ModernGraham Valuation

Company Name:

Company Ticker KMX

Date of Analysis

8/20/2016



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1.	Adequate Size of the Enterprise	Market Cap > \$2Bil	\$11,418,183,602 Pass
2.	Sufficiently Strong Financial Condition	Current Ratio > 2	2.23 Pass
3.	Earnings Stability	Positive EPS for 10 years prior	Pass
4.	Dividend Record	Dividend Payments for 10 years prior	Fail
5.	Earnings Growth	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	275.00% Pass
6.	Moderate PEmg Ratio	PEmg < 20	21.20 Fail
7.	Moderate Price to Assets	PB Ratio < 2.5 OR PB*PEmg < 50	3.90 Fail
Enterprising Investor; mu	ist pass 4 out of the following 5 tests, or be	e suitable for the Defensive Investor.	
1.	Sufficiently Strong Financial Condition	Current Ratio > 1.5	2.23 Pass
2	Sufficiently Strong Financial Condition	Debt to NCA < 1.1	7.57 Fail

CarMax, Inc

2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	7.57 Fail
3. Earnings Stability	Positive EPS for 5 years prior	Pass
4. Dividend Record	Currently Pays Dividend	Fail
5. Earnings Growth	EPSmg greater than 5 years ago	Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

	EPSmg		\$2.80
	MG Growth Estimate		10.95%
	MG Value		\$85.01
	MG Value based on 3% Growth		\$40.55
	MG Value based on 0% Growth		\$23.77
	Market Implied Growth Rate		6.35%
MG Opinion			
	Current Price		\$59.30
	% of Intrinsic Value		69.76%
	Opinion	Undervalued	
	MG Grade	D+	

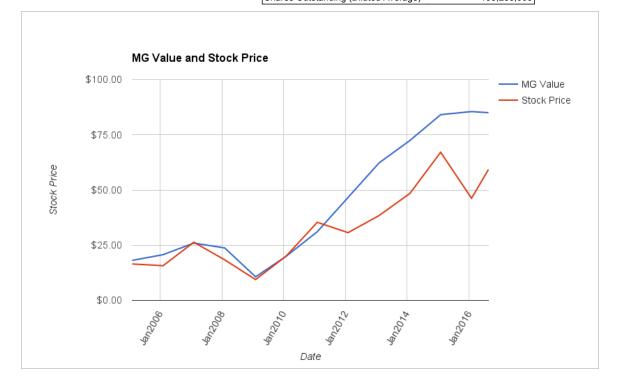
Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$48.15
Graham Number	\$32.76
PEmg	21.20
Current Ratio	2.23
PB Ratio	3.90
Current Dividend	\$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

Useful Links:

ModernGraham tagged articles Google Finance Yahoo Finance GuruFocus Morningstar MSN Money Seeking Alpha SEC Filings

EPS History		EPSmg History	
Next Fiscal Year Estimate	¢2.00	Next Fiscal Year Estimate	\$2.80
Feb2016	\$3.03		\$2.54
Feb2015	\$2.73		\$2.21
Feb2014	\$2.16		\$1.88
Feb2013	\$1.87		\$1.62
Feb2012	\$1.79	Feb2012	\$1.38
Feb2011	\$1.65	Feb2011	\$1.11
Feb2010	\$1.26	Feb2010	\$0.82
Feb2009	\$0.27	Feb2009	\$0.61
Feb2008	\$0.83	Feb2008	\$0.75
Feb2007	\$0.92	Feb2007	\$0.67
Feb2006	\$0.63	Feb2006	\$0.54
Feb2005	\$0.48	Feb2005	\$0.47
Feb2004	\$0.55	Feb2004	\$0.42
Feb2003	\$0.46	Feb2003	\$0.31
Feb2002	\$0.44	Feb2002	\$0.18
Feb2001	\$0.23	Feb2001	\$0.03
Feb2000	\$0.01	Balance Sheet Information	5/1/2016
Feb1999	-\$0.12	Total Current Assets	\$2,416,580,000
Feb1998	-\$0.18	Total Current Liabilities	\$1,083,374,000
Feb1997	-\$0.01	Long-Term Debt	\$10,091,457,000
· · · · · · · · · · · · · · · · · · ·		Total Assets	\$14,789,927,000
		Intangible Assets	\$0
		Total Liabilities	\$11,817,642,000
		Shares Outstanding (Diluted Average)	195,253,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor. The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

Recommended Reading:

Other	CarMax Inc. Annual Valuation – 2015 \$KMX	
ModernGraham posts about the company	16 Companies in the Spotlight this Week – 4/19/14	
	Carmax Inc. (KMX) Annual Valuation – 2014	

 Other ModernGraham posts about related companies
 BorgWarner Inc Valuation – August 2016 \$BWA Ford Motor Company Valuation – August 2016 \$F O'Reilly Automotive Inc Valuation – July 2016 \$ORLY Genuine Parts Co Valuation – July 2016 \$GPC Johnson Controls Inc Valuation – July 2016 \$JCI Goodyear Tire & Rubber Co Valuation – July 2016 \$GT Harley-Davidson Inc Valuation – June 2016 \$HOG Autozone Inc Valuation – June 2016 \$AZO BorgWarner Inc Valuation – January 2016 Update \$BWA