

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands except per share data)	Years Ended February 28					
	2019	% ⁽¹⁾	2018	% ⁽¹⁾	2017	% ⁽¹⁾
SALES AND OPERATING REVENUES:						
Used vehicle sales	\$ 15,172,772	83.5	\$ 14,392,360	84.1	\$ 13,270,662	83.6
Wholesale vehicle sales	2,392,992	13.2	2,181,156	12.7	2,082,464	13.1
Other sales and revenues	607,336	3.3	546,693	3.2	521,992	3.3
NET SALES AND OPERATING REVENUES	18,173,100	100.0	17,120,209	100.0	15,875,118	100.0
COST OF SALES:						
Used vehicle cost of sales	13,544,033	74.5	12,824,741	74.9	11,818,951	74.4
Wholesale vehicle cost of sales	1,961,959	10.8	1,788,704	10.4	1,719,821	10.8
Other cost of sales	186,517	1.0	177,905	1.0	153,052	1.0
TOTAL COST OF SALES	15,692,509	86.4	14,791,350	86.4	13,691,824	86.2
GROSS PROFIT	2,480,591	13.6	2,328,859	13.6	2,183,294	13.8
CARMAX AUTO FINANCE INCOME	438,690	2.4	421,182	2.5	368,984	2.3
Selling, general and administrative expenses	1,730,275	9.5	1,617,051	9.4	1,488,504	9.4
Interest expense	75,792	0.4	70,745	0.4	56,416	0.4
Other expense (income)	408	—	(1,363)	—	953	—
Earnings before income taxes	1,112,806	6.1	1,063,608	6.2	1,006,405	6.3
Income tax provision	270,393	1.5	399,496	2.3	379,435	2.4
NET EARNINGS	\$ 842,413	4.6	\$ 664,112	3.9	\$ 626,970	3.9
WEIGHTED AVERAGE COMMON SHARES:						
Basic	174,463		182,660		190,343	
Diluted	175,884		184,470		192,215	
NET EARNINGS PER SHARE:						
Basic	\$ 4.83		\$ 3.64		\$ 3.29	
Diluted	\$ 4.79		\$ 3.60		\$ 3.26	

⁽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.

CONSOLIDATED BALANCE SHEETS

	As of February 28	
	2019	2018
<i>(In thousands except share data)</i>		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 46,938	\$ 44,525
Restricted cash from collections on auto loan receivables	440,669	399,442
Accounts receivable, net	139,850	133,321
Inventory	2,519,455	2,390,694
Other current assets	67,101	93,462
TOTAL CURRENT ASSETS	3,214,013	3,061,444
Auto loan receivables, net	12,428,487	11,535,704
Property and equipment, net	2,828,058	2,667,061
Deferred income taxes	61,346	63,256
Other assets	185,963	158,807
TOTAL ASSETS	\$ 18,717,867	\$ 17,486,272
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 593,171	\$ 529,733
Accrued expenses and other current liabilities	316,215	278,771
Accrued income taxes	3,784	—
Short-term debt	1,129	127
Current portion of financing and capital lease obligations	12,166	9,994
Current portion of non-recourse notes payable	385,044	355,433
TOTAL CURRENT LIABILITIES	1,311,509	1,174,058
Long-term debt, excluding current portion	1,163,795	995,479
Financing and capital lease obligations, excluding current portion	515,240	490,369
Non-recourse notes payable, excluding current portion	12,127,290	11,266,964
Other liabilities	243,005	242,553
TOTAL LIABILITIES	15,360,839	14,169,423
Commitments and contingent liabilities		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 350,000,000 shares authorized; 167,478,924 and 179,747,894 shares issued and outstanding as of February 28, 2019 and February 28, 2018, respectively	83,739	89,874
Capital in excess of par value	1,237,153	1,234,047
Accumulated other comprehensive loss	(68,010)	(54,312)
Retained earnings	2,104,146	2,047,240
TOTAL SHAREHOLDERS' EQUITY	3,357,028	3,316,849
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 18,717,867	\$ 17,486,272

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended February 28		
	2019	2018	2017
OPERATING ACTIVITIES:			
Net earnings	\$ 842,413	\$ 664,112	\$ 626,970
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	182,247	179,942	168,875
Share-based compensation expense	75,011	61,879	91,595
Provision for loan losses	153,848	137,591	150,598
Provision for cancellation reserves	63,937	62,749	64,120
Deferred income tax provision	2,300	81,007	2,324
Other	2,825	1,298	4,169
Net (increase) decrease in:			
Accounts receivable, net	(6,529)	19,067	(20,217)
Inventory	(128,761)	(130,131)	(328,534)
Other current assets	32,890	(34,620)	(2,781)
Auto loan receivables, net	(1,046,631)	(1,077,219)	(1,209,782)
Other assets	(7,230)	(2,361)	143
Net increase (decrease) in:			
Accounts payable, accrued expenses and other current liabilities and accrued income taxes	86,360	38,286	74,579
Other liabilities	(89,709)	(82,150)	(77,370)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	162,971	(80,550)	(455,311)
INVESTING ACTIVITIES:			
Capital expenditures	(304,636)	(296,816)	(418,144)
Proceeds from disposal of property and equipment	692	97	1,229
Purchases of investments	(6,147)	(6,836)	(3,774)
Sales of investments	1,578	1,692	730
NET CASH USED IN INVESTING ACTIVITIES	(308,513)	(301,863)	(419,959)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term debt, net	1,002	65	(366)
Proceeds from issuances of long-term debt	4,314,500	4,203,150	2,974,600
Payments on long-term debt	(4,146,600)	(4,160,650)	(2,734,600)
Cash paid for debt issuance costs	(17,063)	(16,261)	(17,118)
Payments on financing and capital lease obligations	(10,012)	(8,997)	(10,817)
Issuances of non-recourse notes payable	10,892,502	10,198,962	9,610,035
Payments on non-recourse notes payable	(10,001,712)	(9,296,773)	(8,395,360)
Repurchase and retirement of common stock	(904,726)	(579,570)	(564,337)
Equity issuances	58,130	73,520	59,869
NET CASH PROVIDED BY FINANCING ACTIVITIES	186,021	413,446	921,906
Increase in cash, cash equivalents and restricted cash	40,479	31,033	46,636
Cash, cash equivalents and restricted cash at beginning of year	554,898	523,865	477,229
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 595,377	\$ 554,898	\$ 523,865
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONSOLIDATED BALANCE SHEETS			
Cash and cash equivalents	\$ 46,938	\$ 44,525	\$ 38,416
Restricted cash from collections on auto loan receivables	440,669	399,442	380,353
Restricted cash included in other assets	107,770	110,931	105,096
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	\$ 595,377	\$ 554,898	\$ 523,865

See accompanying notes to consolidated financial statements.