

ModernGraham Valuation

Company Name:

CarMax, Inc

Company Ticker KMX

Date of Analysis

12/2/2016



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	\$11,310,756,160 Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.54 Pass
3. Earnings Stability	Positive EPS for 10 years prior	Pass
4. Dividend Record	Dividend Payments for 10 years prior	Fail
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	276.69% Pass
5. Earnings Growth	PEmg < 20	20.68 Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	3.67 Fail
7. Moderate Price to Assets		

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	2.54 Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	6.41 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	\$2.81
MG Growth Estimate	11.07%
MG Value	\$86.11
MG Value based on 3% Growth	\$40.75
MG Value based on 0% Growth	\$23.89
Market Implied Growth Rate	6.09%

MG Opinion

Current Price	\$58.11
% of Intrinsic Value	67.48%
Opinion	Undervalued
MG Grade	D+

Stage 3: Information for Further Research

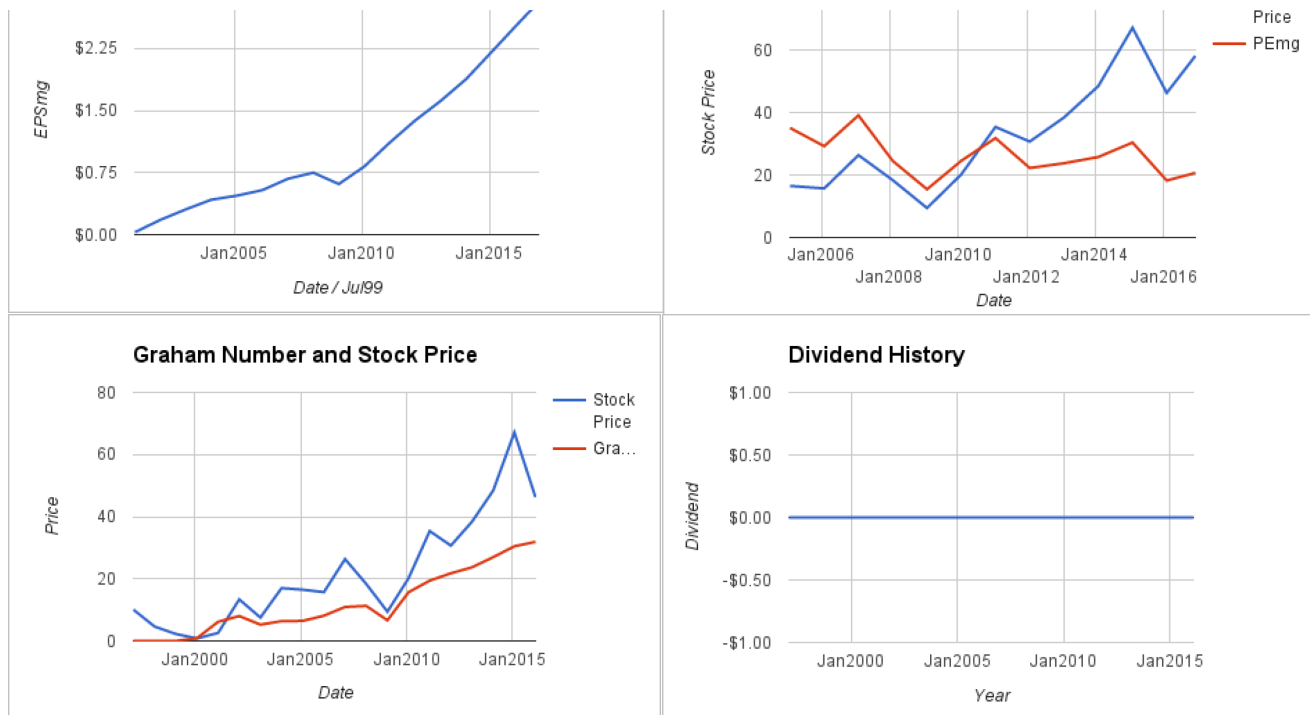
Net Current Asset Value (NCAV)	-\$50.03
Graham Number	\$33.60
PEmg	20.68
Current Ratio	2.54
PB Ratio	3.67
Current Dividend	\$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

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		Next Fiscal Year Estimate	
Feb2016	\$3.13	Feb2016	\$2.81
Feb2015	\$3.03	Feb2015	\$2.54
Feb2014	\$2.73	Feb2014	\$2.21
Feb2013	\$2.16	Feb2013	\$1.88
Feb2012	\$1.87	Feb2012	\$1.62
Feb2011	\$1.79	Feb2011	\$1.38
Feb2010	\$1.65	Feb2010	\$1.11
Feb2009	\$1.26	Feb2009	\$0.82
Feb2008	\$0.27	Feb2008	\$0.61
Feb2007	\$0.83	Feb2007	\$0.75
Feb2006	\$0.92	Feb2006	\$0.67
Feb2005	\$0.63	Feb2005	\$0.54
Feb2004	\$0.48	Feb2004	\$0.47
Feb2003	\$0.55	Feb2003	\$0.42
Feb2002	\$0.46	Feb2002	\$0.31
Feb2001	\$0.44	Feb2001	\$0.18
Feb2000	\$0.23	Feb2000	\$0.03
Feb1999	\$0.01	Balance Sheet Information 8/1/2016 Total Current Assets \$2,755,347,000 Total Current Liabilities \$1,084,363,000 Long-Term Debt \$10,703,373,000 Total Assets \$15,504,332,000 Intangible Assets \$0 Total Liabilities \$12,441,987,000 Shares Outstanding (Diluted Average) 193,623,000	
Feb1998	-\$0.12		
Feb1997	-\$0.18		
Feb1996	-\$0.01		
Feb1995			
Feb1994			





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:

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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](#)

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[General Motors Company Valuation – November 2016 \\$GM](#)
[Delphi Automotive PLC Valuation – August 2016 \\$DLPH](#)
[Carmax Inc Valuation – August 2016 \\$KMX](#)
[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](#)