed as incurred. See Note 4 for additional information on interest income and expenses.

Auto Loans Receivable, Net

<i>(In millions)</i>	As of November 30	
	2022	
Asset-backed term funding	\$	12,342.0
Warehouse facilities		3,420.9
Overcollateralization ⁽¹⁾		688.1
Other managed receivables ⁽²⁾		201.7
Total ending managed receivables		16,652.7
Accrued interest and fees		83.3
Other		(4.2)
Less: allowance for loan losses		(491.0)
Auto loans receivable, net	\$	16,240.8

⁽¹⁾ Represents receivables restricted as excess collateral for the non-recourse funding vehicles.

⁽²⁾ Other managed receivables includes receivables not funded through the non-recourse funding vehicles.

Credit Quality. When customers apply for financing, CAF’s proprietary scoring models utilize the customers’ credit history and certain application information to assess and rank their risk. We obtain credit histories and other credit data that includes information such as number, age, type of and payment history on existing accounts. The application information that is used includes income, collateral value and down payment. The scoring models yield credit grades based on the likelihood of repayment. Customers with the highest probability of repayment are A-grade customers. Customers assigned a lower grade are considered higher risk based on their probability of repayment. For loans that are approved, the credit grade influences the terms of the agreement, such as the required loan-to-value ratio. After loan origination, credit grades are generally not updated.

CAF uses a combination of the initial credit grades and historical performance to monitor the credit quality of the auto loans receivable on an ongoing basis. We review the accuracy of the scoring models periodically. Loan performance is reviewed on a recurring basis to identify whether the assigned grades adequately reflect the likelihood of repayment.

Ending Managed Receivables by Major Credit Grade

As of November 30, 2022						
Fiscal Year of Origination ⁽¹⁾						
(In millions)	2023	2022	2021	2020	2019	Prior to 2019
Core managed receivables ⁽²⁾ :						
A	\$ 3,154.3	\$ 2,815.6	\$ 1,252.9	\$ 800.6	\$ 290.0	\$ 63.4
B	2,079.9	2,020.1	907.2	564.1	268.0	87.4
C and other	595.5	667.8	350.1	194.4	90.7	38.3
Total core managed receivables	5,829.7	5,503.5	2,510.2	1,559.1	648.7	189.1
Other managed receivables ⁽⁴⁾ :						
C and other	222.4	127.2	16.9	23.8	15.5	6.6
Total ending managed receivables	\$ 6,052.1	\$ 5,630.7	\$ 2,527.1	\$ 1,582.9	\$ 664.2	\$ 195.7

As of February 28, 2022						
Fiscal Year of Origination ⁽¹⁾						
(In millions)	2022	2021	2020	2019	2018	Prior to 2018
Core managed receivables ⁽³⁾ :						
A	\$ 3,885.5	\$ 1,788.3	\$ 1,266.1	\$ 574.1	\$ 203.4	\$ 32.3
B	2,795.2	1,288.5	857.7	473.1	205.2	50.4
C and other	919.1	496.2	294.8	156.7	73.8	29.6
Total core managed receivables	7,599.8	3,573.0	2,418.6	1,203.9	482.4	112.3
Other managed receivables ⁽⁴⁾ :						
C and other	165.2	23.9	34.7	23.8	10.0	4.7
Total ending managed receivables	\$ 7,765.0	\$ 3,596.9	\$ 2,453.3	\$ 1,227.7	\$ 492.4	\$ 117.0

⁽¹⁾ Classified based on credit grade assigned when customers were initially approved for financing.

⁽²⁾ Percent of total ending managed receivables.

⁽³⁾ Represents CAF's Tier 1 originations.

⁽⁴⁾ Represents CAF's Tier 2 and Tier 3 originations.

Allowance for Loan Losses. The allowance for loan losses at November 30, 2022 represents the net credit losses expected over the remaining core managed receivables. The allowance for loan losses is determined using a net loss timing curve, primarily based on the composition of the portfolio of core managed receivables, historical gross loss and recovery trends. Due to the fact that losses for receivables with less than 18 months of performance history can be volatile, we weight both historical losses by credit grade at origination and actual loss data on the receivables to-date, along with forward loss curves, in estimating the net loss estimate. Once the receivables have 18 months of performance history, the net loss estimate reflects actual loss experience of those receivables to date, along with forward loss curves to predict future performance. The forward loss curves are constructed using historical performance data and show the average timing of losses over the life of the receivable. The net loss estimate is calculated by applying the loss rates developed using the methods described above to the amortized cost basis of the receivable at the inception of the loan.

The output of the net loss timing curve is adjusted to take into account reasonable and supportable forecasts about the future. Specifically, the changes in gross loss and recovery rates and the National Automobile Dealers Association used vehicle price index are used to predict changes in gross loss and recovery rates, and an adjustment factor, based upon a single macroeconomic scenario, is developed to capture the relationship between changes in these forecasts and actual gross loss and recovery rates. This factor is applied to the output of the net loss timing curve for the reasonable and supportable forecast period of two years. After the two-year period, we revert to historical experience on a straight-line basis over a period of 12 months. We periodically consider whether the use of alternative models improved model performance and revise the models when appropriate. We also consider whether qualitative adjustments are necessary for factors that are not captured by quantitative methods but impact the measurement of estimated credit losses. Such adjustments include the uncertainty of the impacts of recent economic behavior. The change in the allowance for loan losses is recognized through an adjustment to the provision for loan losses.

Allowance for Loan Losses

	Three Months Ended November 30, 2023			
(In millions)	Core	Other	Total	
Balance as of beginning of period	\$ 396.1	\$ 81.4	\$ 477.5	
Charge-offs	(96.3)	(16.3)	(112.6)	
Recoveries	35.7	4.7	40.4	
Provision for loan losses	60.9	24.8	85.7	
Balance as of end of period	\$ 396.4	\$ 94.6	\$ 491.0	

	Three Months Ended November 30, 2022			
(In millions)	Core	Other	Total	
Balance as of beginning of period	\$ 360.0	\$ 38.1	\$ 398.1	
Charge-offs	(61.6)	(6.6)	(68.2)	
Recoveries	18.8	1.6	20.4	
Provision for loan losses	68.5	7.7	76.2	
Balance as of end of period	\$ 385.7	\$ 40.8	\$ 426.5	

	Nine Months Ended November 30, 2023			
(In millions)	Core	Other	Total	
Balance as of beginning of period	\$ 377.5	\$ 55.5	\$ 433.0	
Charge-offs	(241.9)	(35.0)	(276.9)	
Recoveries	104.7	11.2	115.9	
Provision for loan losses	156.1	62.9	219.0	
Balance as of end of period	\$ 396.4	\$ 94.6	\$ 491.0	

	Nine Months Ended November 30, 2022			
(In millions)	Core	Other	Total	
Balance as of beginning of period	\$ 379.4	\$ 31.7	\$ 411.1	
Charge-offs	(140.6)	(13.1)	(153.7)	
Recoveries	76.1	5.7	81.8	
Provision for loan losses	70.8	16.5	87.3	
Balance as of end of period	\$ 385.7	\$ 40.8	\$ 426.5	

⁽¹⁾ Percent of total ending managed receivables.

⁽²⁾ Net of costs incurred to recover vehicle.

During the first nine months of fiscal 2023, the allowance for loan losses increased \$58.0 million, primarily reflecting growth in receivables. The increase in the allowance for loan losses as a percent of total ending managed receivables was primarily driven by the previously disclosed expansion of our Tier 2 and Tier 3 originations with higher risk. Due to the higher risk loss performance was unfavorable compared to the prior year period, the prior year performance fluctuated outside normal expectations. The allowance for loan losses as of November 30, 2022 reflects the historical loss performance experienced prior to the pandemic as well as increases for our Tier 3 expansion and growth.

Past Due Receivables. An account is considered delinquent when the related customer fails to make a substantial portion of a scheduled payment. In general, accounts are charged-off on the last business day of the month during which the earliest of the following occurs: the receivable is 120 days past due as of the last business day of the month, the related vehicle is repossessed and liquidated, or the receivable is otherwise deemed uncollectible. For purposes of determining impairment, auto loans are evaluated collectively, as they represent a large group of smaller-balance homogeneous loans, and the entire group is evaluated for impairment.

Past Due Receivables

As of November 30, 2022

<i>(In millions)</i>	Core Receivables				Other
	A	B	C & Other	Total	Receivables C & Other
Current	\$ 8,340.4	\$ 5,570.5	\$ 1,605.2	\$ 15,516.1	\$ 304.8
Delinquent loans:					
31-60 days past due	21.7	211.9	183.2	416.8	57.3
61-90 days past due	11.6	116.4	122.7	250.7	41.4
Greater than 90 days past due	3.1	27.9	25.7	56.7	8.9
Total past due	36.4	356.2	331.6	724.2	107.6
Total ending managed receivables	\$ 8,376.8	\$ 5,926.7	\$ 1,936.8	\$ 16,240.3	\$ 412.4

As of February 28, 2022

<i>(In millions)</i>	Core Receivables				Other
	A	B	C & Other	Total	Receivables C & Other
Current	\$ 7,711.9	\$ 5,401.3	\$ 1,702.7	\$ 14,815.9	\$ 206.4
Delinquent loans:					
31-60 days past due	25.4	173.3	160.4	359.1	33.0
61-90 days past due	9.2	75.6	85.2	170.0	19.1
Greater than 90 days past due	3.2	19.9	21.9	45.0	3.8
Total past due	37.8	268.8	267.5	574.1	55.9
Total ending managed receivables	\$ 7,749.7	\$ 5,670.1	\$ 1,970.2	\$ 15,390.0	\$ 262.3

(1) Percent of total ending managed receivables.

Derivative Instruments And Hedging Activities

9 Months Ended
Nov. 30, 2022

Derivative Instruments and Hedging Activities

Disclosure [Abstract]

Derivative Instruments And Hedging Activities

Derivative Instruments and Hedging Activities

We use derivatives to manage certain risks arising from both our business operations and economic conditions, particularly with regard to issuances of debt. Primary exposures include LIBOR and other rates used as benchmarks in our securitizations and other debt financing. We enter into derivative instruments to manage exposures related to the future known receipt or payment of uncertain cash amounts, the values of which are impacted by interest rates, and generally designate these derivative instruments as cash flow hedges for accounting purposes. In certain cases, we may choose not to designate a derivative instrument as a cash flow hedge for accounting purposes due to uncertainty around the probability that future hedged transactions will occur. Our derivative instruments are used to manage (i) differences in the amount of our known or expected cash receipts and our known or expected cash payments principally related to the funding of our auto loans receivable, and (ii) exposure to variable interest rates associated with our term loans.

For the derivatives associated with our non-recourse funding vehicles that are designated as cash flow hedges, the changes in fair value are initially recorded in accumulated other comprehensive income (loss) ("AOCI"). For the majority of these derivatives, the amounts are subsequently reclassified into CAF income in the period that the hedged forecasted transaction affects earnings, which occurs as interest expense is recognized on those future issuances of debt. During the next 12 months, we estimate that an additional \$47.2 million will be reclassified from AOCI as an increase to CAF income. Changes in fair value related to derivatives that have not been designated as cash flow hedges for accounting purposes are recognized in the income statement in the period in which the change occurs. For the three and nine months ended November 30, 2022, we recognized income of \$5.0 million and \$23.6 million, respectively, in CAF income representing these changes in fair value.

As of November 30, 2022 and February 28, 2022, we had interest rate swaps outstanding with a combined notional amount of \$4.68 billion and \$3.64 billion, respectively, that were designated as cash flow hedges of interest rate risk. As of November 30, 2022 and February 28, 2022, we had interest rate swaps with a combined notional amount of \$1.11 billion and \$578.3 million, respectively, outstanding that were not designated as cash flow hedges for accounting purposes.

See Note 7 for discussion of fair values of financial instruments and Note 13 for the effect on comprehensive income.

Fair Value Measurements

[Fair Value Disclosures](#)

[\[Abstract\]](#)

[Fair Value Measurements](#)

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or, if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as the "exit price") based on assumptions that market participants would use, including a consideration of nonperformance risk.

We assess the inputs used to measure fair value using the three-tier hierarchy. The hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market.

- Level 1** Inputs include unadjusted quoted prices in active markets for identical assets or liabilities that we can access at the measurement date.
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets in active markets, quoted prices from identical or similar assets in inactive markets, observable inputs, such as interest rates, and market data, including assumptions about risk.
- Level 3** Inputs that are significant to the measurement that are not observable in the market and include management's judgments about the inputs that market participants would use in pricing the asset or liability (including assumptions about risk).

Our fair value processes include controls that are designed to ensure that fair values are appropriate. Such controls include model validation, reconciliation, and analysis of period-over-period fluctuations and reviews by senior management.

Valuation Methodologies

Money Market Securities. Money market securities are cash equivalents, which are included in cash and cash equivalents, restricted cash from operations, and other assets. They consist of highly liquid investments with original maturities of three months or less and are classified as Level 1.

Mutual Fund Investments. Mutual fund investments consist of publicly traded mutual funds that primarily include diversified equity investment funds, domestic and international companies or investment grade debt securities. The investments, which are included in other assets, are held in a pension fund informally our executive deferred compensation plan and are classified as Level 1.

Derivative Instruments. The fair values of our derivative instruments are included in either other current assets, other assets, accounts payable, or other liabilities. Derivatives are not exchange-traded and are over-the-counter customized derivative instruments. All of our derivative exposures are with highly liquid counterparties.

We measure derivative fair values assuming that the unit of account is an individual derivative instrument and that derivatives are sold or transferred in an orderly transaction. We estimate the fair value of our derivatives using quotes determined by the derivative counterparties and third-party valuation services. For interest rate derivatives, we use valuation services and quotes received from bank counterparties project future cash flows and discount the future amounts to a present value using market interest rates and the contractual terms of the derivative instruments. The models do not require significant judgment and model inputs can be observed in a liquid market; however, because the models include inputs other than quoted prices in active markets, all derivatives are classified as Level 2.

Our derivative fair value measurements consider assumptions about counterparty and our own nonperformance risk. We monitor counterparty and our own nonperformance risk and, in the event that we determine that a party is unlikely to perform under terms of the contract, we would adjust the derivative fair value to reflect the risk.

Items Measured at Fair Value on a Recurring Basis

	As of November 30,	
<i>(In thousands)</i>	Level 1	Level 2
Assets:		
Money market securities	\$ 1,261,183	\$ —
Mutual fund investments	21,485	—
Derivative instruments designated as hedges	—	89,485
Derivative instruments not designated as hedges	—	32,922
Total assets at fair value	\$ 1,282,668	\$ 122,407
Percent of total assets at fair value	91.3 %	8.7 %
Percent of total assets	4.9 %	0.5 %
Liabilities:		
Derivative instruments designated as hedges	\$ —	\$ (3,599)
Total liabilities at fair value	\$ —	\$ (3,599)
Percent of total liabilities	— %	— %

	As of February 28, 2022	
<i>(In thousands)</i>	Level 1	Level 2
Assets:		
Money market securities	\$ 701,865	\$ —
Mutual fund investments	24,022	—
Derivative instruments designated as hedges	—	39,452
Derivative instruments not designated as hedges	—	9,339
Total assets at fair value	\$ 725,887	\$ 48,791
Percent of total assets at fair value	93.7 %	6.3 %
Percent of total assets	2.8 %	0.2 %
Liabilities:		
Derivative instruments designated as hedges	\$ —	\$ (1,379)
Total liabilities at fair value	\$ —	\$ (1,379)
Percent of total liabilities	— %	— %

Fair Value of Financial Instruments

The carrying value of our cash and cash equivalents, accounts receivable, other restricted cash deposits and accounts payable approximates fair value due to their short-term nature and/or variable rates associated with these financial instruments. Auto loans receivable are presented net of an allowance for estimated losses and approximates fair value. We believe that the carrying value of our revolving credit facility and term loans approximates fair value due to the variable nature of these obligations. The fair value of our senior unsecured notes, which are not carried at fair value on our consolidated balance sheets, was determined based on quoted market prices. The carrying value and fair value of the senior unsecured notes as of November 30, 2022 and February 28, 2022, are as follows:

<i>(In thousands)</i>	As of November 30, 2022		As of February 28, 2022
Carrying value	\$	500,000	\$
Fair value	\$	474,771	\$

Cancellation Reserves

9 Months Ended
Nov. 30, 2022

[Cancellation Reserves](#)

[\[Abstract\]](#)

[Cancellation Reserves](#)

Cancellation Reserves

We recognize revenue for EPP products, on a net basis, at the time of sale. We also record a reserve, or refund liability, for estimated contract cancellations, as these services may result from early termination by the customer, or default or prepayment on the finance contract. The reserve for cancellations is based on forecasted forward cancellation curves utilizing historical experience, recent trends and credit mix of the customer base.

Cancellation Reserves

<i>(In millions)</i>	Three Months Ended November 30		Nine Months Ended	
	2022	2021	2022	2021
Balance as of beginning of period	\$ 148.8	\$ 144.3	\$ 144.7	\$ 144.7
Cancellations	(25.2)	(25.2)	(80.3)	(80.3)
Provision for future cancellations	20.7	28.7	79.9	79.9
Balance as of end of period	\$ 144.3	\$ 147.8	\$ 144.3	\$ 144.3

The current portion of estimated cancellation reserves is recognized as a component of accrued expenses and other current liabilities with the remainder in other liabilities. As of November 30, 2022 and February 28, 2022, the current portion of cancellation reserves was \$80.4 million and \$78.7 million, respectively.

Income Taxes

9 Months Ended
Nov. 30, 2022

[Income Tax Disclosure](#)

[\[Abstract\]](#)

[Income Taxes](#)

Income Taxes

We had \$26.7 million of gross unrecognized tax benefits as of November 30, 2022, and \$24.8 million as of February 28, 2022. There were no significant changes to the gross unrecognized tax benefits as reported for the fiscal year ended February 28, 2022.

On August 16, 2022, federal legislation commonly referred to as the Inflation Reduction Act of 2022 (“IRA”), was enacted. We have evaluated the tax provisions of the IRA, the most significant of which are the corporate alternative minimum tax and the share repurchase tax. We do not expect the legislation to have a material impact on our results of operations. As the IRS issues additional guidance related to the IRA, we will evaluate any impact to our consolidated financial statements.

Debt

3 Months Ended
Nov. 30, 2022[Debt Disclosure \[Abstract\]](#)[Debt](#)

Debt

(In thousands)

Debt Description ⁽¹⁾	Maturity Date	As of November 30	
		2022	
Revolving credit facility ⁽²⁾	June 2024	\$	—
Term loan ⁽²⁾	June 2024		300,000
Term loan ⁽²⁾	October 2026		699,458
3.86% Senior notes	April 2023		100,000
4.17% Senior notes	April 2026		200,000
4.27% Senior notes	April 2028		200,000
Financing obligations	Various dates through February 2059		517,349
Non-recourse notes payable	Various dates through April 2029		16,237,419
Total debt			18,254,226
Less: current portion			(586,855)
Less: unamortized debt issuance costs			(26,689)
Long-term debt, net		\$	17,640,682

⁽¹⁾ Interest is payable monthly, with the exception of our senior notes, which are payable semi-annually.

⁽²⁾ Borrowings accrue interest at variable rates based on the Eurodollar rate (LIBOR), or the successor benchmark rate, the federal funds rate, or the prime borrowing.

Revolving Credit Facility. Borrowings under our \$2.00 billion unsecured revolving credit facility (the “credit facility”) are available for working capital and general corporate purposes. We pay a commitment fee on the unused portions of the available funds. Borrowings under the credit facility are either due “on demand” or “on a term” basis, depending on the type of borrowing. Borrowings with “on demand” repayment terms are presented as short-term debt, while amounts due at maturity are presented as long-term debt. As of November 30, 2022, the unused capacity of \$2.00 billion was fully available to us.

Term Loans. Borrowings under our \$300 million and \$700 million term loans are available for working capital and general corporate purposes. As of November 30, 2022, the interest rate on term loans was 4.67% as of November 30, 2022, and the loans were classified as long-term debt as no repayments are scheduled to be made within the next 12 months.

Senior Notes. Borrowings under our unsecured senior notes totaling \$500 million are available for working capital and general corporate purposes. One senior note matures in April 2023 and is therefore classified as current. The remaining notes were classified as long-term debt as no repayments are scheduled to be made within the next 12 months.

Financing Obligations. Financing obligations relate to stores subject to sale-leaseback transactions that do not qualify for sale accounting. These obligations are structured at varying interest rates and generally have initial lease terms ranging from 15 to 20 years with payments made monthly. We have not entered into any new sale-leaseback transactions since fiscal 2009. In the event the agreements are modified or extended beyond their original term, the related obligations are measured at the present value of the revised future payments, with a corresponding change to the assets subject to these transactions. Upon modification, the amount of the liability is reset, resulting in more of the payments being applied to interest expense in the initial years following the modification.

Non-Recourse Notes Payable. The non-recourse notes payable relate to auto loans receivable funded through non-recourse funding vehicles. The interest payments on the non-recourse notes payable is based on the timing of principal collections and defaults on the related auto loans receivable. The non-recourse notes payable represents principal payments that are due to be distributed in the following period.

Notes payable related to our asset-backed term funding transactions accrue interest predominantly at fixed rates and have scheduled maturities that range from 12 months to 30 years, with some maturing earlier, depending upon the repayment rate of the underlying auto loans receivable.

Information on our funding vehicles of non-recourse notes payable as of November 30, 2022 are as follows:

(In billions)

Warehouse facilities:	
December 2022 expiration	\$
February 2023 expiration	
August 2023 expiration	
Combined warehouse facility limit	\$
Unused capacity	\$
Non-recourse notes payable outstanding:	
Warehouse facilities	\$
Asset-backed term funding transactions	
Non-recourse notes payable	\$

We generally enter into warehouse facility agreements for one-year terms and typically renew the agreements annually. The return required by investors could fluctuate significantly depending on market conditions. At renewal, the cost, structure and capacity of the facilities could change, which could have a significant impact on our funding costs.

See Note 5 for additional information on the related auto loans receivable.

Capitalized Interest. We capitalize interest in connection with the construction of certain facilities. For the nine months ended November 30, 2022, we capitalized interest of \$3.6 million and \$5.0 million, respectively.

Financial Covenants. The credit facility, term loans and senior note agreements contain representations and warranties, conditions and covenants, including financial covenants in conjunction with certain financing obligations. The agreements governing our non-recourse funding vehicles contain representations and warranties, conditions and covenants, including financial covenants and performance triggers. As of November 30, 2022, we were in compliance with all financial covenants and our non-recourse funding vehicles were in compliance with the related performance triggers.

**Stock and Stock-Based
Incentive Plans**
[Share-Based Payment
Arrangement, Noncash
Expense \[Abstract\]](#)
[Stock and Stock-Based
Incentive Plans](#)

**9 Months Ended
Nov. 30, 2022**

Stock and Stock-Based Incentive Plans

(A) Share Repurchase Program

In April 2022, our board of directors ("board") increased our share repurchase authorization by \$2.0 billion. As of November 30, 2022, a total of \$2.45 billion in share repurchase authorizations for repurchases of our common stock was outstanding, with no expiration date, of which \$2.45 billion remained available for repurchases. All share repurchases were paused during the third quarter of fiscal 2023.

Common Stock Repurchases

	Three Months Ended		Nine Months Ended
	November 30		
	2022	2021	2022
Number of shares repurchased <i>(in thousands)</i>	30.0	851.1	3,000.0
Average cost per share	\$ 87.70	\$ 135.52	\$ 95.00
Available for repurchase, as of end of period <i>(in millions)</i>	\$ 2,451.3	\$ 876.2	\$ 2,451.3

(B) Share-Based Compensation

Composition of Share-Based Compensation Expense

	Three Months Ended		Nine Months Ended
	November 30		
<i>(In thousands)</i>	2022	2021	2022
Cost of sales	\$ 333	\$ 1,896	\$ 1,896
CarMax Auto Finance income	981	1,560	1,560
Selling, general and administrative expenses	17,213	33,328	63,328
Share-based compensation expense, before income taxes	\$ 18,527	\$ 36,784	\$ 66,784

Composition of Share-Based Compensation Expense – By Grant Type

	Three Months Ended		Nine Months Ended
	November 30		
<i>(In thousands)</i>	2022	2021	2022
Nonqualified stock options	\$ 8,968	\$ 7,846	\$ 25,846
Cash-settled restricted stock units (RSUs)	5,167	23,836	15,836
Stock-settled market stock units (MSUs)	3,358	3,171	12,171
Other share-based incentives:			
Stock-settled performance stock units (PSUs)	209	964	5,964
Restricted stock (RSAs)	262	365	1,365
Stock-settled deferred stock units (DSUs)	—	—	1,365
Employee stock purchase plan	563	602	1,962
Total other share-based incentives	\$ 1,034	\$ 1,931	\$ 9,657
Share-based compensation expense, before income taxes	\$ 18,527	\$ 36,784	\$ 66,784

(C) Stock Incentive Plan Information

Share/Unit Activity

<i>(Shares/units in thousands)</i>	Nine Months Ended November 30		
	Equity Classified		
	Options	MSUs	Other
Outstanding as of February 28, 2022	5,796	393	1
Granted	1,285	137	:
Exercised or vested and converted	(208)	(122)	(8)
Cancelled	(48)	(6)	:
Outstanding as of November 30, 2022	6,825	402	1

Weighted average grant date fair value per share/unit:

Granted	\$	33.35	\$	126.59	\$	95.
Ending outstanding	\$	25.69	\$	120.96	\$	99.

	As of November 30, 2022					
Unrecognized compensation <i>(in millions)</i>	\$	59.0	\$	18.2	\$	2

Net Earnings Per Share

9 Months Ended
Nov. 30, 2022

[Earnings Per Share](#)

[\[Abstract\]](#)

[Net Earnings Per Share](#)

Net Earnings Per Share

Basic net earnings per share is computed by dividing net earnings available for basic common shares by the weighted average number of shares outstanding. Diluted net earnings per share is computed by dividing net earnings available for diluted common shares by the sum of weighted average common stock outstanding and dilutive potential common stock. Diluted net earnings per share is calculated using the "if-converted" treasury stock method.

Basic and Dilutive Net Earnings Per Share Reconciliations

	Three Months Ended		
	November 30		
	2022	2021	2020
<i>(In thousands except per share data)</i>			
Net earnings	\$ 37,580	\$ 269,438	\$ 4,934,554
Weighted average common shares outstanding	158,003	162,006	162,006
Dilutive potential common shares:			
Stock options	268	2,373	
Stock-settled stock units and awards	265	494	
Weighted average common shares and dilutive potential common shares	158,536	164,873	162,006
Basic net earnings per share	\$ 0.24	\$ 1.66	\$ 30.46
Diluted net earnings per share	\$ 0.24	\$ 1.63	\$ 30.46

Certain options to purchase shares of common stock were outstanding and not included in the calculation of diluted net earnings per share because their inclusion would have been antidilutive. On a weighted average basis, for the three months ended November 30, 2022, options to purchase 4,934,554 shares and 776,853 shares of common stock, respectively, were not included. For the nine months ended November 30, 2022 and 2021, options to purchase 1,917,727 shares and 701,970 shares of common stock, respectively, were not included.

Accumulated Other
Comprehensive Income
(Loss)

[Comprehensive Income
\(Loss\), Net of Tax,
Attributable to Parent
\[Abstract\]](#)

[Accumulated Other
Comprehensive Loss](#)

9 Months Ended

Nov. 30, 2022

Accumulated Other Comprehensive Income (Loss)

Changes in Accumulated Other Comprehensive Income (Loss) By Component

	Net Unrecognized Actuarial Losses	Net Unrecognized Hedge Gains
<i>(In thousands, net of income taxes)</i>		
Balance as of February 28, 2022	\$ (73,001)	\$ 26,579
Other comprehensive income before reclassifications	—	113,510
Amounts reclassified from accumulated other comprehensive income (loss)	1,444	(11,112)
Other comprehensive income	1,444	102,398
Balance as of November 30, 2022	\$ (71,557)	\$ 128,977

Changes In and Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

	Three Months Ended November 30		Nine Months
	2022	2021	2022
<i>(In thousands)</i>			
Retirement Benefit Plans:			
Actuarial loss amortization reclassifications recognized in net pension expense:			
Cost of sales	\$ 272	\$ 367	\$ 8
CarMax Auto Finance income	19	21	1
Selling, general and administrative expenses	346	481	1,0
Total amortization reclassifications recognized in net pension expense	637	869	1,5
Tax expense	(155)	(210)	(4
Amortization reclassifications recognized in net pension expense, net of tax	482	659	1,5
Net change in retirement benefit plan unrecognized actuarial losses, net of tax	482	659	1,5
Cash Flow Hedges (Note 6):			
Changes in fair value	42,521	11,339	152,2
Tax expense	(10,919)	(2,985)	(39,2
Changes in fair value, net of tax	31,602	8,354	113,3
Reclassifications to CarMax Auto Finance income	(8,965)	4,111	(14,5
Tax benefit (expense)	2,302	(1,082)	3,5
Reclassification of hedge (gains) losses, net of tax	(6,663)	3,029	(11,1
Net change in cash flow hedge unrecognized gains, net of tax	24,939	11,383	102,2
Total other comprehensive income, net of tax	\$ 25,421	\$ 12,042	\$ 103,3

Changes in the funded status of our retirement plans and changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in accumulated other comprehensive income (loss). The cumulative balances are net of deferred taxes of \$21.7 million as of November 30, 2022 and February 28, 2022.

Leases (Notes)

9 Months Ended
Nov. 30, 2022

[Leases \[Abstract\]](#)

[Leases of Lessee Disclosure](#)

[\[Text Block\]](#)

Leases

Our leases primarily consist of operating and finance leases related to retail stores, office space, land and equipment. We also have stores subject to that do not qualify for sale accounting and are accounted for as financing obligations. For more information on these financing obligations see Note 10.

The initial term for real property leases is typically 5 to 20 years. For equipment leases, the initial term generally ranges from 3 to 8 years. Most leases include options to renew, with renewal terms that can extend the lease term from 1 to 20 years or more. We include options to renew (or terminate) in our right-of-use ("ROU") assets and lease liabilities, when it is reasonably certain that we will exercise that option.

ROU assets and the related lease liabilities are initially measured at the present value of future lease payments over the lease term. As most of our leases do not have a readily determinable implicit rate, we use our collateralized incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We include variable lease payments in the initial measurement of ROU assets and lease liabilities only to the extent they depend on an index or rates are accounted for in the period the change occurs, and do not result in the remeasurement of the ROU asset or liability. We are also responsible for payment of certain real estate taxes, insurance and other expenses on our leases. These amounts are generally considered to be variable and are not included in the measurement of the ROU asset and lease liability. We generally account for non-lease components, such as maintenance, separately from lease components. For our leases, we apply a portfolio approach to account for the lease assets and liabilities.

Our lease agreements do not contain any material residual value guarantees or material restricted covenants. Leases with a term of 12 months or less are included in the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term.

The components of lease expense were as follows:

<i>(In thousands)</i>	Three Months Ended November 30		Nine Months Ended			
	2022		2022			
Operating lease cost ⁽¹⁾	\$	22,450	\$	20,581	\$	68,381
Finance lease cost:						
Depreciation of lease assets		4,178		3,383		11,701
Interest on lease liabilities		5,728		4,257		16,129
Total finance lease cost		9,906		7,640		27,830
Total lease cost	\$	32,356	\$	28,221	\$	96,211

⁽¹⁾ Includes short-term leases and variable lease costs, which are immaterial.

Supplemental balance sheet information related to leases was as follows:

<i>(In thousands)</i>	Classification	As of November 30		
		2022		
Assets:				
Operating lease assets	Operating lease assets	\$	529,781	\$
Finance lease assets	Property and equipment, net ⁽¹⁾		146,826	
Total lease assets		\$	676,607	\$
Liabilities:				
Current:				
Operating leases	Current portion of operating lease liabilities	\$	51,215	\$
Finance leases	Accrued expenses and other current liabilities		18,152	
Long-term:				
Operating leases	Operating lease liabilities, excluding current portion		509,106	
Finance leases	Other liabilities		162,264	
Total lease liabilities		\$	740,737	\$

⁽¹⁾ Finance lease assets are recorded net of accumulated depreciation of \$42.4 million as of November 30, 2022 and \$30.7 million as of February 28, 2022.

Lease term and discount rate information related to leases was as follows:

Lease Term and Discount Rate	As of November 30
	2022
Weighted Average Remaining Lease Term (in years)	
Operating leases	16.68
Finance leases	11.02
Weighted Average Discount Rate	
Operating leases	4.84 %
Finance leases	19.50 %

Supplemental cash flow information related to leases was as follows:

<i>(In thousands)</i>	Nine Months Ended No	
	2022	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	67,675 \$
Operating cash flows from finance leases	\$	12,747 \$
Financing cash flows from finance leases	\$	10,056 \$
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$	29,027 \$
Finance leases	\$	31,344 \$

Maturities of lease liabilities were as follows:

<i>(In thousands)</i>	As of November 30,	
	Operating Leases ⁽¹⁾	
Fiscal 2023, remaining	\$	18,699 \$
Fiscal 2024		76,168
Fiscal 2025		74,353
Fiscal 2026		68,771
Fiscal 2027		62,201
Thereafter		578,907
Total lease payments		879,099
Less: interest		(318,778)
Present value of lease liabilities	\$	560,321 \$

⁽¹⁾ Lease payments exclude \$31.3 million of legally binding minimum lease payments for leases signed but not yet commenced.

Contingent Liabilities

9 Months Ended

Nov. 30, 2022

[Commitments and Contingencies Disclosure](#)

[\[Abstract\]](#)

[Contingent Liabilities](#)

Contingent Liabilities

Litigation. CarMax entities are defendants in a proceeding asserting wage and hour claims with respect to non-exempt CarMax employees in California. The asserted claims include failure to provide meal periods and rest breaks; pay statutory or contractual wages; reimburse for work-related expenses; and Private Attorneys General Act (“PAGA”) claims. On July 9, 2021, Daniel Bendure v. CarMax Auto Superstores California, LLC et al., a putative class action, was filed in the Superior Court of California, County of San Bernardino. The Bendure lawsuit seeks civil penalties for violation of the Labor Code, attorneys’ fees, costs, restitution of unpaid wages, interest, injunctive and equitable relief, general damages, and special damages. Bendure subsequently decided not to proceed with an individual or putative class claim, but rather filed and served a PAGA-only complaint in the Superior Court of California for the County of San Bernardino on December 7, 2021, based on the same allegations pled in the original complaint. CarMax filed a motion to compel arbitration. The Court has stayed all discovery until after it rules on CarMax’s motion to compel arbitration.

On June 15, 2022, the United States Supreme Court issued its decision in *Viking River Cruises v. Moriana*, holding that an individual who signs an arbitration agreement cannot circumvent that agreement by filing a related PAGA claim in court. The U.S. Supreme Court further held that, based on California law, an individual who pursues his PAGA claim in arbitration does not have standing to pursue a representative PAGA claim. However, the U.S. Supreme Court indicated that the issue of whether an individual has standing to pursue a representative PAGA claim is a question of state law. The California Supreme Court has agreed to hear a new case, *Adolph v. Uber*, to address this issue of state law, which is expected to be decided in 2023.

In light of the *Viking River* decision, CarMax filed a motion to compel arbitration of the individual Bendure claim and to dismiss Bendure’s representative PAGA claims. On November 29, 2022, the Court granted the motion to compel arbitration of the Bendure individual PAGA claims and stayed the motion to dismiss any representative PAGA claims pending the *Adolph v. Uber* decision.

We are unable to make a reasonable estimate of the amount or range of loss that could result from an unfavorable outcome in this matter.

We are involved in various other legal proceedings in the normal course of business. Based upon our evaluation of information currently available, we believe that the ultimate resolution of any such proceedings will not have a material adverse effect, either individually or in the aggregate, on our financial condition, results of operations or cash flows.

Other Matters. In accordance with the terms of real estate lease agreements, we generally agree to indemnify the lessor from certain liabilities arising as a result of the use of the leased premises, including environmental liabilities and repairs to leased property upon termination of the lease. Additionally, in accordance with the terms of agreements entered into for the sale of properties, we generally agree to indemnify the buyer from certain liabilities and costs arising subsequent to the date of the sale, including environmental liabilities and liabilities resulting from the breach of representations or warranties made in accordance with the agreements. We do not

have any known material environmental commitments, contingencies or other indemnification issues arising from these arrangements.

As part of our customer service strategy, we guarantee the used vehicles we retail with a 90-day/4,000 mile limited warranty. A vehicle in need of repair within this period will be repaired free of charge. As a result, each vehicle sold has an implied liability associated with it. Accordingly, based on historical trends, we record a provision for estimated future repairs during the guarantee period for each vehicle sold. The liability for this guarantee was \$26.0 million as of November 30, 2022, and \$18.5 million as of February 28, 2022, and is included in accrued expenses and other current liabilities.

Segment Reporting

9 Months Ended

Nov. 30, 2022

[Segment Reporting](#)

[\[Abstract\]](#)

[Segment Reporting Disclosure](#) Segment Information

We operate in two reportable segments: CarMax Sales Operations and CAF. Our CarMax Sales Operations segment consists of all aspects of our service operations, excluding financing provided by CAF. Our CAF segment consists solely of our own finance operation that provides financing vehicles from CarMax.

We also have a non-reportable operating segment related to our recently acquired Edmunds business, which is reflected as "Other" in the segment generated by Edmunds primarily represents advertising and subscription revenues as discussed in Note 3. Edmunds also generates intersegment transactions between Edmunds and CarMax Sales Operations, which represent arm's length transactions at prevailing market prices. Such consolidation.

The performance of our CarMax Sales Operations segment is reviewed by our chief operating decision maker at the gross profit level, the components in the tables below. Required segment information related to our CAF segment is presented in Note 4. Additionally, asset information by segment of assessing performance or allocating resources and, as a result, such information has not been presented.

Segment Information

<i>(In thousands)</i>	Three Months Ended November 30, 2022		
	CarMax Sales Operations	Other	Eliminations
Sales and operating revenues	\$ 6,472,702	\$ 33,254	\$ —
Intersegment sales and operating revenues	—	5,549	(5,549)
Total sales and operating revenues	\$ 6,472,702	\$ 38,803	\$ (5,549)
Depreciation and amortization ⁽¹⁾	\$ 404	\$ 3,735	\$ —
Gross profit	\$ 554,057	\$ 23,780	\$ (1,149)
Reconciliation to Consolidated Earnings Before Taxes:			
CAF Income			
Selling, general and administrative expenses			
Depreciation and amortization ⁽²⁾			
Interest expense			
Other income (expense)			
Earnings before income taxes			

<i>(In thousands)</i>	Nine Months Ended November 30, 2022		
	CarMax Sales Operations	Other	Eliminations
Sales and operating revenues	\$ 23,860,462	\$ 101,818	\$ —
Intersegment sales and operating revenues	—	20,219	(20,219)
Total sales and operating revenues	\$ 23,860,462	\$ 122,037	\$ (20,219)
Depreciation and amortization ⁽¹⁾	\$ 1,092	\$ 10,899	\$ —
Gross profit	\$ 2,115,631	\$ 77,869	\$ (4,276)
Reconciliation to Consolidated Earnings Before Taxes:			
CAF Income			
Selling, general and administrative expenses			
Depreciation and amortization ⁽²⁾			
Interest expense			
Other income (expense)			
Earnings before income taxes			\$

⁽¹⁾ Represents only the portion of depreciation and amortization recorded within Cost of sales, and thus included in the calculation of Gross profit.

⁽²⁾ Exclusive of depreciation and amortization recorded within Cost of sales.

Background Basis of Accounting (Policies)

9 Months Ended
Nov. 30, 2022

[Organization, Consolidation and Presentation of](#)

[Financial Statements](#)

[\[Abstract\]](#)

[Background](#)

Business. CarMax, Inc. (“we,” “our,” “us,” “CarMax” and “the company”), including its wholly owned subsidiaries, is the nation’s largest retailer of used vehicles. We operate in two reportable segments: CarMax Sales Operations and CarMax Auto Finance (“CAF”). Our CarMax Sales Operations segment consists of all aspects of our auto merchandising and service operations, excluding financing provided by CAF. Our CAF segment consists solely of our own finance operation that provides financing to customers buying retail vehicles from CarMax. On June 1, 2021, we completed the acquisition of Edmunds Holding Company (“Edmunds”), which does not meet the quantitative thresholds to be considered a reportable segment. See Note 17 for additional information on our reportable segments and Note 2 for additional information regarding our acquisition of Edmunds.

We deliver an unrivaled customer experience by offering a broad selection of quality used vehicles and related products and services at competitive, no-haggle prices using a customer-friendly sales process. Our omni-channel platform, which gives us the largest addressable market in the used car industry, empowers our retail customers to buy a car on their terms – online, in-store or an integrated combination of both. We offer customers a range of related products and services, including the appraisal and purchase of vehicles directly from consumers; the financing of retail vehicle purchases through CAF and third-party finance providers; the sale of extended protection plan (“EPP”) products, which include extended service plans (“ESPs”) and guaranteed asset protection (“GAP”); and vehicle repair service. Vehicles purchased through the appraisal process that do not meet our retail standards are sold to licensed dealers through on-site or virtual wholesale auctions.

[Basis of Presentation](#)

Basis of Presentation and Use of Estimates. The accompanying interim unaudited consolidated financial statements include the accounts of CarMax and our wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. These interim unaudited consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, such interim consolidated financial statements reflect all normal recurring adjustments considered necessary to present fairly the financial position and the results of operations and cash flows for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full fiscal year.

The accounting policies followed in the presentation of our interim financial results are consistent with those included in the company’s Annual Report on Form 10-K for the fiscal year ended February 28, 2022 (the “2022 Annual Report”), with the exception of those related to recent accounting pronouncements adopted in the current fiscal year. These interim unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in our 2022 Annual Report.

[Use of Estimates](#)

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. In particular, the novel coronavirus (“COVID-19”) pandemic and the resulting adverse impacts to global economic conditions, as well as our operations, may impact future estimates including, but not limited to, our allowance for loan losses, inventory valuations, fair value measurements, downward adjustments to investments in equity securities, asset impairment charges, the effectiveness of the company’s hedging instruments, deferred tax valuation allowances, cancellation reserves, actuarial losses on our retirement benefit plans and discount rate assumptions. Certain prior year amounts have been reclassified to conform to the current year’s presentation. Amounts and percentages may not total due to rounding.

[Recent Accounting Pronouncements](#)

Effective in Future Periods

In September 2022, the Financial Accounting Standards Board (“FASB”) issued an accounting pronouncement (ASU 2022-04) related to disclosure requirements for buyers in supplier finance programs. The amendments in the update require that buyers disclose qualitative and quantitative information about their supplier finance programs. Interim and annual requirements include disclosure of outstanding amounts under the obligations as of the end of the reporting period, and annual requirements include a rollforward of those obligations for the annual reporting period, as well as a description of payment and other key terms of the programs. This update is effective for annual periods beginning after December 15, 2022, and interim periods within those fiscal years, except for the requirement to disclose rollforward information, which is effective for fiscal years beginning after December 15, 2023. We plan to adopt this pronouncement for our fiscal year beginning March 1, 2023, and we do not expect it to have a material effect on our consolidated financial statements.

**Business Combinations and
Asset Acquisitions (Tables)**

Jun. 01, 2021

**Business Combination and
Asset Acquisition [Abstract]**

**Schedule of purchase
consideration**

(In thousands)

Total cash consideration for outstanding shares
Fair value of common stock ⁽¹⁾
Fair value of preexisting relationship
Total

⁽¹⁾ Represents the issuance of 776,097 shares of CarMax common stock to Edmunds equity holders, the fair value of which was based on the market value of CarMax common stock at the market close on the acquisition date (June 1, 2021).

**Schedule of Recognized
Identified Assets Acquired and
Liabilities Assumed**

(In thousands)

Cash
Accounts receivable, net
Other current assets
Property and equipment, net
Goodwill ⁽¹⁾
Intangible assets
Operating lease assets
Other assets
Total assets acquired

Accounts payable
Accrued expenses and other current liabilities
Current portion of operating lease liabilities
Deferred income taxes ⁽¹⁾
Operating lease liabilities, excluding current portion
Total liabilities assumed
Net assets acquired

(1) During the third quarter of fiscal 2022, we obtained new information about facts and circumstances that existed as of the acquisition date which resulted in a change in the fair value of assets and liabilities recognized. The adjustments were primarily related to development tax credits, which resulted in a decrease in goodwill and a decrease in deferred income taxes of \$8.4 million.

**Finite-Lived and Indefinite-
Lived Intangible Assets
Acquired as Part of Business
Combination**

(In thousands)

	Useful Life (Years)	
Trade name	Indefinite	\$
Internally developed software	7	
Customer relationships	17	
Identifiable intangible assets		\$

Revenue (Tables)

9 Months Ended
Nov. 30, 2022

[Revenue from Contract with Customer \[Abstract\]](#)

[Disaggregation of Revenue](#)

Disaggregation of Revenue

<i>(In millions)</i>	Three Months Ended November 30			Nine Months Ended
	2022	2021	2022	2022
Used vehicle sales	\$ 5,204.6	\$ 6,435.6	\$	18,503.2
Wholesale vehicle sales	1,152.2	1,922.3		4,959.1
Other sales and revenues:				
Extended protection plan revenues	91.8	106.6		318.1
Third-party finance income/(fees), net	1.0	1.6		7.1
Advertising & subscription revenues ⁽¹⁾	33.3	33.3		101.9
Service revenues	19.6	19.7		60.8
Other	3.5	8.7		12.3
Total other sales and revenues	149.2	169.9		500.2
Total net sales and operating revenues	\$ 6,506.0	\$ 8,527.8	\$	23,962.4

⁽¹⁾ Excludes intersegment sales and operating revenues that have been eliminated in consolidation. See Note 17 for further details.

CarMax Auto Finance
(Tables)

9 Months Ended
Nov. 30, 2022

[CarMax Auto Finance
Income \[Abstract\]](#)

[Components Of CarMax Auto
Finance Income](#) Components of CAF Income

<i>(In millions)</i>	Three Months Ended November 30				Nine Months Ended	
	2022	% ⁽¹⁾	2021	% ⁽¹⁾	2022	% ⁽¹⁾
Interest margin:						
Interest and fee income	\$ 365.4	8.8	\$ 330.0	8.6	\$ 1,069.3	8.8
Interest expense	(88.8)	(2.1)	(53.6)	(1.4)	(200.1)	(1.6)
Total interest margin	276.6	6.7	276.4	7.2	869.2	7.2
Provision for loan losses	(85.7)	(2.1)	(76.2)	(2.0)	(219.0)	(1.8)
Total interest margin after provision for loan losses	190.9	4.6	200.2	5.2	650.2	5.4
Direct expenses:						
Payroll and fringe benefit expense	(16.1)	(0.4)	(12.7)	(0.3)	(46.7)	(0.4)
Depreciation and amortization	(4.0)	(0.1)	(2.4)	(0.1)	(11.6)	(0.1)
Other direct expenses	(18.7)	(0.5)	(19.2)	(0.5)	(52.4)	(0.4)
Total direct expenses	(38.8)	(0.9)	(34.3)	(0.9)	(110.7)	(0.9)
CarMax Auto Finance income	\$ 152.2	3.7	\$ 166.0	4.3	\$ 539.5	4.4
Total average managed receivables	\$ 16,540.2		\$ 15,288.8		\$ 16,177.8	

(1) Annualized percentage of total average managed receivables.

**Auto Loan Receivables
(Tables)**

**9 Months Ended
Nov. 30, 2022**

[Receivables \[Abstract\]](#)

[Auto Loan Receivables, Net](#)

Auto Loans Receivable, Net

	As of November 30	
	2022	
<i>(In millions)</i>		
Asset-backed term funding	\$	12,342.0 \$
Warehouse facilities		3,420.9
Overcollateralization ⁽¹⁾		688.1
Other managed receivables ⁽²⁾		201.7
Total ending managed receivables		16,652.7
Accrued interest and fees		83.3
Other		(4.2)
Less: allowance for loan losses		(491.0)
Auto loans receivable, net	\$	16,240.8 \$

⁽¹⁾ Represents receivables restricted as excess collateral for the non-recourse funding vehicles.

⁽²⁾ Other managed receivables includes receivables not funded through the non-recourse funding vehicles.

[Ending Managed Receivables
By Major Credit Grade](#)

Ending Managed Receivables by Major Credit Grade

	As of November 30, 2022					
	Fiscal Year of Origination ⁽¹⁾					
<i>(In millions)</i>	2023	2022	2021	2020	2019	Prior to 2019
Core managed receivables ⁽²⁾ :						
A	\$ 3,154.3	\$ 2,815.6	\$ 1,252.9	\$ 800.6	\$ 290.0	\$ 63.4
B	2,079.9	2,020.1	907.2	564.1	268.0	87.4
C and other	595.5	667.8	350.1	194.4	90.7	38.3
Total core managed receivables	5,829.7	5,503.5	2,510.2	1,559.1	648.7	189.1
Other managed receivables ⁽⁴⁾ :						
C and other	222.4	127.2	16.9	23.8	15.5	6.6
Total ending managed receivables	\$ 6,052.1	\$ 5,630.7	\$ 2,527.1	\$ 1,582.9	\$ 664.2	\$ 195.7

	As of February 28, 2022					
	Fiscal Year of Origination ⁽¹⁾					
<i>(In millions)</i>	2022	2021	2020	2019	2018	Prior to 2018
Core managed receivables ⁽²⁾ :						
A	\$ 3,885.5	\$ 1,788.3	\$ 1,266.1	\$ 574.1	\$ 203.4	\$ 32.3
B	2,795.2	1,288.5	857.7	473.1	205.2	50.4
C and other	919.1	496.2	294.8	156.7	73.8	29.6
Total core managed receivables	7,599.8	3,573.0	2,418.6	1,203.9	482.4	112.3
Other managed receivables ⁽⁴⁾ :						
C and other	165.2	23.9	34.7	23.8	10.0	4.7
Total ending managed receivables	\$ 7,765.0	\$ 3,596.9	\$ 2,453.3	\$ 1,227.7	\$ 492.4	\$ 117.0

⁽¹⁾ Classified based on credit grade assigned when customers were initially approved for financing.

⁽²⁾ Percent of total ending managed receivables.

⁽³⁾ Represents CAF's Tier 1 originations.

⁽⁴⁾ Represents CAF's Tier 2 and Tier 3 originations.

[Allowance For Loan Losses](#)

Allowance for Loan Losses

	Three Months Ended November 30, 2022				
(In millions)	Core		Other		Total
Balance as of beginning of period	\$	396.1	\$	81.4	\$ 477.5
Charge-offs		(96.3)		(16.3)	(112.6)
Recoveries		35.7		4.7	40.4
Provision for loan losses		60.9		24.8	85.7
Balance as of end of period	\$	396.4	\$	94.6	\$ 491.0

	Three Months Ended November 30, 2021				
(In millions)	Core		Other		Total
Balance as of beginning of period	\$	360.0	\$	38.1	\$ 398.1
Charge-offs		(61.6)		(6.6)	(68.2)
Recoveries		18.8		1.6	20.4
Provision for loan losses		68.5		7.7	76.2
Balance as of end of period	\$	385.7	\$	40.8	\$ 426.5

	Nine Months Ended November 30, 2022				
(In millions)	Core		Other		Total
Balance as of beginning of period	\$	377.5	\$	55.5	\$ 433.0
Charge-offs		(241.9)		(35.0)	(276.9)
Recoveries		104.7		11.2	115.9
Provision for loan losses		156.1		62.9	219.0
Balance as of end of period	\$	396.4	\$	94.6	\$ 491.0

	Nine Months Ended November 30, 2021				
(In millions)	Core		Other		Total
Balance as of beginning of period	\$	379.4	\$	31.7	\$ 411.1
Charge-offs		(140.6)		(13.1)	(153.7)
Recoveries		76.1		5.7	81.8
Provision for loan losses		70.8		16.5	87.3
Balance as of end of period	\$	385.7	\$	40.8	\$ 426.5

⁽¹⁾ Percent of total ending managed receivables.

⁽²⁾ Net of costs incurred to recover vehicle.

Past Due Receivables

Past Due Receivables

	As of November 30, 2022					
	Core Receivables				Other Receivables	
(In millions)	A	B	C & Other	Total	C & Other	
Current	\$ 8,340.4	\$ 5,570.5	\$ 1,605.2	\$ 15,516.1	\$ 304.8	\$
Delinquent loans:						
31-60 days past due	21.7	211.9	183.2	416.8	57.3	
61-90 days past due	11.6	116.4	122.7	250.7	41.4	
Greater than 90 days past due	3.1	27.9	25.7	56.7	8.9	
Total past due	36.4	356.2	331.6	724.2	107.6	
Total ending managed receivables	\$ 8,376.8	\$ 5,926.7	\$ 1,936.8	\$ 16,240.3	\$ 412.4	\$

As of February 28, 2022

<i>(In millions)</i>	Core Receivables				Other
	A	B	C & Other	Total	Receivables C & Other
Current	\$ 7,711.9	\$ 5,401.3	\$ 1,702.7	\$ 14,815.9	\$ 206.4
Delinquent loans:					
31-60 days past due	25.4	173.3	160.4	359.1	33.0
61-90 days past due	9.2	75.6	85.2	170.0	19.1
Greater than 90 days past due	3.2	19.9	21.9	45.0	3.8
Total past due	37.8	268.8	267.5	574.1	55.9
Total ending managed receivables	\$ 7,749.7	\$ 5,670.1	\$ 1,970.2	\$ 15,390.0	\$ 262.3

(1) Percent of total ending managed receivables.

**Fair Value Measurements
(Tables)**

**9 Months Ended
Nov. 30, 2022**

[Fair Value Disclosures
\[Abstract\]](#)

[Schedule Of Items Measured
At Fair Value On A Recurring
Basis](#)

Items Measured at Fair Value on a Recurring Basis

<i>(In thousands)</i>	As of November 30,	
	Level 1	Level 2
Assets:		
Money market securities	\$ 1,261,183	\$ —
Mutual fund investments	21,485	—
Derivative instruments designated as hedges	—	89,485
Derivative instruments not designated as hedges	—	32,922
Total assets at fair value	\$ 1,282,668	\$ 122,407
Percent of total assets at fair value	91.3 %	8.7 %
Percent of total assets	4.9 %	0.5 %
Liabilities:		
Derivative instruments designated as hedges	\$ —	\$ (3,599)
Total liabilities at fair value	\$ —	\$ (3,599)
Percent of total liabilities	— %	— %

<i>(In thousands)</i>	As of February 28,	
	Level 1	Level 2
Assets:		
Money market securities	\$ 701,865	\$ —
Mutual fund investments	24,022	—
Derivative instruments designated as hedges	—	39,452
Derivative instruments not designated as hedges	—	9,339
Total assets at fair value	\$ 725,887	\$ 48,791
Percent of total assets at fair value	93.7 %	6.3 %
Percent of total assets	2.8 %	0.2 %
Liabilities:		
Derivative instruments designated as hedges	\$ —	\$ (1,379)
Total liabilities at fair value	\$ —	\$ (1,379)
Percent of total liabilities	— %	— %

[Schedule of Carrying Values
and Estimated Fair Values of
Debt Instruments \[Table Text
Block\]](#)

<i>(In thousands)</i>	As of November 30, 2022	
	As of	As of
Carrying value	\$ 500,000	\$
Fair value	\$ 474,771	\$

**Cancellation Reserves
(Tables)**

**9 Months Ended
Nov. 30, 2022**

[Cancellation Reserves](#)

[\[Abstract\]](#)

[Schedule Of Cancellation
Reserves Accrual](#)

Cancellation Reserves

<i>(In millions)</i>	Three Months Ended November 30		Nine Months Ended	
	2022	2021	2022	2021
Balance as of beginning of period	\$ 148.8	\$ 144.3	\$ 144.7	\$ 144.7
Cancellations	(25.2)	(25.2)	(80.3)	(80.3)
Provision for future cancellations	20.7	28.7	79.9	79.9
Balance as of end of period	\$ 144.3	\$ 147.8	\$ 144.3	\$ 144.3

Debt (Tables)

9 Months Ended
Nov. 30, 2022[Debt Disclosure \[Abstract\]](#)
[Schedule Of Debt](#)*(In thousands)*As of November 30
2022

Debt Description ⁽¹⁾	Maturity Date		
Revolving credit facility ⁽²⁾	June 2024	\$	—
Term loan ⁽²⁾	June 2024		300,000
Term loan ⁽²⁾	October 2026		699,458
3.86% Senior notes	April 2023		100,000
4.17% Senior notes	April 2026		200,000
4.27% Senior notes	April 2028		200,000
Financing obligations	Various dates through February 2059		517,349
Non-recourse notes payable	Various dates through April 2029		16,237,419
Total debt			18,254,226
Less: current portion			(586,855)
Less: unamortized debt issuance costs			(26,689)
Long-term debt, net		\$	17,640,682

⁽¹⁾ Interest is payable monthly, with the exception of our senior notes, which are payable semi-annually.⁽²⁾ Borrowings accrue interest at variable rates based on the Eurodollar rate (LIBOR), or the successor benchmark rate, the federal funds rate, or the prime borrowing.[Schedule of Funding Vehicles](#)
[\[Table Text Block\]](#)*(In billions)*

Warehouse facilities:	
December 2022 expiration	\$
February 2023 expiration	
August 2023 expiration	
Combined warehouse facility limit	\$
Unused capacity	\$
Non-recourse notes payable outstanding:	
Warehouse facilities	\$
Asset-backed term funding transactions	
Non-recourse notes payable	\$

**Stock and Stock-Based
Incentive Plans (Tables)**

**9 Months Ended
Nov. 30, 2022**

[Share-Based Payment
Arrangement, Noncash
Expense \[Abstract\]](#)

[Schedule of Common Stock
Repurchases](#)

Common Stock Repurchases

	Three Months Ended			2022	2021	2022
	November 30					
Number of shares repurchased <i>(in thousands)</i>		30.0			851.1	3,4
Average cost per share	\$	87.70	\$		135.52	\$ 9
Available for repurchase, as of end of period <i>(in millions)</i>	\$	2,451.3	\$		876.2	\$ 2,4

[Composition of Share-Based
Compensation Expense](#)

Composition of Share-Based Compensation Expense

	Three Months Ended			2022	2021	2022
	November 30					
<i>(In thousands)</i>						
Cost of sales	\$	333	\$		1,896	\$ 1
CarMax Auto Finance income		981			1,560	1
Selling, general and administrative expenses		17,213			33,328	63
Share-based compensation expense, before income taxes	\$	18,527	\$		36,784	\$ 66

[Composition Of Share-Based
Compensation Expense - By
Grant Type](#)

Composition of Share-Based Compensation Expense – By Grant Type

	Three Months Ended			2022	2021	2022
	November 30					
<i>(In thousands)</i>						
Nonqualified stock options	\$	8,968	\$		7,846	\$ 29
Cash-settled restricted stock units (RSUs)		5,167			23,836	15
Stock-settled market stock units (MSUs)		3,358			3,171	12
Other share-based incentives:						
Stock-settled performance stock units (PSUs)		209			964	5
Restricted stock (RSAs)		262			365	1
Stock-settled deferred stock units (DSUs)		—			—	1
Employee stock purchase plan		563			602	1
Total other share-based incentives	\$	1,034	\$		1,931	\$ 9
Share-based compensation expense, before income taxes	\$	18,527	\$		36,784	\$ 66

[Schedule of Stock Incentive
Plan Information](#)

Share/Unit Activity

<i>(Shares/units in thousands)</i>	Nine Months Ended November 30		
	Equity Classified		
	Options	MSUs	Other
Outstanding as of February 28, 2022	5,796	393	1
Granted	1,285	137	:
Exercised or vested and converted	(208)	(122)	(8)
Cancelled	(48)	(6)	:
Outstanding as of November 30, 2022	6,825	402	1

Weighted average grant date fair value per share/unit:

Granted	\$	33.35	\$	126.59	\$	95.
Ending outstanding	\$	25.69	\$	120.96	\$	99.

	As of November 30, 2022					
Unrecognized compensation <i>(in millions)</i>	\$	59.0	\$	18.2	\$	2

Net Earnings Per Share
(Tables)

9 Months Ended
Nov. 30, 2022

[Earnings Per Share
\[Abstract\]](#)

[Basic And Dilutive Net
Earnings Per Share
Reconciliations](#)

Basic and Dilutive Net Earnings Per Share Reconciliations

	Three Months Ended		
	November 30		
	2022	2021	202
<i>(In thousands except per share data)</i>			
Net earnings	\$ 37,580	\$ 269,438	\$ 4
Weighted average common shares outstanding	158,003	162,006	1
Dilutive potential common shares:			
Stock options	268	2,373	
Stock-settled stock units and awards	265	494	
Weighted average common shares and dilutive potential common shares	158,536	164,873	1
Basic net earnings per share	\$ 0.24	\$ 1.66	\$
Diluted net earnings per share	\$ 0.24	\$ 1.63	\$

Accumulated Other
Comprehensive Income
(Loss) (Tables)

9 Months Ended

Nov. 30, 2022

[Comprehensive Income
\(Loss\), Net of Tax,
Attributable to Parent
\[Abstract\]](#)

[Changes In Accumulated
Other Comprehensive Loss By
Component](#)

Changes in Accumulated Other Comprehensive Income (Loss) By Component

	Net Unrecognized Actuarial Losses	Net Unrecognized Hedge Gains
<i>(In thousands, net of income taxes)</i>		
Balance as of February 28, 2022	\$ (73,001)	\$ 26,579
Other comprehensive income before reclassifications	—	113,510
Amounts reclassified from accumulated other comprehensive income (loss)	1,444	(11,112)
Other comprehensive income	1,444	102,398
Balance as of November 30, 2022	\$ (71,557)	\$ 128,977

[Changes In And
Reclassifications Out Of
Accumulated Other
Comprehensive Loss](#)

Changes In and Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

	Three Months Ended November 30		Nine Months
<i>(In thousands)</i>	2022	2021	2022
Retirement Benefit Plans:			
Actuarial loss amortization reclassifications recognized in net pension expense:			
Cost of sales	\$ 272	\$ 367	\$ 8
CarMax Auto Finance income	19	21	1,000
Selling, general and administrative expenses	346	481	1,000
Total amortization reclassifications recognized in net pension expense	637	869	1,000
Tax expense	(155)	(210)	(4,000)
Amortization reclassifications recognized in net pension expense, net of tax	482	659	1,000
Net change in retirement benefit plan unrecognized actuarial losses, net of tax	482	659	1,000
Cash Flow Hedges (Note 6):			
Changes in fair value	42,521	11,339	152,000
Tax expense	(10,919)	(2,985)	(39,000)
Changes in fair value, net of tax	31,602	8,354	113,000
Reclassifications to CarMax Auto Finance income	(8,965)	4,111	(14,000)
Tax benefit (expense)	2,302	(1,082)	3,000
Reclassification of hedge (gains) losses, net of tax	(6,663)	3,029	(11,000)
Net change in cash flow hedge unrecognized gains, net of tax	24,939	11,383	102,000
Total other comprehensive income, net of tax	\$ 25,421	\$ 12,042	\$ 103,000

Leases (Tables)

9 Months Ended
Nov. 30, 2022

[Leases \[Abstract\]](#)

[Lease, Cost \[Table Text Block\]](#)

(In thousands)	Three Months Ended November 30		Nine Months Ended	
	2022	2021	2022	
Operating lease cost ⁽¹⁾	\$ 22,450	\$ 20,581	\$ 68,381	
Finance lease cost:				
Depreciation of lease assets	4,178	3,383	11,701	
Interest on lease liabilities	5,728	4,257	16,129	
Total finance lease cost	9,906	7,640	27,830	
Total lease cost	\$ 32,356	\$ 28,221	\$ 96,211	

⁽¹⁾ Includes short-term leases and variable lease costs, which are immaterial.

[Supplemental Balance Sheet Disclosures \[Text Block\]](#)

(In thousands)	Classification	As of November 30	
		2022	
Assets:			
Operating lease assets	Operating lease assets	\$ 529,781	\$
Finance lease assets	Property and equipment, net ⁽¹⁾	146,826	
Total lease assets		\$ 676,607	\$
Liabilities:			
Current:			
Operating leases	Current portion of operating lease liabilities	\$ 51,215	\$
Finance leases	Accrued expenses and other current liabilities	18,152	
Long-term:			
Operating leases	Operating lease liabilities, excluding current portion	509,106	
Finance leases	Other liabilities	162,264	
Total lease liabilities		\$ 740,737	\$

⁽¹⁾ Finance lease assets are recorded net of accumulated depreciation of \$42.4 million as of November 30, 2022 and \$30.7 million as of February 28, 2022.

[Other Lease Disclosures \[Table Text Block\]](#)

Lease Term and Discount Rate	As of November 30	
	2022	
Weighted Average Remaining Lease Term (in years)		
Operating leases	16.68	
Finance leases	11.02	
Weighted Average Discount Rate		
Operating leases	4.84 %	
Finance leases	19.50 %	
Nine Months Ended No		
(In thousands) 2022		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 67,675	\$
Operating cash flows from finance leases	\$ 12,747	\$
Financing cash flows from finance leases	\$ 10,056	\$
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$ 29,027	\$
Finance leases	\$ 31,344	\$

[Schedule Of Future Minimum Lease Obligations \[Table Text Block\]](#)

	As of November 30,	
<i>(In thousands)</i>	Operating Leases ⁽¹⁾	
Fiscal 2023, remaining	\$	18,699 \$
Fiscal 2024		76,168
Fiscal 2025		74,353
Fiscal 2026		68,771
Fiscal 2027		62,201
Thereafter		578,907
Total lease payments		879,099
Less: interest		(318,778)
Present value of lease liabilities	\$	560,321 \$

⁽¹⁾ Lease payments exclude \$31.3 million of legally binding minimum lease payments for leases signed but not yet commenced.

Segment Reporting (Tables)

9 Months Ended
Nov. 30, 2022

[Segment Reporting \[Abstract\]](#)
[Schedule of Segment Reporting Information, by Segment](#)

Three Months Ended November 30, 2022

<i>(In thousands)</i>	CarMax Sales		
	Operations	Other	Eliminations
Sales and operating revenues	\$ 6,472,702	\$ 33,254	\$ —
Intersegment sales and operating revenues	—	5,549	(5,549)
Total sales and operating revenues	\$ 6,472,702	\$ 38,803	\$ (5,549)
Depreciation and amortization ⁽¹⁾	\$ 404	\$ 3,735	\$ —
Gross profit	\$ 554,057	\$ 23,780	\$ (1,149)
Reconciliation to Consolidated Earnings Before Taxes:			
CAF Income			
Selling, general and administrative expenses			
Depreciation and amortization ⁽²⁾			
Interest expense			
Other income (expense)			
Earnings before income taxes			

Nine Months Ended November 30, 2022

<i>(In thousands)</i>	CarMax Sales		
	Operations	Other	Eliminations
Sales and operating revenues	\$ 23,860,462	\$ 101,918	\$ —
Intersegment sales and operating revenues	—	20,219	(20,219)
Total sales and operating revenues	\$ 23,860,462	\$ 122,137	\$ (20,219)
Depreciation and amortization ⁽¹⁾	\$ 1,092	\$ 10,899	\$ —
Gross profit	\$ 2,115,631	\$ 77,869	\$ (4,276)
Reconciliation to Consolidated Earnings Before Taxes:			
CAF Income			
Selling, general and administrative expenses			
Depreciation and amortization ⁽²⁾			
Interest expense			
Other income (expense)			
Earnings before income taxes			\$

⁽¹⁾ Represents only the portion of depreciation and amortization recorded within Cost of sales, and thus included in the calculation of Gross profit.

⁽²⁾ Exclusive of depreciation and amortization recorded within Cost of sales.

**Background (Narrative)
(Details)**

**9 Months Ended
Nov. 30, 2022
segment**

[Organization, Consolidation and Presentation of Financial Statements \[Abstract\]](#)
[Reportable segments](#)

2

**Business Combinations and
Asset Acquisitions
(Narrative) (Details)
\$ in Millions**

**Jun. 01, 2021
USD (\$)
shares**

[Business Combination and Asset Acquisition \[Abstract\]](#)

[Business Acquisition, Transaction Costs](#)

\$ 8.0

[Stock Issued During Period, Shares, Acquisitions | shares](#)

776,097

[Business Combination, Step Acquisition, Equity Interest in Acquiree, Remeasurement Gain](#) \$ 8.7

**Business Combinations and
Asset Acquisitions (Schedule
of Purchase Consideration)
(Details) - Edmunds
\$ in Thousands**

**Jun. 01, 2021
USD (\$)**

Business Acquisition [Line Items]

<u>Business Combination, Consideration Transferred</u>	\$ 401,818
<u>Business Combination, Consideration Transferred</u>	251,047
<u>Business Combination, Consideration Transferred, Equity Interests Issued and Issuable</u>	90,571
<u>Business Combination, Step Acquisition, Equity Interest in Acquiree, Fair Value</u>	\$ 60,200

**Business Combinations and
Asset Acquisitions (Schedule
of Recognized Identified
Assets Acquired and
Liabilities Assumed)
(Details) - USD (\$)
\$ in Thousands**

**Jun. 01, Nov. 30, Feb. 28,
2021 2022 2022**

Business Acquisition [Line Items]

<u>Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Cash and Equivalents</u>	\$ 9,484		
<u>Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Current Assets, Receivables</u>	33,719		
<u>Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Current Assets, Other</u>	2,397		
<u>Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Property, Plant, and Equipment</u>	20,741		
<u>Goodwill</u>		\$	\$
		141,258	141,258
<u>Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Intangible Assets, Other than Goodwill</u>	218,000		
<u>Operating lease assets</u>		529,781	537,357
<u>Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Other Noncurrent Assets</u>	191		
<u>Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Assets</u>	523,040		
<u>Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Current Liabilities, Accounts Payable</u>	5,063		
<u>Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Current Liabilities, Other</u>	11,277		
<u>Current portion of operating lease liabilities</u>		\$ 51,215	\$ 44,197
<u>Business Combination Recognized Identifiable Assets Acquired and Liabilities Assumed, Deferred Tax Assets</u>	3,823		
<u>Business Combination, Recognized Identifiable Asset Acquired and Liability Assumed, Lease Obligation</u>	88,264		
<u>Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Liabilities</u>	121,222		
<u>Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Net</u>	401,818		
<u>Goodwill, Purchase Accounting Adjustments</u>	8,400		
<u>Edmunds</u>			
<u>Business Acquisition [Line Items]</u>			
<u>Goodwill</u>		141,258	
<u>Operating lease assets</u>		97,250	
<u>Current portion of operating lease liabilities</u>		\$ 12,795	

**Business Combinations and
Asset Acquisitions (Finite-
Lived and Indefinite-Lived
Intangible Assets Acquired
as Part of Business
Combination(Details)
\$ in Thousands**

**Jun. 01,
2021
USD (\$)**

Acquired Indefinite-lived Intangible Assets [Line Items]

Business Combination, Recognized Identifiable Assets Acquired and Liabilities Assumed, Intangible Assets, Other than Goodwill \$ 218,000

Internally developed software

Acquired Indefinite-lived Intangible Assets [Line Items]

Finite-Lived Intangible Asset, Useful Life 7 years

Finite-lived Intangible Assets Acquired \$ 52,900

Customer Relationships

Acquired Indefinite-lived Intangible Assets [Line Items]

Finite-Lived Intangible Asset, Useful Life 17 years

Finite-lived Intangible Assets Acquired \$ 133,200

Trade Names

Acquired Indefinite-lived Intangible Assets [Line Items]

Indefinite-Lived Trade Names \$ 31,900

Revenue (Details) - USD (\$) \$ in Millions	3 Months Ended		9 Months Ended	
	Nov. 30, 2022	Nov. 30, 2021	Nov. 30, 2022	Nov. 30, 2021
<u>Disaggregation of Revenue [Line Items]</u>				
<u>Revenue from Contract with Customer, Excluding Assessed Tax</u>	\$ 6,506.0	\$ 8,527.8	\$ 23,962.4	\$ 24,213.7
<u>Used vehicle sales</u>				
<u>Disaggregation of Revenue [Line Items]</u>				
<u>Revenue from Contract with Customer, Excluding Assessed Tax</u>	5,204.6	6,435.6	18,503.2	18,697.3
<u>Wholesale vehicle sales</u>				
<u>Disaggregation of Revenue [Line Items]</u>				
<u>Revenue from Contract with Customer, Excluding Assessed Tax</u>	1,152.2	1,922.3	4,959.1	4,998.2
<u>Extended protection plan revenues</u>				
<u>Disaggregation of Revenue [Line Items]</u>				
<u>Revenue from Contract with Customer, Excluding Assessed Tax</u>	91.8	106.6	318.1	353.8
<u>Third-party finance income/(fees), net</u>				
<u>Disaggregation of Revenue [Line Items]</u>				
<u>Revenue from Contract with Customer, Excluding Assessed Tax</u>	1.0	1.6	7.1	(0.3)
<u>Advertising & subscription revenues [Domain]</u>				
<u>Disaggregation of Revenue [Line Items]</u>				
<u>Revenue from Contract with Customer, Excluding Assessed Tax</u>	33.3	33.3	101.9	67.9
<u>Service revenues</u>				
<u>Disaggregation of Revenue [Line Items]</u>				
<u>Revenue from Contract with Customer, Excluding Assessed Tax</u>	19.6	19.7	60.8	62.9
<u>Other</u>				
<u>Disaggregation of Revenue [Line Items]</u>				
<u>Revenue from Contract with Customer, Excluding Assessed Tax</u>	3.5	8.7	12.3	33.9
<u>Total other sales and revenues</u>				
<u>Disaggregation of Revenue [Line Items]</u>				
<u>Revenue from Contract with Customer, Excluding Assessed Tax</u>	\$ 149.2	\$ 169.9	\$ 500.2	\$ 518.2

CarMax Auto Finance (Components Of CarMax Auto Finance Income) (Details) - USD (\$) \$ in Thousands	3 Months Ended		9 Months Ended	
	Nov. 30, 2022	Nov. 30, 2021	Nov. 30, 2022	Nov. 30, 2021

Auto Finance Income [Line Items]

<u>Interest and fee income</u>	\$ 365,400	\$ 330,000	\$ 1,069,300	\$ 964,400
<u>Interest expense</u>	(88,800)	(53,600)	(200,100)	(180,000)
<u>Total interest margin</u>	276,600	276,400	869,200	784,400
<u>Provision for loan losses</u>	(85,700)	(76,200)	(219,000)	(87,300)
<u>Total interest margin after provision for loan losses</u>	190,900	200,200	650,200	697,100
<u>Payroll and fringe benefit expense</u>	(16,100)	(12,700)	(46,700)	(37,700)
<u>Other Depreciation and Amortization</u>	(4,000)	(2,400)	(11,600)	(2,800)
<u>Other direct expenses</u>	(18,700)	(19,200)	(52,400)	(48,900)
<u>Total direct expenses</u>	(38,800)	(34,300)	(110,700)	(89,400)
<u>CarMax Auto Finance income</u>	152,196	165,968	539,538	607,732
<u>Total average managed receivables</u>	\$ 16,540,200	\$ 15,288,800	\$ 16,177,800	\$ 14,706,900

Interest and fee income, percent

Auto Finance Income [Line Items]

<u>Item as percent of total average managed receivables</u>	8.80%	8.60%	8.80%	8.70%
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Interest expense, percent

Auto Finance Income [Line Items]

<u>Item as percent of total average managed receivables</u>	(2.10%)	(1.40%)	(1.60%)	(1.60%)
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Total interest margin, percent

Auto Finance Income [Line Items]

<u>Item as percent of total average managed receivables</u>	6.70%	7.20%	7.20%	7.10%
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Provision for loan losses, percent

Auto Finance Income [Line Items]

<u>Item as percent of total average managed receivables</u>	(2.10%)	(2.00%)	(1.80%)	(0.80%)
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Total interest margin after provision for loan losses, percent

Auto Finance Income [Line Items]

<u>Item as percent of total average managed receivables</u>	4.60%	5.20%	5.40%	6.30%
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Payroll and fringe benefit expense, percent

Auto Finance Income [Line Items]

<u>Item as percent of total average managed receivables</u>	(0.40%)	(0.30%)	(0.40%)	(0.30%)
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Other Depreciation and Amortization

Auto Finance Income [Line Items]

<u>Item as percent of total average managed receivables</u>	(0.10%)	(0.10%)	(0.10%)	0.00%
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Other direct expenses, percent

Auto Finance Income [Line Items]

<u>Item as percent of total average managed receivables</u>	(0.50%)	(0.50%)	(0.40%)	(0.40%)
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Total direct expenses, percent

Auto Finance Income [Line Items]

<u>Item as percent of total average managed receivables</u>	(0.90%)	(0.90%)	(0.90%)	(0.80%)
<u>CarMax Auto Finance income, percent</u>				
<u>Auto Finance Income [Line Items]</u>				
<u>Item as percent of total average managed receivables</u>	3.70%	4.30%	4.40%	5.50%

Auto Loan Receivables (Auto Loan Receivables, Net) (Details) - USD (\$) \$ in Thousands	Nov. 30, 2022	Aug. 31, 2022	Feb. 28, 2022	Nov. 30, 2021	Aug. 31, 2021	Feb. 28, 2021
<u>Non-recourse Notes Payable</u>	\$		\$			
	16,237,419		15,466,799			
<u>Financing Receivable, before Allowance for Credit Loss</u>	16,652,700		15,652,300			
<u>Interest Receivable</u>	83,300		67,300			
<u>Other</u>	(4,200)		3,100			
<u>Financing Receivable, Allowance for Credit Loss</u>	491,047	\$ 477,500	433,030	\$ 426,500	\$ 398,100	\$ 411,100
<u>Financing Receivable, after Allowance for Credit Loss</u>	16,240,832		15,289,701			
<u>Asset-backed term funding</u>						
<u>Financing Receivable, before Allowance for Credit Loss</u>	12,342,000		11,653,800			
<u>Warehouse facilities</u>						
<u>Financing Receivable, before Allowance for Credit Loss</u>	3,420,900		3,291,900			
<u>Overcollateralization</u>						
<u>Financing Receivable, before Allowance for Credit Loss</u>	688,100		489,100			
<u>Other managed receivables</u>						
<u>Financing Receivable, before Allowance for Credit Loss</u>	\$ 201,700		\$ 217,500			

**Auto Loan Receivables
(Ending Managed
Receivables By Major Credit
Grade) (Details) - USD (\$)
\$ in Millions**

Nov. 30, 2022 Feb. 28, 2022

Financing Receivable, By Major Credit Grade [Line Items]

<u>Financing Receivable, Originated in Current Fiscal Year</u>	\$ 6,052.1	\$ 7,765.0
<u>Financing Receivable, Originated in Fiscal Year before Latest Fiscal Year</u>	5,630.7	3,596.9
<u>Financing Receivable, Originated Two Years before Latest Fiscal Year</u>	2,527.1	2,453.3
<u>Financing Receivable, Originated Three Years before Latest Fiscal Year</u>	1,582.9	1,227.7
<u>Financing Receivable, Originated Four Years before Latest Fiscal Year</u>	664.2	492.4
<u>Financing Receivable, Originated Five or More Years before Latest Fiscal Year</u>	195.7	117.0
<u>Financing Receivable, before Allowance for Credit Loss</u>	\$ 16,652.7	\$ 15,652.3
<u>Total ending managed receivables as percentage by major credit grade</u>	100.00%	100.00%

Core managed receivables

Financing Receivable, By Major Credit Grade [Line Items]

<u>Financing Receivable, Originated in Current Fiscal Year</u>	\$ 5,829.7	\$ 7,599.8
<u>Financing Receivable, Originated in Fiscal Year before Latest Fiscal Year</u>	5,503.5	3,573.0
<u>Financing Receivable, Originated Two Years before Latest Fiscal Year</u>	2,510.2	2,418.6
<u>Financing Receivable, Originated Three Years before Latest Fiscal Year</u>	1,559.1	1,203.9
<u>Financing Receivable, Originated Four Years before Latest Fiscal Year</u>	648.7	482.4
<u>Financing Receivable, Originated Five or More Years before Latest Fiscal Year</u>	189.1	112.3
<u>Financing Receivable, before Allowance for Credit Loss</u>	\$ 16,240.3	\$ 15,390.0
<u>Total ending managed receivables as percentage by major credit grade</u>	97.50%	98.30%

Credit Grade A | Core managed receivables

Financing Receivable, By Major Credit Grade [Line Items]

<u>Financing Receivable, Originated in Current Fiscal Year</u>	\$ 3,154.3	\$ 3,885.5
<u>Financing Receivable, Originated in Fiscal Year before Latest Fiscal Year</u>	2,815.6	1,788.3
<u>Financing Receivable, Originated Two Years before Latest Fiscal Year</u>	1,252.9	1,266.1
<u>Financing Receivable, Originated Three Years before Latest Fiscal Year</u>	800.6	574.1
<u>Financing Receivable, Originated Four Years before Latest Fiscal Year</u>	290.0	203.4
<u>Financing Receivable, Originated Five or More Years before Latest Fiscal Year</u>	63.4	32.3
<u>Financing Receivable, before Allowance for Credit Loss</u>	\$ 8,376.8	\$ 7,749.7
<u>Total ending managed receivables as percentage by major credit grade</u>	50.30%	49.50%

Credit Grade B | Core managed receivables

Financing Receivable, By Major Credit Grade [Line Items]

<u>Financing Receivable, Originated in Current Fiscal Year</u>	\$ 2,079.9	\$ 2,795.2
<u>Financing Receivable, Originated in Fiscal Year before Latest Fiscal Year</u>	2,020.1	1,288.5
<u>Financing Receivable, Originated Two Years before Latest Fiscal Year</u>	907.2	857.7
<u>Financing Receivable, Originated Three Years before Latest Fiscal Year</u>	564.1	473.1
<u>Financing Receivable, Originated Four Years before Latest Fiscal Year</u>	268.0	205.2
<u>Financing Receivable, Originated Five or More Years before Latest Fiscal Year</u>	87.4	50.4
<u>Financing Receivable, before Allowance for Credit Loss</u>	\$ 5,926.7	\$ 5,670.1
<u>Total ending managed receivables as percentage by major credit grade</u>	35.60%	36.20%

Credit Grade C And Other | Core managed receivables

Financing Receivable, By Major Credit Grade [Line Items]

<u>Financing Receivable, Originated in Current Fiscal Year</u>	\$ 595.5	\$ 919.1
<u>Financing Receivable, Originated in Fiscal Year before Latest Fiscal Year</u>	667.8	496.2
<u>Financing Receivable, Originated Two Years before Latest Fiscal Year</u>	350.1	294.8
<u>Financing Receivable, Originated Three Years before Latest Fiscal Year</u>	194.4	156.7
<u>Financing Receivable, Originated Four Years before Latest Fiscal Year</u>	90.7	73.8
<u>Financing Receivable, Originated Five or More Years before Latest Fiscal Year</u>	38.3	29.6
<u>Financing Receivable, before Allowance for Credit Loss</u>	\$ 1,936.8	\$ 1,970.2
<u>Total ending managed receivables as percentage by major credit grade</u>	11.60%	12.60%

Credit Grade C And Other | Other managed receivables

Financing Receivable, By Major Credit Grade [Line Items]

<u>Financing Receivable, Originated in Current Fiscal Year</u>	\$ 222.4	\$ 165.2
<u>Financing Receivable, Originated in Fiscal Year before Latest Fiscal Year</u>	127.2	23.9
<u>Financing Receivable, Originated Two Years before Latest Fiscal Year</u>	16.9	34.7
<u>Financing Receivable, Originated Three Years before Latest Fiscal Year</u>	23.8	23.8
<u>Financing Receivable, Originated Four Years before Latest Fiscal Year</u>	15.5	10.0
<u>Financing Receivable, Originated Five or More Years before Latest Fiscal Year</u>	6.6	4.7
<u>Financing Receivable, before Allowance for Credit Loss</u>	\$ 412.4	\$ 262.3
<u>Total ending managed receivables as percentage by major credit grade</u>	2.50%	1.70%

Auto Loan Receivables (Allowance for Loan Losses) (Details) - USD (\$) \$ in Thousands	3 Months Ended		9 Months Ended		Aug. 31, 2022	Feb. 28, 2022	Aug. 31, 2021	Feb. 28, 2021
	Nov. 30, 2022	Nov. 30, 2021	Nov. 30, 2022	Nov. 30, 2021				
<u>Financing Receivable, Allowance for Credit Loss [Line Items]</u>								
<u>Financing Receivable, Allowance for Credit Loss</u>	\$ 491,047	\$ 426,500	\$ 491,047	\$ 426,500	\$ 477,500	\$ 433,030	\$ 398,100	\$ 411,100
<u>Financing Receivable, Allowance for Credit Loss, Writeoff</u>	(112,600)	(68,200)	(276,900)	(153,700)				
<u>Financing Receivable, Allowance for Credit Loss, Recovery</u>	40,400	20,400	115,900	81,800				
<u>Provision for loan losses</u>	\$ 85,700	\$ 76,200	219,000	\$ 87,300				
<u>Financing Receivable, Allowance for Credit Loss, Period Increase (Decrease)</u>			\$ 58,000					
<u>Allowance For Loan Losses, percent Financing Receivable, Allowance for Credit Loss [Line Items]</u>								
<u>Item as percent of total ending managed receivables</u>	2.95%	2.75%	2.95%	2.75%	2.92%	2.77%	2.66%	2.97%
<u>Core managed receivables</u>								
<u>Financing Receivable, Allowance for Credit Loss [Line Items]</u>								
<u>Financing Receivable, Allowance for Credit Loss</u>	\$ 396,400	\$ 385,700	\$ 396,400	\$ 385,700	\$ 396,100	\$ 377,500	\$ 360,000	\$ 379,400
<u>Financing Receivable, Allowance for Credit Loss, Writeoff</u>	(96,300)	(61,600)	(241,900)	(140,600)				
<u>Financing Receivable, Allowance for Credit Loss, Recovery</u>	35,700	18,800	104,700	76,100				
<u>Provision for loan losses</u>	60,900	68,500	156,100	70,800				
<u>Other managed receivables</u>								
<u>Financing Receivable, Allowance for Credit Loss [Line Items]</u>								
<u>Financing Receivable, Allowance for Credit Loss</u>	94,600	40,800	94,600	40,800	\$ 81,400	\$ 55,500	\$ 38,100	\$ 31,700
<u>Financing Receivable, Allowance for Credit Loss, Writeoff</u>	(16,300)	(6,600)	(35,000)	(13,100)				
<u>Financing Receivable, Allowance for Credit Loss, Recovery</u>	4,700	1,600	11,200	5,700				
<u>Provision for loan losses</u>	\$ 24,800	\$ 7,700	\$ 62,900	\$ 16,500				

**Auto Loan Receivables (Past
Due Receivables) (Details) -
USD (\$)
\$ in Millions**

	Nov. 30, 2022	Feb. 28, 2022
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Financing Receivable, before Allowance for Credit Loss, Current</u>	\$ 15,820.9	\$ 15,022.3
<u>Past due receivables as a percentage of total ending managed receivables</u>	4.99%	4.02%
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	\$ 831.8	\$ 630.0
<u>Financing Receivable, before Allowance for Credit Loss</u>	\$ 16,652.7	\$ 15,652.3
<u>Item As A Percent Of Total Ending Managed Receivables</u>	100.00%	100.00%
<u>One to Thirty Days Past Due</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Past due receivables as a percentage of total ending managed receivables</u>	95.01%	95.98%
<u>Thirty One To Sixty Days Past Due [Member]</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Past due receivables as a percentage of total ending managed receivables</u>	2.85%	2.50%
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	\$ 474.1	\$ 392.1
<u>Sixty One To Ninety Days Past Due [Member]</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Past due receivables as a percentage of total ending managed receivables</u>	1.75%	1.21%
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	\$ 292.1	\$ 189.1
<u>Greater Than Ninety Days Past Due [Member]</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Past due receivables as a percentage of total ending managed receivables</u>	0.39%	0.31%
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	\$ 65.6	\$ 48.8
<u>Core managed receivables</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Financing Receivable, before Allowance for Credit Loss, Current</u>	15,516.1	14,815.9
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	724.2	574.1
<u>Financing Receivable, before Allowance for Credit Loss</u>	16,240.3	15,390.0
<u>Core managed receivables Thirty One To Sixty Days Past Due [Member]</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	416.8	359.1
<u>Core managed receivables Sixty One To Ninety Days Past Due [Member]</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	250.7	170.0
<u>Core managed receivables Greater Than Ninety Days Past Due [Member]</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	56.7	45.0
<u>Core managed receivables Credit Grade A</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Financing Receivable, before Allowance for Credit Loss, Current</u>	8,340.4	7,711.9
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	36.4	37.8
<u>Financing Receivable, before Allowance for Credit Loss</u>	8,376.8	7,749.7

Core managed receivables Credit Grade A Thirty One To Sixty Days Past Due [Member]		
Financing Receivable, Past Due [Line Items]		
Financing Receivable, before Allowance for Credit Loss, Noncurrent	21.7	25.4
Core managed receivables Credit Grade A Sixty One To Ninety Days Past Due [Member]		
Financing Receivable, Past Due [Line Items]		
Financing Receivable, before Allowance for Credit Loss, Noncurrent	11.6	9.2
Core managed receivables Credit Grade A Greater Than Ninety Days Past Due [Member]		
Financing Receivable, Past Due [Line Items]		
Financing Receivable, before Allowance for Credit Loss, Noncurrent	3.1	3.2
Core managed receivables Credit Grade B		
Financing Receivable, Past Due [Line Items]		
Financing Receivable, before Allowance for Credit Loss, Current	5,570.5	5,401.3
Financing Receivable, before Allowance for Credit Loss, Noncurrent	356.2	268.8
Financing Receivable, before Allowance for Credit Loss	5,926.7	5,670.1
Core managed receivables Credit Grade B Thirty One To Sixty Days Past Due [Member]		
Financing Receivable, Past Due [Line Items]		
Financing Receivable, before Allowance for Credit Loss, Noncurrent	211.9	173.3
Core managed receivables Credit Grade B Sixty One To Ninety Days Past Due [Member]		
Financing Receivable, Past Due [Line Items]		
Financing Receivable, before Allowance for Credit Loss, Noncurrent	116.4	75.6
Core managed receivables Credit Grade B Greater Than Ninety Days Past Due [Member]		
Financing Receivable, Past Due [Line Items]		
Financing Receivable, before Allowance for Credit Loss, Noncurrent	27.9	19.9
Core managed receivables Credit Grade C And Other		
Financing Receivable, Past Due [Line Items]		
Financing Receivable, before Allowance for Credit Loss, Current	1,605.2	1,702.7
Financing Receivable, before Allowance for Credit Loss, Noncurrent	331.6	267.5
Financing Receivable, before Allowance for Credit Loss	1,936.8	1,970.2
Core managed receivables Credit Grade C And Other Thirty One To Sixty Days Past Due [Member]		
Financing Receivable, Past Due [Line Items]		
Financing Receivable, before Allowance for Credit Loss, Noncurrent	183.2	160.4
Core managed receivables Credit Grade C And Other Sixty One To Ninety Days Past Due [Member]		
Financing Receivable, Past Due [Line Items]		
Financing Receivable, before Allowance for Credit Loss, Noncurrent	122.7	85.2
Core managed receivables Credit Grade C And Other Greater Than Ninety Days Past Due [Member]		
Financing Receivable, Past Due [Line Items]		

<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	25.7	21.9
<u>Other managed receivables Credit Grade C And Other</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Financing Receivable, before Allowance for Credit Loss, Current</u>	304.8	206.4
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	107.6	55.9
<u>Financing Receivable, before Allowance for Credit Loss</u>	412.4	262.3
<u>Other managed receivables Credit Grade C And Other Thirty One To Sixty Days Past Due [Member]</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	57.3	33.0
<u>Other managed receivables Credit Grade C And Other Sixty One To Ninety Days Past Due [Member]</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	41.4	19.1
<u>Other managed receivables Credit Grade C And Other Greater Than Ninety Days Past Due [Member]</u>		
<u>Financing Receivable, Past Due [Line Items]</u>		
<u>Financing Receivable, before Allowance for Credit Loss, Noncurrent</u>	\$ 8.9	\$ 3.8

Derivative Instruments And Hedging Activities (Narrative) (Details) - Interest Rate Swaps - Cash Flow Hedging - USD (\$) \$ in Millions	3 Months Ended	9 Months Ended	Feb. 28, 2022
	Nov. 30, 2022	Nov. 30, 2022	
<u>Designated As Hedging Instrument</u>			
<u>Derivative [Line Items]</u>			
<u>Additional reclassification from AOCL to CAF income within the next 12 months</u>		\$ 47.2	
<u>Derivative, Notional Amount</u>	\$ 4,680.0	4,680.0	\$ 3,640.0
<u>Not Designated as Hedging Instrument [Member]</u>			
<u>Derivative [Line Items]</u>			
<u>Derivative, Gain (Loss) on Derivative, Net</u>	5.0	23.6	
<u>Derivative, Notional Amount</u>	\$ 1,110.0	\$ 1,110.0	\$ 578.3

Fair Value Measurements
(Schedule Of Items
Measured At Fair Value On
A Recurring Basis) (Details)
- USD (\$)
\$ in Thousands

Nov. 30,
2022 **Feb. 28,**
2022

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

<u>Money market securities</u>	\$ 1,261,183	\$ 701,865
<u>Mutual fund investments</u>	21,485	24,022
<u>Total assets at fair value</u>	\$ 1,405,076	\$ 774,678
<u>Percent of total assets at fair value</u>	100.00%	100.00%
<u>Percent of total assets</u>	5.40%	2.90%
<u>Total liabilities at fair value</u>	\$ (3,599)	\$ (1,379)
<u>Percent of total liabilities</u>	0.00%	0.00%

Level 1

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

<u>Money market securities</u>	\$ 1,261,183	\$ 701,865
<u>Mutual fund investments</u>	21,485	24,022
<u>Total assets at fair value</u>	\$ 1,282,668	\$ 725,887
<u>Percent of total assets at fair value</u>	91.30%	93.70%
<u>Percent of total assets</u>	4.90%	2.80%
<u>Total liabilities at fair value</u>	\$ 0	\$ 0
<u>Percent of total liabilities</u>	0.00%	0.00%

Level 2

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

<u>Money market securities</u>	\$ 0	\$ 0
<u>Mutual fund investments</u>	0	0
<u>Total assets at fair value</u>	\$ 122,408	\$ 48,791
<u>Percent of total assets at fair value</u>	8.70%	6.30%
<u>Percent of total assets</u>	0.50%	0.20%
<u>Total liabilities at fair value</u>	\$ (3,599)	\$ (1,379)
<u>Percent of total liabilities</u>	0.00%	0.00%

Designated As Hedging Instrument

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

<u>Derivative Asset</u>	\$ 89,485	\$ 39,452
<u>Liabilities: Derivative instruments</u>	(3,599)	(1,379)

Designated As Hedging Instrument | Level 1

Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis

[Line Items]

<u>Derivative Asset</u>	0	0
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<u>Liabilities: Derivative instruments</u>	0	0
<u>Designated As Hedging Instrument Level 2</u>		
<u>Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis</u>		
<u>[Line Items]</u>		
<u>Derivative Asset</u>	89,485	39,452
<u>Liabilities: Derivative instruments</u>	(3,599)	(1,379)
<u>Not Designated as Hedging Instrument [Member]</u>		
<u>Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis</u>		
<u>[Line Items]</u>		
<u>Derivative Asset</u>	32,923	9,339
<u>Not Designated as Hedging Instrument [Member] Level 1</u>		
<u>Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis</u>		
<u>[Line Items]</u>		
<u>Derivative Asset</u>	0	0
<u>Not Designated as Hedging Instrument [Member] Level 2</u>		
<u>Fair Value, Assets and Liabilities Measured on Recurring and Nonrecurring Basis</u>		
<u>[Line Items]</u>		
<u>Derivative Asset</u>	\$ 32,923	\$ 9,339

Fair Value Measurements
Fair Value Measurements
(Schedule of Carrying Values
and Estimated Fair Values of
Debt Instruments) (Details) -
USD (\$)
\$ in Thousands

Nov. 30, 2022 **Feb. 28, 2022**

[Fair Value Disclosures \[Abstract\]](#)

Senior Notes	\$ 500,000	\$ 500,000
Debt Instrument, Fair Value Disclosure	\$ 474,771	\$ 517,396

Cancellation Reserves
(Narrative) (Details) - USD
(\$)
\$ in Millions

Nov. 30, 2022 **Feb. 28, 2022**

[Cancellation Reserves \[Abstract\]](#)

[Cancellation reserves, current portion](#) \$ 80.4 \$ 78.7

**Cancellation Reserves
(Schedule Of Cancellation
Reserves Accrual) (Details) -
USD (\$)
\$ in Millions**

3 Months Ended 9 Months Ended
Nov. 30, Nov. 30, Nov. 30, Nov. 30,
2022 2021 2022 2021

SEC Schedule, 12-09, Movement in Valuation Allowances and Reserves [Roll Forward]

<u>Balance as of beginning of period</u>	\$ 148.8	\$ 144.3	\$ 144.7	\$ 124.5
<u>Cancellations</u>	(25.2)	(25.2)	(80.3)	(68.3)
<u>Provision for future cancellations</u>	20.7	28.7	79.9	91.6
<u>Balance as of end of period</u>	\$ 144.3	\$ 147.8	\$ 144.3	\$ 147.8

Income Taxes (Narrative)

(Details) - USD (\$)

Nov. 30, 2022 Feb. 28, 2022

\$ in Millions

Federal Income Tax Note

Unrecognized tax benefits, gross \$ 26.7 \$ 24.8

Debt (Schedule Of Debt)
(Details) - USD (\$)
\$ in Thousands

Nov. 30, 2022 Feb. 28, 2022

Debt Instrument [Line Items]

<u>Long-term Debt</u>	\$ 17,640,682	\$ 18,175,019
<u>Financing Obligations</u>	517,349	524,766
<u>Non-recourse Notes Payable</u>	16,237,419	15,466,799
<u>Total debt</u>	18,254,226	18,734,417
<u>Less: current portion</u>	(586,855)	(532,272)
<u>Unamortized Debt Issuance Expense</u>	(26,689)	(27,126)

Revolving Credit Facility [Member]

Debt Instrument [Line Items]

<u>Long-term Debt</u>	0	1,243,500
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Term Loan [Member]

Debt Instrument [Line Items]

<u>Long-term Debt</u>	300,000	300,000
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3.86% senior notes dues 2023 [Member]

Debt Instrument [Line Items]

<u>Long-term Debt</u>	100,000	100,000
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4.17% senior notes due 2026 [Member]

Debt Instrument [Line Items]

<u>Long-term Debt</u>	200,000	200,000
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4.27% senior notes due 2028 [Member]

Debt Instrument [Line Items]

<u>Long-term Debt</u>	200,000	200,000
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October 2021 Term Loan

Debt Instrument [Line Items]

<u>Long-term Debt</u>	\$ 699,458	\$ 699,352
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**Debt (Schedule of Funding
Vehicles) (Details) - USD (\$)
\$ in Thousands**

Nov. 30, 2022 Feb. 28, 2022

Debt Instrument [Line Items]

Non-recourse Notes Payable \$ 16,237,419 \$ 15,466,799

Warehouse Facility Three

Debt Instrument [Line Items]

Warehouse Facilities Maximum Borrowing Capacity 250,000

Warehouse Facility Two

Debt Instrument [Line Items]

Warehouse Facilities Maximum Borrowing Capacity 2,850,000

Warehouse Facility One

Debt Instrument [Line Items]

Warehouse Facilities Maximum Borrowing Capacity 2,300,000

Warehouse Facilities [Member]

Debt Instrument [Line Items]

Warehouse Facilities Maximum Borrowing Capacity 5,400,000

Debt Instrument, Unused Borrowing Capacity, Amount 1,980,000

Non-recourse Notes Payable 3,420,000

Term Securitizations Debt [Member]

Debt Instrument [Line Items]

Non-recourse Notes Payable \$ 12,820,000

Debt (Narrative) (Details) - USD (\$) \$ in Thousands	9 Months Ended		
	Nov. 30, 2022	Nov. 30, 2021	Feb. 28, 2022
<u>Debt Instrument [Line Items]</u>			
<u>Outstanding Balance</u>	\$ 17,640,682		\$ 18,175,019
<u>Capitalized interest</u>	3,600	\$ 5,000	
<u>Credit Facility</u>			
<u>Debt Instrument [Line Items]</u>			
<u>Maximum borrowing capacity</u>	2,000,000		
<u>Unused capacity</u>	2,000,000		
<u>Term Loan [Member]</u>			
<u>Debt Instrument [Line Items]</u>			
<u>Outstanding Balance</u>	\$ 300,000		
<u>Long-Term Debt, Percentage Bearing Variable Interest, Percentage Rate</u>	4.67%		
<u>Senior Notes [Member]</u>			
<u>Debt Instrument [Line Items]</u>			
<u>Outstanding Balance</u>	\$ 500,000		
<u>Financing obligation Minimum</u>			
<u>Debt Instrument [Line Items]</u>			
<u>Initial lease terms, in years</u>	15 years		
<u>Financing obligation Maximum</u>			
<u>Debt Instrument [Line Items]</u>			
<u>Initial lease terms, in years</u>	20 years		
<u>October 2021 Term Loan</u>			
<u>Debt Instrument [Line Items]</u>			
<u>Outstanding Balance</u>	\$ 700,000		
<u>Long-Term Debt, Percentage Bearing Variable Interest, Percentage Rate</u>	4.67%		

**Stock and Stock-Based
Incentive Plans (Narrative)
(Details) - USD (\$)
\$ in Millions**

Nov. 30, 2022 Nov. 30, 2021

Stock and Stock-Based Incentive Plans

Stock Repurchase Program, Authorized Amount \$ 4,000.0

Share Repurchase Program

Stock and Stock-Based Incentive Plans

Available for repurchase, as of end of period \$ 2,451.3 \$ 876.2

**Stock and Stock-Based
Incentive Plans (Schedule of
Common Stock
Repurchases) (Details) -
Share Repurchase Program -
USD (\$)
\$ / shares in Units, \$ in
Millions**

3 Months Ended 9 Months Ended

**Nov. 30, Nov. 30, Nov. 30, Nov. 30,
2022 2021 2022 2021**

**Share-based Compensation Arrangement by Share-based
Payment Award [Line Items]**

<u>Number of shares repurchased</u>	30,000.0	851,100	3,403,900	3,602,800
<u>Average Cost Per Share</u>	\$ 87.70	\$ 135.52	\$ 94.95	\$ 127.65
<u>Available for repurchase, as of end of period</u>	\$ 2,451.3	\$ 876.2	\$ 2,451.3	\$ 876.2

Stock and Stock-Based Incentive Plans (Composition of Share-Based Compensation Expense) (Details) - USD (\$) \$ in Thousands	3 Months Ended		9 Months Ended	
	Nov. 30, 2022	Nov. 30, 2021	Nov. 30, 2022	Nov. 30, 2021
<u>Share-based Payment Arrangement, Expensed and Capitalized, Amount [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	\$ 18,527	\$ 36,784	\$ 66,851	\$ 110,921
<u>Cost of sales</u>				
<u>Share-based Payment Arrangement, Expensed and Capitalized, Amount [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	333	1,896	1,474	5,719
<u>Carmax Auto Finance Income</u>				
<u>Share-based Payment Arrangement, Expensed and Capitalized, Amount [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	981	1,560	1,394	4,749
<u>Selling, general and administrative expenses</u>				
<u>Share-based Payment Arrangement, Expensed and Capitalized, Amount [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	\$ 17,213	\$ 33,328	\$ 63,983	\$ 100,453

Stock and Stock-Based Incentive Plans (Composition of Share-Based Compensation Expense - By Grant Type) (Details) - USD (\$) \$ in Thousands	3 Months Ended		9 Months Ended	
	Nov. 30, 2022	Nov. 30, 2021	Nov. 30, 2022	Nov. 30, 2021
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	\$ 18,527	\$ 36,784	\$ 66,851	\$ 110,921
<u>Stock options</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	8,968	7,846	29,648	27,375
<u>Cash-settled restricted stock units (RSUs)</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	5,167	23,836	15,521	62,398
<u>Stock-settled market stock units (MSUs)</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	3,358	3,171	12,234	11,260
<u>Stock-settled performance stock units (PSUs)</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	209	964	5,150	5,334
<u>Restricted Stock [Member]</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	262	365	571	670
<u>Stock-settled deferred stock units (DSUs)</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	0	0	1,850	1,925
<u>Employee stock purchase plan</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	563	602	1,877	1,959
<u>Other share-based incentives</u>				
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>				
<u>Share-based compensation expense, before income taxes</u>	\$ 1,034	\$ 1,931	\$ 9,448	\$ 9,888

Stock and Stock-Based Incentive Plans (Details) - USD (\$) \$ / shares in Units, shares in Thousands, \$ in Millions	9 Months Ended	Nov. 30, 2022	Feb. 28, 2022
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>			
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Outstanding, Number</u>		6,825	5,796
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Grants in Period, Gross</u>		1,285	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Exercises in Period</u>		(208)	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Forfeitures and Expirations in Period</u>		(48)	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Grants in Period, Weighted Average Grant Date Fair Value</u>		\$ 33.35	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Vested, Weighted Average Grant Date Fair Value</u>		\$ 25.69	
<u>Share-based Payment Arrangement, Nonvested Award, Option, Cost Not yet Recognized, Amount</u>		\$ 59.0	
<u>Stock-settled market stock units (MSUs)</u>			
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>			
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Nonvested, Number</u>		402	393
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Grants in Period</u>		137	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Vested in Period</u>		(122)	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Forfeitures and Expirations in Period</u>		(6)	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Grants in Period, Weighted Average Grant Date Fair Value</u>		\$ 126.59	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Nonvested, Weighted Average Grant Date Fair Value</u>		\$ 120.96	
<u>Share-based Payment Arrangement, Nonvested Award, Cost Not yet Recognized, Amount</u>		\$ 18.2	
<u>Other share-based incentives</u>			
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>			
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Nonvested, Number</u>		135	170
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Grants in Period</u>		50	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Vested in Period</u>		(80)	

<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Forfeitures and Expirations in Period</u>	(5)	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Grants in Period, Weighted Average Grant Date Fair Value</u>	\$ 95.58	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Nonvested, Weighted Average Grant Date Fair Value</u>	\$ 99.04	
<u>Share-based Payment Arrangement, Nonvested Award, Cost Not yet Recognized, Amount Cash-settled restricted stock units (RSUs)</u>	\$ 2.4	
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>		
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Nonvested, Number</u>	1,024	1,163
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Grants in Period</u>	677	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Vested in Period</u>	(748)	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Options, Forfeitures and Expirations in Period</u>	(68)	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Grants in Period, Weighted Average Grant Date Fair Value</u>	\$ 91.20	
<u>Share-based Compensation Arrangement by Share-based Payment Award, Equity Instruments Other than Options, Nonvested, Weighted Average Grant Date Fair Value</u>	\$ 97.23	

Net Earnings Per Share (Basic And Dilutive Net Earnings Per Share Reconciliations) (Details) - USD (\$) \$ / shares in Units, shares in Thousands, \$ in Thousands	3 Months Ended						9 Months Ended	
	Nov. 30, 2022	Aug. 31, 2022	May 31, 2022	Nov. 30, 2021	Aug. 31, 2021	May 31, 2021	Nov. 30, 2022	Nov. 30, 2021

Schedule of Basic and Dilutive Net Earnings Per Share Reconciliation [Line Items]

<u>Net earnings</u>	\$	\$	\$	\$	\$	\$	\$	\$
	37,580	125,905	252,265	269,438	285,267	436,756	415,750	991,461
<u>Weighted average common shares outstanding, shares</u>	158,003			162,006			159,044	162,710
<u>Weighted average common shares and dilutive potential common shares, shares</u>	158,536			164,873			160,195	165,606
<u>Basic net earnings per share (in dollars per share)</u>	\$ 0.24			\$ 1.66			\$ 2.61	\$ 6.09
<u>Diluted net earnings per share (in dollars per share)</u>	\$ 0.24			\$ 1.63			\$ 2.60	\$ 5.99

Stock options

Schedule of Basic and Dilutive Net Earnings Per Share Reconciliation [Line Items]

<u>Dilutive potential common shares, shares</u>	268			2,373			857	2,391
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Stock-settled stock units and awards

Schedule of Basic and Dilutive Net Earnings Per Share Reconciliation [Line Items]

<u>Dilutive potential common shares, shares</u>	265			494			294	505
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Net Earnings Per Share
(Narrative) (Details) - shares

3 Months Ended		9 Months Ended	
Nov. 30,	Nov. 30,	Nov. 30,	Nov. 30,
2022	2021	2022	2021

Earnings Per Share [Abstract]

Anti-dilutive securities not included in calculation of diluted net earnings per share

4,934,554	776,853	1,917,727	701,970
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Accumulated Other Comprehensive Income (Loss) (Details) - USD (\$) \$ in Thousands	3 Months Ended						9 Months Ended	
	Nov. 30, 2022	Aug. 31, 2022	May 31, 2022	Nov. 30, 2021	Aug. 31, 2021	May 31, 2021	Nov. 30, 2022	Nov. 30, 2021
<u>Schedule of Accumulated Other Comprehensive Loss [Line Items]</u>								
<u>Beginning balance</u>			\$				\$	
			(46,422)				(46,422)	
<u>Other comprehensive income before reclassifications</u>							113,510	
<u>Amounts reclassified from accumulated other comprehensive income (loss)</u>							(9,668)	
<u>Other comprehensive income (loss), net of taxes</u>	\$ 25,421	\$ 26,107	52,314	\$ 12,042	\$ 3,411	\$ 2,937	103,842	\$ 18,390
<u>Ending balance</u>	57,420						57,420	
<u>Schedule of Accumulated Other Comprehensive Loss [Line Items]</u>								
<u>Beginning balance</u>			(73,001)				(73,001)	
<u>Other comprehensive income before reclassifications</u>							0	
<u>Amounts reclassified from accumulated other comprehensive income (loss)</u>							1,444	
<u>Other comprehensive income (loss), net of taxes</u>							1,444	
<u>Ending balance</u>	(71,557)						(71,557)	
<u>Schedule of Accumulated Other Comprehensive Loss [Line Items]</u>								
<u>Beginning balance</u>			\$				26,579	
			26,579					
<u>Other comprehensive income before reclassifications</u>							113,510	
<u>Amounts reclassified from accumulated other comprehensive income (loss)</u>							(11,112)	
<u>Other comprehensive income (loss), net of taxes</u>							102,398	
<u>Ending balance</u>	\$ 128,977						\$ 128,977	

Accumulated Other Comprehensive Income (Loss) (Changes In and Reclassifications Out of Accumulated Other Comprehensive Income (Loss)) (Details) - USD (\$) \$ in Thousands	3 Months Ended		9 Months Ended	
	Nov. 30, 2022	Nov. 30, 2021	Nov. 30, 2022	Nov. 30, 2021
<u>Total amortization reclassifications recognized in net pension expense</u>	\$ 637	\$ 869	\$ 1,909	\$ 2,605
<u>Tax expense</u>	(155)	(210)	(465)	(629)
<u>Amortization reclassifications recognized in net pension expense, net of tax</u>	482	659	1,444	1,976
<u>Net change in retirement benefit plan unrecognized actuarial losses, net of tax</u>	482	659	1,444	1,976
<u>Changes in fair value</u>	42,521	11,339	152,731	8,668
<u>Tax expense</u>	(10,919)	(2,985)	(39,221)	(2,282)
<u>Changes in fair value, net of tax</u>	31,602	8,354	113,510	6,386
<u>Reclassifications to CarMax Auto Finance income</u>	(8,965)	4,111	(14,951)	13,610
<u>Tax benefit (expense)</u>	2,302	(1,082)	3,839	(3,582)
<u>Reclassification of hedge (gains) losses, net of tax</u>	(6,663)	3,029	(11,112)	10,028
<u>Net change in cash flow hedge unrecognized losses, net of tax</u>	24,939	11,383	102,398	16,414
<u>Total other comprehensive income, net of tax</u>	25,421	12,042	103,842	18,390
<u>Cost of sales</u>				
<u>Total amortization reclassifications recognized in net pension expense</u>	272	367	810	1,083
<u>CarMax Auto Finance income</u>				
<u>Total amortization reclassifications recognized in net pension expense</u>	19	21	51	64
<u>Selling, general and administrative expenses</u>				
<u>Total amortization reclassifications recognized in net pension expense</u>	\$ 346	\$ 481	\$ 1,048	\$ 1,458

**Accumulated Other
Comprehensive Income
(Loss) (Narrative) (Details) -
USD (\$)**

Nov. 30, 2022 Feb. 28, 2022

\$ in Millions

Comprehensive Income (Loss), Net of Tax, Attributable to Parent [Abstract]

Deferred tax

\$ 21.7

\$ 14.2

Leases Narrative (Details)

**9 Months Ended
Nov. 30, 2022**

Minimum

Lessee, Lease, Description [Line Items]

<u>Lease renewal term</u>	1 year
<u>Real Estate Lease Term</u>	5 years
<u>Equipment Lease Term</u>	3 years

Maximum

Lessee, Lease, Description [Line Items]

<u>Lease renewal term</u>	20 years
<u>Real Estate Lease Term</u>	20 years
<u>Equipment Lease Term</u>	8 years

Leases Components of Lease Cost (Details) - USD (\$) \$ in Thousands	3 Months Ended		9 Months Ended	
	Nov. 30, 2022	Nov. 30, 2021	Nov. 30, 2022	Nov. 30, 2021
	Leases [Abstract]			
Operating Lease, Cost	\$ 22,450	\$ 20,581	\$ 68,381	\$ 53,631
Finance Lease, Right-of-Use Asset, Amortization	4,178	3,383	11,701	9,784
Finance Lease, Interest Expense	5,728	4,257	16,129	12,531
Finance Lease, Cost	9,906	7,640	27,830	22,315
Lease, Cost	\$ 32,356	\$ 28,221	\$ 96,211	\$ 75,946

**Leases - Supplemental
Balance Sheet (Details) -
USD (\$)
\$ in Thousands**

Nov. 30, 2022 Feb. 28, 2022

Leases [Abstract]

<u>Operating lease assets</u>	\$ 529,781	\$ 537,357
<u>Finance Lease, Right-of-Use Asset</u>	146,826	127,183
<u>Total lease assets</u>	676,607	664,540
<u>Current portion of operating lease liabilities</u>	51,215	44,197
<u>Finance Lease, Liability, Current</u>	18,152	10,290
<u>Operating lease liabilities, excluding current portion</u>	509,106	523,269
<u>Finance Lease, Liability, Noncurrent</u>	162,264	145,179
<u>Total lease liabilities</u>	740,737	722,935
<u>Finance Lease Accumulated Depreciation</u>	\$ 42,400	\$ 30,700

Lease Term and Discount Rate (Details)	Nov. 30, 2022 Rate	Feb. 28, 2022 Rate
<u>Leases [Abstract]</u>		
<u>Operating Lease, Weighted Average Remaining Lease Term</u>	16 years 8 months 4 days	17 years 3 months 21 days
<u>Finance Lease, Weighted Average Remaining Lease Term</u>	11 years 7 days	12 years 5 months 1 day
<u>Operating Lease, Weighted Average Discount Rate, Percent</u>	4.84%	4.80%
<u>Finance Lease, Weighted Average Discount Rate, Percent</u>	19.50%	14.35%

**Lease Supplemental Cash
Flow Information (Details) -
USD (\$)
\$ in Thousands**

**9 Months Ended
Nov. 30, 2022 Nov. 30, 2021**

Leases [Abstract]

<u>Operating Lease, Payments</u>	\$ 67,675	\$ 51,527
<u>Finance Lease, Interest Payment on Liability</u>	12,747	8,086
<u>Finance Lease, Principal Payments</u>	10,056	8,822
<u>Right-of-Use Asset Obtained in Exchange for Operating Lease Liability</u>	29,027	45,491
<u>Right-of-Use Asset Obtained in Exchange for Finance Lease Liability</u>	\$ 31,344	\$ 24,772

**Leases Maturities of Lease
Liabilities (Details)
\$ in Thousands**

**Nov. 30, 2022
USD (\$)**

Leases [Abstract]

<u>Lessee, Operating Lease, Liability, Payments, Remainder of Fiscal Year</u>	\$ 18,699
<u>Lessee, Operating Lease, Liability, Payments, Due Year Two</u>	76,168
<u>Lessee, Operating Lease, Liability, Payments, Due Year Three</u>	74,353
<u>Lessee, Operating Lease, Liability, Payments, Due Year Four</u>	68,771
<u>Lessee, Operating Lease, Liability, Payments, Due Year Five</u>	62,201
<u>Lessee, Operating Lease, Liability, Payments, Due after Year Five</u>	578,907
<u>Lessee, Operating Lease, Liability, Payments, Due</u>	879,099
<u>Lessee, Operating Lease, Liability, Undiscounted Excess Amount</u>	(318,778)
<u>Operating Lease, Liability</u>	560,321
<u>Finance Lease, Liability, Payments, Remainder of Fiscal Year</u>	8,729
<u>Finance Lease, Liability, Payments, Due Year Two</u>	40,620
<u>Finance Lease, Liability, Payments, Due Year Three</u>	37,764
<u>Finance Lease, Liability, Payments, Due Year Four</u>	38,901
<u>Finance Lease, Liability, Payments, Due Year Five</u>	34,811
<u>Finance Lease, Liability, Payments, Due after Year Five</u>	219,889
<u>Finance Lease, Liability, Payment, Due</u>	380,714
<u>Finance Lease, Liability, Undiscounted Excess Amount</u>	(200,298)
<u>Finance Lease, Liability</u>	180,416
<u>lessee, minimum lease payments for leases not yet commenced</u>	\$ 31,300

Contingent Liabilities
(Details) - USD (\$)
\$ in Millions

Nov. 30, 2022 Feb. 28, 2022

[Commitments and Contingencies Disclosure \[Abstract\]](#)

<u>Liability associated with guarantee</u>	\$ 26.0	\$ 18.5
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Segment Reporting (Details) - USD (\$) \$ in Thousands	3 Months Ended		9 Months Ended	
	Nov. 30, 2022	Nov. 30, 2021	Nov. 30, 2022	Nov. 30, 2021
<u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u>				
<u>NET SALES AND OPERATING REVENUES</u>	\$	\$	\$	\$
	6,505,956	8,527,759	23,962,380	24,213,717
<u>Depreciation and amortization</u>			202,655	200,819
<u>Gross Profit</u>	576,688	836,560	2,189,224	2,576,553
<u>CARMAX AUTO FINANCE INCOME</u>	152,196	165,968	539,538	607,732
<u>Selling, General and Administrative Expense</u>	(591,727)	(575,930)	(1,914,508)	(1,704,285)
<u>Depreciation, Depletion and Amortization, Nonproduction</u>	(57,377)	(54,428)	(170,717)	(157,107)
<u>Interest expense</u>	(30,150)	(24,303)	(91,670)	(67,247)
<u>Other income</u>	363	8,094	2,303	35,453
<u>Income (Loss) from Continuing Operations before Equity Method Investments, Income Taxes, Noncontrolling Interest</u>	49,993	\$ 355,961	554,170	\$ 1,291,099
<u>TOTAL COST OF SALES</u>				
<u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u>				
<u>Depreciation and amortization</u>	4,139		11,291	
<u>Intersegment Eliminations</u>				
<u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u>				
<u>NET SALES AND OPERATING REVENUES</u>	(5,549)		(20,219)	
<u>Gross Profit</u>	(1,149)		(4,276)	
<u>CarMax Sales Operations</u>				
<u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u>				
<u>NET SALES AND OPERATING REVENUES</u>	6,472,702		23,860,462	
<u>Gross Profit</u>	554,057		2,115,631	
<u>CarMax Sales Operations TOTAL COST OF SALES</u>				
<u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u>				
<u>Depreciation and amortization</u>	404		1,092	
<u>CarMax Sales Operations Operating Segments</u>				
<u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u>				
<u>NET SALES AND OPERATING REVENUES</u>	6,472,702		23,860,462	
<u>Other Segments</u>				
<u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u>				
<u>NET SALES AND OPERATING REVENUES</u>	33,254		101,918	
<u>Gross Profit</u>	23,780		77,869	
<u>Other Segments TOTAL COST OF SALES</u>				

<u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u>		
<u>Depreciation and amortization</u>	3,735	10,199
<u>Other Segments Intersegment Eliminations</u>		
<u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u>		
<u>NET SALES AND OPERATING REVENUES</u>	5,549	20,219
<u>Other Segments Operating Segments</u>		
<u>Segment Reporting, Reconciling Item for Operating Profit (Loss) from Segment to Consolidated [Line Items]</u>		
<u>NET SALES AND OPERATING REVENUES</u>	\$ 38,803	\$ 122,137

