

ModernGraham Valuation

Company Name:

CarMax, Inc

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; must pass 4 out of the following 5 tests, or be 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
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](#) [Morningstar](#)
[Google Finance](#) [MSN Money](#)
[Yahoo Finance](#) [Seeking Alpha](#)
[GuruFocus](#) [SEC Filings](#)

EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.09	Next Fiscal Year Estimate	\$2.80
Feb2016	\$3.03	Feb2016	\$2.54
Feb2015	\$2.73	Feb2015	\$2.21
Feb2014	\$2.16	Feb2014	\$1.88
Feb2013	\$1.87	Feb2013	\$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 ModernGraham posts about the company

- [CarMax Inc. Annual Valuation – 2015 \\$KMX](#)
- [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 – February 2016 Update \\$BWA](#)
- [Genuine Parts Co Valuation – January 2016 Update \\$GPC](#)