

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 May 31, 2025

OR

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

Commission File Number: 1-31420

CARMAX, INC.

(Exact name of registrant as specified in its charter)

Virginia

(State or other jurisdiction of incorporation)

54-1821055

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

12800 Tuckahoe Creek Parkway

23238

Richmond, Virginia

(Address of Principal Executive Offices)

(Zip Code)

(804) 747-0422

(Registrant's telephone number, including area code)

N/A

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

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

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

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

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

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

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

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

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

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

Class
Common Stock, par value \$0.50

Outstanding as of June 24, 2025
150,072,152

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 May 31 | | | |
|----------------------------------------------|---------------------------|------------------|-------------------|------------------|
| | 2025 | % ⁽¹⁾ | 2024 | % ⁽¹⁾ |
| SALES AND OPERATING REVENUES: | | | | |
| Used vehicle sales | \$ 6,103,440 | 80.9 | \$ 5,677,476 | 79.8 |
| Wholesale vehicle sales | 1,252,738 | 16.6 | 1,256,439 | 17.7 |
| Other sales and revenues | 190,363 | 2.5 | 179,482 | 2.5 |
| NET SALES AND OPERATING REVENUES | 7,546,541 | 100.0 | 7,113,397 | 100.0 |
| COST OF SALES: | | | | |
| Used vehicle cost of sales | 5,549,257 | 73.5 | 5,181,979 | 72.8 |
| Wholesale vehicle cost of sales | 1,096,167 | 14.5 | 1,099,311 | 15.5 |
| Other cost of sales | 7,494 | 0.1 | 40,212 | 0.6 |
| TOTAL COST OF SALES | 6,652,918 | 88.2 | 6,321,502 | 88.9 |
| GROSS PROFIT | 893,623 | 11.8 | 791,895 | 11.1 |
| CARMAX AUTO FINANCE INCOME | 141,650 | 1.9 | 146,970 | 2.1 |
| Selling, general and administrative expenses | 659,643 | 8.7 | 638,578 | 9.0 |
| Depreciation and amortization | 65,739 | 0.9 | 61,869 | 0.9 |
| Interest expense | 27,070 | 0.4 | 31,362 | 0.4 |
| Other (income) expense | (309) | — | 416 | — |
| Earnings before income taxes | 283,130 | 3.8 | 206,640 | 2.9 |
| Income tax provision | 72,749 | 1.0 | 54,200 | 0.8 |
| NET EARNINGS | \$ 210,381 | 2.8 | \$ 152,440 | 2.1 |
| WEIGHTED AVERAGE COMMON SHARES: | | | | |
| Basic | 152,137 | | 157,161 | |
| Diluted | 152,607 | | 157,706 | |
| NET EARNINGS PER SHARE: | | | | |
| Basic | \$ 1.38 | | \$ 0.97 | |
| Diluted | \$ 1.38 | | \$ 0.97 | |

⁽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 May 31 | |
|---------------------------------------------------------------------|----------------------------------|-------------------|
| | 2025 | 2024 |
| NET EARNINGS | \$ 210,381 | \$ 152,440 |
| Other comprehensive (loss) income, net of taxes: | | |
| Net change in retirement benefit plan unrecognized actuarial losses | 76 | 84 |
| Net change in cash flow hedge unrecognized gains | (11,402) | 2,315 |
| Other comprehensive (loss) income, net of taxes | (11,326) | 2,399 |
| TOTAL COMPREHENSIVE INCOME | \$ 199,055 | \$ 154,839 |

See accompanying notes to consolidated financial statements.

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

| <i>(In thousands except share data)</i> | As of May 31 2025 | As of February 28 2025 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|---------------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 262,819 | \$ 246,960 |
| Restricted cash from collections on auto loans held for investment | 584,277 | 559,118 |
| Accounts receivable, net | 200,305 | 188,733 |
| Auto loans held for sale | 637,947 | — |
| Inventory | 3,624,353 | 3,934,622 |
| Other current assets | 142,890 | 148,203 |
| TOTAL CURRENT ASSETS | 5,452,591 | 5,077,636 |
| Auto loans held for investment, net of allowance for loan losses of \$474,222 and \$458,730 as of May 31, 2025 and February 28, 2025, respectively | 16,802,744 | 17,242,789 |
| Property and equipment, net of accumulated depreciation of \$2,071,389 and \$2,014,563 as of May 31, 2025 and February 28, 2025, respectively | 3,909,977 | 3,841,833 |
| Deferred income taxes | 141,183 | 140,332 |
| Operating lease assets | 482,613 | 493,355 |
| Goodwill | 141,258 | 141,258 |
| Other assets | 456,039 | 467,003 |
| TOTAL ASSETS | \$ 27,386,405 | \$ 27,404,206 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 980,499 | \$ 977,845 |
| Accrued expenses and other current liabilities | 409,003 | 529,926 |
| Accrued income taxes | 79,412 | 87,526 |
| Current portion of operating lease liabilities | 58,332 | 59,335 |
| Current portion of long-term debt | 217,319 | 16,821 |
| Current portion of non-recourse notes payable | 532,787 | 526,518 |
| TOTAL CURRENT LIABILITIES | 2,277,352 | 2,197,971 |
| Long-term debt, excluding current portion | 1,366,176 | 1,570,296 |
| Non-recourse notes payable, excluding current portion | 16,639,622 | 16,567,044 |
| Operating lease liabilities, excluding current portion | 470,912 | 481,963 |
| Other liabilities | 345,434 | 343,944 |
| TOTAL LIABILITIES | 21,099,496 | 21,161,218 |
| Commitments and contingent liabilities | | |
| SHAREHOLDERS' EQUITY: | | |
| Common stock, \$0.50 par value; 350,000,000 shares authorized; 150,582,152 and 153,319,678 shares issued and outstanding as of May 31, 2025 and February 28, 2025, respectively | 75,291 | 76,660 |
| Capital in excess of par value | 1,899,003 | 1,891,012 |
| Accumulated other comprehensive (loss) income | (8,246) | 3,080 |
| Retained earnings | 4,320,861 | 4,272,236 |
| TOTAL SHAREHOLDERS' EQUITY | 6,286,909 | 6,242,988 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 27,386,405 | \$ 27,404,206 |

See accompanying notes to consolidated financial statements.

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

| <i>(In thousands)</i> | Three Months Ended May 31 | |
|---------------------------------------------------------------------------------------------------------|----------------------------------|-------------------|
| | 2025 | 2024 |
| OPERATING ACTIVITIES: | | |
| Net earnings | \$ 210,381 | \$ 152,440 |
| Adjustments to reconcile net earnings to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 79,784 | 69,244 |
| Share-based compensation expense | 46,981 | 48,098 |
| Provision for loan losses | 101,707 | 81,226 |
| Provision for cancellation reserves | 24,803 | 24,343 |
| Deferred income tax provision (benefit) | 2,782 | (2,036) |
| Other | 1,310 | 2,545 |
| Net (increase) decrease in: | | |
| Accounts receivable, net | (11,572) | 8,783 |
| Auto loans held for sale | (637,947) | — |
| Inventory | 310,269 | (94,815) |
| Other current assets | 2,692 | 32,881 |
| Auto loans held for investment, net | 338,338 | (337,703) |
| Other assets | (5,712) | (3,797) |
| Net decrease in: | | |
| Accounts payable, accrued expenses and other current liabilities and accrued income taxes | (141,867) | (75,206) |
| Other liabilities | (22,406) | (23,692) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 299,543 | (117,689) |
| INVESTING ACTIVITIES: | | |
| Capital expenditures | (136,736) | (103,914) |
| Proceeds from disposal of property and equipment | 48 | 1 |
| Purchases of investments | (4,926) | (2,093) |
| Sales and returns of investments | 425 | 136 |
| NET CASH USED IN INVESTING ACTIVITIES | (141,189) | (105,870) |
| FINANCING ACTIVITIES: | | |
| Proceeds from issuances of long-term debt | 87,000 | — |
| Payments on long-term debt | (90,930) | (303,080) |
| Cash paid for debt issuance costs | (8,895) | (5,668) |
| Payments on finance lease obligations | (3,443) | (4,548) |
| Issuances of non-recourse notes payable | 3,988,864 | 3,676,000 |
| Payments on non-recourse notes payable | (3,906,323) | (3,376,447) |
| Repurchase and retirement of common stock | (204,027) | (106,850) |
| Equity issuances | 8,329 | 8,209 |
| NET CASH USED IN FINANCING ACTIVITIES | (129,425) | (112,384) |
| Increase (decrease) in cash, cash equivalents, and restricted cash | 28,929 | (335,943) |
| Cash, cash equivalents, and restricted cash at beginning of year | 960,310 | 1,250,410 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD | \$ 989,239 | \$ 914,467 |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONSOLIDATED BALANCE SHEETS: | | |
| Cash and cash equivalents | \$ 262,819 | \$ 218,931 |
| Restricted cash from collections on auto loans held for investment | 584,277 | 536,407 |
| Restricted cash included in other assets | 142,143 | 159,129 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF PERIOD | \$ 989,239 | \$ 914,467 |

See accompanying notes to consolidated financial statements.

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

Three Months Ended May 31, 2025

| <i>(In thousands)</i> | Common Shares Outstanding | Common Stock | Capital in Excess of Par Value | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total |
|------------------------------------------|---------------------------------|------------------|--------------------------------------|----------------------|--------------------------------------------------------|---------------------|
| Balance as of February 28, 2025 | 153,320 | \$ 76,660 | \$ 1,891,012 | \$ 4,272,236 | \$ 3,080 | \$ 6,242,988 |
| Net earnings | — | — | — | 210,381 | — | 210,381 |
| Other comprehensive loss | — | — | — | — | (11,326) | (11,326) |
| Share-based compensation expense | — | — | 41,114 | — | — | 41,114 |
| Repurchases of common stock | (2,952) | (1,476) | (38,421) | (161,756) | — | (201,653) |
| Exercise of common stock options | 132 | 66 | 8,263 | — | — | 8,329 |
| Stock incentive plans, net shares issued | 82 | 41 | (2,965) | — | — | (2,924) |
| Balance as of May 31, 2025 | 150,582 | \$ 75,291 | \$ 1,899,003 | \$ 4,320,861 | \$ (8,246) | \$ 6,286,909 |

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

Three Months Ended May 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 |

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.

The company operates in two operating segments, CarMax Sales Operations and CAF, both of which are reportable segments. The chief executive officer, who serves as the company’s chief operating decision maker (“CODM”), reviews the performance of our CarMax Sales Operations segment at the gross profit level, the components of which are presented within the consolidated statements of earnings. The CODM uses gross profit to assess financial performance, monitor forecasted versus actual results and adjust pricing strategy. 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 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 a seamless combination of both. Our associates, stores, technology and digital capabilities seamlessly tied together enable us to provide the most customer-centric car buying and selling experience, a key differentiator in a very large and fragmented market. 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 28, 2025 (the “2025 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 2025 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 May 31 | |
|----------------------------------------------------|---------------------------|------------|
| | 2025 | 2024 |
| Used vehicle sales | \$ 6,103.4 | \$ 5,677.5 |
| Wholesale vehicle sales | 1,252.7 | 1,256.4 |
| Other sales and revenues: | | |
| Extended protection plan revenues | 131.7 | 118.8 |
| Third-party finance fees, net | (0.7) | (1.7) |
| Advertising & subscription revenues ⁽¹⁾ | 36.5 | 34.7 |
| Service revenues | 19.5 | 22.7 |
| Other | 3.4 | 5.0 |
| Total other sales and revenues | 190.4 | 179.5 |
| Total net sales and operating revenues | \$ 7,546.5 | \$ 7,113.4 |

⁽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 May 31, 2025 and February 28, 2025, 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 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 its auto loans, including trends in credit losses and delinquencies, and CAF direct expenses. The CODM reviews CAF income to assess CAF's performance and make operating decisions, including resource allocations.

We typically use securitizations or other funding arrangements to fund loans originated by CAF. Certain pools of loans may be sold in such a way that CAF relinquishes all, or nearly all, of its continuing financial interests in the loans. We classify these loans as held for sale when we have both the intent and ability to sell the loans in an off-balance sheet transaction. Auto loans held for sale include amounts due from customers related to retail vehicles financed through CAF and are assessed on an aggregate basis to determine the lower of amortized cost or fair value. The fair value of the auto loans held for sale is determined using a discounted cash flow model that utilizes various assumptions based on the company's historical experience and current market factors. If the amortized cost exceeds the fair value, a valuation allowance is recorded. No valuation allowance is recorded as of May 31, 2025. See Note 6 for discussion of fair values of financial instruments.

CAF income primarily reflects the interest and fee income generated by auto loans held for investment and auto loans held for sale less the interest expense associated with the debt issued to fund these loans, a provision for estimated loan losses on auto loans held for investment 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 held for investment, which are disclosed in Note 4, and auto loans held for sale, 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 May 31 | |
|-------------------------------------------------------|----------------------------------|-------------|
| | 2025 | 2024 |
| Interest margin: | | |
| Interest and fee income | \$ 485.4 | \$ 452.5 |
| Interest expense | (197.5) | (182.3) |
| Total interest margin | 287.9 | 270.2 |
| Provision for loan losses | (101.7) | (81.2) |
| Total interest margin after provision for loan losses | 186.2 | 189.0 |
| Direct expenses: | | |
| Payroll and fringe benefit expense | (20.0) | (18.6) |
| Depreciation and amortization | (4.3) | (4.2) |
| Other direct expenses | (20.2) | (19.2) |
| Total direct expenses | (44.5) | (42.0) |
| CarMax Auto Finance income | \$ 141.7 | \$ 147.0 |

4. Auto Loans Held for Investment

Auto loans held for investment 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 held for investment 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 held for investment 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 held for investment and the related non-recourse notes payable on our consolidated balance sheets. The majority of the auto loans held for investment serve as collateral for the related non-recourse notes payable of \$17.20 billion as of May 31, 2025, and \$17.12 billion as of February 28, 2025. See Note 9 for additional information on securitizations and non-recourse notes payable.

Interest income and expenses related to auto loans held for investment are included in CAF income. Interest income on auto loans held for investment 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. Due to the timely write-off of accrued interest, we have made the election to exclude accrued interest from our allowance for loan losses. 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 Held for Investment, Net

| <i>(In millions)</i> | As of May 31 | | As of February 28 | |
|-------------------------------------|---------------------|----------|--------------------------|----------|
| | 2025 | | 2025 | |
| Auto loans held for investment | \$ | 17,154.5 | \$ | 17,594.6 |
| Accrued interest and fees | | 104.7 | | 96.1 |
| Other | | 17.7 | | 10.8 |
| Less: allowance for loan losses | | (474.2) | | (458.7) |
| Auto loans held for investment, net | \$ | 16,802.7 | \$ | 17,242.8 |

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 held for investment 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.

Auto Loans Held for Investment by Major Credit Grade

| <i>(In millions)</i> | As of May 31, 2025 | | | | | | Total | % |
|--------------------------------------|-------------------------------------------|------------|------------|------------|------------|---------------|-------------|-------|
| | Fiscal Year of Origination ⁽¹⁾ | | | | | | | |
| | 2026 | 2025 | 2024 | 2023 | 2022 | Prior to 2022 | | |
| Tier 1: | | | | | | | | |
| A | \$ 1,291.7 | \$ 3,716.6 | \$ 2,320.3 | \$ 1,453.4 | \$ 736.0 | \$ 199.6 | \$ 9,717.6 | 56.6 |
| B | 511.5 | 1,657.2 | 1,500.2 | 1,033.8 | 638.7 | 234.1 | 5,575.5 | 32.5 |
| C and other | 125.5 | 312.5 | 250.4 | 288.4 | 207.2 | 102.4 | 1,286.4 | 7.5 |
| Total Tier 1 | 1,928.7 | 5,686.3 | 4,070.9 | 2,775.6 | 1,581.9 | 536.1 | 16,579.5 | 96.6 |
| Tier 2 and Tier 3: | | | | | | | | |
| C and other | 57.7 | 226.8 | 153.5 | 95.1 | 33.6 | 8.3 | 575.0 | 3.4 |
| Total auto loans held for investment | \$ 1,986.4 | \$ 5,913.1 | \$ 4,224.4 | \$ 2,870.7 | \$ 1,615.5 | \$ 544.4 | \$ 17,154.5 | 100.0 |
| Gross charge-offs | \$ 0.1 | \$ 31.6 | \$ 43.5 | \$ 38.2 | \$ 20.5 | \$ 7.8 | \$ 141.7 | |

| <i>(In millions)</i> | As of February 28, 2025 | | | | | | Total | % |
|--------------------------------------|-------------------------------------------|------------|------------|------------|----------|---------------|-------------|-------|
| | Fiscal Year of Origination ⁽¹⁾ | | | | | | | |
| | 2025 | 2024 | 2023 | 2022 | 2021 | Prior to 2021 | | |
| Tier 1: | | | | | | | | |
| A | \$ 4,132.0 | \$ 2,607.9 | \$ 1,673.9 | \$ 894.1 | \$ 243.9 | \$ 48.9 | \$ 9,600.7 | 54.5 |
| B | 2,041.1 | 1,664.0 | 1,163.0 | 746.4 | 244.9 | 69.7 | 5,929.1 | 33.7 |
| C and other | 422.1 | 277.0 | 324.5 | 242.5 | 99.4 | 35.0 | 1,400.5 | 8.0 |
| Total Tier 1 | 6,595.2 | 4,548.9 | 3,161.4 | 1,883.0 | 588.2 | 153.6 | 16,930.3 | 96.2 |
| Tier 2 and Tier 3: | | | | | | | | |
| C and other | 311.9 | 177.1 | 116.9 | 46.3 | 5.4 | 6.7 | 664.3 | 3.8 |
| Total auto loans held for investment | \$ 6,907.1 | \$ 4,726.0 | \$ 3,278.3 | \$ 1,929.3 | \$ 593.6 | \$ 160.3 | \$ 17,594.6 | 100.0 |
| Gross charge-offs | \$ 44.7 | \$ 193.2 | \$ 196.2 | \$ 107.2 | \$ 30.3 | \$ 17.6 | \$ 589.2 | |

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

⁽²⁾ Percent of total auto loans held for investment.

Allowance for Loan Losses. The allowance for loan losses at May 31, 2025 represents the net credit losses expected over the remaining contractual life of our auto loans held for investment. The allowance for loan losses is determined using a net loss timing curve method ("method"), primarily based on the composition of the portfolio of auto loans held for investment and historical gross loss and recovery trends. Due to the fact that losses for loans 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 loans to-date, along with forward loss curves, in estimating future performance. Once the loans have 18 months of performance history, the net loss estimate reflects actual loss experience of those loans 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 loan'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 auto loans held for investment 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 May 31, 2025 | | | | % ⁽¹⁾ |
|------------------------------------------------------------|---------------------------------|-----------------|----------|--|------------------|
| | Tier 1 | Tier 2 & Tier 3 | Total | | |
| Balance as of beginning of period | \$ 378.1 | \$ 80.6 | \$ 458.7 | | 2.61 |
| Transfer of auto loans to held for sale ^{(2) (5)} | (19.1) | (7.4) | (26.5) | | |
| Charge-offs | (120.2) | (21.5) | (141.7) | | |
| Recoveries ⁽³⁾ | 48.8 | 6.7 | 55.5 | | |
| Provision for loan losses ^{(4) (5)} | 108.2 | 20.0 | 128.2 | | |
| Balance as of end of period | \$ 395.8 | \$ 78.4 | \$ 474.2 | | 2.76 |

| <i>(In millions)</i> | Three Months Ended May 31, 2024 | | | | % ⁽¹⁾ |
|-----------------------------------|---------------------------------|-----------------|----------|--|------------------|
| | Tier 1 | Tier 2 & Tier 3 | Total | | |
| Balance as of beginning of period | \$ 389.7 | \$ 93.1 | \$ 482.8 | | 2.78 |
| Charge-offs | (113.0) | (20.1) | (133.1) | | |
| Recoveries ⁽³⁾ | 53.9 | 8.3 | 62.2 | | |
| Provision for loan losses | 66.0 | 15.2 | 81.2 | | |
| Balance as of end of period | \$ 396.6 | \$ 96.5 | \$ 493.1 | | 2.79 |

⁽¹⁾ Percent of total auto loans held for investment.

⁽²⁾ Represents release of allowance previously recognized on auto loans held for sale.

⁽³⁾ Net of costs incurred to recover vehicle.

⁽⁴⁾ Represents the provision for loan losses on auto loans held for investment.

⁽⁵⁾ Combined total amount of \$101.7 million represents the net provision for loan losses recognized as part of CAF income.

During the first three months of fiscal 2026, the allowance for loan losses as a percent of total auto loans held for investment increased by 15 basis points. The increase was primarily driven by unfavorable loan loss performance, particularly within loans originated in 2022 and 2023, when average selling prices were elevated and these customers were later challenged by the inflationary environment. This impact was partially offset by the release of the allowance previously recognized on auto loans held for sale. The allowance for loan losses as of May 31, 2025 reflects our best estimate of expected future losses based on recent trends in delinquencies, loss performance, recovery rates and the economic environment.

Past Due Loans. 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 loan is 120 days or more delinquent as of the last business day of the month, the related vehicle is repossessed and liquidated, or the loan 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 Loans

As of May 31, 2025

| (In millions) | Tier 1 | | | | Tier 2 & Tier 3 | Total | |
|--------------------------------------|------------|------------|------------|-------------|-----------------|-------------|------------------|
| | A | B | C & Other | Total | C & Other | \$ | % ⁽¹⁾ |
| Current | \$ 9,655.3 | \$ 5,091.4 | \$ 1,026.9 | \$ 15,773.6 | \$ 441.2 | \$ 16,214.8 | 94.52 |
| Delinquent loans: | | | | | | | |
| 31-60 days past due | 41.0 | 297.4 | 146.1 | 484.5 | 71.3 | 555.8 | 3.24 |
| 61-90 days past due | 15.6 | 148.1 | 93.8 | 257.5 | 51.4 | 308.9 | 1.80 |
| Greater than 90 days past due | 5.7 | 38.6 | 19.6 | 63.9 | 11.1 | 75.0 | 0.44 |
| Total past due | 62.3 | 484.1 | 259.5 | 805.9 | 133.8 | 939.7 | 5.48 |
| Total auto loans held for investment | \$ 9,717.6 | \$ 5,575.5 | \$ 1,286.4 | \$ 16,579.5 | \$ 575.0 | \$ 17,154.5 | 100.00 |

As of February 28, 2025

| (In millions) | Tier 1 | | | | Tier 2 & Tier 3 | Total | |
|--------------------------------------|------------|------------|------------|-------------|-----------------|-------------|------------------|
| | A | B | C & Other | Total | C & Other | \$ | % ⁽¹⁾ |
| Current | \$ 9,543.3 | \$ 5,491.5 | \$ 1,164.7 | \$ 16,199.5 | \$ 541.2 | \$ 16,740.7 | 95.15 |
| Delinquent loans: | | | | | | | |
| 31-60 days past due | 36.7 | 276.0 | 139.3 | 452.0 | 71.9 | 523.9 | 2.98 |
| 61-90 days past due | 14.8 | 127.3 | 79.6 | 221.7 | 41.2 | 262.9 | 1.49 |
| Greater than 90 days past due | 5.9 | 34.3 | 16.9 | 57.1 | 10.0 | 67.1 | 0.38 |
| Total past due | 57.4 | 437.6 | 235.8 | 730.8 | 123.1 | 853.9 | 4.85 |
| Total auto loans held for investment | \$ 9,600.7 | \$ 5,929.1 | \$ 1,400.5 | \$ 16,930.3 | \$ 664.3 | \$ 17,594.6 | 100.00 |

⁽¹⁾ Percent of total auto loans held for investment.

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 held for investment, and (ii) exposure to variable interest rates associated with our term loan.

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 (loss) income (“AOCL”). 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 \$26.3 million will be reclassified from AOCL 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 months ended May 31, 2025 and 2024, we recognized expense of \$1.0 million and \$3.2 million, respectively, in CAF income representing these changes in fair value.

As of May 31, 2025 and February 28, 2025, we had interest rate swaps outstanding with a combined notional amount of \$4.15 billion and \$3.76 billion, respectively, that were designated as cash flow hedges of interest rate risk. As of May 31, 2025 and February 28, 2025, we had interest rate swaps with a combined notional amount of \$127.8 million and \$181.0 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 held for investment 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 May 31, 2025 | | |
|-------------------------------------------------|--------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Total |
| Assets: | | | |
| Money market securities | \$ 901,898 | \$ — | \$ 901,898 |
| Mutual fund investments | 30,043 | — | 30,043 |
| Derivative instruments designated as hedges | — | 2,830 | 2,830 |
| Derivative instruments not designated as hedges | — | 541 | 541 |
| Total assets at fair value | \$ 931,941 | \$ 3,371 | \$ 935,412 |
| Percent of total assets at fair value | 99.6 % | 0.4 % | 100.0 % |
| Percent of total assets | 3.4 % | — % | 3.4 % |
| Liabilities: | | | |
| Derivative instruments designated as hedges | \$ — | \$ (8,916) | \$ (8,916) |
| Total liabilities at fair value | \$ — | \$ (8,916) | \$ (8,916) |
| Percent of total liabilities | — % | — % | — % |

| <i>(In thousands)</i> | As of February 28, 2025 | | |
|-------------------------------------------------|-------------------------|-------------------|-------------------|
| | Level 1 | Level 2 | Total |
| Assets: | | | |
| Money market securities | \$ 842,691 | \$ — | \$ 842,691 |
| Mutual fund investments | 27,495 | — | 27,495 |
| Derivative instruments designated as hedges | — | 10,813 | 10,813 |
| Derivative instruments not designated as hedges | — | 1,576 | 1,576 |
| Total assets at fair value | \$ 870,186 | \$ 12,389 | \$ 882,575 |
| Percent of total assets at fair value | 98.6 % | 1.4 % | 100.0 % |
| Percent of total assets | 3.2 % | — % | 3.2 % |
| Liabilities: | | | |
| Derivative instruments designated as hedges | \$ — | \$ (8,728) | \$ (8,728) |
| Total liabilities at fair value | \$ — | \$ (8,728) | \$ (8,728) |
| 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 held for investment 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 loan approximates fair value due to the variable rates associated with these obligations.

The fair value of our auto loans held for sale, which are not carried at fair value on our consolidated balance sheets, was determined using Level 2 inputs from the company's recent term securitization transactions and other available market data. The carrying value and fair value of the auto loans held for sale as of May 31, 2025 and February 28, 2025, respectively, are as follows:

| <i>(In thousands)</i> | As of May 31, 2025 | | As of February 28, 2025 | |
|-----------------------|--------------------|---------|-------------------------|---|
| Carrying value | \$ | 637,947 | \$ | — |
| Fair value | \$ | 666,645 | \$ | — |

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 May 31, 2025 and February 28, 2025, respectively, are as follows:

| <i>(In thousands)</i> | As of May 31, 2025 | | As of February 28, 2025 | |
|-----------------------|---------------------------|----------------|--------------------------------|---------|
| Carrying value | \$ | 400,000 | \$ | 400,000 |
| Fair value | \$ | 392,041 | \$ | 390,201 |

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 May 31 | |
|------------------------------------|----------------------------------|-------------|
| | 2025 | 2024 |
| Balance as of beginning of period | \$ 133.9 | \$ 128.3 |
| Cancellations | (20.0) | (21.3) |
| Provision for future cancellations | 24.8 | 24.3 |
| Balance as of end of period | \$ 138.7 | \$ 131.3 |

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 May 31, 2025 and February 28, 2025, the current portion of cancellation reserves was \$71.8 million and \$69.8 million, respectively.

8. Income Taxes

We had \$19.4 million of gross unrecognized tax benefits as of May 31, 2025, and \$18.0 million as of February 28, 2025. There were no significant changes to the gross unrecognized tax benefits as reported for the fiscal year ended February 28, 2025.

9. Debt

| <i>(In thousands)</i> | Debt Description ⁽¹⁾ | Maturity Date | As of May 31 | | As of February 28 | |
|-----------------------|------------------------------------------|-------------------------------------|---------------------|-------------------|--------------------------|------------|
| | | | 2025 | | 2025 | |
| | Revolving credit facility ⁽²⁾ | June 2028 | \$ | — | \$ | — |
| | Term loan ⁽²⁾ | October 2026 | | 699,808 | | 699,773 |
| | 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 | | 483,977 | | 487,676 |
| | Non-recourse notes payable | Various dates through June 2032 | | 17,202,299 | | 17,119,758 |
| | Total debt | | | 18,786,084 | | 18,707,207 |
| | Less: current portion | | | (750,106) | | (543,339) |
| | Less: unamortized debt issuance costs | | | (30,180) | | (26,528) |
| | Long-term debt, net | | \$ | 18,005,798 | \$ | 18,137,340 |

⁽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 May 31, 2025, the unused capacity of \$2.00 billion was fully available to us.

Term Loan. Borrowings under the \$700 million term loan are available for working capital and general corporate purposes. The interest rate on our term loan was 5.33% as of May 31, 2025. The 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. The 4.17% senior notes mature in April 2026 and were therefore classified as current as of May 31, 2025. The 4.27% senior 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 held for investment and auto loans held for sale 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. 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 June 2032, but may mature earlier, depending upon the repayment rate of the underlying auto loans.

Information on our funding vehicles of non-recourse notes payable as of May 31, 2025 are as follows:

| <i>(In billions)</i> | Capacity |
|-----------------------------------------|-----------------|
| Warehouse facilities: | |
| August 2025 expiration | \$ 2.30 |
| March 2026 expiration | 3.10 |
| May 2026 expiration | 0.70 |
| Combined warehouse facility limit | \$ 6.10 |
| Unused capacity | \$ 2.48 |
| Non-recourse notes payable outstanding: | |
| Warehouse facilities | \$ 3.62 |
| Asset-backed term funding transactions | 13.58 |
| Non-recourse notes payable | \$ 17.20 |

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

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

Capitalized Interest. We capitalize interest in connection with the construction of certain facilities. For the three months ended May 31, 2025 and 2024, we capitalized interest of \$4.0 million and \$1.5 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 May 31, 2025, 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 May 31, 2025, a total of \$2.0 billion of board authorizations for repurchases of our common stock was outstanding, with no expiration date, of which \$1.74 billion remained available for repurchase.

Common Stock Repurchases

| | Three Months Ended | |
|--------------------------------------------------------------------|--------------------|------------|
| | May 31 | |
| | 2025 | 2024 |
| Number of shares repurchased <i>(in thousands)</i> | 2,952.5 | 1,445.8 |
| Average cost per share | \$ 67.66 | \$ 71.91 |
| Available for repurchase, as of end of period <i>(in millions)</i> | \$ 1,737.1 | \$ 2,256.2 |

(B) Stock Incentive Plans

We maintain long-term incentive plans for management, certain employees and the nonemployee members of our board. The plans allow for the granting of equity-based compensation awards, including nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock awards, stock- and cash-settled restricted stock units, stock grants or a combination of awards. To date, we have not awarded any incentive stock options.

The majority of associates who receive share-based compensation awards primarily receive cash-settled restricted stock units. Senior management and other key associates receive awards of nonqualified stock options, stock-settled restricted stock units and/or restricted stock awards. Nonemployee directors are eligible to receive awards of nonqualified stock options, stock grants, stock-settled restricted stock units and/or restricted stock awards. Excluding stock grants and stock-settled deferred stock units, all share-based compensation awards, including any associated dividend rights, are subject to forfeiture.

Nonqualified Stock Options. Nonqualified stock options are awards that allow the recipient to purchase shares of our common stock at a fixed price. Stock options are granted at an exercise price equal to the fair market value of our common stock on the grant date. The stock options generally vest annually in equal amounts over four years. These options expire seven years after the date of the grant.

Cash-Settled Restricted Stock Units. Also referred to as restricted stock units, or RSUs, these are awards that entitle the holder to a cash payment equal to the fair market value of a share of our common stock for each unit granted. Conversion generally occurs annually in equal amounts over three years. However, the cash payment per RSU will not be greater than 200% or less than 75% of the fair market value of a share of our common stock on the grant date. The initial grant date fair values are based on the closing prices of our common stock on the grant dates. RSUs are liability-classified awards and do not have voting rights.

Stock-Settled Market Stock Units. Also referred to as market stock units, or MSUs, these are restricted stock unit awards with market conditions granted to eligible key associates that are converted into between zero and two shares of common stock for each unit granted. Conversion generally occurs at the end of a three-year vesting period. The conversion ratio is calculated by dividing the average closing price of our stock during the final 40 trading days of the three-year vesting period by our stock price on the grant date, with the resulting quotient capped at two. This quotient is then multiplied by the number of MSUs granted to yield the number of shares awarded. The grant date fair values are determined using a Monte-Carlo simulation and are based on the expected market price of our common stock on the vesting date and the expected number of converted common shares. MSUs do not have voting rights.

Other Share-Based Incentives

Stock-Settled Performance Stock Units. Also referred to as performance stock units, or PSUs, these are restricted stock unit awards with performance conditions granted to eligible key associates that are converted into between zero and two shares of common stock for each unit granted. Conversion generally occurs at the end of a three-year vesting period. For the first- and second-year periods of the fiscal 2023 grants and the first-year period of the fiscal 2024 grants, the conversion ratio is based on the company reaching certain performance target levels set by the board at the beginning of each one-year period, with the resulting quotients subject to meeting a minimum threshold of 25% and capped at 200%. For the third-year period of the fiscal 2023 grants, the second- and third-year periods of the fiscal 2024 grants, the fiscal 2025 grants and the fiscal 2026 grants, the conversion ratio is based on the company reaching certain target levels set by the board, with the resulting quotients subject to meeting a minimum threshold of 50% and capped at 200%. These quotients are then multiplied by the number of PSUs granted to yield the number of shares awarded.

For the first- and second-year periods of the fiscal 2023 awards and the first-year period of the fiscal 2024 awards, the performance targets were based on annual pre-tax diluted earnings per share, excluding any unrealized gains or losses on equity investments in private companies, and market share. For the first-year period of the fiscal 2023 awards, the board certified a performance adjustment factor of 4%. For the second-year period of the fiscal 2023 grants and the first-year period of the fiscal 2024 grants, the board certified a performance adjustment factor of 38%. For the third-year period of the fiscal 2023 awards and the second- and third-year periods of the fiscal 2024 awards, the performance targets are based on the annual pre-tax earnings, excluding any unrealized gains or losses on equity investments in private companies and any significant non-recurring non-cash gains or losses. For the third-year period of the fiscal 2023 grants and the second-year period of the fiscal 2024 grants, the board certified a performance adjustment factor of 159%. For the fiscal 2025 and fiscal 2026 awards, the performance targets are based on the cumulative three-year pre-tax earnings, excluding any unrealized gains or losses on equity investments in private companies and any significant non-recurring non-cash gains or losses.

PSUs do not have voting rights. The grant date fair values are based on the closing prices of our common stock on the grant dates. As of May 31, 2025, 496,266 units were outstanding at a weighted average grant date fair value per share of \$67.63.

Stock-Settled Deferred Stock Units. Also referred to as deferred stock units, or DSUs, these are restricted stock unit awards granted to non-employee members of our board that are converted into one share of common stock for each unit granted. Conversion occurs at the end of the one-year vesting period unless the director has exercised the option to defer conversion until separation of service to the company. The grant date fair values are based on the closing prices of our common stock on the grant dates. DSUs have no voting rights. As of May 31, 2025, 114,141 units were outstanding at a weighted average grant date fair value of \$86.04.

Restricted Stock Awards. Restricted stock awards, or RSAs, are awards of our common stock that are subject to specified restrictions that generally lapse after a one- to three-year period from the date of the grant. The grant date fair values are based on the closing prices of our common stock on the grant dates. Participants holding restricted stock are entitled to vote on matters submitted to holders of our common stock for a vote. As of May 31, 2025, there were no RSAs outstanding.

(C) Share-Based Compensation

Composition of Share-Based Compensation Expense

| <i>(In thousands)</i> | Three Months Ended | |
|-------------------------------------------------------|---------------------------|-------------|
| | May 31 | |
| | 2025 | 2024 |
| Cost of sales | \$ 647 | \$ 1,009 |
| CarMax Auto Finance income | 1,410 | 685 |
| Selling, general and administrative expenses | 45,602 | 47,101 |
| Share-based compensation expense, before income taxes | \$ 47,659 | \$ 48,795 |

Composition of Share-Based Compensation Expense – By Grant Type

| | Three Months Ended | |
|-------------------------------------------------------|--------------------|-----------|
| | May 31 | |
| | 2025 | 2024 |
| <i>(In thousands)</i> | | |
| Nonqualified stock options | \$ 19,944 | \$ 18,944 |
| Cash-settled restricted stock units (RSUs) | 5,867 | 11,390 |
| Stock-settled market stock units (MSUs) | 9,431 | 7,580 |
| Other share-based incentives: | | |
| Stock-settled performance stock units (PSUs) | 11,739 | 10,184 |
| Employee stock purchase plan | 678 | 697 |
| Total other share-based incentives | 12,417 | 10,881 |
| Share-based compensation expense, before income taxes | \$ 47,659 | \$ 48,795 |

Unrecognized Share-Based Compensation Expense – By Grant Type

| | As of May 31, 2025 | |
|---------------------------------------|---------------------------------|-----------------------------------------------------|
| | Unrecognized Compensation Costs | Weighted Average Remaining Recognition Life (Years) |
| <i>(Costs in millions)</i> | | |
| Nonqualified stock options | \$ 49.9 | 2.5 |
| Stock-settled market stock units | 29.2 | 2.0 |
| Stock-settled performance stock units | 9.2 | 2.2 |
| Total | \$ 88.3 | 2.3 |

We recognize compensation expense for stock options, MSUs, PSUs, DSUs and RSAs on a straight-line basis (net of estimated forfeitures) over the requisite service period, which is generally the vesting period of the award. The PSU expense is adjusted for any change in management's assessment of the performance target level that is probable of being achieved. The variable expense associated with RSUs is recognized over their vesting period (net of estimated forfeitures) and is calculated based on the closing price of our common stock on the last trading day of each reporting period.

The total costs for matching contributions for our employee stock purchase plan are included in share-based compensation expense. There were no capitalized share-based compensation costs as of or for the three months ended May 31, 2025 or 2024.

Stock Option Activity

| | Number of Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value |
|--------------------------------------------------|------------------|---------------------------------|-----------------------------------------------------|---------------------------|
| <i>(Shares and intrinsic value in thousands)</i> | | | | |
| Outstanding as of February 28, 2025 | 7,309 | \$ 82.32 | | |
| Options granted | 1,439 | \$ 65.52 | | |
| Options exercised | (132) | \$ 63.04 | | |
| Options forfeited or expired | (7) | \$ 66.06 | | |
| Outstanding as of May 31, 2025 | 8,609 | \$ 79.82 | 3.9 | \$ 71 |
| Exercisable as of May 31, 2025 | 5,281 | \$ 86.46 | 2.7 | \$ 29 |

Stock Option Information

| | Three Months Ended May 31 | |
|-----------------------------------------------------------|---------------------------|-----------|
| | 2025 | 2024 |
| Options granted | 1,439,463 | 1,218,305 |
| Weighted average grant date fair value per share | \$ 26.23 | \$ 29.18 |
| Cash received from options exercised <i>(in millions)</i> | \$ 8.3 | \$ 8.2 |
| Intrinsic value of options exercised <i>(in millions)</i> | \$ 0.4 | \$ 1.8 |
| Realized tax benefits <i>(in millions)</i> | \$ 0.1 | \$ 0.4 |

For stock options, the fair value of each award is estimated as of the date of grant using a binomial valuation model. In computing the value of the option, the binomial model considers characteristics of fair-value option pricing that are not available for consideration under a closed-form valuation model (for example, the Black-Scholes model), such as the contractual term of the option, the probability that the option will be exercised prior to the end of its contractual life and the probability of termination or retirement of the option holder. For this reason, we believe that the binomial model provides a fair value that is more representative of actual experience and future expected experience than the value calculated using a closed-form model. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the recipients of share-based awards.

Assumptions Used to Estimate Option Values

| | Three Months Ended May 31 | |
|------------------------------------------------|---------------------------|-----------------|
| | 2025 | 2024 |
| Dividend yield | 0.0 % | 0.0 % |
| Expected volatility factor ⁽¹⁾ | 41.9 % - 42.0 % | 39.6 % - 46.1 % |
| Weighted average expected volatility | 41.9 % | 45.4 % |
| Risk-free interest rate ⁽²⁾ | 3.7 % - 4.3 % | 4.6 % - 5.4 % |
| Expected term <i>(in years)</i> ⁽³⁾ | 4.7 | 4.7 |

⁽¹⁾ Measured using historical daily price changes of our stock for a period corresponding to the term of the options and the implied volatility derived from the market prices of traded options on our stock.

⁽²⁾ Based on the U.S. Treasury yield curve at the time of grant.

⁽³⁾ Represents the estimated number of years that options will be outstanding prior to exercise.

Cash-Settled Restricted Stock Unit Activity

| <i>(Units in thousands)</i> | Number of Units | Weighted Average Grant Date Fair Value |
|-------------------------------------|--------------------|-------------------------------------------------|
| | | |
| Outstanding as of February 28, 2025 | 1,524 | \$ 71.07 |
| Stock units granted | 976 | \$ 65.52 |
| Stock units vested and converted | (686) | \$ 74.12 |
| Stock units cancelled | (25) | \$ 69.27 |
| Outstanding as of May 31, 2025 | 1,789 | \$ 66.90 |

Cash-Settled Restricted Stock Unit Information

| | Three Months Ended May 31 | |
|------------------------------------------------------------------------------|---------------------------|----------|
| | 2025 | 2024 |
| Stock units granted | 976,031 | 914,848 |
| Initial weighted average grant date fair value per share | \$ 65.52 | \$ 67.21 |
| Payments (before payroll tax withholdings) upon vesting <i>(in millions)</i> | \$ 45.4 | \$ 39.6 |
| Realized tax benefits <i>(in millions)</i> | \$ 11.2 | \$ 9.8 |

Expected Cash Settlement Range Upon Restricted Stock Unit Vesting

| <i>(In thousands)</i> | As of May 31, 2025 | |
|---------------------------------|------------------------|------------------------|
| | Minimum ⁽¹⁾ | Maximum ⁽¹⁾ |
| Fiscal 2027 | \$ 38,436 | \$ 102,495 |
| Fiscal 2028 | 26,014 | 69,372 |
| Fiscal 2029 | 13,658 | 36,421 |
| Total expected cash settlements | \$ 78,108 | \$ 208,288 |

⁽¹⁾ Net of estimated forfeitures.

Stock-Settled Market Stock Unit Activity

| <i>(Units in thousands)</i> | Number of Units | Weighted |
|-------------------------------------|--------------------|-------------------------------------|
| | | Average Grant Date Fair Value |
| Outstanding as of February 28, 2025 | 525 | \$ 104.12 |
| Stock units granted | 246 | \$ 91.97 |
| Stock units vested and converted | (116) | \$ 126.59 |
| Stock units cancelled | — | \$ — |
| Outstanding as of May 31, 2025 | 655 | \$ 95.56 |

Stock-Settled Market Stock Unit Information

| | Three Months Ended May 31 | |
|--------------------------------------------------|---------------------------|----------|
| | 2025 | 2024 |
| Stock units granted | 245,840 | 233,963 |
| Weighted average grant date fair value per share | \$ 91.97 | \$ 95.65 |
| Realized tax benefits <i>(in millions)</i> | \$ 1.5 | \$ 0.7 |

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

| | Three Months Ended | |
|---------------------------------------------------------------------|--------------------|------------|
| | May 31 | |
| <i>(In thousands except per share data)</i> | 2025 | 2024 |
| Net earnings | \$ 210,381 | \$ 152,440 |
| Weighted average common shares outstanding | 152,137 | 157,161 |
| Dilutive potential common shares: | | |
| Stock options | 27 | 282 |
| Stock-settled stock units and awards | 443 | 263 |
| Weighted average common shares and dilutive potential common shares | 152,607 | 157,706 |
| Basic net earnings per share | \$ 1.38 | \$ 0.97 |
| Diluted net earnings per share | \$ 1.38 | \$ 0.97 |

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 May 31, 2025 and 2024, options to purchase 7,180,325 shares and 4,796,089 shares of common stock, respectively, were not included.

12. Accumulated Other Comprehensive (Loss) Income

Changes in Accumulated Other Comprehensive (Loss) Income By Component

| | Net Unrecognized Actuarial Losses | Net Unrecognized Hedge Gains | Total Accumulated Other Comprehensive (Loss) Income |
|-------------------------------------------------------------------------|--------------------------------------------|---------------------------------------|-----------------------------------------------------------------|
| <i>(In thousands, net of income taxes)</i> | | | |
| Balance as of February 28, 2025 | \$ (36,008) | \$ 39,088 | \$ 3,080 |
| Other comprehensive loss before reclassifications | — | (3,479) | (3,479) |
| Amounts reclassified from accumulated other comprehensive (loss) income | 76 | (7,923) | (7,847) |
| Other comprehensive income (loss) | 76 | (11,402) | (11,326) |
| Balance as of May 31, 2025 | \$ (35,932) | \$ 27,686 | \$ (8,246) |

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

| <i>(In thousands)</i> | Three Months Ended May 31 | |
|----------------------------------------------------------------------------------|----------------------------------|-------------|
| | 2025 | 2024 |
| Retirement Benefit Plans: | | |
| Actuarial loss amortization reclassifications recognized in net pension expense: | | |
| Cost of sales | \$ 44 | \$ 50 |
| CarMax Auto Finance income | 4 | 4 |
| Selling, general and administrative expenses | 52 | 57 |
| Total amortization reclassifications recognized in net pension expense | 100 | 111 |
| Tax expense | (24) | (27) |
| Amortization reclassifications recognized in net pension expense, net of tax | 76 | 84 |
| Net change in retirement benefit plan unrecognized actuarial losses, net of tax | 76 | 84 |
| Cash Flow Hedges (Note 5): | | |
| Changes in fair value | (4,594) | 17,509 |
| Tax benefit (expense) | 1,115 | (4,228) |
| Changes in fair value, net of tax | (3,479) | 13,281 |
| Reclassifications to CarMax Auto Finance income | (10,464) | (14,498) |
| Tax benefit | 2,541 | 3,532 |
| Reclassification of hedge gains, net of tax | (7,923) | (10,966) |
| Net change in cash flow hedge unrecognized gains, net of tax | (11,402) | 2,315 |
| Total other comprehensive (loss) income, net of tax | \$ (11,326) | \$ 2,399 |

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 (loss) income. The cumulative balances are net of deferred taxes of \$2.1 million as of May 31, 2025 and \$1.5 million as of February 28, 2025.

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 May 31 | |
|-------------------------------------|----------------------------------|-------------|
| | 2025 | 2024 |
| Operating lease cost ⁽¹⁾ | \$ 24,434 | \$ 23,228 |
| Finance lease cost: | | |
| Depreciation of lease assets | 4,601 | 3,822 |
| Interest on lease liabilities | 6,292 | 6,671 |
| Total finance lease cost | 10,893 | 10,493 |
| Total lease cost | \$ 35,327 | \$ 33,721 |

⁽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 May 31 | | As of February 28 | |
|-------------------------|--------------------------------------------------------|---------------------|------------|--------------------------|--|
| | | 2025 | | 2025 | |
| Assets: | | | | | |
| Operating lease assets | Operating lease assets | \$ 482,613 | \$ 493,355 | | |
| Finance lease assets | Property and equipment, net ⁽¹⁾ | 156,801 | 160,535 | | |
| Total lease assets | | \$ 639,414 | \$ 653,890 | | |
| Liabilities: | | | | | |
| Current: | | | | | |
| Operating leases | Current portion of operating lease liabilities | \$ 58,332 | \$ 59,335 | | |
| Finance leases | Accrued expenses and other current liabilities | 15,800 | 15,015 | | |
| Long-term: | | | | | |
| Operating leases | Operating lease liabilities, excluding current portion | 470,912 | 481,963 | | |
| Finance leases | Other liabilities | 186,030 | 189,216 | | |
| Total lease liabilities | | \$ 731,074 | \$ 745,529 | | |

⁽¹⁾ Finance lease assets are recorded net of accumulated depreciation of \$72.2 million as of May 31, 2025 and \$67.6 million as of February 28, 2025.

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

| | As of May 31 | As of February 28 |
|---------------------------------------------------------|---------------------|--------------------------|
| Lease Term and Discount Rate | 2025 | 2025 |
| Weighted Average Remaining Lease Term (in years) | | |
| Operating leases | 15.48 | 15.49 |
| Finance leases | 14.20 | 14.31 |
| Weighted Average Discount Rate | | |
| Operating leases | 5.24 % | 5.21 % |
| Finance leases | 16.72 % | 16.78 % |

Supplemental cash flow information related to leases was as follows:

| <i>(In thousands)</i> | Three Months Ended May 31 | |
|-------------------------------------------------------------------------|----------------------------------|-------------|
| | 2025 | 2024 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | \$ 26,226 | \$ 22,760 |
| Operating cash flows from finance leases | \$ 6,119 | \$ 6,432 |
| Financing cash flows from finance leases | \$ 3,443 | \$ 4,548 |
| Lease assets obtained in exchange for lease obligations: | | |
| Operating leases | \$ 3,326 | \$ 2,780 |
| Finance leases | \$ 867 | \$ 33,315 |

Maturities of lease liabilities were as follows:

| <i>(In thousands)</i> | As of May 31, 2025 | |
|------------------------------------|---------------------------|-----------------------|
| | Operating Leases | Finance Leases |
| Fiscal 2026, remaining | \$ 63,658 | \$ 29,423 |
| Fiscal 2027 | 80,053 | 39,996 |
| Fiscal 2028 | 75,996 | 35,832 |
| Fiscal 2029 | 54,165 | 35,570 |
| Fiscal 2030 | 44,327 | 28,487 |
| Thereafter | 497,567 | 252,755 |
| Total lease payments | 815,766 | 422,063 |
| Less: interest | (286,522) | (220,233) |
| Present value of lease liabilities | \$ 529,244 | \$ 201,830 |

14. Supplemental Cash Flow Information

Supplemental disclosures of cash flow information:

| <i>(In thousands)</i> | Three Months Ended May 31 | |
|----------------------------------------------|----------------------------------|-------------|
| | 2025 | 2024 |
| Non-cash investing and financing activities: | | |
| Increase in accrued capital expenditures | \$ 7,977 | \$ 2,659 |

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 \$31.5 million as of May 31, 2025, and \$28.8 million as of February 28, 2025, 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 28, 2025 ("fiscal 2025"), 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 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 a seamless combination of both. Our associates, stores, technology and digital capabilities seamlessly tied together enable us to provide the most customer-centric car buying and selling experience, a key differentiator in a very large and fragmented market.

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 May 31, 2025, we operated 250 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 held for investment and auto loans held for sale less the interest expense associated with the debt issued to fund these loans, a provision for estimated loan losses on loans held for investment and direct expenses. CAF income does not include any allocation of indirect costs. After the effect of 3-day payoffs and vehicle returns, CAF financed 41.8% of our retail used vehicle unit sales in the first three months of fiscal 2026. As of May 31, 2025, CAF serviced approximately 1.1 million customer accounts in its \$17.79 billion portfolio of auto loans.

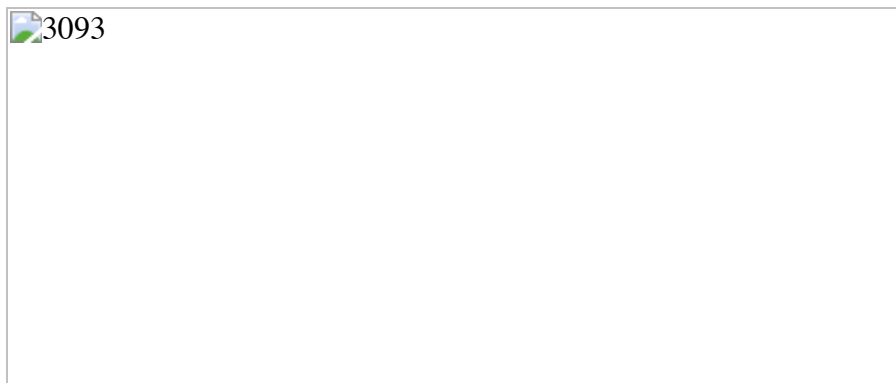
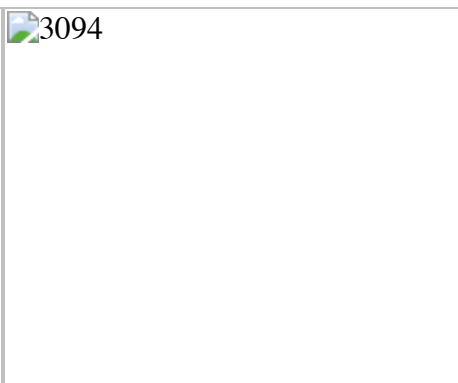
Management regularly analyzes CAF's operating results by assessing the competitiveness of our consumer offer, profitability, the performance of its auto loans, including trends in credit losses and delinquencies, and CAF direct expenses.

Revenues and Profitability

The sources of revenue and gross profit from the CarMax Sales Operations segment for the first three months of fiscal 2026 are as follows:

Net Sales and Operating Revenues

Gross Profit

| | |
|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
|  3093 |  3094 |
|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|

A high-level summary of our financial results for the first quarter of fiscal 2026 as compared to the first quarter of fiscal 2025 is as follows ⁽¹⁾:

| | Three Months Ended May 31, 2025 | Change from Three Months Ended May 31, 2024 |
|----------------------------------------------------------------|---------------------------------------|---------------------------------------------------|
| <i>(Dollars in millions except per share or per unit data)</i> | | |
| Income statement information | | |
| Net sales and operating revenues | \$ 7,546.5 | 6.1 % |
| Gross profit | \$ 893.6 | 12.8 % |
| CAF income | \$ 141.7 | (3.6)% |
| Selling, general and administrative expenses | \$ 659.6 | 3.3 % |
| Net earnings | \$ 210.4 | 38.0 % |
| Unit sales information | | |
| Used unit sales | 230,210 | 9.0 % |
| Change in used unit sales in comparable stores | 8.1 % | N/A |
| Wholesale unit sales | 149,517 | 1.2 % |
| Per unit information | | |
| Used gross profit per unit | \$ 2,407 | 2.6 % |
| Wholesale gross profit per unit | \$ 1,047 | (1.6)% |
| SG&A as a % of gross profit | 73.8 % | (6.8)% |
| Per share information | | |
| Net earnings per diluted share | \$ 1.38 | 42.3 % |
| Online sales metrics | | |
| Digitally enabled transactions ⁽²⁾ | 80 % | 1 % |
| Omni sales ⁽³⁾ | 66 % | 1 % |
| Online retail sales ⁽⁴⁾ | 14 % | — % |
| Unit buys information | | |
| Total vehicle purchases | 336,312 | 7.2 % |
| Vehicles purchased from consumers | 287,893 | 3.3 % |
| Vehicles purchased from dealers | 48,419 | 38.4 % |

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

⁽²⁾ A digitally enabled transaction is defined as either an omni retail sale or an online retail sale, as defined below.

- ⁽³⁾ *An omni retail sale is defined as a sale where customers complete at least one, but not all, of the four activities listed in note (4) below online, or additional steps that can be completed online, including pre-qualifying for financing, setting appointments and signing up for notifications of cars coming soon.*
- ⁽⁴⁾ *An online retail sale is defined as a sale where the customer completes all four of the following activities online: reserving the vehicle; financing the vehicle, if needed; trading-in or opting out of a trade-in; and creating an online sales order.*

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 including investing in digital capabilities and the strategic expansion of our store and capacity footprint, pursue CAF's expansion into the full credit spectrum, pursue new growth opportunities through investments, partnerships and acquisitions and return excess capital to shareholders. For fiscal 2026, we intend to modestly accelerate the pace of our share repurchases as compared to the prior year. We may increase this pace based on valuation and cash flow dynamics, as well as macroeconomic conditions, as we did in the first quarter of fiscal 2026. 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 a seamless combination of both 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 optionality that seamlessly connects digital and physical experiences.

We believe that our diversified business model, combined with our exceptional associates, stores, technology and digital capabilities seamlessly tied together, is a key differentiator in a very large and fragmented market that positions us to continue to drive sales, gain market share and deliver significant year-over-year earnings growth for years to come. According to Cox Automotive research, as well as our own, the majority of customers shopping for used cars intend to transact via an omni experience. Our digital capabilities and overall experiences are resonating with customers as evidenced by our net promoter score, which is the highest it has been since rolling out our digital capabilities nationwide. In fiscal 2026, we plan to leverage and enhance our capabilities to drive growth through better execution, innovative efforts and upleveled experiences. Examples of our initiatives for fiscal 2026 include the following:

- For retail, we plan to continue leveraging data science and AI to offer even better digital experiences for associates and consumers, driving conversion and efficiency. We plan to improve our online vehicle transfer experience and expand the functionality of Skye, our AI-powered virtual assistant, with additional data and new architecture.
- We plan to launch a new marketing campaign that will bring our best-in-class omni-channel experience to the forefront for the consumer.
- For supply, we plan to streamline the online appraisal checkout process, expand appraisal pick-up availability to new markets and further enhance MaxOffer to attract new dealers, expanding our access to directly sourced vehicles.
- For credit, we plan to continue expanding CAF's participation across the credit spectrum to grow penetration and capture profitable returns. As part of that strategy, we plan to execute the programmatic sale of the financial interest in a non-prime securitization once per year. We expect this additional funding lever, as well as other off-balance sheet funding vehicles under consideration, will provide us with significant flexibility and allow us to mitigate risk while focusing on our growth plan. Additionally, we plan to modernize the ownership experience on CAF's digital platform, which is expected to enhance the customer experience and drive operating efficiencies.

We are also focused on driving down our cost of sales by pursuing incremental efficiency opportunities that we have identified across our logistics network and reconditioning operations. We achieved savings of approximately \$125 per unit in fiscal 2025 and anticipate that we will achieve another \$125 per unit in fiscal 2026. These efficiencies support affordability as we pass savings on to our customers and also support our margins.

While SG&A as a percent of gross profit can fluctuate from quarter to quarter depending on variability in gross profit and the timing of SG&A spending, 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 2026, we expect to require low-single-digit gross profit growth to lever SG&A. This will be supported by our goal of becoming omni cost neutral for the first time for the full year of fiscal 2026. Omni-channel costs include commissions and the cost of operating our Customer Experience Centers (“CECs”). We expect our omni-channel costs per used unit, per total unit and as a percentage of gross profit for the full year of fiscal 2026 to be more efficient than before our omni-channel roll-out. This reinforces our pathway back to a lower SG&A leverage ratio, as noted above.

For the first quarter of fiscal 2026, we were more efficient compared to both before our omni-channel roll-out and the prior year across all three metrics noted above. A key driver of these efficiency gains has been our strategic deployment of AI technology across our operations. A few key metrics that illustrate the progress we are making year-over-year include a 30% improvement in containment rate for Skye, a 24% improvement in productivity for our CEC consultants and double digit improvement in phone and web response rate metrics. We believe there are significant opportunities to continue expanding AI applications across our business to drive both top-line growth and operational excellence.

Our earnings model is designed to deliver an earnings per share compound annual growth rate (“CAGR”) in the high teens when used unit growth is in the mid-single digits. This earnings growth will be driven primarily by used and wholesale unit growth, strength in other gross profit, CAF’s credit spectrum expansion, continued operational efficiencies, ongoing SG&A leverage and our share repurchase program.

In calendar 2024, we estimate we sold approximately 3.7% of the age 0- to 10-year old vehicles sold on a nationwide basis, consistent with calendar 2023. 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 seamless 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 as well as 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.

As of May 31, 2025, 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 three months of fiscal 2026, we opened two stand-alone reconditioning/auction centers located in El Mirage, Arizona, supporting the Phoenix metro market, and Midlothian, Texas, supporting the Dallas metro market. During the remainder of the fiscal year, we plan to open six stores and two additional stand-alone reconditioning/auction facilities. 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 28, 2025.

CRITICAL ACCOUNTING ESTIMATES

For information on critical accounting policies, see "Critical Accounting Estimates" in the MD&A included in Item 7 of the Annual Report on Form 10-K for the fiscal year ended February 28, 2025.

RESULTS OF OPERATIONS – CARMAX SALES OPERATIONS

NET SALES AND OPERATING REVENUES

| <i>(In millions)</i> | Three Months Ended May 31 | | |
|----------------------------------------------------|---------------------------|------------|---------|
| | 2025 | 2024 | Change |
| Used vehicle sales | \$ 6,103.4 | \$ 5,677.5 | 7.5 % |
| Wholesale vehicle sales | 1,252.7 | 1,256.4 | (0.3)% |
| Other sales and revenues: | | | |
| Extended protection plan revenues | 131.7 | 118.8 | 10.8 % |
| Third-party finance fees, net | (0.7) | (1.7) | 58.3 % |
| Advertising & subscription revenues ⁽¹⁾ | 36.5 | 34.7 | 5.3 % |
| Other | 22.9 | 27.7 | (17.3)% |
| Total other sales and revenues | 190.4 | 179.5 | 6.1 % |
| Total net sales and operating revenues | \$ 7,546.5 | \$ 7,113.4 | 6.1 % |

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

UNIT SALES

| | Three Months Ended May 31 | | |
|--------------------|---------------------------|---------|--------|
| | 2025 | 2024 | Change |
| Used vehicles | 230,210 | 211,132 | 9.0 % |
| Wholesale vehicles | 149,517 | 147,685 | 1.2 % |

AVERAGE SELLING PRICES

| | Three Months Ended May 31 | | |
|--------------------|---------------------------|-----------|--------|
| | 2025 | 2024 | Change |
| Used vehicles | \$ 26,120 | \$ 26,526 | (1.5)% |
| Wholesale vehicles | \$ 7,959 | \$ 8,094 | (1.7)% |

COMPARABLE STORE USED VEHICLE SALES CHANGES

| | Three Months Ended May 31 ⁽¹⁾ | |
|-----------------------|------------------------------------------|--------|
| | 2025 | 2024 |
| Used vehicle units | 8.1 % | (3.8)% |
| Used vehicle revenues | 6.6 % | (6.1)% |

⁽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 May 31 | |
|----------------------------|---------------------------|---------|
| | 2025 | 2024 |
| Used vehicle units | 9.0 % | (3.1)% |
| Used vehicle revenues | 7.5 % | (5.4)% |
| Wholesale vehicle units | 1.2 % | (8.3)% |
| Wholesale vehicle revenues | (0.3)% | (17.0)% |

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

| | Three Months Ended May 31 ⁽¹⁾ | |
|-----------------------|------------------------------------------|----------------|
| | 2025 | 2024 |
| CAF ⁽²⁾ | 44.4 % | 45.3 % |
| Tier 2 ⁽³⁾ | 17.7 % | 18.7 % |
| Tier 3 ⁽⁴⁾ | 8.0 % | 7.5 % |
| Other ⁽⁵⁾ | 29.9 % | 28.5 % |
| Total | 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 May 31 | |
|--------------------------------------|---------------------------|------|
| | 2025 | 2024 |
| Used car stores, beginning of period | 250 | 245 |
| Store openings | — | — |
| Used car stores, end of period | 250 | 245 |

Used Vehicle Sales. The 7.5% increase in used vehicle revenues in the first quarter of fiscal 2026 was driven by a 9.0% increase in used unit sales, partially offset by a 1.5% decrease in average retail selling price, or approximately \$400. The increase in used units included an 8.1% increase in comparable store used unit sales. Comparable store used unit sales were positive for each month of the first quarter, with April as the strongest month. Comparable store used unit sales were driven by the sale of vehicles with prices under \$20,000, which typically represent older and higher mileage vehicles. The improvement in sales was also supported by vehicles with prices over \$40,000.

The decrease in average retail selling price in the first quarter of fiscal 2026 primarily reflected shifts in the mix of our sales by vehicle age.

Wholesale Vehicle Sales. Vehicles sold at our wholesale auctions are, on average, more than 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 0.3% decrease in wholesale vehicle revenues in the first quarter of fiscal 2026 was driven by a 1.7% decrease in average selling price, or approximately \$150, partially offset by a 1.2% increase in unit sales.

The decrease in average selling price during the first quarter of fiscal 2026 was primarily due to 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 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 6.1% in the first quarter of fiscal 2026, reflecting an increase in EPP revenues. EPP revenues increased 10.8% in the first quarter of fiscal 2026, largely reflecting increased retail unit sales.

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 May 31 ⁽¹⁾ | | |
|--------------------------------|------------------------------------------|-----------------|---------------|
| | 2025 | 2024 | Change |
| Used vehicle gross profit | \$ 554.2 | \$ 495.5 | 11.8 % |
| Wholesale vehicle gross profit | 156.6 | 157.1 | (0.4)% |
| Other gross profit | 182.8 | 139.3 | 31.3 % |
| Total | \$ 893.6 | \$ 791.9 | 12.8 % |

⁽¹⁾ Amounts are net of intercompany eliminations.

GROSS PROFIT PER UNIT

| | Three Months Ended May 31 ⁽¹⁾ | | | |
|--------------------------------|------------------------------------------|------------------|----------------------------|------------------|
| | 2025 | | 2024 | |
| | \$ per unit ⁽²⁾ | % ⁽³⁾ | \$ per unit ⁽²⁾ | % ⁽³⁾ |
| Used vehicle gross profit | \$ 2,407 | 9.1 | \$ 2,347 | 8.7 |
| Wholesale vehicle gross profit | \$ 1,047 | 12.5 | \$ 1,064 | 12.5 |
| Other gross profit | \$ 794 | 96.1 | \$ 660 | 77.6 |

⁽¹⁾ Amounts are net of intercompany eliminations.

⁽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 competitively priced inventory.

Used vehicle gross profit increased 11.8% in the first quarter of fiscal 2026, primarily driven by the 9.0% increase in total used unit sales and a \$60 increase in used vehicle gross profit per unit. We continue to focus on striking the right balance between managing changes in vehicle costs, maintaining margin and passing along efficiencies to consumers to support vehicle affordability.

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

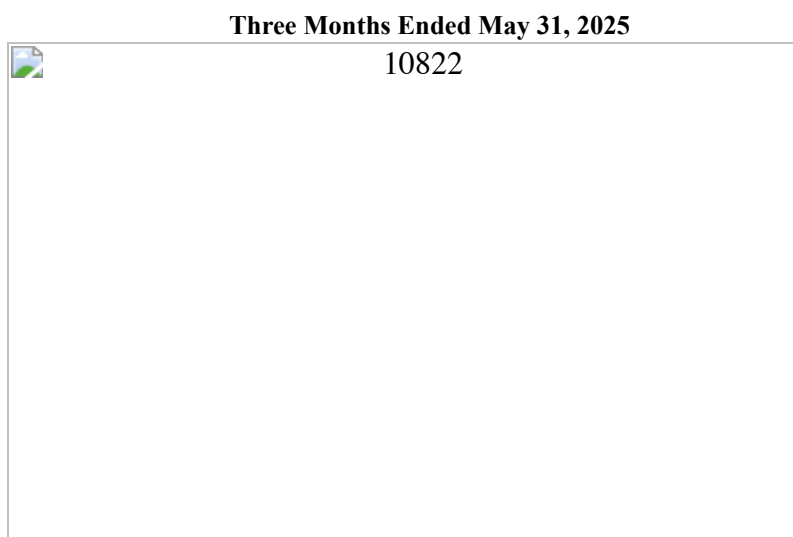
Wholesale vehicle gross profit decreased 0.4% in the first quarter of fiscal 2026, driven by a \$17 decrease in wholesale vehicle gross profit per unit, partially offset by a 1.2% increase in wholesale unit sales.

Other Gross Profit. Other gross profit includes profits related to EPP revenues, net third-party finance 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 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 31.3% in the first quarter of fiscal 2026, primarily driven by increases in service department margins as well as EPP revenues, as discussed above. The increase in service department margins for the first quarter of fiscal 2026 was driven by cost coverage measures that we have implemented, the increase in used unit sales and increased efficiencies. In fiscal 2026, we are testing EPP product enhancements that will focus on increasing penetration and margin per unit. We expect this will result in a slight year-over-year increase in EPP margin per unit during fiscal 2026, with the potential for more expansion in fiscal 2027. In addition, we expect service margin to grow year-over-year in fiscal 2026, predominantly in the first half of the year, and to deliver a positive profit contribution for the full year, as governed by sales performance given the leverage/deleverage nature of service. We expect service will continue to serve as a slight profit lever beyond fiscal 2026.

SG&A Expenses

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



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

| | Three Months Ended May 31 | | |
|-----------------------------------------------------------------------|----------------------------------|-----------------|---------------|
| | 2025 | 2024 | Change |
| <i>(In millions except per unit data)</i> | | | |
| Compensation and benefits: | | | |
| Compensation and benefits, excluding share-based compensation expense | \$ 349.0 | \$ 328.1 | 6.4 % |
| Share-based compensation expense | 45.6 | 47.1 | (3.2)% |
| Total compensation and benefits ⁽²⁾ | \$ 394.6 | \$ 375.2 | 5.2 % |
| Occupancy costs | 68.9 | 70.6 | (2.4)% |
| Advertising expense | 67.9 | 71.7 | (5.3)% |
| Other overhead costs ⁽³⁾ | 128.2 | 121.1 | 5.9 % |
| Total SG&A expenses | \$ 659.6 | \$ 638.6 | 3.3 % |
| SG&A as a % of gross profit | 73.8 % | 80.6 % | (6.8)% |

⁽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, preopening and relocation costs, travel, charitable contributions and other administrative expenses.

SG&A expenses increased \$21.1 million, or 3.3%, in the first quarter of fiscal 2026. The increase was driven by a \$20.9 million increase in compensation and benefits, excluding share-based compensation expense, primarily due to costs related to unit volume growth.

SG&A leveraged by 680 basis points during the first quarter of fiscal 2026, driven by the growth in gross profit and ongoing cost management efforts in the stores and CECs.

For fiscal 2026, we expect that full year marketing spend on a per total unit basis will be in line with fiscal 2025 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 \$27.1 million in the first quarter of fiscal 2026 was relatively consistent with \$31.4 million in the first quarter of fiscal 2025.

Other (Income) Expense. Other income of \$0.3 million in the first quarter of fiscal 2026 was relatively consistent with expense of \$0.4 million in the first quarter of fiscal 2025.

Income Taxes. The effective income tax rate was 25.7% in the first quarter of fiscal 2026 versus 26.2% in the first quarter of fiscal 2025.

RESULTS OF OPERATIONS – CARMAX AUTO FINANCE

CAF income primarily reflects interest and fee income generated by auto loans held for investment and auto loans held for sale less the interest expense associated with the debt issued to fund these loans, a provision for estimated loan losses on loans held for investment 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 generally affect CAF income over time. Increases in interest rates, which affect CAF's funding costs, competitive pressures on rates charged to customers or reducing higher risk accounts in our origination strategy, could result in compression in the interest margin on new originations.

The provision for loan losses reflects changes in the allowance for loan losses. Changes to the allowance are primarily driven by loss and delinquency experience, economic factors on our outlook for net losses expected to occur over the remaining contractual life of the loans held for investment as well as changes in the mix of credit quality of originations.

CAF's portfolio is composed primarily of auto loans originated over the past several years. Trends in auto loan growth and interest margins primarily reflect the cumulative effect of changes in the business over a multi-year period. Current period originations reflect current trends in both our retail sales and the CAF business, including the volume and credit mix of loans originated, current interest rates charged to consumers and loan terms. Loans originated in a given fiscal period generally impact CAF income over time, as we recognize income over the life of the underlying auto loan or upon sale of the loan.

We typically use securitizations or other funding arrangements to fund loans originated by CAF. Certain pools of loans may be sold in such a way that CAF relinquishes all, or nearly all, of its continuing financial interests in the loans. These loans are classified as held for sale on our consolidated balance sheet. During the first quarter of fiscal 2026, we identified \$637.9 million of auto loans from our non-prime portfolio as held for sale, the majority of which were originated prior to fiscal 2026. This loan pool is intended to be fully sold off our balance sheet as a part of a non-prime securitization transaction. In the immediate term, an allowance for loan losses is not required for these loans. In the period in which the securitization transaction closes, CAF will record any gain realized by selling the residual interest in the loans. In addition, the risk of any financial impact from this loan pool due to future deterioration is removed once sold. We expect this additional funding lever, as well as other off-balance sheet funding vehicles under consideration, will provide us with significant flexibility and allow us to mitigate risk while focusing on our growth plan.

During fiscal 2025, CAF began testing its new full-spectrum credit scoring models and corresponding strategies across the Tier 1, Tier 2 and Tier 3 spaces. During the first quarter of fiscal 2026, CAF began a measured expansion by recapturing profitable portions of Tier 1 originations that we had shifted to our Tier 2 lenders as we tightened lending standards. We expect this expansion will grow our penetration by 100 to 150 basis points in the near-term, which is enabled by our non-prime

securitization program, allowing us to efficiently fund these non-prime loans. This is a first step on the path towards our initial goal of increasing CAF penetration to 50%. We continue to learn from our new underwriting models and corresponding tests currently in place and anticipate capturing additional volume beyond Tier 1 during the back half of fiscal 2026. We will continue to monitor consumer behavior and the broader economy and will adjust our origination strategy as needed. 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, funding strategy, loan sales and the broader macroeconomic and lending environments. 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.

Historically, CAF has originated 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. With the testing of the new full-spectrum credit scoring models, we intend to continue our investment in this space during fiscal 2026, but remain within the target of originating less than 15% and 5% of the total Tier 2 and Tier 3 loan volume, respectively. 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 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 held for investment, including credit quality.

SELECTED CAF FINANCIAL INFORMATION

| <i>(In millions)</i> | Three Months Ended May 31 | |
|----------------------------------------------------------------------|---------------------------|-------------|
| | 2025 | 2024 |
| Interest margin: | | |
| Interest and fee income | \$ 485.4 | \$ 452.5 |
| Interest expense | (197.5) | (182.3) |
| Total interest margin | \$ 287.9 | \$ 270.2 |
| Provision for loan losses | \$ (101.7) | \$ (81.2) |
| CarMax Auto Finance income | \$ 141.7 | \$ 147.0 |
| Average auto loans outstanding ⁽¹⁾ | \$ 17,719.9 | \$ 17,551.2 |
| Total interest margin as a percent of average auto loans outstanding | 6.5 % | 6.2 % |

⁽¹⁾ Includes auto loans held for investment and auto loans held for sale.

CAF ORIGINATION INFORMATION (AFTER THE IMPACT OF 3-DAY PAYOFFS) ⁽¹⁾

| | Three Months Ended May 31 | | | |
|-----------------------------------------------------|---------------------------|---------|------|---------|
| | 2025 | | 2024 | |
| Net auto loans originated <i>(in millions)</i> | \$ | 2,318.5 | \$ | 2,265.7 |
| Vehicle units financed | | 96,192 | | 91,364 |
| Net penetration rate ⁽²⁾ | | 41.8 % | | 43.3 % |
| Weighted average contract rate | | 11.4 % | | 11.4 % |
| Weighted average credit score ⁽³⁾ | | 722 | | 721 |
| Weighted average loan-to-value (LTV) ⁽⁴⁾ | | 89.3 % | | 89.1 % |
| Weighted average term <i>(in months)</i> | | 68.6 | | 67.0 |

⁽¹⁾ Includes auto loans held for investment and auto loans held for sale.

⁽²⁾ Vehicle units financed as a percentage of total used units sold.

⁽³⁾ The credit scores represent FICO® scores and reflect only loans with obligors that have a FICO® score at the time of application. The FICO® score with respect to any loans 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.

⁽⁴⁾ 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.

AUTO LOANS HELD FOR INVESTMENT PERFORMANCE INFORMATION

| <i>(In millions)</i> | As of and for the Three Months Ended May 31 | | | |
|----------------------------------------------------------------------------------------|---------------------------------------------|----------|------|----------|
| | 2025 | | 2024 | |
| Ending auto loans held for investment | \$ | 17,154.5 | \$ | 17,641.6 |
| Average auto loans held for investment | \$ | 17,614.5 | \$ | 17,551.2 |
| Allowance for loan losses | \$ | 474.2 | \$ | 493.1 |
| Allowance for loan losses as a percentage of ending auto loans held for investment | | 2.76 % | | 2.79 % |
| Net credit losses on ending auto loans held for investment | \$ | 86.2 | \$ | 70.9 |
| Annualized net credit losses as a percentage of average auto loans held for investment | | 1.96 % | | 1.62 % |
| Past due accounts as a percentage of ending auto loans held for investment | | 5.48 % | | 5.38 % |
| Average recovery rate ⁽¹⁾ | | 47.4 % | | 48.9 % |

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

- CAF Income (Decrease of \$5.3 million, or 3.6%, in the first quarter of fiscal 2026)
 - The decrease in CAF income for the first quarter of fiscal 2026 reflects an increase in the provision for loan losses, partially offset by an increase in the interest margin percentage.
- Total Interest Margin (Increased to 6.5% in the first quarter of fiscal 2026 from 6.2% in the first quarter of fiscal 2025)
 - The increase in total interest margin for the first quarter of fiscal 2026 was driven by higher customer rates, partially offset by higher funding costs.
- Provision for Loan Losses
 - The provision for loan losses resulted in expense of \$101.7 million in the first quarter of fiscal 2026 compared with \$81.2 million in the first quarter of fiscal 2025.
 - The increase in the provision for loan losses for the first three months of fiscal 2026 was primarily driven by unfavorable loss performance, primarily within loans originated in 2022 and 2023, when average selling prices were elevated and these customers were later challenged by the inflationary environment.

- There was also a reduction in this quarter's provision due to the release of \$26.5 million for the allowance previously recorded for loans that are now classified as held for sale.
- The allowance for loan losses as a percentage of auto loans held for investment was 2.76% as of May 31, 2025, compared with 2.79% as of May 31, 2024 and 2.61% as of February 28, 2025. The allowance percentage increased from February primarily due to unfavorable loss performance, partially offset by the release of a portion of the allowance previously recognized on auto loans held for sale.
- **Loan Performance**
 - The increase in net loan originations in the first quarter of fiscal 2026 resulted from an increase in used unit sales, partially offset by decreases in the net penetration rate and the average amount financed.
 - CAF net penetration decreased in the first quarter of fiscal 2026 compared to the prior year period, primarily driven by an increase in self-funded higher credit customers during the initial announcement of tariffs as well as increased penetration from third-party Tier 3 finance providers, which more than offset the increase in net loan originations during the first quarter.
 - The weighted average contract rate was 11.4% in the first quarter of fiscal 2026, consistent with the prior year period.

PLANNED FUTURE ACTIVITIES

During the first three months of fiscal 2026, we opened two stand-alone reconditioning/auction centers. For the remainder of fiscal 2026, we anticipate opening six new store locations and two additional stand-alone reconditioning/auction centers. We currently estimate capital expenditures will total approximately \$575 million in fiscal 2026. Capital expenditures were \$467.9 million in fiscal 2025. Planned capital spending in fiscal 2026 largely consists of spending to support our future long-term growth in offsite 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, strategic growth initiatives and 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 including investing in digital capabilities and the strategic expansion of our store and capacity footprint, pursue CAF's expansion into the full credit spectrum, pursue new growth opportunities through investments, partnerships and acquisitions and return excess capital to shareholders. For fiscal 2026, we intend to modestly accelerate the pace of our share repurchases as compared to the prior year. We may increase this pace based on valuation and cash flow dynamics, as well as macroeconomic conditions, as we did in the first quarter of fiscal 2026. 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 three months of fiscal 2026, net cash provided by operating activities totaled \$299.5 million compared with net cash used in operating activities of \$117.7 million in the prior year period.

As of May 31, 2025, total inventory was \$3.62 billion, representing a decrease of \$310.3 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 related to the end of tax refund season.

Our operating cash flows are significantly impacted by the net change in auto loans held for investment and auto loans held for sale, which increased \$299.6 million in the current year period compared with \$337.7 million in the prior year period. A significant portion of the changes in auto loans held for investment and auto loans held for sale 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 \$82.5 million in the current year period compared with \$299.6 million in the prior year period and are separately reflected as cash from financing activities. Due to the presentation differences between auto loans held for investment, auto l

oans held for sale and non-recourse notes payable on the consolidated statements of cash flows, fluctuations in these amounts can impact our operating and financing cash flows without affecting our overall liquidity, working capital or cash flows.

The increase in net cash provided by (used in) operating activities for the first three months of the current fiscal year compared with the prior year period primarily reflected the changes in inventory, auto loans held for investment and auto loans held for sale, as discussed above, and an increase in net earnings when excluding non-cash expenses, which include depreciation and amortization, share-based compensation expense and the provisions for loan losses and cancellation reserves. These were partially offset by the net impact of volume and timing-related changes in accounts receivables and accounts payable.

Investing Activities. During the first three months of fiscal 2026, net cash used in investing activities totaled \$141.2 million compared with \$105.9 million in fiscal 2025. Capital expenditures were \$136.7 million in the current year period versus \$103.9 million in the prior year period. Capital expenditures primarily included construction costs to support our growth capacity initiatives and new store openings as well as investments in technology. 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 May 31, 2025, 167 of our 250 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 three months of fiscal 2026, net cash used in financing activities totaled \$129.4 million compared with \$112.4 million in the prior year period. Included in these amounts were net issuances of non-recourse notes payable of \$82.5 million compared with \$299.6 million in the prior year period. Non-recourse notes payable are typically used to fund changes in auto loans held for investment and auto loans held for sale (see “Operating Activities”).

During the first three months of fiscal 2026, cash used in financing activities was impacted by net payments on our long-term debt of \$3.9 million as well as stock repurchases of \$204.0 million. During the first three months of fiscal 2025, cash used in financing activities was impacted by net payments on our long-term debt of \$303.1 million as well as stock repurchases of \$106.9 million.

TOTAL DEBT AND CASH AND CASH EQUIVALENTS

| <i>(In thousands)</i> | | As of May 31 | As of February 28 |
|------------------------------------------|-------------------------------------|---------------|-------------------|
| Debt Description ⁽¹⁾ | Maturity Date | 2025 | 2025 |
| Revolving credit facility ⁽²⁾ | June 2028 | \$ — | \$ — |
| Term loan ⁽²⁾ | October 2026 | 699,808 | 699,773 |
| 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 | 483,977 | 487,676 |
| Non-recourse notes payable | Various dates through June 2032 | 17,202,299 | 17,119,758 |
| Total debt ⁽³⁾ | | \$ 18,786,084 | \$ 18,707,207 |
| Cash and cash equivalents | | \$ 262,819 | \$ 246,960 |

⁽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 May 31, 2025, we were in compliance with these financial covenants.

See Note 9 for additional information on our revolving credit facility, term loan, senior notes and financing obligations.

CAF auto loans held for investment and auto loans held for sale 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,

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 loans, the amounts on deposit in reserve accounts and the restricted cash from collections on auto loans held for investment. We do, however, continue to have the rights associated with the interest we retain in these non-recourse funding vehicles.

As of May 31, 2025, \$13.58 billion and \$3.62 billion of non-recourse notes payable were outstanding related to asset-backed term funding transactions and our warehouse facilities, respectively. During the first three months of fiscal 2026, we funded a total of \$2.36 billion in asset-backed term funding transactions. As of May 31, 2025, we had \$2.48 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 loans 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 loans 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 loans 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 May 31, 2025, a total of \$2 billion of board authorizations for repurchases was outstanding, with no expiration date, of which \$1.74 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 and operational targets and goals, 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 economic downturns, inflationary pressures, fluctuating interest rates, tariffs or the effect of trade policies 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 or initiatives designed to leverage evolving technologies, including AI.
- 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 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.
- 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 evolving regulations, disclosure requirements, standards and expectations relating to environmental, social and governance matters.
- 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 45 of this report, our Annual Report on Form 10-K for the fiscal year ended February 28, 2025, and our quarterly or current reports as filed with or furnished to the U.S. Securities and Exchange Commission ("SEC"). Our filings are publicly available on our investor information home page at investors.carmax.com. Requests for information may also be made to our Investor Relations Department by email to investor_relations@carmax.com or by calling 1-804-747-0422, ext. 7865. We undertake no obligation to update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to our market risk since February 28, 2025. For information on our exposure to market risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," contained in our Annual Report on Form 10-K for the fiscal year ended February 28, 2025.

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 May 31, 2025, 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 28, 2025, 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

In April 2022, the board authorized the repurchase of up to \$2 billion of our common stock with no expiration date. 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 first quarter of fiscal 2026. 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 |
|--------------------|-------------------------------------------------|---------------------------------------------|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| March 1 - 31, 2025 | 487,700 | \$ 74.22 | 487,700 | \$ 1,900,660,318 |
| April 1 - 30, 2025 | 1,247,488 | \$ 66.71 | 1,247,488 | \$ 1,817,444,335 |
| May 1 - 31, 2025 | 1,217,270 | \$ 66.01 | 1,217,270 | \$ 1,737,092,597 |
| Total | 2,952,458 | | 2,952,458 | |

Item 6. Exhibits

[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.

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

June 26, 2025