

CARMAX INC
Form 10-Q
January 08, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended November 30, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-31420

CARMAX, INC.

(Exact name of registrant as specified in its charter)

VIRGINIA 54-1821055
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

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12800 TUCKAHOE CREEK PARKWAY, RICHMOND, VIRGINIA 23238
(Address of principal executive offices) (Zip Code)

(804) 747-0422

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

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Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class Outstanding as of December 31, 2014

Common Stock, par value \$0.50	210,011,602
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CARMAX, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CARMAX, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

(Unaudited)

(In thousands except per share data)	Three Months Ended November 30				Nine Months Ended November 30			
	2014	% (1)	2013	% (1)	2014	% (1)	2013	% (1)
SALES AND OPERATING REVENUES:								
Used vehicle sales	\$ 2,794,515	82.1	\$ 2,396,840	81.5	\$ 8,775,021	81.6	\$ 7,738,118	81.5
New vehicle sales	54,561	1.6	50,073	1.7	194,294	1.8	162,502	1.7
Wholesale vehicle sales	481,676	14.1	437,272	14.9	1,557,191	14.5	1,402,838	14.8
Other sales and revenues	74,482	2.2	57,222	1.9	228,118	2.1	194,558	2.0
NET SALES AND OPERATING REVENUES								
	3,405,234	100.0	2,941,407	100.0	10,754,624	100.0	9,498,016	100.0
Cost of sales	2,958,614	86.9	2,559,686	87.0	9,342,934	86.9	8,233,456	86.7
GROSS PROFIT	446,620	13.1	381,721	13.0	1,411,690	13.1	1,264,560	13.3
CARMAX AUTO FINANCE INCOME								
Selling, general and administrative expenses	316,632	9.3	284,366	9.7	927,716	8.6	857,761	9.0
Interest expense	7,338	0.2	7,649	0.3	22,290	0.2	23,288	0.2
Other expense	1,536		411		2,096		1,243	
Earnings before income taxes	210,836	6.2	173,200	5.9	736,499	6.8	637,614	6.7
Income tax provision	80,787	2.4	66,748	2.3	282,279	2.6	244,237	2.6
NET EARNINGS	\$ 130,049	3.8	\$ 106,452	3.6	\$ 454,220	4.2	\$ 393,377	4.1
WEIGHTED AVERAGE COMMON SHARES:								
Basic	214,228		223,259		217,568		223,831	

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Diluted	217,025	227,417	220,585	227,870
NET EARNINGS PER SHARE:				
Basic	\$ 0.61	\$ 0.48	\$ 2.09	\$ 1.76
Diluted	\$ 0.60	\$ 0.47	\$ 2.06	\$ 1.73

(1) Calculated as a percentage of net sales and operating revenues and may not equal totals due to rounding.

See accompanying notes to consolidated financial statements.

CARMAX, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)	Three Months Ended		Nine Months Ended	
	November 30		November 30	
	2014	2013	2014	2013
NET EARNINGS	\$ 130,049	\$ 106,452	\$ 454,220	\$ 393,377
Other comprehensive (loss) income, net of taxes:				
Net change in retirement benefit plan				
unrecognized actuarial losses	214	(25)	640	501
Net change in cash flow hedge				
unrecognized losses	(1,605)	(3,193)	(227)	2,180
Other comprehensive (loss) income, net of taxes	(1,391)	(3,218)	413	2,681
TOTAL COMPREHENSIVE INCOME	\$ 128,658	\$ 103,234	\$ 454,633	\$ 396,058

See accompanying notes to consolidated financial statements.

CARMAX, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	(Unaudited)	
	As of November 30 2014	As of February 28 2014
(In thousands except share data)		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 189,880	\$ 627,901
Restricted cash from collections on auto loan receivables	275,718	259,299
Accounts receivable, net	88,180	79,923
Inventory	1,964,673	1,641,424
Deferred income taxes	6,368	7,866
Other current assets	48,433	26,811
TOTAL CURRENT ASSETS	2,573,252	2,643,224
Auto loan receivables, net	8,138,307	7,147,848
Property and equipment, net	1,833,600	1,652,977
Deferred income taxes	166,811	152,199
Other assets	131,436	110,909
TOTAL ASSETS	\$ 12,843,406	\$ 11,707,157
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 459,929	\$ 427,492
Accrued expenses and other current liabilities	202,533	202,588
Accrued income taxes	424	2,438
Short-term debt	2,574	582
Current portion of finance and capital lease obligations	20,915	18,459
Current portion of non-recourse notes payable	241,807	223,938
TOTAL CURRENT LIABILITIES	928,182	875,497
Long-term debt	300,000	
Finance and capital lease obligations, excluding current portion	311,771	315,925
Non-recourse notes payable, excluding current portion	7,938,626	7,024,506
Other liabilities	182,675	174,232
TOTAL LIABILITIES	9,661,254	8,390,160
Commitments and contingent liabilities		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.50 par value; 350,000,000 shares authorized;		
210,918,281 and 221,685,984 shares issued and outstanding		

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as of November 30, 2014 and February 28, 2014, respectively	105,459	110,843
Capital in excess of par value	1,080,267	1,038,209
Accumulated other comprehensive loss	(45,858)	(46,271)
Retained earnings	2,042,284	2,214,216
TOTAL SHAREHOLDERS' EQUITY	3,182,152	3,316,997
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 12,843,406	\$ 11,707,157

See accompanying notes to consolidated financial statements.

CARMAX, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)	Nine Months Ended	
	2014	2013
OPERATING ACTIVITIES:		
Net earnings	\$ 454,220	\$ 393,377
Adjustments to reconcile net earnings to net cash used in operating activities:		
Depreciation and amortization	84,994	