

TheStreet Quant Ratings

BUY					HOLD			SELL						HOLD	RATING SINCE	04/13/2022					
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	E+	E		E-	F	Annual Dividend Rate NA	Annual Dividend Yield NA	Beta 1.61	Market Capitalization \$12.8 Billion	52-Week Range \$55.77-\$87.50

Sector: **Retail Trade** | Industry Group: **Automobile Dealers**

KMX BUSINESS DESCRIPTION

CarMax, Inc., together with its subsidiaries, operates as a retailer of used vehicles in the United States. It operates in two segments, CarMax Sales Operations and CarMax Auto Finance.

STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	7.92	34.16	-15.42

GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	-4.31	-14.54	12.42
Net Income	118.20	-13.49	-12.84
EPS	116.66	-11.77	-11.47

RETURN ON EQUITY (%)

	KMX	Subsector Avg	S&P 500
Q3 2023	8.24	1.15	17.66
Q3 2022	10.49	1.03	19.00
Q3 2021	23.51	1.02	18.28

P/E COMPARISON



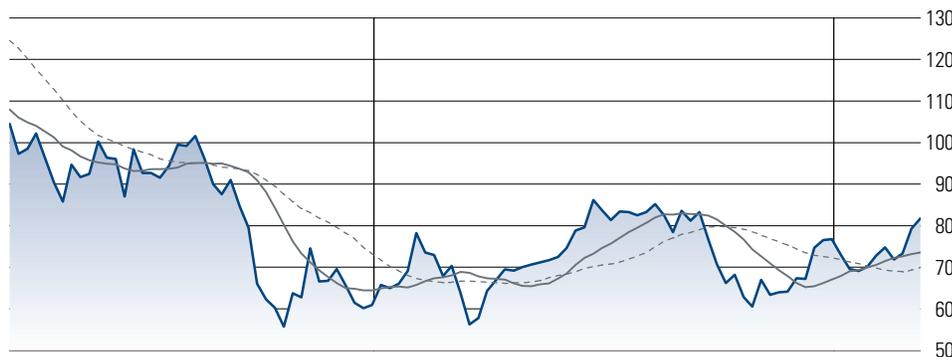
EPS ANALYSIS¹ (\$)



NA = not available NM = not meaningful

¹ Compustat fiscal year convention is used for all fundamental data items.

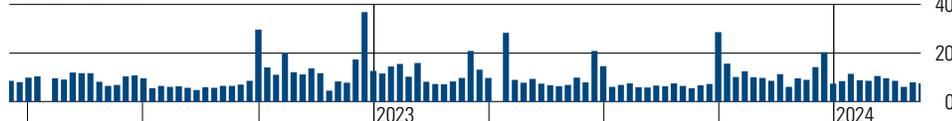
Weekly Price: (US\$) | SMA (50) — SMA (100) --- 1 Year | 2 Years



Rating History



Volume in Millions



COMPUSTAT for Price and Volume, TheStreet Ratings, Inc. for Rating History

RECOMMENDATION

We rate CARMAX INC (KMX) a HOLD. The primary factors that have impacted our rating are mixed - some indicating strength, some showing weaknesses, with little evidence to justify the expectation of either a positive or negative performance for this stock relative to most other stocks. The company's strengths can be seen in multiple areas, such as its solid stock price performance, increase in net income and reasonable valuation levels. However, as a counter to these strengths, we also find weaknesses including generally higher debt management risk, weak operating cash flow and poor profit margins.

HIGHLIGHTS

The strong earnings growth this company has enjoyed -- up -- has apparently played a role in driving up its share price by a solid 34.16%. In addition, the rise in the general market has likely contributed to this stock's strong performance during this past year. Regarding the stock's future course, our hold rating indicates that we do not recommend additional investment in this stock despite its gains in the past year.

The net income growth from the same quarter one year ago has significantly exceeded that of the S&P 500 and the Motor Vehicle and Parts Dealers subsector. The net income increased by 118.2% when compared to the same quarter one year prior, rising from \$37.58 million to \$82.00 million.

KMX, with its decline in revenue, slightly underperformed the subsector average of 5.1%. Since the same quarter one year prior, revenues slightly dropped by 4.3%. The declining revenue has not hurt the company's bottom line, with increasing earnings per share.

Net operating cash flow has significantly decreased to \$210.10 million or 82.23% when compared to the same quarter last year. In addition, when comparing to the subsector average, the firm's growth rate is much lower.

The debt-to-equity ratio is very high at 3.26 and currently higher than the subsector average, implying increased risk associated with the management of debt levels within the company. To add to this, KMX has a quick ratio of 0.62, this demonstrates the lack of ability of the company to cover short-term liquidity needs.

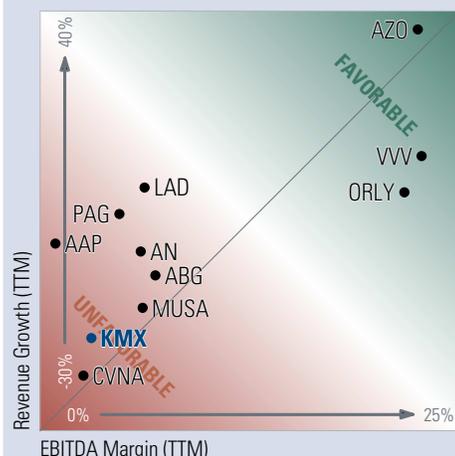
TheStreet Quant Ratings

Sector: Retail Trade | Automobile Dealers

Annual Dividend Rate NA	Annual Dividend Yield NA	Beta 1.61	Market Capitalization \$12.8 Billion	52-Week Range \$55.77-\$87.50	Price as of 3/14/2024 \$80.94
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PEER GROUP ANALYSIS

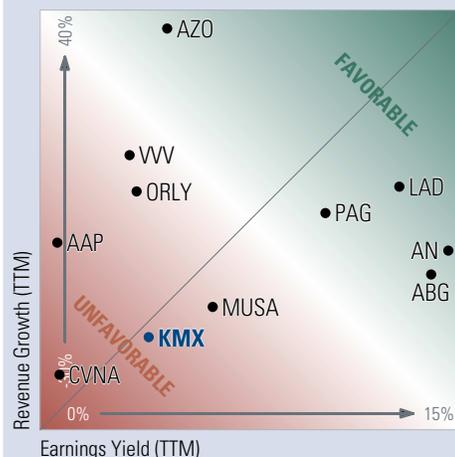
REVENUE GROWTH AND EBITDA MARGIN*



Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$4.2 Billion and \$65.9 Billion. Companies with NA or NM values do not appear.

*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

REVENUE GROWTH AND EARNINGS YIELD



Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -20.8% and 36.9%. Companies with NA or NM values do not appear.

SUBSECTOR ANALYSIS

CARMAX INC falls within the Retail Trade sector and the Automobile Dealers industry group of the North American Industry Classification System or NAICS. More precisely, a significant portion of company activities involve Used Car Dealers .

TheStreet Quant Ratings is currently tracking 189 companies in the Retail Trade sector that total around \$4,309 billion in market capitalization as well as \$3,320 billion in annual sales.

The Motor Vehicle and Parts Dealers subsector accounts for 7.6% of those revenues.

Industries in the Motor Vehicle and Parts Dealers subsector retail motor vehicles and parts. Establishments in this subsector often operate from a showroom and/or an open lot where the vehicles are on display. The display of vehicles and the related parts require little by way of display equipment. The personnel generally include both the sales and sales support staff familiar with the requirements for registering and financing a vehicle as well as a staff of parts experts and mechanics trained to provide repair and maintenance services for the vehicles. Specific industries included in this subsector identify the type of vehicle being retailed.

PEER GROUP: Motor Vehicle and Parts Dealers

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
KMX	CARMAX INC	80.94	12,782	25.70	28,248.40	497.95
CVNA	CARVANA CO	76.68	8,916	142.00	10,771.00	450.00
MUSA	MURPHY USA INC	413.23	8,598	16.20	19,238.20	556.80
LAD	LITHIA MOTORS INC	282.53	7,778	7.79	31,310.80	1,000.80
ORLY	O'REILLY AUTOMOTIVE INC	1,116.90	65,938	29.03	15,812.25	2,346.58
AN	AUTONATION INC	155.24	6,471	6.85	26,948.90	1,021.10
VVV	VALVOLINE INC	43.10	5,588	31.23	1,484.10	1,369.70
AZO	AUTOZONE INC	3,119.04	53,934	21.96	17,830.56	2,621.06
AAP	ADVANCE AUTO PARTS INC	79.53	4,736	162.31	11,287.61	29.74
ABG	ASBURY AUTOMOTIVE GROUP IN	204.70	4,177	7.16	14,802.70	602.50
PAG	PENSKE AUTOMOTIVE GROUP IN	151.73	10,164	9.80	29,527.40	1,053.20

The peer group comparison is based on Major Motor Vehicle and Parts Dealers companies of comparable size.

TheStreet Quant Ratings

Sector: Retail Trade | Automobile Dealers

Annual Dividend Rate NA	Annual Dividend Yield NA	Beta 1.61	Market Capitalization \$12.8 Billion	52-Week Range \$55.77-\$87.50	Price as of 3/14/2024 \$80.94
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COMPANY DESCRIPTION

CarMax, Inc., together with its subsidiaries, operates as a retailer of used vehicles in the United States. It operates in two segments, CarMax Sales Operations and CarMax Auto Finance. The company offers customers a range of makes and models of used vehicles, including domestic, imported, and luxury vehicles, as well as hybrid and electric vehicles; and extended protection plans to customers at the time of sale, as well as sells vehicles that are approximately 10 years old and has more than 100,000 miles through wholesale auctions. It also provides reconditioning and vehicle repair services; and financing alternatives for retail customers across a range of credit spectrum through its CarMax Auto Finance and arrangements with various financial institutions. The company was founded in 1993 and is based in Richmond, Virginia.

CARMAX INC

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STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of KMX shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
Growth	1.0 out of 5 stars	★	☆	☆	☆	☆
Measures the growth of both the company's income statement and cash flow. On this factor, KMX has a growth score better than 10% of the stocks we rate.		weak				strong
Total Return	3.5 out of 5 stars	★	★	★	★	★
Measures the historical price movement of the stock. The stock performance of this company has beaten 60% of the companies we cover.		weak				strong
Efficiency	3.0 out of 5 stars	★	★	★	☆	☆
Measures the strength and historic growth of a company's return on invested capital. The company has generated more income per dollar of capital than 50% of the companies we review.		weak				strong
Price volatility	2.0 out of 5 stars	★	★	☆	☆	☆
Measures the volatility of the company's stock price historically. The stock is less volatile than 30% of the stocks we monitor.		weak				strong
Solvency	2.5 out of 5 stars	★	★	★	☆	☆
Measures the solvency of the company based on several ratios. The company is more solvent than 40% of the companies we analyze.		weak				strong
Income	0.5 out of 5 stars	★	☆	☆	☆	☆
Measures dividend yield and payouts to shareholders. This company pays no dividends.		weak				strong

THESTREET QUANT RATINGS RESEARCH METHODOLOGY

TheStreet Quant Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

TheStreet Quant Ratings

Sector: Retail Trade | Automobile Dealers

Annual Dividend Rate NA	Annual Dividend Yield NA	Beta 1.61	Market Capitalization \$12.8 Billion	52-Week Range \$55.77-\$87.50	Price as of 3/14/2024 \$80.94
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Consensus EPS Estimates² (\$)

IBES consensus estimates are provided by Thomson Financial

**INCOME STATEMENT**

	Q3 FY23	Q3 FY22
Net Sales (\$mil)	6,575.40	6,871.45
EBITDA (\$mil)	201.56	137.16
EBIT (\$mil)	140.94	79.78
Net Income (\$mil)	82.00	37.58

BALANCE SHEET

	Q3 FY23	Q3 FY22
Cash & Equiv. (\$mil)	1,088.95	1,155.14
Total Assets (\$mil)	27,173.25	25,938.94
Total Debt (\$mil)	19,711.01	18,968.27
Equity (\$mil)	6,044.37	5,487.57

PROFITABILITY

	Q3 FY23	Q3 FY22
Gross Profit Margin	11.58%	10.61%
EBITDA Margin	3.06%	1.99%
Operating Margin	2.14%	1.16%
Sales Turnover	1.04	1.27
Return on Assets	1.83%	2.21%
Return on Equity	8.24%	10.49%

DEBT

	Q3 FY23	Q3 FY22
Current Ratio	2.45	2.57
Debt/Capital	0.77	0.78
Interest Expense	32.97	31.65
Interest Coverage	4.28	2.52

SHARE DATA

	Q3 FY23	Q3 FY22
Shares outstanding (mil)	158	158
Div / share	0.00	0.00
EPS	0.52	0.24
Book value / share	38.25	34.73
Institutional Own %	NA	NA
Avg Daily Volume	1,927,227	2,269,451

² Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

FINANCIAL ANALYSIS

CARMAX INC's gross profit margin for the third quarter of its fiscal year 2023 has increased when compared to the same period a year ago. Even though sales decreased, the net income has increased. CARMAX INC has weak liquidity. Currently, the Quick Ratio is 0.62 which shows a lack of ability to cover short-term cash needs. The liquidity decreased from the same period a year ago, despite already having weak liquidity to begin with. This would indicate deteriorating cash flow.

During the same period, stockholders' equity ("net worth") has increased by 10.14% from the same quarter last year. Overall, the key liquidity measurements indicate that the company is in a position in which financial difficulties could develop in the future.

STOCKS TO BUY: TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit www.TheStreetRatings.com.

TheStreet Quant Ratings

CARMAX INC

Sector: Retail Trade | Automobile Dealers

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RATINGS HISTORY

Our rating for CARMAX INC has not changed since 4/13/2022. As of 3/14/2024, the stock was trading at a price of \$80.94 which is 7.5% below its 52-week high of \$87.50 and 45.1% above its 52-week low of \$55.77.

2 Year Chart



MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
4/13/22	\$92.99	Downgrade	Buy	Hold
3/14/22	\$98.55	No Change	Buy	Buy

Price reflects the closing price as of the date listed, if available

RATINGS DEFINITIONS & DISTRIBUTION OF THESTREET RATINGS

(as of 3/14/2024)

31.74% Buy - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

30.61% Hold - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

37.64% Sell - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

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VALUATION

HOLD. This stock's P/E ratio indicates a discount compared to an average of 31.04 for the Motor Vehicle and Parts Dealers subsector and a discount compared to the S&P 500 average of 27.95. For additional comparison, its price-to-book ratio of 2.12 indicates a significant discount versus the S&P 500 average of 4.68 and a significant discount versus the subsector average of 6.33. The price-to-sales ratio is well below both the S&P 500 average and the subsector average, indicating a discount. Upon assessment of these and other key valuation criteria, CARMAX INC proves to trade at a discount to investment alternatives.

Price/Earnings	1	2	3	4	5
				premium	discount

KMX 25.70 Peers **31.04**

- Discount. A lower P/E ratio than its peers can signify a less expensive stock or lower growth expectations.
- KMX is trading at a discount to its peers.

Price/Projected Earnings	1	2	3	4	5
				premium	discount

KMX 22.99 Peers **18.52**

- Premium. A higher price-to-projected earnings ratio than its peers can signify a more expensive stock or higher future growth expectations.
- KMX is trading at a significant premium to its peers.

Price/Book	1	2	3	4	5
				premium	discount

KMX 2.12 Peers **6.33**

- Discount. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- KMX is trading at a significant discount to its peers.

Price/Sales	1	2	3	4	5
				premium	discount

KMX 0.45 Peers **2.45**

- Discount. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- KMX is trading at a significant discount to its subsector on this measurement.

Price/CashFlow	1	2	3	4	5
				premium	discount

KMX NM Peers **17.67**

- Neutral. The P/CF ratio, a stock's price divided by the company's cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
- KMX's P/CF is negative making the measure meaningless.

Price to Earnings/Growth	1	2	3	4	5
				premium	discount

KMX NM Peers **20.06**

- Neutral. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- KMX's negative PEG ratio makes this valuation measure meaningless.

Earnings Growth	1	2	3	4	5
	lower				higher

KMX -11.77 Peers **17.49**

- Lower. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- However, KMX is expected to significantly trail its peers on the basis of its earnings growth rate.

Sales Growth	1	2	3	4	5
	lower				higher

KMX -14.54 Peers **13.22**

- Lower. A sales growth rate that trails the subsector implies that a company is losing market share.
- KMX significantly trails its peers on the basis of sales growth.

DISCLAIMER:

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NAICS is the North American Industry Classification System which provides the Sector, Subsector, and Industry Group structure used in this report. As many companies are diversified, the companies may also operate in other industry segments than the one listed.