

CARMAX INC
Form 10-Q
July 06, 2007

**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 May 31, 2007**

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

(State or other jurisdiction of
incorporation or organization)

54-1821055

(I.R.S. Employer
Identification No.)

**12800 TUCKAHOE CREEK PARKWAY, RICHMOND,
VIRGINIA**

(Address of principal executive offices)

23238

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Yes

No

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

<u>Class</u>	<u>Outstanding at June 30, 2007</u>
Common Stock, par value \$0.50	217,647,319

A Table of Contents is included on Page 2 and a separate Exhibit Index is included on Page 32.

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 May 31			
	2007	%⁽¹⁾	2006⁽²⁾	%⁽¹⁾
Sales and operating revenues:				
Used vehicle sales	\$ 1,708,391	79.6	\$ 1,461,120	77.5
New vehicle sales	112,615	5.2	118,408	6.3
Wholesale vehicle sales	261,152	12.2	247,296	13.1
Other sales and revenues	64,976	3.0	58,315	3.1
Net sales and operating revenues	2,147,134	100.0	1,885,139	100.0
Cost of sales	1,862,913	86.8	1,636,884	86.8
Gross profit	284,221	13.2	248,255	13.2
CarMax Auto Finance income	37,068	1.7	32,394	1.7
Selling, general, and administrative expenses	213,814	10.0	186,966	9.9
Interest expense	2,016	0.1	1,947	0.1
Interest income	378	-	267	-
Earnings before income taxes	105,837	4.9	92,003	4.9
Provision for income taxes	40,482	1.9	35,227	1.9
Net earnings	\$ 65,355	3.0	\$ 56,776	3.0
Weighted average common shares:				
Basic	215,293		210,530	
Diluted	220,130		214,111	
Net earnings per share:				
Basic	\$ 0.30		\$ 0.27	
Diluted	\$ 0.30		\$ 0.27	

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

⁽²⁾ Share and per share amounts have been adjusted for the effect of our 2-for-1 stock split in March 2007.

See accompanying notes to consolidated financial statements.

CARMAX, INC. AND SUBSIDIARIES**Consolidated Balance Sheets****(Unaudited)**

(In thousands except share data)

	May 31, 2007	February 28, 2007
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 22,029	\$ 19,455
Accounts receivable, net	68,367	71,413
Automobile loan receivables held for sale	1,410	6,162
Retained interest in securitized receivables	221,894	202,302
Inventory	863,511	836,116
Prepaid expenses and other current assets	11,116	15,068
Total current assets	1,188,327	1,150,516
Property and equipment, net	702,431	651,850
Deferred income taxes	43,694	40,174
Other assets	42,698	43,033
TOTAL ASSETS	\$ 1,977,150	\$ 1,885,573
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 249,327	\$ 254,895
Accrued expenses and other current liabilities	65,069	68,885
Accrued income taxes	43,235	23,377
Deferred income taxes	10,367	13,132
Short-term debt	3,680	3,290
Current portion of long-term debt	131,264	148,443
Total current liabilities	502,942	512,022
Long-term debt, excluding current portion	33,469	33,744
Deferred revenue and other liabilities	112,370	92,432
TOTAL LIABILITIES	648,781	638,198
Commitments and contingent liabilities		

Shareholders' equity:

Common stock, \$0.50 par value; 350,000,000 shares authorized;
217,303,448 and 216,028,166 shares issued and outstanding at
May 31, 2007, and February 28, 2007, respectively

Common stock, \$0.50 par value; 350,000,000 shares authorized; 217,303,448 and 216,028,166 shares issued and outstanding at May 31, 2007, and February 28, 2007, respectively	108,652	108,014
Capital in excess of par value	601,369	587,546
Accumulated other comprehensive loss	(19,950)	(20,332)
Retained earnings	638,298	572,147

**TOTAL SHAREHOLDERS'
EQUITY**

1,328,369	1,247,375
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$ 1,977,150	\$ 1,885,573
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See accompanying notes to consolidated financial statements.

CARMAX, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Three Months Ended May	
	31	
	2007	2006
<u>Operating Activities:</u>		
Net earnings	\$ 65,355	\$ 56,776
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	10,835	8,075
Share-based compensation expense	9,332	6,686
Loss (gain) on disposition of assets	46	(2)
Deferred income tax benefit	(6,486)	(18,770)
Net decrease (increase) in:		
Accounts receivable, net	3,046	6,221