

CARMAX INC
Form 10-Q
October 05, 2017

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 August 31, 2017

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 54-1821055
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

12800 TUCKAHOE CREEK PARKWAY, RICHMOND, VIRGINIA 23238
(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)

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 x No "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes x No "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 x Accelerated filer "
Smaller reporting company "

Non-accelerated filer
(Do not check if a smaller
reporting company)

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

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

Class	Outstanding as of September 29, 2017
Common Stock, par value \$0.50	182,330,049

CARMAX, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

	Page No.
PART I.	FINANCIAL INFORMATION
Item 1.	Financial Statements:
	Consolidated Statements of Earnings (Unaudited) – Three and Six Months Ended August 31, 2017 and 2016 <u>3</u>
	Consolidated Statements of Comprehensive Income (Unaudited) – Three and Six Months Ended August 31, 2017 and 2016 <u>4</u>
	Consolidated Balance Sheets (Unaudited) – August 31, 2017 and February 28, 2017 <u>5</u>
	Consolidated Statements of Cash Flows (Unaudited) – Six Months Ended August 31, 2017 and 2016 <u>6</u>
	Notes to Consolidated Financial Statements (Unaudited) <u>7</u>
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations <u>22</u>
Item 3.	Quantitative and Qualitative Disclosures About Market Risk <u>36</u>
Item 4.	Controls and Procedures <u>36</u>
PART II.	OTHER INFORMATION
Item 1.	Legal Proceedings <u>37</u>

Item 1A.	Risk Factors	<u>37</u>
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	<u>37</u>
Item 6.	Exhibits	<u>38</u>
SIGNATURES		<u>39</u>

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CARMAX, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

(Unaudited)

(In thousands except per share data)	Three Months Ended August 31				Six Months Ended August 31			
	2017	% ⁽¹⁾	2016	% ⁽¹⁾	2017	% ⁽¹⁾	2016	% ⁽¹⁾
SALES AND OPERATING REVENUES:								
Used vehicle sales	\$3,694,200	84.2	\$3,300,814	82.6	\$7,537,573	84.4	\$6,729,788	82.8
Wholesale vehicle sales	547,767	12.5	560,402	14.0	1,101,157	12.3	1,128,143	13.9
Other sales and revenues	144,673	3.3	136,032	3.4	290,244	3.3	265,703	3.3
NET SALES AND OPERATING REVENUES	4,386,640	100.0	3,997,248	100.0	8,928,974	100.0	8,123,634	100.0
Cost of sales	3,782,635	86.2	3,451,886	86.4	7,676,031	86.0	7,005,635	86.2
GROSS PROFIT	604,005	13.8	545,362	13.6	1,252,943	14.0	1,117,999	13.8
CARMAX AUTO FINANCE INCOME	107,936	2.5	95,969	2.4	217,299	2.4	196,727	2.4
Selling, general and administrative expenses	405,062	9.2	366,126	9.2	808,565	9.1	746,356	9.2
Interest expense	16,836	0.4	13,904	0.3	33,674	0.4	24,992	0.3
Other income	(189))—	(435))—	(282))—	(1,051))—
Earnings before income taxes	290,232	6.6	261,736	6.5	628,285	7.0	544,429	6.7
Income tax provision	108,808	2.5	99,374	2.5	235,159	2.6	206,707	2.5
NET EARNINGS	\$181,424	4.1	\$162,362	4.1	\$393,126	4.4	\$337,722	4.2
WEIGHTED AVERAGE COMMON SHARES:								
Basic	182,868		191,539					