

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, 2024

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:

Title of each class

Common Stock

Trading Symbol(s)

KMX

Name of each exchange on which registered

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

Class
Common Stock, par value \$0.50

Outstanding as of September 25, 2024
154,924,341

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)

<i>(In thousands except per share data)</i>	Three Months Ended August 31				Six Months Ended August 31			
	2024	% ⁽¹⁾	2023	% ⁽¹⁾	2024	% ⁽¹⁾	2023	% ⁽¹⁾
SALES AND OPERATING REVENUES:								
Used vehicle sales	\$ 5,677,081	80.9	\$ 5,591,143	79.0	\$ 11,354,557	80.4	\$ 11,592,614	78.5
Wholesale vehicle sales	1,154,465	16.5	1,321,975	18.7	2,410,904	17.1	2,836,338	19.2
Other sales and revenues	181,983	2.6	160,718	2.3	361,465	2.6	331,947	2.2
NET SALES AND OPERATING REVENUES	7,013,529	100.0	7,073,836	100.0	14,126,926	100.0	14,760,899	100.0
COST OF SALES:								
Used vehicle cost of sales	5,198,315	74.1	5,139,034	72.6	10,380,294	73.5	10,625,880	72.0
Wholesale vehicle cost of sales	1,016,590	14.5	1,185,359	16.8	2,115,901	15.0	2,531,897	17.2
Other cost of sales	38,157	0.5	52,678	0.7	78,369	0.6	88,967	0.6
TOTAL COST OF SALES	6,253,062	89.2	6,377,071	90.2	12,574,564	89.0	13,246,744	89.7
GROSS PROFIT	760,467	10.8	696,765	9.8	1,552,362	11.0	1,514,155	10.3
CARMAX AUTO FINANCE INCOME	115,580	1.6	134,987	1.9	262,550	1.9	272,345	1.8
Selling, general and administrative expenses	610,562	8.7	585,694	8.3	1,249,140	8.8	1,145,531	7.8
Depreciation and amortization	63,901	0.9	58,817	0.8	125,770	0.9	117,236	0.8
Interest expense	27,021	0.4	31,585	0.4	58,383	0.4	62,051	0.4
Other income	(3,281)	—	(2,630)	—	(2,865)	—	(3,844)	—
Earnings before income taxes	177,844	2.5	158,286	2.2	384,484	2.7	465,526	3.2
Income tax provision	45,035	0.6	39,651	0.6	99,235	0.7	118,593	0.8
NET EARNINGS	\$ 132,809	1.9	\$ 118,635	1.7	\$ 285,249	2.0	\$ 346,933	2.4
WEIGHTED AVERAGE COMMON SHARES:								
Basic	155,866		158,479		156,513		158,298	
Diluted	156,526		159,238		157,116		158,900	
NET EARNINGS PER SHARE:								
Basic	\$ 0.85		\$ 0.75		\$ 1.82		\$ 2.19	
Diluted	\$ 0.85		\$ 0.75		\$ 1.82		\$ 2.18	

⁽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.

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

<i>(In thousands)</i>	Three Months Ended August 31		Six Months Ended August 31	
	2024	2023	2024	2023
NET EARNINGS	\$ 132,809	\$ 118,635	\$ 285,249	\$ 346,933
Other comprehensive (loss) income, net of taxes:				
Net change in retirement benefit plan unrecognized actuarial losses	85	98	169	196
Net change in cash flow hedge unrecognized gains	(52,706)	17,169	(50,391)	(19,468)
Other comprehensive (loss) income, net of taxes	(52,621)	17,267	(50,222)	(19,272)
TOTAL COMPREHENSIVE INCOME	\$ 80,188	\$ 135,902	\$ 235,027	\$ 327,661

See accompanying notes to consolidated financial statements.

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

<i>(In thousands except share data)</i>	As of August 31 2024	As of February 29 2024
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 524,667	\$ 574,142
Restricted cash from collections on auto loans receivable	572,630	506,648
Accounts receivable, net	228,112	221,153
Inventory	3,397,746	3,678,070
Other current assets	135,901	246,581
TOTAL CURRENT ASSETS	4,859,056	5,226,594
Auto loans receivable, net of allowance for loan losses of \$500,834 and \$482,790 as of August 31, 2024 and February 29, 2024, respectively	17,413,589	17,011,844
Property and equipment, net of accumulated depreciation of \$1,940,005 and \$1,813,783 as of August 31, 2024 and February 29, 2024, respectively	3,763,089	3,665,530
Deferred income taxes	126,883	98,790
Operating lease assets	495,783	520,717
Goodwill	141,258	141,258
Other assets	496,160	532,064
TOTAL ASSETS	\$ 27,295,818	\$ 27,196,797
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,008,044	\$ 933,708
Accrued expenses and other current liabilities	483,922	523,971
Accrued income taxes	34,063	—
Current portion of operating lease liabilities	57,959	57,161
Current portion of long-term debt	21,771	313,282
Current portion of non-recourse notes payable	550,045	484,167
TOTAL CURRENT LIABILITIES	2,155,804	2,312,289
Long-term debt, excluding current portion	1,588,260	1,602,355
Non-recourse notes payable, excluding current portion	16,516,943	16,357,301
Operating lease liabilities, excluding current portion	473,158	496,210
Other liabilities	382,044	354,902
TOTAL LIABILITIES	21,116,209	21,123,057
Commitments and contingent liabilities		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 350,000,000 shares authorized; 155,332,046 and 157,611,939 shares issued and outstanding as of August 31, 2024 and February 29, 2024, respectively	77,666	78,806
Capital in excess of par value	1,856,385	1,808,746
Accumulated other comprehensive income	9,057	59,279
Retained earnings	4,236,501	4,126,909
TOTAL SHAREHOLDERS' EQUITY	6,179,609	6,073,740
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 27,295,818	\$ 27,196,797

See accompanying notes to consolidated financial statements.

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

<i>(In thousands)</i>	Six Months Ended August 31	
	2024	2023
OPERATING ACTIVITIES:		
Net earnings	\$ 285,249	\$ 346,933
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	141,964	126,971
Share-based compensation expense	82,703	69,445
Provision for loan losses	193,798	170,672
Provision for cancellation reserves	49,302	45,199
Deferred income tax benefit	(11,789)	(24,845)
Other	2,039	3,868
Net (increase) decrease in:		
Accounts receivable, net	(6,959)	26,909
Inventory	280,324	(113,144)
Other current assets	111,438	33,431
Auto loans receivable, net	(595,543)	(828,631)
Other assets	(9,486)	(6,668)
Net increase (decrease) in:		
Accounts payable, accrued expenses and other current liabilities and accrued income taxes	23,474	132,566
Other liabilities	(45,100)	(43,826)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	501,414	(61,120)
INVESTING ACTIVITIES:		
Capital expenditures	(213,123)	(210,167)
Proceeds from disposal of property and equipment	130	1,247
Purchases of investments	(3,091)	(3,236)
Sales and returns of investments	621	405
NET CASH USED IN INVESTING ACTIVITIES	(215,463)	(211,751)
FINANCING ACTIVITIES:		
Proceeds from issuances of long-term debt	—	134,600
Payments on long-term debt	(306,274)	(240,093)
Cash paid for debt issuance costs	(12,985)	(10,650)
Payments on finance lease obligations	(9,056)	(7,810)
Issuances of non-recourse notes payable	6,971,000	6,179,929
Payments on non-recourse notes payable	(6,742,743)	(5,532,403)
Repurchase and retirement of common stock	(213,305)	(4,143)
Equity issuances	30,296	27,534
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(283,067)	546,964
Increase in cash, cash equivalents, and restricted cash	2,884	274,093
Cash, cash equivalents, and restricted cash at beginning of year	1,250,410	951,004
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$ 1,253,294	\$ 1,225,097
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONSOLIDATED BALANCE SHEETS:		
Cash and cash equivalents	\$ 524,667	\$ 521,098
Restricted cash from collections on auto loans receivable	572,630	534,792
Restricted cash included in other assets	155,997	169,207
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD	\$ 1,253,294	\$ 1,225,097

See accompanying notes to consolidated financial statements.

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

Six Months Ended August 31, 2024

<i>(In thousands)</i>	Common Shares Outstanding	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as of February 29, 2024	157,612	\$ 78,806	\$ 1,808,746	\$ 4,126,909	\$ 59,279	\$ 6,073,740
Net earnings	—	—	—	152,440	—	152,440
Other comprehensive income	—	—	—	—	2,399	2,399
Share-based compensation expense	—	—	36,708	—	—	36,708
Repurchases of common stock	(1,446)	(723)	(17,615)	(86,551)	—	(104,889)
Exercise of common stock options	138	69	8,140	—	—	8,209
Stock incentive plans, net shares issued	49	24	(1,761)	—	—	(1,737)
Balance as of May 31, 2024	156,353	\$ 78,176	\$ 1,834,218	\$ 4,192,798	\$ 61,678	\$ 6,166,870
Net earnings	—	—	—	132,809	—	132,809
Other comprehensive loss	—	—	—	—	(52,621)	(52,621)
Share-based compensation expense	—	—	17,328	—	—	17,328
Repurchases of common stock	(1,376)	(688)	(17,059)	(89,106)	—	(106,853)
Exercise of common stock options	347	173	21,914	—	—	22,087
Stock incentive plans, net shares issued	8	5	(16)	—	—	(11)
Balance as of August 31, 2024	155,332	\$ 77,666	\$ 1,856,385	\$ 4,236,501	\$ 9,057	\$ 6,179,609

See accompanying notes to consolidated financial statements.

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

Six Months Ended August 31, 2023

<i>(In thousands)</i>	Common Shares Outstanding	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance as of February 28, 2023	158,079	\$ 79,040	\$ 1,713,074	\$ 3,723,094	\$ 97,869	\$ 5,613,077
Net earnings	—	—	—	228,298	—	228,298
Other comprehensive loss	—	—	—	—	(36,539)	(36,539)
Share-based compensation expense	—	—	21,274	—	—	21,274
Exercise of common stock options	18	9	979	—	—	988
Stock incentive plans, net shares issued	112	56	(3,986)	—	—	(3,930)
Balance as of May 31, 2023	158,209	\$ 79,105	\$ 1,731,341	\$ 3,951,392	\$ 61,330	\$ 5,823,168
Net earnings	—	—	—	118,635	—	118,635
Other comprehensive income	—	—	—	—	17,267	17,267
Share-based compensation expense	—	—	20,256	—	—	20,256
Exercise of common stock options	446	223	26,323	—	—	26,546
Stock incentive plans, net shares issued	1	—	(213)	—	—	(213)
Balance as of August 31, 2023	158,656	\$ 79,328	\$ 1,777,707	\$ 4,070,027	\$ 78,597	\$ 6,005,659

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”). At that time, Edmunds was identified as a non-reportable operating segment and has been presented as “Other” in the Segment Information footnote in our prior period financial statements. Since the acquisition, Edmunds’ business strategy has become increasingly integrated with that of CarMax Sales Operations. Beginning in the first quarter of fiscal 2025, the chief operating decision maker (“CODM”) assessed the financial performance related to Edmunds’ operations together with the rest of the CarMax Sales Operations segment. As a result, as of May 31, 2024, the company realigned its operating segments to be consistent with the manner in which the CODM assesses performance and makes resource allocations. The company now operates in two operating segments, CarMax Sales Operations and CAF, both of which continue to be reportable segments.

The operating segment change did not impact the company’s consolidated financial statements but did impact our previous segment footnote disclosure. The Segment Information footnote is no longer presented, as the previous disclosures were for the purpose of presenting the Edmunds operating segment separate from CarMax Sales Operations. The current and prior period required disclosures related to our reportable segments are included elsewhere within the consolidated financial statements and related footnotes. The performance of our CarMax Sales Operations segment is reviewed by our CODM at the gross profit level, the components of which are presented within the consolidated statement of earnings. The required segment information related to our CAF segment is presented in Note 3. 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.

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 and dealers; 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”); advertising and subscription services; 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 29, 2024 (the “2024 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 2024 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. Certain prior year amounts have been reclassified to conform to the current year’s presentation. Amounts and percentages may not total due to rounding.

2. 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 August 31		Six Months Ended August 31	
	2024	2023	2024	2023
Used vehicle sales	\$ 5,677.1	\$ 5,591.1	\$ 11,354.6	\$ 11,592.6
Wholesale vehicle sales	1,154.5	1,322.0	2,410.9	2,836.3
Other sales and revenues:				
Extended protection plan revenues	121.4	101.7	240.2	212.9
Third-party finance income/(fees), net	1.4	(1.5)	(0.2)	(1.2)
Advertising & subscription revenues ⁽¹⁾	34.3	33.5	69.0	64.9
Service revenues	21.7	21.4	44.4	43.5
Other	3.2	5.6	8.1	11.8
Total other sales and revenues	182.0	160.7	361.5	331.9
Total net sales and operating revenues	\$ 7,013.5	\$ 7,073.8	\$ 14,126.9	\$ 14,760.9

⁽¹⁾ Excludes intercompany sales and operating revenues that have been eliminated in consolidation.

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 10-day 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 15 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 7 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 is determined upon satisfying the performance obligation of selling the ESP. This estimate is subject to various constraints; primarily, factors that are outside of the company's influence or control. We have determined that these constraints generally preclude any profit-sharing revenues from being recognized before they are paid. As of August 31, 2024 and February 29, 2024, no current or long-term contract asset was recognized related to cumulative profit-sharing payments to which we expect to be entitled. The estimate of the amount to which we expect to be entitled is reassessed each reporting period and any changes are reflected in other sales and revenues on our consolidated statements of earnings and other assets on our consolidated balance sheets.

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 include miscellaneous goods and services, which are immaterial to our consolidated financial statements.

3. 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 4, 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 August 31				Six Months Ended August 31			
	2024	% ⁽¹⁾	2023	% ⁽¹⁾	2024	% ⁽¹⁾	2023	% ⁽¹⁾
Interest margin:								
Interest and fee income	\$ 464.5	10.5	\$ 416.9	9.6	\$ 917.0	10.4	\$ 817.4	9.5
Interest expense	(193.7)	(4.4)	(152.0)	(3.5)	(376.0)	(4.3)	(294.6)	(3.4)
Total interest margin	270.8	6.1	264.9	6.1	541.0	6.1	522.8	6.1
Provision for loan losses	(112.6)	(2.5)	(89.8)	(2.1)	(193.8)	(2.2)	(170.7)	(2.0)
Total interest margin after provision for loan losses	158.2	3.6	175.1	4.0	347.2	3.9	352.1	4.1
Direct expenses:								
Payroll and fringe benefit expense	(19.0)	(0.4)	(16.8)	(0.4)	(37.6)	(0.4)	(33.4)	(0.4)
Depreciation and amortization	(4.3)	(0.1)	(4.1)	(0.1)	(8.5)	(0.1)	(8.2)	(0.1)
Other direct expenses	(19.3)	(0.4)	(19.3)	(0.4)	(38.5)	(0.4)	(38.2)	(0.4)
Total direct expenses	(42.6)	(1.0)	(40.2)	(0.9)	(84.6)	(1.0)	(79.8)	(0.9)
CarMax Auto Finance income	\$ 115.6	2.6	\$ 135.0	3.1	\$ 262.6	3.0	\$ 272.3	3.2
Total average managed receivables	\$ 17,728.8		\$ 17,315.6		\$ 17,640.0		\$ 17,159.5	

⁽¹⁾ Annualized percentage of total average managed receivables.

4. 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 \$17.10 billion as of August 31, 2024, and \$16.87 billion as of February 29, 2024. See Note 9 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 3 for additional information on CAF income.

Auto Loans Receivable, Net

<i>(In millions)</i>	As of August 31 2024	As of February 29 2024
Asset-backed term funding	\$ 12,801.5	\$ 12,638.2
Warehouse facilities	3,743.6	3,744.6
Overcollateralization ⁽¹⁾	775.9	790.9
Other managed receivables ⁽²⁾	448.4	218.1
Total ending managed receivables	17,769.4	17,391.8
Accrued interest and fees	103.6	90.9
Other	41.4	11.9
Less: allowance for loan losses	(500.8)	(482.8)
Auto loans receivable, net	\$ 17,413.6	\$ 17,011.8

⁽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 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

<i>(In millions)</i>	As of August 31, 2024						Total	% ⁽²⁾
	Fiscal Year of Origination ⁽¹⁾							
	2025	2024	2023	2022	2021	Prior to 2021		
Core managed receivables ⁽³⁾ :								
A	\$ 2,432.5	\$ 3,204.6	\$ 2,137.6	\$ 1,237.3	\$ 410.1	\$ 139.3	\$ 9,561.4	53.8
B	1,194.6	1,987.3	1,432.4	968.0	358.6	155.7	6,096.6	34.3
C and other	252.0	330.0	404.1	314.3	141.6	66.8	1,508.8	8.5
Total core managed receivables	3,879.1	5,521.9	3,974.1	2,519.6	910.3	361.8	17,166.8	96.6
Other managed receivables ⁽⁴⁾ :								
C and other	167.8	214.0	144.2	58.3	7.1	11.2	602.6	3.4
Total ending managed receivables	\$ 4,046.9	\$ 5,735.9	\$ 4,118.3	\$ 2,577.9	\$ 917.4	\$ 373.0	\$ 17,769.4	100.0
Gross charge-offs	\$ 3.9	\$ 97.7	\$ 106.5	\$ 59.6	\$ 16.9	\$ 12.3	\$ 296.9	

As of February 29, 2024
Fiscal Year of Origination ⁽¹⁾

<i>(In millions)</i>	2024	2023	2022	2021	2020	Prior to 2020	Total	% ⁽²⁾
Core managed receivables ⁽³⁾ :								
A	\$ 3,922.7	\$ 2,660.6	\$ 1,635.1	\$ 614.0	\$ 268.7	\$ 40.0	\$ 9,141.1	52.6
B	2,370.8	1,738.8	1,225.9	493.3	233.4	61.3	6,123.5	35.2
C and other	344.1	498.6	400.3	192.2	86.6	26.9	1,548.7	8.9
Total core managed receivables	6,637.6	4,898.0	3,261.3	1,299.5	588.7	128.2	16,813.3	96.7
Other managed receivables ⁽⁴⁾ :								
C and other	299.0	176.3	72.6	9.3	12.1	9.2	578.5	3.3
Total ending managed receivables	\$ 6,936.6	\$ 5,074.3	\$ 3,333.9	\$ 1,308.8	\$ 600.8	\$ 137.4	\$ 17,391.8	100.0
Gross charge-offs	\$ 111.0	\$ 248.6	\$ 129.8	\$ 41.0	\$ 19.7	\$ 11.4	\$ 561.5	

⁽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 August 31, 2024 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 method ("method"), 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 method 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 method 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

<i>(In millions)</i>	Three Months Ended August 31, 2024				% ⁽¹⁾
	Core	Other	Total		
Balance as of beginning of period	\$ 396.6	\$ 96.5	\$ 493.1		2.79
Charge-offs	(131.1)	(32.7)	(163.8)		
Recoveries ⁽²⁾	52.1	6.8	58.9		
Provision for loan losses	99.7	12.9	112.6		
Balance as of end of period	\$ 417.3	\$ 83.5	\$ 500.8		2.82

<i>(In millions)</i>	Three Months Ended August 31, 2023				% ⁽¹⁾
	Core	Other	Total		
Balance as of beginning of period	\$ 427.5	\$ 107.9	\$ 535.4		3.11
Charge-offs	(118.7)	(24.5)	(143.2)		
Recoveries ⁽²⁾	48.5	7.5	56.0		
Provision for loan losses	75.7	14.1	89.8		
Balance as of end of period	\$ 433.0	\$ 105.0	\$ 538.0		3.08

<i>(In millions)</i>	Six Months Ended August 31, 2024				% ⁽¹⁾
	Core	Other	Total		
Balance as of beginning of period	\$ 389.7	\$ 93.1	\$ 482.8		2.78
Charge-offs	(244.1)	(52.8)	(296.9)		
Recoveries ⁽²⁾	106.0	15.1	121.1		
Provision for loan losses	165.7	28.1	193.8		
Balance as of end of period	\$ 417.3	\$ 83.5	\$ 500.8		2.82

<i>(In millions)</i>	Six Months Ended August 31, 2023				% ⁽¹⁾
	Core	Other	Total		
Balance as of beginning of period	\$ 401.5	\$ 105.7	\$ 507.2		3.02
Charge-offs	(211.8)	(41.2)	(253.0)		
Recoveries ⁽²⁾	99.0	14.1	113.1		
Provision for loan losses	144.3	26.4	170.7		
Balance as of end of period	\$ 433.0	\$ 105.0	\$ 538.0		3.08

⁽¹⁾ Percent of total ending managed receivables.

⁽²⁾ Net of costs incurred to recover vehicle.

During the first six months of fiscal 2025, the allowance for loan losses as a percent of total ending managed receivables increased by 4 basis points. The increase was primarily due to unfavorable loss performance related to CAF's core receivables as well as CAF's expanded investment in Tier 2, partially offset by the previously implemented tightened underwriting standards in response to the current environment. The increase in net charge-offs primarily reflects continued customer hardship in the current economic environment. The allowance for loan losses as of August 31, 2024 reflects our best estimate of expected future losses based on recent trends in delinquencies, loss performance, recovery rates and the economic environment.

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 uncollectable. 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 August 31, 2024

(In millions)	Core Receivables				Other Receivables	Total	
	A	B	C & Other	Total	C & Other	\$	% ⁽¹⁾
Current	\$ 9,506.6	\$ 5,609.7	\$ 1,204.3	\$ 16,320.6	\$ 465.1	\$ 16,785.7	94.47
Delinquent loans:							
31-60 days past due	33.1	279.3	160.2	472.6	68.6	541.2	3.04
61-90 days past due	16.6	170.4	122.0	309.0	58.3	367.3	2.07
Greater than 90 days past due	5.1	37.2	22.3	64.6	10.6	75.2	0.42
Total past due	54.8	486.9	304.5	846.2	137.5	983.7	5.53
Total ending managed receivables	\$ 9,561.4	\$ 6,096.6	\$ 1,508.8	\$ 17,166.8	\$ 602.6	\$ 17,769.4	100.00

As of February 29, 2024

(In millions)	Core Receivables				Other Receivables	Total	
	A	B	C & Other	Total	C & Other	\$	% ⁽¹⁾
Current	\$ 9,088.1	\$ 5,666.3	\$ 1,243.7	\$ 15,998.1	\$ 447.1	\$ 16,445.2	94.56
Delinquent loans:							
31-60 days past due	32.1	271.3	162.9	466.3	68.1	534.4	3.07
61-90 days past due	15.1	149.4	118.5	283.0	53.0	336.0	1.93
Greater than 90 days past due	5.8	36.5	23.6	65.9	10.3	76.2	0.44
Total past due	53.0	457.2	305.0	815.2	131.4	946.6	5.44
Total ending managed receivables	\$ 9,141.1	\$ 6,123.5	\$ 1,548.7	\$ 16,813.3	\$ 578.5	\$ 17,391.8	100.00

⁽¹⁾ Percent of total ending managed receivables.

5. 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 SOFR 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 ("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 \$35.0 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 six months ended August 31, 2024, we recognized expense of \$4.6 million and \$7.7 million, respectively, in CAF income representing these changes in fair value.

As of August 31, 2024 and February 29, 2024, we had interest rate swaps outstanding with a combined notional amount of \$5.12 billion and \$5.21 billion, respectively, that were designated as cash flow hedges of interest rate risk. As of August 31,

2024 and February 29, 2024, we had interest rate swaps with a combined notional amount of \$386.1 million and \$704.0 million, respectively, outstanding that were not designated as cash flow hedges for accounting purposes.

See Note 6 for discussion of fair values of financial instruments and Note 12 for the effect on comprehensive income.

6. 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

<i>(In thousands)</i>	As of August 31, 2024		
	Level 1	Level 2	Total
Assets:			
Money market securities	\$ 1,166,588	\$ —	\$ 1,166,588
Mutual fund investments	28,185	—	28,185
Derivative instruments designated as hedges	—	16,100	16,100
Derivative instruments not designated as hedges	—	5,351	5,351
Total assets at fair value	\$ 1,194,773	\$ 21,451	\$ 1,216,224
Percent of total assets at fair value	98.2 %	1.8 %	100.0 %
Percent of total assets	4.4 %	0.1 %	4.5 %
Liabilities:			
Derivative instruments designated as hedges	\$ —	\$ (23,868)	\$ (23,868)
Total liabilities at fair value	\$ —	\$ (23,868)	\$ (23,868)
Percent of total liabilities	— %	0.1 %	0.1 %

<i>(In thousands)</i>	As of February 29, 2024		
	Level 1	Level 2	Total
Assets:			
Money market securities	\$ 1,164,270	\$ —	\$ 1,164,270
Mutual fund investments	24,312	—	24,312
Derivative instruments designated as hedges	—	45,761	45,761
Derivative instruments not designated as hedges	—	13,064	13,064
Total assets at fair value	\$ 1,188,582	\$ 58,825	\$ 1,247,407
Percent of total assets at fair value	95.3 %	4.7 %	100.0 %
Percent of total assets	4.4 %	0.2 %	4.6 %
Liabilities:			
Derivative instruments designated as hedges	\$ —	\$ (2,302)	\$ (2,302)
Total liabilities at fair value	\$ —	\$ (2,302)	\$ (2,302)
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 August 31, 2024 and February 29, 2024, respectively, are as follows:

<i>(In thousands)</i>	As of August 31, 2024		As of February 29, 2024	
Carrying value	\$	400,000	\$	400,000
Fair value	\$	388,795	\$	380,249

7. 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 August 31		Six Months Ended August 31	
	2024	2023	2024	2023
Balance as of beginning of period	\$ 131.3	\$ 138.7	\$ 128.3	\$ 139.2
Cancellations	(22.6)	(23.2)	(43.9)	(47.8)
Provision for future cancellations	25.0	21.1	49.3	45.2
Balance as of end of period	\$ 133.7	\$ 136.6	\$ 133.7	\$ 136.6

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 August 31, 2024 and February 29, 2024, the current portion of cancellation reserves was \$72.3 million and \$69.7 million, respectively.

8. Income Taxes

We had \$31.3 million of gross unrecognized tax benefits as of August 31, 2024, and \$28.8 million as of February 29, 2024. There were no significant changes to the gross unrecognized tax benefits as reported for the fiscal year ended February 29, 2024.

Within the next 12 months, it is reasonably possible that statutes will expire and previously unrecognized tax benefits related to the prepayment of services provided by related entities will be recognized. Recognition of the benefits will decrease gross unrecognized tax benefits by approximately \$14.0 million and would not materially impact our effective tax rate.

9. Debt

<i>(In thousands)</i>	Debt Description ⁽¹⁾	Maturity Date	As of August 31	As of February 29
			2024	2024
Revolving credit facility ⁽²⁾	June 2028	\$ —	\$ —	
Term loan ⁽²⁾	June 2024	—	300,000	
Term loan ⁽²⁾	October 2026	699,703	699,633	
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	510,744	516,544	
Non-recourse notes payable	Various dates through January 2031	17,095,229	16,866,972	
Total debt		18,705,676	18,783,149	
Less: current portion		(571,816)	(797,449)	
Less: unamortized debt issuance costs		(28,657)	(26,044)	
Long-term debt, net		\$ 18,105,203	\$ 17,959,656	

⁽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 SOFR, 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 August 31, 2024, the unused capacity of \$2.00 billion was fully available to us.

Term Loans. The \$300 million term loan was paid in May 2024. Borrowings under the \$700 million term loan are available for working capital and general corporate purposes. The interest rate on our term loan was 6.35% as of August 31, 2024. The \$700 million term loan was 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 \$400 million are available for working capital and general corporate purposes. As of August 31, 2024, all 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 January 2031, 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 August 31, 2024 are as follows:

<i>(In billions)</i>	Capacity
Warehouse facilities:	
December 2024 expiration	\$ 0.70
March 2025 expiration	3.10
August 2025 expiration	2.30
Combined warehouse facility limit	\$ 6.10
Unused capacity	\$ 2.36
Non-recourse notes payable outstanding:	
Warehouse facilities	\$ 3.74
Asset-backed term funding transactions	13.36
Non-recourse notes payable	\$ 17.10

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.

In June 2024, we entered into a \$625 million asset-backed term funding transaction related to our new non-prime securitization program. In July 2024, we entered into a \$1.4 billion asset-backed term funding transaction comprised of higher prime auto loans receivable. Going forward, we plan to utilize separate asset-backed securitization programs to more broadly incorporate funding of CAF's receivables across distinct higher prime and non-prime segments. We believe this new two-program strategy will enable us to fund incremental originations and support future CAF growth across the credit spectrum by creating additional funding capacity, driving additional finance income for the business over time.

See Note 4 for additional information on the related auto loans receivable.

Capitalized Interest. We capitalize interest in connection with the construction of certain facilities. For the six months ended August 31, 2024 and 2023, we capitalized interest of \$3.1 million and \$2.9 million, respectively.

Financial Covenants. The credit facility, term loan 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, as well as financial covenants and performance triggers related to events of default. As of August 31, 2024, we were in compliance with these financial covenants and our non-recourse funding vehicles were in compliance with these performance triggers.

10. Stock and Stock-Based Incentive Plans

(A) Share Repurchase Program

As of August 31, 2024, a total of \$4.0 billion of board authorizations for repurchases of our common stock was outstanding, with no expiration date, of which \$2.15 billion remained available for repurchase.

Common Stock Repurchases

	Three Months Ended		Six Months Ended	
	August 31		August 31	
	2024	2023	2024	2023
Number of shares repurchased <i>(in thousands)</i>	1,376.7	—	2,822.4	—
Average cost per share	\$ 77.04	\$ —	\$ 74.41	\$ —
Available for repurchase, as of end of period <i>(in millions)</i>	\$ 2,150.1	\$ 2,451.3	\$ 2,150.1	\$ 2,451.3

(B) Share-Based Compensation

Composition of Share-Based Compensation Expense

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	August 31		August 31	
	2024	2023	2024	2023
Cost of sales	\$ 1,639	\$ 1,195	\$ 2,648	\$ 2,585
CarMax Auto Finance income	1,449	1,198	2,134	1,647
Selling, general and administrative expenses	32,133	31,294	79,234	66,598
Share-based compensation expense, before income taxes	\$ 35,221	\$ 33,687	\$ 84,016	\$ 70,830

Composition of Share-Based Compensation Expense – By Grant Type

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	August 31		August 31	
	2024	2023	2024	2023
Nonqualified stock options	\$ 9,174	\$ 13,650	\$ 28,118	\$ 27,727
Cash-settled restricted stock units (RSUs)	17,277	12,804	28,667	27,915
Stock-settled market stock units (MSUs)	4,187	3,884	11,767	10,108
Other share-based incentives:				
Stock-settled performance stock units (PSUs)	2,117	797	12,301	1,538
Restricted stock (RSAs)	—	76	—	307
Stock-settled deferred stock units (DSUs)	1,850	1,850	1,850	1,850
Employee stock purchase plan	616	626	1,313	1,385
Total other share-based incentives	\$ 4,583	\$ 3,349	\$ 15,464	\$ 5,080
Share-based compensation expense, before income taxes	\$ 35,221	\$ 33,687	\$ 84,016	\$ 70,830

(C) Stock Incentive Plan Information

Share/Unit Activity

<i>(Shares/units in thousands)</i>	Six Months Ended August 31, 2024			
	Equity Classified			Liability Classified
	Options	MSUs	Other	RSUs
Outstanding as of February 29, 2024	7,393	383	195	1,297
Granted	1,230	238	263	918
Exercised or vested and converted	(485)	(75)	(47)	(556)
Cancelled	(111)	(11)	—	(65)
Outstanding as of August 31, 2024	8,027	535	411	1,594

Weighted average grant date fair value per share/unit:

Granted	\$	29.20	\$	95.73	\$	69.43	\$	67.22
Ending outstanding	\$	28.07	\$	104.28	\$	75.26	\$	71.19

	As of August 31, 2024					
Unrecognized compensation <i>(in millions)</i>	\$	46.6	\$	24.5	\$	4.7

11. 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

<i>(In thousands except per share data)</i>	Three Months Ended		Six Months Ended					
	August 31		August 31					
	2024	2023	2024	2023				
Net earnings	\$	132,809	\$	118,635	\$	285,249	\$	346,933
Weighted average common shares outstanding		155,866		158,479		156,513		158,298
Dilutive potential common shares:								
Stock options		349		581		316		373
Stock-settled stock units and awards		311		178		287		229
Weighted average common shares and dilutive potential common shares		156,526		159,238		157,116		158,900
Basic net earnings per share	\$	0.85	\$	0.75	\$	1.82	\$	2.19
Diluted net earnings per share	\$	0.85	\$	0.75	\$	1.82	\$	2.18

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 August 31, 2024 and 2023, options to purchase 5,083,556 shares and 3,508,300 shares of common stock, respectively, were not included. For the six months ended August 31, 2024 and 2023, options to purchase 5,133,763 shares and 5,518,543 shares of common stock, respectively, were not included.

12. Accumulated Other Comprehensive Income

Changes in Accumulated Other Comprehensive Income By Component

	Net Unrecognized Actuarial Losses	Net Unrecognized Hedge Gains	Total Accumulated Other Comprehensive Income
<i>(In thousands, net of income taxes)</i>			
Balance as of February 29, 2024	\$ (37,116)	\$ 96,395	\$ 59,279
Other comprehensive loss before reclassifications	—	(28,828)	(28,828)
Amounts reclassified from accumulated other comprehensive income	169	(21,563)	(21,394)
Other comprehensive income (loss)	169	(50,391)	(50,222)
Balance as of August 31, 2024	\$ (36,947)	\$ 46,004	\$ 9,057

Changes In and Reclassifications Out of Accumulated Other Comprehensive Income

	Three Months Ended August 31		Six Months Ended August 31	
	2024	2023	2024	2023
<i>(In thousands)</i>				
Retirement Benefit Plans:				
Actuarial loss amortization reclassifications recognized in net pension expense:				
Cost of sales	\$ 49	\$ 58	\$ 99	\$ 116
CarMax Auto Finance income	3	3	7	7
Selling, general and administrative expenses	58	68	115	135
Total amortization reclassifications recognized in net pension expense	110	129	221	258
Tax expense	(25)	(31)	(52)	(62)
Amortization reclassifications recognized in net pension expense, net of tax	85	98	169	196
Net change in retirement benefit plan unrecognized actuarial losses, net of tax	85	98	169	196
Cash Flow Hedges (Note 5):				
Changes in fair value	(55,748)	35,002	(38,239)	(1,005)
Tax benefit (expense)	13,639	(8,535)	9,411	336
Changes in fair value, net of tax	(42,109)	26,467	(28,828)	(669)
Reclassifications to CarMax Auto Finance income	(14,010)	(12,295)	(28,508)	(24,859)
Tax benefit	3,413	2,997	6,945	6,060
Reclassification of hedge gains, net of tax	(10,597)	(9,298)	(21,563)	(18,799)
Net change in cash flow hedge unrecognized gains, net of tax	(52,706)	17,169	(50,391)	(19,468)
Total other comprehensive (loss) income, net of tax	\$ (52,621)	\$ 17,267	\$ (50,222)	\$ (19,272)

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. The cumulative balances are net of deferred taxes of \$3.0 million as of August 31, 2024 and \$19.3 million as of February 29, 2024.

13. 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 9.

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 restrictive 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 August 31		Six Months Ended August 31	
	2024	2023	2024	2023
Operating lease cost ⁽¹⁾	\$ 22,873	\$ 22,239	\$ 46,101	\$ 44,186
Finance lease cost:				
Depreciation of lease assets	2,976	4,907	6,798	9,442
Interest on lease liabilities	6,920	6,407	13,591	12,502
Total finance lease cost	9,896	11,314	20,389	21,944
Total lease cost	\$ 32,769	\$ 33,553	\$ 66,490	\$ 66,130

⁽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 August 31	As of February 29
		2024	2024
Assets:			
Operating lease assets	Operating lease assets	\$ 495,783	\$ 520,717
Finance lease assets	Property and equipment, net ⁽¹⁾	191,774	174,998
Total lease assets		\$ 687,557	\$ 695,715
Liabilities:			
Current:			
Operating leases	Current portion of operating lease liabilities	\$ 57,959	\$ 57,161
Finance leases	Accrued expenses and other current liabilities	23,608	20,877
Long-term:			
Operating leases	Operating lease liabilities, excluding current portion	473,158	496,210
Finance leases	Other liabilities	211,590	198,759
Total lease liabilities		\$ 766,315	\$ 773,007

⁽¹⁾ Finance lease assets are recorded net of accumulated depreciation of \$62.3 million as of August 31, 2024 and \$55.5 million as of February 29, 2024.

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

Lease Term and Discount Rate	As of August 31 2024	As of February 29 2024
Weighted Average Remaining Lease Term (in years)		
Operating leases	16.01	16.07
Finance leases	13.17	11.43
Weighted Average Discount Rate		
Operating leases	5.10 %	5.05 %
Finance leases	15.79 %	17.16 %

Supplemental cash flow information related to leases was as follows:

<i>(In thousands)</i>	Six Months Ended August 31	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 47,610	\$ 44,182
Operating cash flows from finance leases	\$ 12,642	\$ 12,076
Financing cash flows from finance leases	\$ 9,056	\$ 7,810
Lease assets obtained in exchange for lease obligations:		
Operating leases	\$ 4,189	\$ 22,277
Finance leases	\$ 24,497	\$ 43,684

Maturities of lease liabilities were as follows:

<i>(In thousands)</i>	As of August 31, 2024	
	Operating Leases ⁽¹⁾	Finance Leases ⁽¹⁾
Fiscal 2025, remaining	\$ 42,579	\$ 21,194
Fiscal 2026	78,928	48,763
Fiscal 2027	72,607	45,167
Fiscal 2028	68,493	38,332
Fiscal 2029	46,682	31,118
Thereafter	518,131	288,506
Total lease payments	827,420	473,080
Less: interest	(296,303)	(237,882)
Present value of lease liabilities	\$ 531,117	\$ 235,198

⁽¹⁾ Lease payments exclude \$4.7 million of legally binding minimum lease payments for leases signed but not yet commenced.

14. Supplemental Cash Flow Information

Supplemental disclosures of cash flow information:

<i>(In thousands)</i>	Six Months Ended August 31	
	2024	2023
Non-cash investing and financing activities:		
Increase (decrease) in accrued capital expenditures	\$ 816	\$ (18,607)
Increase in financing obligations	\$ —	\$ 4,527

See Note 13 for supplemental cash flow information related to leases.

15. Contingent Liabilities

Litigation. The company is a class member in a consolidated and settled class action lawsuit (In re: Takata Airbag Product Liability Litigation (U.S. District Court, Southern District of Florida)) against Toyota, Mazda, Subaru, BMW, Honda, Nissan, Ford and Volkswagen related to the economic loss associated with defective Takata airbags installed as original equipment in certain model vehicles from model years 2000-2019. In April 2020, CarMax received \$40.3 million in net recoveries from the Toyota, Mazda, Subaru, BMW, Honda and Nissan settlement funds. In January 2022, CarMax received \$3.8 million in net recoveries from the Ford settlement funds. On April 21, 2023, CarMax received \$59.3 million in net recoveries from residual undisbursed funds in the Toyota, Mazda, Subaru, BMW, Honda and Nissan settlements. On August 9, 2023, CarMax received \$7.9 million in additional residual funds in the BMW, Mazda, and Nissan settlements. CarMax remains a class member for residual funds in the Ford settlement. The Volkswagen settlement has not yet been resolved. We are unable to make a reasonable estimate of the amount or range of gain that could result from CarMax's participation in the Ford residual or Volkswagen matters.

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 \$31.0 million as of August 31, 2024, and \$30.9 million as of February 29, 2024, and is included in accrued expenses and other current liabilities.

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 29, 2024 ("fiscal 2024"), 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.

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"); advertising and subscription revenues; 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 August 31, 2024, we operated 247 used car stores in 109 U.S. television markets.

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 42.6% of our retail used vehicle unit sales in the first six months of fiscal 2025. As of August 31, 2024, CAF serviced approximately 1.1 million customer accounts in its \$17.77 billion portfolio of managed receivables.

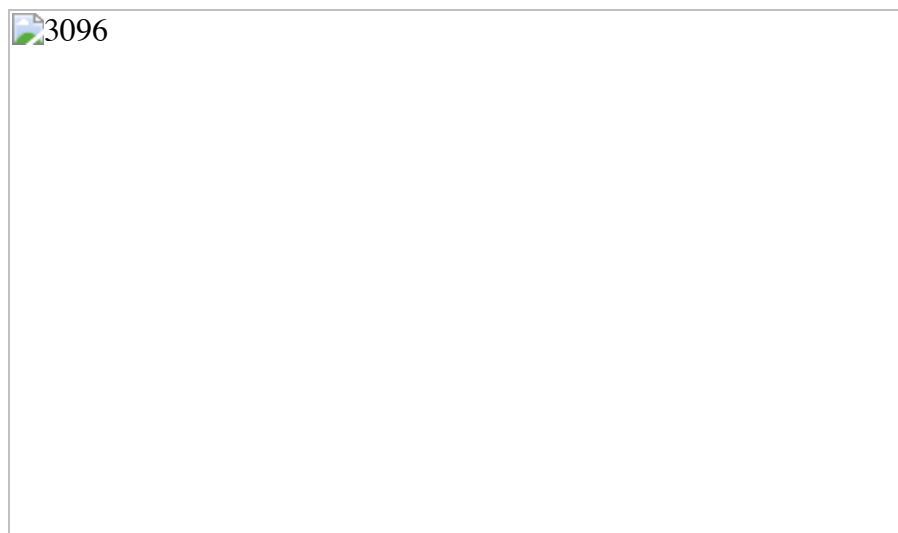
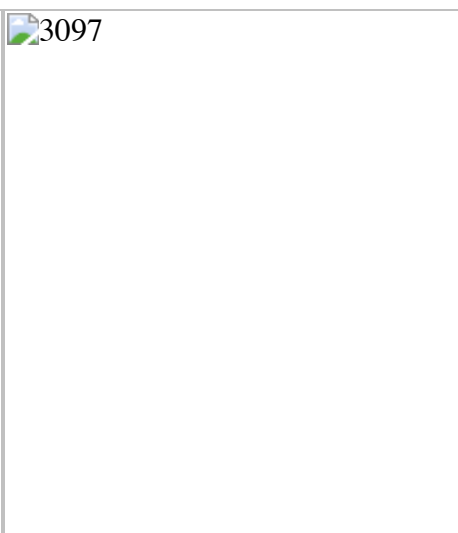
Management regularly analyzes CAF's operating results by assessing the competitiveness of our consumer offer, profitability, the performance of the auto loans receivable, including trends in credit losses and delinquencies, and CAF direct expenses.

Revenues and Profitability

The sources of revenue and gross profit from the CarMax Sales Operations segment for the first six months of fiscal 2025 are as follows:

Net Sales and Operating Revenues

Gross Profit

	
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A high-level summary of our financial results for the second quarter and first six months of fiscal 2025 as compared to the second quarter and first six months of fiscal 2024 is as follows ⁽¹⁾:

<i>(Dollars in millions except per share or per unit data)</i>	Three Months Ended August 31, 2024	Change from Three Months Ended August 31, 2023	Six Months Ended August 31, 2024	Change from Six Months Ended August 31, 2023
Income statement information				
Net sales and operating revenues	\$ 7,013.5	(0.9)%	\$ 14,126.9	(4.3)%
Gross profit	\$ 760.5	9.1 %	\$ 1,552.4	2.5 %
CAF income	\$ 115.6	(14.4)%	\$ 262.6	(3.6)%
Selling, general and administrative expenses	\$ 610.6	4.2 %	\$ 1,249.1	9.0 %
Net earnings	\$ 132.8	11.9 %	\$ 285.2	(17.8)%
Unit sales information				
Used unit sales	211,020	5.1 %	422,152	0.8 %
Change in used unit sales in comparable stores	4.3 %	N/A	0.1 %	N/A
Wholesale unit sales	141,458	(0.3)%	289,143	(4.5)%
Per unit information				
Used gross profit per unit	\$ 2,269	0.8 %	\$ 2,308	— %
Wholesale gross profit per unit	\$ 975	1.2 %	\$ 1,020	1.5 %
SG&A as a % of gross profit	80.3 %	(3.8)%	80.5 %	4.8 %
Per share information				
Net earnings per diluted share	\$ 0.85	13.3 %	\$ 1.82	(16.5)%
Online sales metrics				
Online retail sales ⁽²⁾	15 %	1 %	15 %	1 %
Omni sales ⁽³⁾	57 %	2 %	57 %	2 %
Revenue from online transactions ⁽⁴⁾	29 %	(2)%	30 %	(1)%

⁽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, but not all, 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.

Net earnings per diluted share during the first six months of the prior fiscal year included a benefit of \$0.32 in connection with the receipt of settlement proceeds in a class action lawsuit related to the economic loss associated with vehicles containing Takata airbags. 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 has been used to fund our capital expenditures and the repurchase of common stock under our share repurchase program.

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 slowed the rate of our store growth. During the first half of fiscal 2025, we accelerated the pace of our share repurchases above the pace that we implemented in the third quarter of fiscal 2024. We believe we have the appropriate liquidity, access to capital and financial strength to support our operations and continue investing in our business for the next 12 months and thereafter 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, whether online, in-store or through an integrated combination of online and in-store experiences. 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. As a result, online, omni and in-person sales can vary from quarter to quarter depending on consumer preferences and how they choose to interact with us. We believe consumers in the used car industry will increasingly prefer to have the ability to shop and transact digitally. Approximately 70% of our customers leveraged some or all of our digital capabilities to complete their transactions during fiscal 2024, compared to approximately 40% when we completed our initial omni-channel roll-out at the end of fiscal 2020.

Our diversified business model, combined with our exceptional associates, national scale and unparalleled omni-channel experience, is a unique advantage in the used car industry that firmly positions us to drive profitable market share gains while creating shareholder value over the long-term. We expect the impact of our omni-channel capabilities will continue to grow as consumers demand a more personalized car-buying experience. Some of the recent actions we have taken to refine the customer experience and further differentiate our business include:

- We completed the nationwide rollout of our new order processing system across our stores and Customer Experience Centers (“CECs”). This system helps associates guide customers through each step of the buying journey and provides a more seamless experience for customers who prefer to blend self-progression with assistance from associates.
- We have focused on customer shopping accounts, which make it easier for customers to see the steps they have taken on their shopping journey, whether on their own or with help from an associate. These accounts also guide next steps and promote MaxCare, our ESP product. We are currently testing this offering in several stores and plan to deploy it nationwide later this year.
- We developed a new knowledge management system that we are testing in our CECs, which leverages generative AI to empower associates with instant access to the information they need. We believe this will enable our CECs to be more effective and efficient, and we plan to launch the bot across all CECs later this year.
- We released an enhancement to our finance-based shopping platform that seamlessly incorporates existing instant appraisal offers into our prequalification offering.
- We launched an EV hub as a consumer research resource on carmax.com. The hub contains guides that address top questions shoppers have about EVs, including hybrids, and serves to help consumers determine if an EV is right for them.

In addition to these actions, we are focused on driving down our cost of sales by pursuing incremental efficiency opportunities that we have identified across our logistics network and reconditioning operations. For example, we recently conducted a comprehensive review of our logistics operations and determined that centralizing some key functions will help us best leverage our network. During the second quarter of fiscal 2025, we centralized our home delivery, appraisal pick-up and MaxOffer

moves by market. We believe this change enables us to achieve efficiencies in upcoming quarters as we roll out our enhanced transportation management system, which provides new planning and execution capabilities. We believe these initiatives focused on our logistics network and reconditioning operations will drive savings of approximately \$200 per retail unit over the next year or two.

As we continue to evaluate our logistics operations, including equipment and leasing arrangements, we may incur charges that we estimate will be less than \$10 million in the near term, which would likely be recorded in other (income)/expense. These charges are expected to be more than offset by the efficiencies gained in our logistics operations over time.

We purchased approximately 300,000 vehicles from consumers and dealers during the second quarter of fiscal 2025, up 2.9% from the prior year quarter. Of the approximately 269,000 vehicles purchased from consumers, more than half were purchased through our online instant appraisal experience. Approximately 31,000 vehicles were purchased through dealers, up 61.4% from the prior year quarter. Our self-sufficiency rate, including dealer buys, was over 70% for the second quarter of fiscal 2025. We leverage the Edmunds sales team to open new markets and sign up new dealers for MaxOffer.

While SG&A as a percent of gross profit can fluctuate from quarter to quarter depending on variability in gross profit, our initial goal on the path 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 annual rate will require continued efficiency gains in our operating model, gross profit growth and healthier consumer demand. In fiscal 2025, we expect to require low-single-digit gross profit growth to lever SG&A.

We expect our diversified model, the scale of our operations, our investments and omni-channel strategy to provide a solid foundation for further growth. In our Annual Report on Form 10-K for fiscal 2024, we disclosed the following long-term targets:

- We are maintaining our goal to sell more than 2 million combined retail and wholesale units annually; however, we extended the timeframe to between fiscal 2026 and fiscal 2030 due to uncertainty in the timing of market recovery and as we continue to focus on profitable market share growth. We intend to update the timeframe to achieve this goal when we have greater visibility into the industry's pace of recovery.
- Given higher average selling prices, we expect to achieve the \$33 billion in annual revenue target sooner than units.
- Similarly, we also expect to achieve more than 5% nationwide market share of age 0- to 10-year old used vehicles sooner than units, but given the recent volatility in vehicle values, we will provide an updated timeframe for our expected achievement at the end of the current fiscal year.

The achievement of these targets is dependent on macroeconomic factors that could result in ongoing volatility in consumer demand.

In calendar 2023, we estimate we sold approximately 3.7% of the age 0- to 10-year old vehicles sold on a nationwide basis, a decrease from 4.0% in calendar 2022. Market share performance in calendar 2023 was negatively impacted by sharp vehicle depreciation in the used car industry and our focus on profitable market share. 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.
- Utilizing advertising to drive customer growth, educate customers about our omni-channel platform and to differentiate and elevate our brand.
- Hiring, developing and retaining an engaged and skilled workforce.
- Leveraging data and advanced analytics to continuously improve the customer experience as well as our processes and systems.
- Improving efficiency in our stores and CECs and our logistics and reconditioning operations to reduce waste.
- Opening stores in new markets and expanding our presence in existing markets.
- Becoming the leading retailer of used EVs in the market. In support of this goal, Edmunds has launched several research and buying tools, which include providing data on the health and range of EV batteries as well as an evaluation of potential federal and state tax credits and incentives.

As of August 31, 2024, we had used car stores located in 109 U.S. television markets, which covered approximately 85% 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 six months of fiscal 2025, we opened two stores and our second stand-alone reconditioning center in Richland, Mississippi. During the remainder of the fiscal year, we plan to open

three stores and one stand-alone auction facility. We are utilizing our stand-alone reconditioning and auction locations to balance capacity and drive efficiencies across the network.

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 29, 2024.

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 29, 2024.

RESULTS OF OPERATIONS – CARMAX SALES OPERATIONS

NET SALES AND OPERATING REVENUES

<i>(In millions)</i>	Three Months Ended August 31			Six Months Ended August 31		
	2024	2023	Change	2024	2023	Change
Used vehicle sales	\$ 5,677.1	\$ 5,591.1	1.5 %	\$ 11,354.6	\$ 11,592.6	(2.1)%
Wholesale vehicle sales	1,154.5	1,322.0	(12.7)%	2,410.9	2,836.3	(15.0)%
Other sales and revenues:						
Extended protection plan revenues	121.4	101.7	19.3 %	240.2	212.9	12.8 %
Third-party finance income/(fees), net	1.4	(1.5)	197.2 %	(0.2)	(1.2)	80.5 %
Advertising & subscription revenues ⁽¹⁾	34.3	33.5	2.5 %	69.0	64.9	6.4 %
Other	24.9	27.0	(8.0)%	52.5	55.3	(5.2)%
Total other sales and revenues	182.0	160.7	13.2 %	361.5	331.9	8.9 %
Total net sales and operating revenues	\$ 7,013.5	\$ 7,073.8	(0.9)%	\$ 14,126.9	\$ 14,760.9	(4.3)%

⁽¹⁾ Excludes intercompany sales and operating revenues that have been eliminated in consolidation.

UNIT SALES

	Three Months Ended August 31			Six Months Ended August 31		
	2024	2023	Change	2024	2023	Change
Used vehicles	211,020	200,825	5.1 %	422,152	418,749	0.8 %
Wholesale vehicles	141,458	141,837	(0.3)%	289,143	302,885	(4.5)%

AVERAGE SELLING PRICES

	Three Months Ended August 31			Six Months Ended August 31		
	2024	2023	Change	2024	2023	Change
Used vehicles	\$ 26,245	\$ 27,500	(4.6)%	\$ 26,386	\$ 27,374	(3.6)%
Wholesale vehicles	\$ 7,768	\$ 8,923	(12.9)%	\$ 7,935	\$ 8,977	(11.6)%

COMPARABLE STORE USED VEHICLE SALES CHANGES

	Three Months Ended August 31 ⁽¹⁾		Six Months Ended August 31 ⁽¹⁾	
	2024	2023	2024	2023
Used vehicle units	4.3 %	(9.0)%	0.1 %	(10.3)%
Used vehicle revenues	(0.2)%	(12.5)%	(3.3)%	(14.4)%

⁽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 August 31		Six Months Ended August 31	
	2024	2023	2024	2023
Used vehicle units	5.1 %	(7.4)%	0.8 %	(8.5)%
Used vehicle revenues	1.5 %	(11.0)%	(2.1)%	(12.8)%
Wholesale vehicle units	(0.3)%	(11.2)%	(4.5)%	(12.5)%
Wholesale vehicle revenues	(12.7)%	(21.8)%	(15.0)%	(25.5)%

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

	Three Months Ended August 31 ⁽¹⁾		Six Months Ended August 31 ⁽¹⁾	
	2024	2023	2024	2023
CAF ⁽²⁾	44.6 %	46.4 %	45.0 %	45.9 %
Tier 2 ⁽³⁾	17.7 %	18.1 %	18.2 %	19.3 %
Tier 3 ⁽⁴⁾	6.7 %	6.4 %	7.1 %	6.6 %
Other ⁽⁵⁾	31.0 %	29.1 %	29.7 %	28.2 %
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 2% 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 August 31		Six Months Ended August 31	
	2024	2023	2024	2023
Used car stores, beginning of period	245	241	245	240
Store openings	2	—	2	1
Used car stores, end of period	247	241	247	241

During the first six months of fiscal 2025, we opened two stores in existing television markets (El Paso, TX and Gainesville, GA).

Used Vehicle Sales. The 1.5% increase in used vehicle revenues in the second quarter of fiscal 2025 was primarily driven by a 5.1% increase in used unit sales, partially offset by a 4.6% decrease in average retail selling price, or approximately \$1,250. The increase in used units included a 4.3% increase in comparable store used unit sales. For the first six months of fiscal 2025, used vehicle revenues decreased 2.1%, driven by a 3.6% decrease in average selling price, or approximately \$1,000, partially offset by a 0.8% increase in used unit sales. The increase in used units included a 0.1% increase in comparable store used unit sales. Online retail sales, as defined previously, accounted for 15% of used unit sales for both the second quarter and first six months of fiscal 2025 compared with 14% for both the second quarter and first six months of fiscal 2024. Based on current trends, we anticipate our comparable store used unit sales to remain positive for the third quarter of fiscal 2025, relatively in line with, but slightly below, our second quarter results.

The decrease in average retail selling price in both the second quarter and first six months of fiscal 2025 reflected lower vehicle acquisition costs, partially offset by shifts in the mix of our sales by vehicle age and class.

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.

The 12.7% decrease in wholesale vehicle revenues in the second quarter of fiscal 2025 was primarily due to a decrease in average selling price of 12.9%, or approximately \$1,150, and a 0.3% decrease in unit sales. For the first six months of fiscal 2025, wholesale vehicle revenues decreased 15.0%, driven by a decrease in average selling price of 11.6%, or approximately \$1,050, and a 4.5% decrease in unit sales.

The decrease in average selling price during both the second quarter and first six months of fiscal 2025 was primarily due to decreased acquisition costs and shifts in the mix of our sales by vehicle age.

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 increased 13.2% and 8.9% in the second quarter and first six months of fiscal 2025, respectively, reflecting increases in EPP revenues. EPP revenues increased 19.3% and 12.8% in the second quarter and first six months of fiscal 2025, respectively, largely reflecting increased margins, partially offset by decreased penetration.

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 August 31 ⁽¹⁾			Six Months Ended August 31 ⁽¹⁾		
	2024	2023	Change	2024	2023	Change
Used vehicle gross profit	\$ 478.8	\$ 452.1	5.9 %	\$ 974.3	\$ 966.7	0.8 %
Wholesale vehicle gross profit	137.9	136.6	0.9 %	295.0	304.4	(3.1)%
Other gross profit	143.8	108.1	33.1 %	283.1	243.1	16.5 %
Total	\$ 760.5	\$ 696.8	9.1 %	\$ 1,552.4	\$ 1,514.2	2.5 %

⁽¹⁾ Amounts are net of intercompany eliminations.

GROSS PROFIT PER UNIT

	Three Months Ended August 31 ⁽¹⁾				Six Months Ended August 31 ⁽¹⁾			
	2024		2023		2024		2023	
	\$ per unit ⁽²⁾	% ⁽³⁾	\$ per unit ⁽²⁾	% ⁽³⁾	\$ per unit ⁽²⁾	% ⁽³⁾	\$ per unit ⁽²⁾	% ⁽³⁾
Used vehicle gross profit	\$ 2,269	8.4	\$ 2,251	8.1	\$ 2,308	8.6	\$ 2,309	8.3
Wholesale vehicle gross profit	\$ 975	11.9	\$ 963	10.3	\$ 1,020	12.2	\$ 1,005	10.7
Other gross profit	\$ 682	79.0	\$ 538	67.2	\$ 671	78.3	\$ 580	73.2

⁽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 trends in the broader trade-in market 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 and dealers through our appraisal process. Vehicles purchased directly from consumers and dealers 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 increased 5.9% in the second quarter of fiscal 2025, driven primarily by the 5.1% increase in total used unit sales. Used vehicle gross profit increased 0.8% in the first six months of fiscal 2025, driven primarily by the 0.8% increase in total used unit sales. Used vehicle gross profit per unit was in line with the prior year period for both the second quarter and first six months of fiscal 2025. 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 increased 0.9% in the second quarter of fiscal 2025, primarily driven by a \$12 increase in wholesale vehicle gross profit per unit, partially offset by a 0.3% decrease in wholesale unit sales. Wholesale vehicle gross profit decreased 3.1% in the first six months of fiscal 2025, primarily driven by a 4.5% decrease in wholesale unit sales, partially offset by a \$15 increase in wholesale vehicle gross profit per unit.

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 increased 33.1% and 16.5% in the second quarter and first six months of fiscal 2025, respectively, primarily driven by increases in EPP revenues, as discussed above, as well as improvements in service department margins. The increase in service department profits for both the second quarter and first six months of fiscal 2025 was driven by efficiency and cost coverage measures that we have implemented. The increase in service department margins for the second quarter was also impacted by the increase in used unit sales. We expect to continue to see significant year-over-year favorability in service department profits for the full year of fiscal 2025, as governed by sales performance given the leverage/deleverage nature of service.

SG&A Expenses

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

	Three Months Ended August 31, 2024	Six Months Ended August 31, 2024
	9048	549755825905

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

<i>(In millions except per unit data)</i>	Three Months Ended August 31			Six Months Ended August 31		
	2024	2023	Change	2024	2023	Change
Compensation and benefits:						
Compensation and benefits, excluding share-based compensation expense	\$ 321.3	\$ 305.7	5.1 %	\$ 649.4	\$ 636.4	2.0 %
Share-based compensation expense	32.1	31.3	2.7 %	79.2	66.6	19.0 %
Total compensation and benefits ⁽²⁾	\$ 353.4	\$ 337.0	4.9 %	\$ 728.6	\$ 703.0	3.6 %
Occupancy costs	74.7	67.8	10.3 %	145.3	133.9	8.5 %
Advertising expense	63.0	66.3	(5.0)%	134.7	138.2	(2.5)%
Other overhead costs ⁽³⁾	119.5	114.6	4.3 %	240.5	170.4	41.2 %
Total SG&A expenses	\$ 610.6	\$ 585.7	4.2 %	\$ 1,249.1	\$ 1,145.5	9.0 %
SG&A as a % of gross profit	80.3 %	84.1 %	(3.8)%	80.5 %	75.7 %	4.8 %

⁽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 10 for details of share-based compensation expense by grant type.

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

SG&A expenses increased \$24.9 million, or 4.2%, in the second quarter of fiscal 2025. Factors contributing to the increase include the following:

- \$15.6 million increase in compensation and benefits, excluding share-based compensation expense, driven by an increase in the corporate bonus accrual, which was reduced in the prior year period.
- \$6.9 million increase in occupancy costs driven by the timing of store maintenance spend and inflationary pressures on utilities.

SG&A expenses increased \$103.6 million, or 9.0%, in the first six months of fiscal 2025. Factors contributing to the increase include the following:

- \$70.1 million increase in other overhead costs driven by the \$67.2 million benefit in the prior year period in connection with the receipt of settlement proceeds in a class action lawsuit related to the economic loss associated with vehicles containing Takata airbags.
- \$13.0 million increase in compensation and benefits, excluding share-based compensation expense, driven by an increase in the corporate bonus accrual, which was reduced in the second quarter of the prior year.

- \$12.6 million increase in stock-based compensation expense driven by the retirement eligibility of certain senior executives.
- \$11.4 million increase in occupancy costs driven by the timing of store maintenance spend and inflationary pressures on utilities.

Excluding the legal settlement in the prior year period, SG&A expenses in the first six months of fiscal 2025 increased 3.0%, or \$36.4 million.

While advertising expense on a per total unit basis for the second quarter of fiscal 2025 was slightly lower than our previously disclosed annual target, we continue to expect the full-year advertising spend for fiscal 2025 to be consistent with fiscal 2024 at approximately \$200 per total unit.

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 of \$27.0 million and \$58.4 million in the second quarter and first six months of fiscal 2025, respectively, was relatively consistent with \$31.6 million and \$62.1 million in the second quarter and first six months of fiscal 2024, respectively.

Other Income. Other income of \$3.3 million and \$2.9 million in the second quarter and first six months of fiscal 2025, respectively, was relatively consistent with \$2.6 million and \$3.8 million in the second quarter and first six months of fiscal 2024, respectively.

Income Taxes. The effective income tax rate was 25.3% in the second quarter of fiscal 2025 and 25.8% in the first six months of fiscal 2025 versus 25.1% in the second quarter of fiscal 2024 and 25.5% in the first six months of fiscal 2024.

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 as well as changes in the mix of credit quality originated.

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 originations, 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 and wholesale recovery rates. The range was established to provide consistent performance for CAF's previous prime asset-backed securitization program. As discussed below, CAF has expanded its securitization program to include higher prime and non-prime issuances, both of which are expected to perform differently from the historical range.

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 2 and Tier 3 finance providers, in order to better understand the performance of these loans, mitigate risk and add incremental profits. The targeted percentage of Tier 2 and Tier 3 originations has fluctuated over the past several years. CAF currently targets originating less than 5% of the total Tier 3 loan volume. Within the Tier 2 space, CAF continues to originate loans on a test basis and we slightly increased our investment in this space during the prior fiscal year. Any future adjustments in Tier 2 and Tier 3 will consider the broader lending environment, which includes funding availability, 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 has expanded its asset-backed securitization program to allow for distinct higher prime and non-prime issuances, with higher prime generally representing FICO scores greater than 650 and non-prime generally representing FICO scores below

650. We believe this strategy will enable CAF to efficiently fund incremental originations and support future CAF growth across the credit spectrum by creating additional funding capacity, driving additional finance income for the business over time. In June 2024, CAF closed on its first non-prime securitization deal, and in July 2024, CAF closed on its first higher prime securitization deal under this expanded funding strategy.

During the second quarter of fiscal 2025, CAF began testing its new full-spectrum credit scoring models and corresponding strategies across both the Tier 1 and Tier 2 spaces, and we expect our Tier 3 testing of the new model to begin during the third quarter of fiscal 2025. We would expect each additional percentage point of CAF penetration to generate \$10 million to \$12 million in lifetime pre-tax income per year of origination, net of the impact to finance partner participation fees. Our pre-tax income expectations will be impacted by the volume of loans originated, interest rates charged to customers, loan terms, loss rates, average credit scores and the broader macroeconomic and lending environments. While this income is earned over time, the provision for lifetime losses is recognized at the time of origination. We believe our unique finance platform with a full-spectrum in-house lending operation, coupled with a robust network of partner lenders, will strengthen our competitive advantage.

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

SELECTED CAF FINANCIAL INFORMATION

<i>(In millions)</i>	Three Months Ended August 31				Six Months Ended August 31			
	2024	% ⁽¹⁾	2023	% ⁽¹⁾	2024	% ⁽¹⁾	2023	% ⁽¹⁾
Interest margin:								
Interest and fee income	\$ 464.5	10.5	\$ 416.9	9.6	\$ 917.0	10.4	\$ 817.4	9.5
Interest expense	(193.7)	(4.4)	(152.0)	(3.5)	(376.0)	(4.3)	(294.6)	(3.4)
Total interest margin	\$ 270.8	6.1	\$ 264.9	6.1	\$ 541.0	6.1	\$ 522.8	6.1
Provision for loan losses	\$ (112.6)	(2.5)	\$ (89.8)	(2.1)	\$ (193.8)	(2.2)	\$ (170.7)	(2.0)
CarMax Auto Finance income	\$ 115.6	2.6	\$ 135.0	3.1	\$ 262.6	3.0	\$ 272.3	3.2

⁽¹⁾ Annualized percentage of total average managed receivables.

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

	Three Months Ended August 31		Six Months Ended August 31	
	2024	2023	2024	2023
Net loans originated <i>(in millions)</i>	\$ 2,159.7	\$ 2,197.2	\$ 4,425.5	\$ 4,537.6
Vehicle units financed	88,560	86,010	179,924	179,060
Net penetration rate ⁽¹⁾	42.0 %	42.8 %	42.6 %	42.8 %
Weighted average contract rate	11.5 %	11.1 %	11.4 %	11.1 %
Weighted average credit score ⁽²⁾	725	721	723	718
Weighted average loan-to-value (LTV) ⁽³⁾	89.5 %	88.8 %	89.3 %	88.4 %
Weighted average term <i>(in months)</i>	66.9	65.0	66.9	65.2

⁽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 4. 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 August 31		As of and for the Six Months Ended August 31	
	2024	2023	2024	2023
Total ending managed receivables	\$ 17,769.4	\$ 17,442.8	\$ 17,769.4	\$ 17,442.8
Total average managed receivables	\$ 17,728.8	\$ 17,315.6	\$ 17,640.0	\$ 17,159.5
Allowance for loan losses	\$ 500.8	\$ 538.0	\$ 500.8	\$ 538.0
Allowance for loan losses as a percentage of ending managed receivables	2.82 %	3.08 %	2.82 %	3.08 %
Net credit losses on managed receivables	\$ 104.9	\$ 87.2	\$ 175.8	\$ 139.9
Annualized net credit losses as a percentage of total average managed receivables	2.36 %	2.01 %	1.99 %	1.63 %
Past due accounts as a percentage of ending managed receivables	5.53 %	5.45 %	5.53 %	5.45 %
Average recovery rate ⁽¹⁾	47.8 %	53.9 %	48.3 %	56.6 %

⁽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 (Decreases of \$19.4 million, or 14.4%, and \$9.8 million, or 3.6%, in the second quarter and first six months of fiscal 2025, respectively)
 - The decrease in CAF income for both the second quarter and first six months of fiscal 2025 reflects an increase in the provision for loan losses, partially offset by an increase in average managed receivables.
- Total Interest Margin was 6.1% in both the second quarter and first six months of fiscal 2025, consistent with both the second quarter and first six months of fiscal 2024.
- Provision for Loan Losses
 - The provision for loan losses resulted in expense of \$112.6 million and \$193.8 million in the second quarter and first six months of fiscal 2025, respectively, compared with expense of \$89.8 million and \$170.7 million in the second quarter and first six months of fiscal 2024, respectively.
 - The provision for loan losses in the second quarter of fiscal 2025 included an increase of \$52.2 million in our estimate of lifetime losses on existing loans, which was nearly an 11% increase in our loss expectations. We believe the increase is largely related to the industry wide worsening in loss experience. The remaining \$60.4 million reflected our estimate of lifetime losses on current quarter originations.
 - The increases in the provision for loan losses in both periods were primarily driven by unfavorable loss performance. We experienced higher losses for receivables originated in 2022 and 2023, when average selling prices were elevated and these customers were later challenged with the macro-inflationary environment. In addition, we experienced higher losses pertaining to a segment of customers generally concentrated at the lower end of Tier 1, which we addressed through further tightening in April 2024. While the loan loss reserve was adjusted for these receivables during the first quarter of fiscal 2025, further deterioration was observed during the second quarter, resulting in an additional adjustment to the reserve.
 - The allowance for loan losses as a percentage of ending managed receivables was 2.82% as of August 31, 2024, compared with 3.08% as of August 31, 2023 and 2.78% as of February 29, 2024. The allowance percentage increased from February primarily due to worsening loss performance in CAF's portfolio of core receivables as well as expanded investment in Tier 2, partially offset by the previously implemented tightened underwriting standards in response to the current environment. Despite the additional reserve adjustment, the material tightening deployed in April 2023 had a meaningful impact on subsequent vintage loss rates.
 - Despite the year-over-year growth in the provision for loan losses, the allowance for loan losses as a percentage of ending managed receivables only increased 3 basis points from the first quarter of fiscal 2025, which is a result of credit tightening measures we implemented over the course of the last two years and their growing impact on our receivable portfolio.

- **Loan Performance**
 - The decline in net loan originations in both the second quarter and first six months of fiscal 2025 resulted from decreases in the average amount financed and the net penetration rate, partially offset by an increase in used unit sales.
 - CAF net penetration decreased in the second quarter and first six months of fiscal 2025 compared to the prior year periods, primarily reflecting shifts in the mix of customers utilizing outside financing.
 - The weighted average contract rate increased to 11.5% and 11.4% in the second quarter and first six months of fiscal 2025, respectively, compared with 11.1% in both the second quarter and first six months of fiscal 2024. The increases for both periods were primarily due to higher rates charged to customers as well as our expansion of Tier 2 originations within CAF's portfolio, partially offset by a reduction in Tier 3 originations.
 - The year-over-year increase in past due accounts as a percentage of ending managed receivables in the second quarter and first six months of fiscal 2025 reflects an increase in delinquencies, as noted industry-wide, as well as our expansion of Tier 2 originations within CAF's portfolio. The increase in delinquencies primarily reflects customer hardship in the current economic environment.

PLANNED FUTURE ACTIVITIES

During the first six months of fiscal 2025, we opened two stores as well as one stand-alone reconditioning center. For the remainder of fiscal 2025, we anticipate opening three new store locations and one stand-alone auction facility. We currently estimate capital expenditures will total between \$500 million and \$550 million in fiscal 2025. Capital expenditures were \$465.3 million in fiscal 2024. Planned capital spending in fiscal 2025 largely consists of spending to support our future long-term growth in stand-alone reconditioning and auction facilities, as well as our new stores.

FINANCIAL CONDITION

Liquidity and Capital Resources

Our primary ongoing cash requirements are to fund our existing operations, store and capacity expansion, store 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 slowed the rate of our store growth. During the first half of fiscal 2025, we accelerated the pace of our share repurchases above the pace that we implemented in the third quarter of fiscal 2024. We believe we have the appropriate liquidity, access to capital and financial strength to support our operations and continue investing in our business for the next 12 months and thereafter for the foreseeable future.

We have historically managed leverage based on a number of factors, including internal financial forecasts, consideration of CAF's operational and capital needs, external peer benchmarking, requirements of our debt agreements and macroeconomic conditions. Generally, we expect to use our revolving credit facility and other financing sources, together with stock repurchases, to maintain a leverage profile that ensures operating flexibility while supporting continued investment in the business.

Operating Activities. During the first six months of fiscal 2025, net cash provided by operating activities totaled \$501.4 million compared with net cash used in operating activities of \$61.1 million in the prior year period.

As of August 31, 2024, total inventory was \$3.40 billion, representing a decrease of \$280.3 million compared with the balance as of the start of the fiscal year. The decrease was primarily due to a decrease in volume driven by seasonality as well as our strategy to mitigate depreciation in the current market and a decrease in the average carrying cost of inventory due to lower vehicle acquisition costs.

Our operating cash flows are significantly impacted by changes in auto loans receivable, which increased \$595.5 million in the current year period compared with \$828.6 million 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 \$228.3 million in the current year period compared with \$647.5 million 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.

The change in net cash provided by (used in) operating activities for the first six months of the current fiscal year compared with the prior year period primarily reflected the changes in inventory and auto loans receivable, as discussed above, partially offset by the net impact of volume and timing-related changes in accounts receivable and accounts payable.

Investing Activities. During the first six months of fiscal 2025, net cash used in investing activities totaled \$215.5 million compared with \$211.8 million in fiscal 2024. Capital expenditures were \$213.1 million in the current year period versus \$210.2 million in the prior year period. Capital expenditures primarily included land purchases and construction costs to support our growth capacity initiatives and new store openings. We maintain a multi-year pipeline of sites to support our store and capacity growth, so portions of capital spending in one year may relate to locations that we open in subsequent fiscal years.

As of August 31, 2024, 164 of our 247 used car stores were located on owned sites and 83 were located on leased sites, including 27 land-only leases and 56 land and building leases.

Financing Activities. During the first six months of fiscal 2025, net cash used in financing activities totaled \$283.1 million compared with net cash provided by financing activities of \$547.0 million in the prior year period. Included in these amounts were net issuances of non-recourse notes payable of \$228.3 million compared with \$647.5 million 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 six months of fiscal 2025, cash used in financing activities was impacted by net payments on our long-term debt of \$306.3 million as well as stock repurchases of \$213.3 million. During the first six months of fiscal 2024, cash provided by financing activities was impacted by net payments on our long-term debt of \$105.5 million.

TOTAL DEBT AND CASH AND CASH EQUIVALENTS

<i>(In thousands)</i>		As of August 31	As of February 29
Debt Description ⁽¹⁾	Maturity Date	2024	2024
Revolving credit facility ⁽²⁾	June 2028	\$ —	\$ —
Term loan ⁽²⁾	June 2024	—	300,000
Term loan ⁽²⁾	October 2026	699,703	699,633
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	510,744	516,544
Non-recourse notes payable	Various dates through January 2031	17,095,229	16,866,972
Total debt ⁽³⁾		\$ 18,705,676	\$ 18,783,149
Cash and cash equivalents		\$ 524,667	\$ 574,142

⁽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 SOFR, the federal funds rate, or the prime rate, depending on the type of borrowing.

⁽³⁾ Total debt excludes unamortized debt issuance costs. See Note 9 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 loan 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 August 31, 2024, we were in compliance with these financial covenants.

See Note 9 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 August 31, 2024, \$13.36 billion and \$3.74 billion of non-recourse notes payable were outstanding related to asset-backed term funding transactions and our warehouse facilities, respectively. During the first six months of fiscal 2025, we funded a total of \$3.63 billion in asset-backed term funding transactions. As of August 31, 2024, we had \$2.36 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 9 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, as well as covenants and performance triggers related to events of default. 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. As of August 31, 2024, a total of \$4 billion of board authorizations for repurchases was outstanding, with no expiration date, of which \$2.15 billion remained available for repurchase. See Note 10 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 6 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, challenges, opportunities or prospects, including without limitation any statements or factors regarding expected operating capacity, sales, inventory, market share, financial targets, revenue, margins, expenses, liquidity, loan originations, capital expenditures, share repurchase plans, debt obligations or earnings, 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,” “enable,” “estimate,” “expect,” “intend,” “may,” “outlook,” “plan,” “positioned,” “predict,” “should,” “target,” “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 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:

- Changes in the competitive landscape and/or our failure to successfully adjust to such changes.
- Changes in general or regional U.S. economic conditions, including inflationary pressures, fluctuating interest rates and the potential impact of international events.
- Changes in the availability or cost of capital and working capital financing, including changes related to the asset-backed securitization market.
- Events that damage our reputation or harm the perception of the quality of our brand.
- Significant changes in prices of new and used vehicles.
- A reduction in the availability of or access to sources of inventory or a failure to expeditiously liquidate inventory.
- Our inability to realize the benefits associated with our omni-channel platform.
- Factors related to geographic and sales growth, including the inability to effectively manage our growth.
- 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.
- Changes in economic conditions or other factors that result in greater credit losses for CAF’s portfolio of auto loans receivable than anticipated.
- The failure or inability to realize the benefits associated with our strategic investments.
- 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.
- The performance of the third-party vendors we rely on for key components of our business.
- Adverse conditions affecting one or more automotive manufacturers, and manufacturer recalls.
- 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 failure or inability to adequately protect our intellectual property.
- The occurrence of severe weather events.
- The failure or inability to meet our environmental goals or satisfy related disclosure requirements.
- Factors related to the geographic concentration of our stores.
- Security breaches or other events that result in the misappropriation, loss or other unauthorized disclosure of confidential customer, associate or corporate information.
- The failure of or inability to sufficiently enhance key information systems.
- Factors related to the regulatory and legislative environment in which we operate.
- The effect of various litigation matters.
- The volatility in the market price for our common stock.

For more details on factors that could affect expectations, see Part II, Item 1A, “Risk Factors” on Page 44 of this report, our Annual Report on Form 10-K for the fiscal year ended February 29, 2024, 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 29, 2024. 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 29, 2024.

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 August 31, 2024, 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 15 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 29, 2024, 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 transactions, including through Rule 10b5-1 plans, 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 second quarter of fiscal 2025. The table does not include transactions related to employee equity awards or exercise of employee stock options.

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
June 1 - 30, 2024	369,820	\$ 71.12	369,820	\$ 2,229,880,174
July 1 - 31, 2024	505,500	\$ 78.84	505,500	\$ 2,190,028,185
August 1 - 31, 2024	501,338	\$ 79.59	501,338	\$ 2,150,124,263
Total	1,376,658		1,376,658	

Item 6. Exhibits

[10.1](#) CarMax, Inc. Executive Deferred Compensation Plan, as amended and restated, effective August 1, 2024, 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

September 27, 2024