



CarMax, Inc. 4Q26 Business Results

Important disclosures can be found in Appendix

Sales Performance

Total Sales & Other Revenues decreased 1% y/y in F4Q, improving from down ~7% last quarter. Weaker sales reflected a slightly lower used vehicle volumes and average selling price in the quarter.

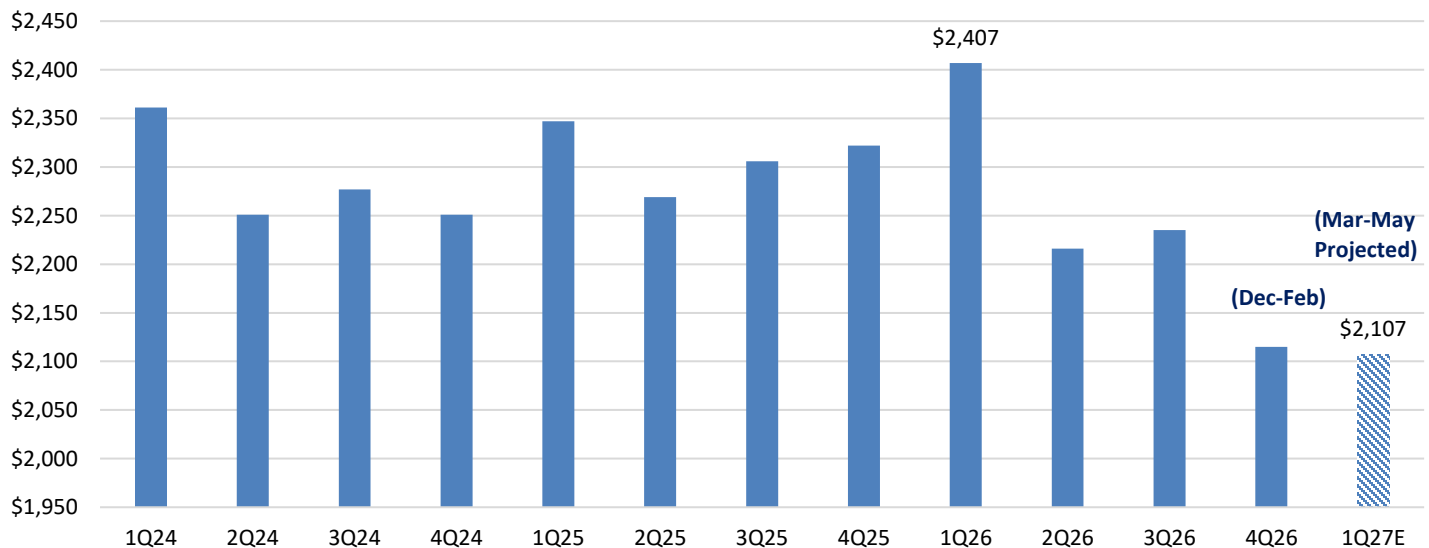
- Strategic price cuts throughout the quarter contributed to CarMax reversing steeper volume declines seen over the last two quarters. Management commented that price cuts were not universal, and were targeted at certain models only.
 - Older, higher mileage vehicles were 50% of the mix, up 10% from F3Q26.
 - Management commented that consumer preferences and demand shifted further towards more affordable, older, higher millage vehicles in the quarter.
- CarMax expects to continue adjusting prices strategically to reverse sales declines and is forecasting GPUs down \$300 in F1Q27 (Mar-Jun) which implies GPU of ~\$2,100. **CarMax commented that demand in March has been healthy**, supported by tax refund season
 - Management commented that F1Q27 GPU will lap tough comps from last year, and is expecting GPU for their FY27 to decline around the rate it did in F4Q26 (~\$200) which implies GPU of ~\$2,000.

Retail

Retail used vehicle revenues decreased ~1% y/y, following a 7% decline last quarter, due to a decline in units sold and ASP.

- Retail used vehicle units of 181,188 declined 0.8% y/y following a 8% decline last quarter.
 - Comparable store units decreased ~2% y/y vs. down 9% prior.
- Average selling price for used vehicles declined slightly y/y to \$26,019 from \$26,133. **CarMax reduced prices strategically and mix shifted more towards older, higher millage vehicles.**
 - ASP increased sequentially from \$26,383 in F3Q.
- Gross Profit per retail used unit of \$2,115 declined from \$2,235 last quarter and declined from \$2,322 in 4Q last year.

CarMax Retail Gross Profit per Used Unit



Source: Company reports

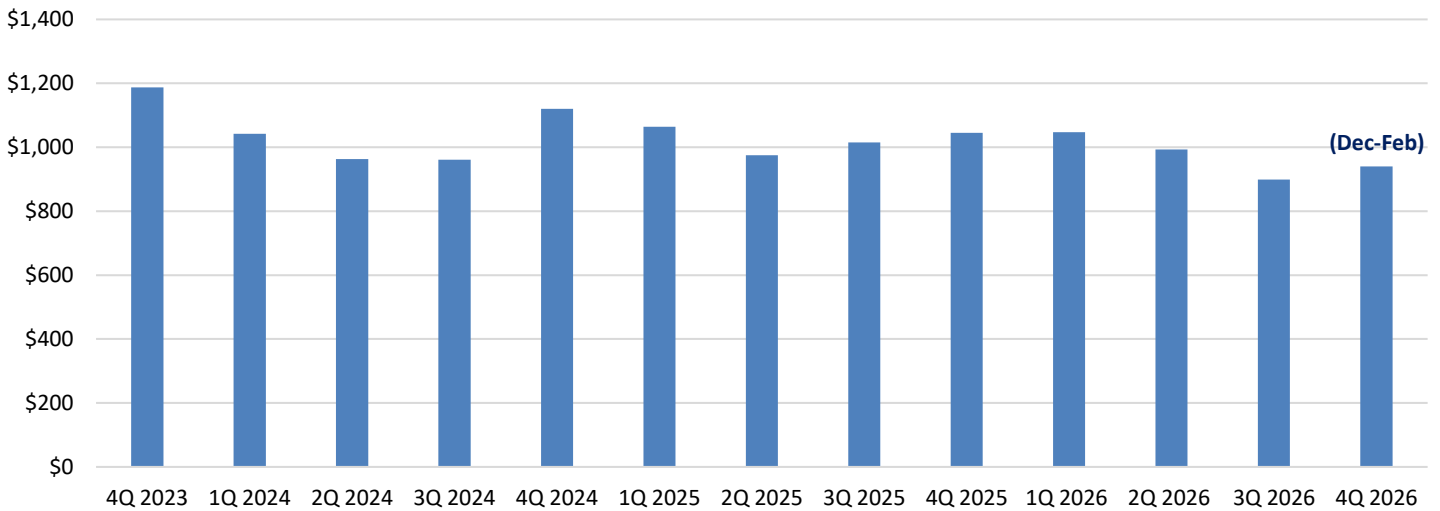


Wholesale

Total wholesale revenues was flat y/y with grow in units sold being offset by a decline in ASP.

- Wholesale vehicle unit sales of 122,781 increased 3% y/y, vs down ~6% last quarter.
- Average selling price for wholesale vehicles was \$7,776, a decrease of ~3% y/y.
 - ASP decreased q/q from \$8,137 in F3Q.
- Gross Profit per wholesale unit of \$940 increased from \$899 last quarter but declined from \$1,045 from last year.
 - Total wholesale gross profit declined 7% y/y, with lower GPUs being partially offset by higher unit sales.
- CarMax purchased ~270k units in the quarter, a slight increase y/y. 229k units were purchased from consumers and 41k from dealers; up 2.5% y/y and down 9.5% y/y respectively.
 - CarMax commented half of its purchases from consumers came through its online instant appraisal experience.

Wholesale Gross Profit per Used Unit



Source: Company reports

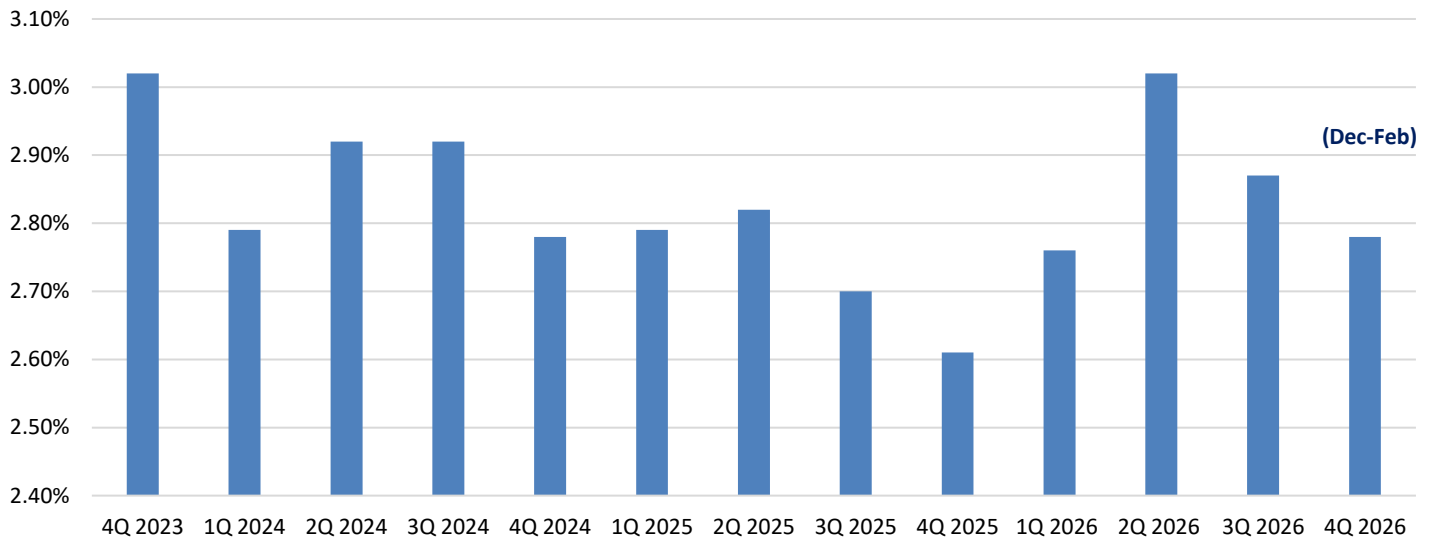
CarMax Auto Finance (CAF) Highlights

- Last quarter, for the first time, CAF sold \$900m in non-prime auto loans to 3rd party investors in September.
 - No new sales occurred in F4Q, but management commented that \$100m more are designated for sale in the upcoming quarter.
- CAF originated ~\$1.86b in loans in the quarter, vs ~\$1.76b last quarter and less than ~\$1.89b in the same period last year.
 - CarMax continued moving down the credit spectrum through CAF capturing 20% of Tier 2 customers, up from 10% last quarter (CarMax categorizes Tier 2 customers as 602 FICO on average paying 11-25% APR).
 - While CarMax's efforts are focused on the top 50% of Tier 2, management believes it can take the entirety of that credit spectrum over time.
- CAF financed 42.8% of vehicle units sold in the current quarter, flat from last quarter and up slightly from 42.3% last year despite expanding into Tier 2. CarMax reiterated its goal of expanding its non-prime funding program and increasing CAF penetration to 50%.
 - CAF penetration was 45.3% in the quarter, up from 44.3% last year. CAF Tier 2 and 3 originations were ~2% of total used units sold.
 - Tier 2 volume (for which CarMax collects a fee from 3rd party lenders to finance) was 15.8%, down from 17.6% last year.
 - Tier 3 volume (for which CarMax pays a fee to 3rd party lenders) was 9.8% in the quarter, increasing from 7.9% last year.
- CAF income of \$143.7m decreased ~10% y/y. Lower income is a result of lower interest margin from CAF selling \$900m of non-prime loans September.
 - An increase in provision for loan losses was also a headwind, reflecting higher Tier 2 penetration from CAF's expansion down the credit spectrum.



- Weighted average contract rate (average APR charged to customers) was 11.1% in the quarter up from 11% last year.
 - CarMax shift deeper into Tier 2 caused the uptick in average APR.
- CAF's total interest margin (the spread between interest and fees charged to consumers and funding costs) was \$256.8m, which was down ~6% y/y and flat from last quarter due to the sale of loans in September.
 - CAF's total interest margin as a percentage of loans outstanding was 6.2%, flat y/y and down from 6.6% last quarter.
 - Interest on CarMax's portfolio was lower in the quarter due to the sale of high margin loans.
- This quarter's provision for loan losses, which is a good indication for CarMax's expectations for future defaults, was \$73.9m, flat from last quarter.
 - Management commented that loan losses observed in the quarter were inline with expectations.
- CarMax total reserve balance (funds for future defaults) is now \$453m or 2.78% of auto loans held for investment, down from 2.87% at the end of last quarter.

Reserve Balance as a % of Loans



Source: Company reports

Other Revenues/Extended Protection Plan (EPP)

Other revenue was flat y/y, with declines in fees from 3rd party lenders offset by increases in revenue from "other."

- Other gross profit was \$107m, down ~11% y/y driven by the impact of lower retail unit volume on Extended Protection Plans (EPP).
 - EPP margin per retail unit was \$581, inline with the prior year.
 - CarMax announced changes to its EPP product lineup which have been launched in several markets. Nationwide rollout is expected in F1Q27 (March-May timeline)
 - Redesigned MaxCare plan to focus on mechanical coverage
 - New MaxCare Plus plan to focus on cosmetic protection
- CarMax estimates that EPP could be a \$35 tailwind to GPUs moving forward.

SG&A

- CarMax now expects \$200m in SG&A cost savings in FY27 (through February 2027), up from \$150m
 - Advertising spend was up \$6m y/y as CarMax begins ramping up their goal to advertise more to create better awareness.
 - In the near term, CarMax is still focused on reducing SG&A, targeting Total Compensation which was down ~9% y/y.
- In F4Q, SG&A expenses of \$611m was roughly flat with 41% higher occupancy costs being offset by ~9% lower compensation costs.



- SG&A as a percent of gross profit was 101%. compared to 98.5% last quarter and ~91% a year ago driven by a decline in gross profit.
- CarMax had \$34m in restructuring costs from actions taken in prior quarters. Without those one time costs SG&A was \$577m, down 5% from last year.
- SG&A per unit was \$2,011, down slightly from \$2,023 last year.

FY27 Outlook (March-February)

- Gross Profit & Margin
 - Anticipating retail GPU decline at a rate consistent with the y/y decline of ~\$200 in F4Q.
 - Expects enhancements from EPP to drive unit margins higher by \$35.
 - Continue focus on dynamically pricing to drive volume growths.
- CAF
 - Expecting to grow CAF penetration, specifically targeting the top half of Tier 2.

New Openings / Closures

- In FY27, CarMax plans to open 4 new stores in the U.S., following the 2 new ones opened in Washington and Arkansas last quarter.
- 2 new stand-alone reconditioning and auction centers are planned to open.
 - Management previously stated they are focused on improving reconditioning time and speed.
- CarMax plans to also open 2 stand-alone auction facilities.

Re-Purchase Highlights

- CarMax bought 270,000 vehicles from consumers and dealers, up slightly y/y and more than the 238,000 last quarter.
 - Bought 229,000 vehicles from consumers, up 2.5% y/y and more than 208,000 last quarter.
 - Bought 41,000 vehicles from dealers, down 9.5% y/y and more than 30,000 last quarter.

Leadership Changes

- On February 12, 2026 CarMax announced Keith Barr as President and CEO, effective March 16, 2026.
- Kieth previously served as CEO of InterContinental Hotel Group from July 2017 through June 2023
- Tom Folliard will remain in his role as Interim Executive Chair of the Board until June 2026
- David McCreight, former Interim President and CEO has transitioned back to independent Director of the Board



APPENDIX

Disclosures: We, Owen Flanagan, Jack Murphy and James De Maria, certify that the views expressed in the research report(s) accurately reflect our personal views about the subject security(s). Further, we certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report(s). CRC, its principals and partners, have investments and own a minority interest in a fund manager which may or may not have a position in this security in the funds it manages and oversees. Cleveland Research Company provides no investment banking services of any type on this or any company. Proprietary research and Information contained herein which forms the basis for findings or opinions expressed by Cleveland Research Company may be used by Cleveland Research for other purposes in the course of compensated consulting and other services rendered to third parties. The information transmitted is intended only for the person or entity to which it is addressed. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited. If you received this in error, please contact the sender and delete the material from any computer. Member FINRA/SIPC

This report is for Craig White. Unauthorized redistribution is strictly prohibited and considered a violation of our intellectual property.

OWEN FLANAGAN

oflanagan@cleveland-research.com

(216) 649-7273

JACK MURPHY

jmurphy@cleveland-research.com

(216) 649-7282

JAMES DEMARIA

jdemaria@cleveland-research.com

(216) 649-7197