

ModernGraham Valuation

Company Name:

CarMax, Inc

Company Ticker KMX

Date of Analysis

4/19/2018



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	\$11,315,656,364	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	2.61	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	130.43%	Pass
5. Earnings Growth	PEmg < 20	17.77	Pass
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	3.44	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	2.61	Pass
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	6.50	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 Score		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$3.52
MG Growth Estimate	8.91%
MG Value	\$92.72
MG Value based on 3% Growth	\$51.06
MG Value based on 0% Growth	\$29.93
Market Implied Growth Rate	4.63%

MG Opinion

Current Price	\$62.57
% of Intrinsic Value	67.49%
Opinion	Undervalued
MG Grade	C-

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$60.95
Graham Number	\$40.60
PEmg	17.77
Current Ratio	2.61
PB Ratio	3.44
Current Dividend	\$0.00
Dividend Yield	0.00%
Number of Consecutive Years of Dividend Growth	0

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EPS History		EPSmg History	
Next Fiscal Year Estimate		Next Fiscal Year Estimate	
Feb2018	\$3.97	Feb2018	\$3.52
Feb2017	\$3.60	Feb2017	\$3.18
Feb2016	\$3.26	Feb2016	\$2.85
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	Feb2006	\$0.54
Feb2004	\$0.48	Feb2005	\$0.47
Feb2003	\$0.55	Feb2004	\$0.42
Feb2002	\$0.46	Feb2003	\$0.31
Feb2001	\$0.44	Balance Sheet Information	
Feb2000	\$0.23	2/1/2018	
Feb1999	\$0.01	Total Current Assets	\$3,061,444,000
	-\$0.12	Total Current Liabilities	\$1,174,058,000
		Long-Term Debt	\$12,262,443,000
		Total Assets	\$17,486,272,000
		Intangible Assets	\$0
		Total Liabilities	\$14,169,423,000
		Shares Outstanding (Diluted Average)	182,239,000





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.

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