

## CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands except per share data)	Years Ended February 28 or 29					
	2018	% <sup>(1)</sup>	2017	% <sup>(1)</sup>	2016	% <sup>(1)</sup>
<b>SALES AND OPERATING REVENUES:</b>						
Used vehicle sales	\$ 14,392,360	84.1	\$ 13,270,662	83.6	\$ 12,439,401	82.1
Wholesale vehicle sales	2,181,156	12.7	2,082,464	13.1	2,188,267	14.4
Other sales and revenues	546,693	3.2	521,992	3.3	522,007	3.4
<b>NET SALES AND OPERATING REVENUES</b>	<b>17,120,209</b>	<b>100.0</b>	<b>15,875,118</b>	<b>100.0</b>	<b>15,149,675</b>	<b>100.0</b>
<b>COST OF SALES:</b>						
Used vehicle cost of sales	12,824,741	74.9	11,818,951	74.4	11,100,763	73.3
Wholesale vehicle cost of sales	1,788,704	10.4	1,719,821	10.8	1,800,167	11.9
Other cost of sales	177,905	1.0	153,052	1.0	229,985	1.5
<b>TOTAL COST OF SALES</b>	<b>14,791,350</b>	<b>86.4</b>	<b>13,691,824</b>	<b>86.2</b>	<b>13,130,915</b>	<b>86.7</b>
<b>GROSS PROFIT</b>	<b>2,328,859</b>	<b>13.6</b>	<b>2,183,294</b>	<b>13.8</b>	<b>2,018,760</b>	<b>13.3</b>
<b>CARMAX AUTO FINANCE INCOME</b>	<b>421,182</b>	<b>2.5</b>	<b>368,984</b>	<b>2.3</b>	<b>392,036</b>	<b>2.6</b>
Selling, general and administrative expenses	1,617,051	9.4	1,488,504	9.4	1,351,935	8.9
Interest expense	70,745	0.4	56,416	0.4	36,358	0.2
Other (income) expense	(1,363)	—	953	—	12,559	0.1
Earnings before income taxes	1,063,608	6.2	1,006,405	6.3	1,009,944	6.7
Income tax provision	399,496	2.3	379,435	2.4	386,516	2.6
<b>NET EARNINGS</b>	<b>\$ 664,112</b>	<b>3.9</b>	<b>\$ 626,970</b>	<b>3.9</b>	<b>\$ 623,428</b>	<b>4.1</b>
<b>WEIGHTED AVERAGE COMMON SHARES:</b>						
Basic	182,660		190,343		203,275	
Diluted	184,470		192,215		205,540	
<b>NET EARNINGS PER SHARE:</b>						
Basic	\$ 3.64		\$ 3.29		\$ 3.07	
Diluted	\$ 3.60		\$ 3.26		\$ 3.03	

<sup>(1)</sup> 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	
	2018	2017
<i>(In thousands except share data)</i>		
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 44,525	\$ 38,416
Restricted cash from collections on auto loan receivables	399,442	380,353
Accounts receivable, net	133,321	152,388
Inventory	2,390,694	2,260,563
Other current assets	93,462	41,910
<b>TOTAL CURRENT ASSETS</b>	<b>3,061,444</b>	<b>2,873,630</b>
Auto loan receivables, net	11,535,704	10,596,076
Property and equipment, net	2,667,061	2,518,393
Deferred income taxes	63,256	150,962
Other assets	158,807	140,295
<b>TOTAL ASSETS</b>	<b>\$ 17,486,272</b>	<b>\$ 16,279,356</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 529,733	\$ 494,989
Accrued expenses and other current liabilities	278,771	266,128
Accrued income taxes	—	1,404
Short-term debt	127	62
Current portion of finance and capital lease obligations	9,994	9,491
Current portion of non-recourse notes payable	355,433	333,713
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,174,058</b>	<b>1,105,787</b>
Long-term debt, excluding current portion	995,479	952,562
Finance and capital lease obligations, excluding current portion	490,369	486,645
Non-recourse notes payable, excluding current portion	11,266,964	10,387,231
Other liabilities	242,553	238,551
<b>TOTAL LIABILITIES</b>	<b>14,169,423</b>	<b>13,170,776</b>
Commitments and contingent liabilities		
<b>SHAREHOLDERS' EQUITY:</b>		
Common stock, \$0.50 par value; 350,000,000 shares authorized; 179,747,894 and 186,548,602 shares issued and outstanding as of February 28, 2018 and 2017, respectively	89,874	93,274
Capital in excess of par value	1,234,047	1,188,578
Accumulated other comprehensive loss	(54,312)	(56,555)
Retained earnings	2,047,240	1,883,283
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>3,316,849</b>	<b>3,108,580</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 17,486,272</b>	<b>\$ 16,279,356</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended February 28 or 29		
	2018	2017	2016
<b>OPERATING ACTIVITIES:</b>			
Net earnings	\$ 664,112	\$ 626,970	\$ 623,428
Adjustments to reconcile net earnings to net cash used in operating activities:			
Depreciation and amortization	179,942	168,875	137,360
Share-based compensation expense	61,879	91,595	51,077
Provision for loan losses	137,591	150,598	101,199
Provision for cancellation reserves	62,749	64,120	77,118
Deferred income tax provision	81,007	2,324	17,237
Other	1,298	4,169	13,136
Net decrease (increase) in:			
Accounts receivable, net	19,067	(20,217)	5,519
Inventory	(130,131)	(328,534)	154,845
Other current assets	(34,620)	(2,781)	15,229
Auto loan receivables, net	(1,077,219)	(1,209,782)	(1,202,587)
Other assets	(2,361)	143	(160)
Net increase (decrease) in:			
Accounts payable, accrued expenses and other current liabilities and accrued income taxes	38,286	74,579	(23,051)
Other liabilities	(82,150)	(77,370)	(87,107)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(80,550)</b>	<b>(455,311)</b>	<b>(116,757)</b>
<b>INVESTING ACTIVITIES:</b>			
Capital expenditures	(296,816)	(418,144)	(315,584)
Proceeds from disposal of property and equipment	97	1,229	1,542
Increase in restricted cash from collections on auto loan receivables	(19,089)	(36,524)	(49,707)
Increase in restricted cash in reserve accounts	(22,343)	(17,390)	(12,264)
Release of restricted cash from reserve accounts	18,321	11,250	8,357
Purchases of investments	(8,649)	(6,724)	(11,463)
Sales of investments	1,692	730	324
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(326,787)</b>	<b>(465,573)</b>	<b>(378,795)</b>
<b>FINANCING ACTIVITIES:</b>			
Increase (decrease) in short-term debt, net	65	(366)	(357)
Proceeds from issuances of long-term debt	4,203,150	2,974,600	2,057,100
Payments on long-term debt	(4,160,650)	(2,734,600)	(1,652,100)
Cash paid for debt issuance costs	(16,261)	(17,118)	(3,104)
Payments on finance and capital lease obligations	(8,997)	(10,817)	(16,417)
Issuances of non-recourse notes payable	10,198,962	9,610,035	9,553,805
Payments on non-recourse notes payable	(9,296,773)	(8,395,360)	(8,496,684)
Repurchase and retirement of common stock	(579,570)	(564,337)	(983,941)
Equity issuances	73,520	59,869	47,038
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>413,446</b>	<b>921,906</b>	<b>505,340</b>
Increase in cash and cash equivalents	6,109	1,022	9,788
Cash and cash equivalents at beginning of year	38,416	37,394	27,606
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 44,525</b>	<b>\$ 38,416</b>	<b>\$ 37,394</b>

See accompanying notes to consolidated financial statements.