


# 2023 Annual Meeting of Shareholders

## Pay-for-Performance Commitment

JUNE 2023

# Forward-Looking Statements

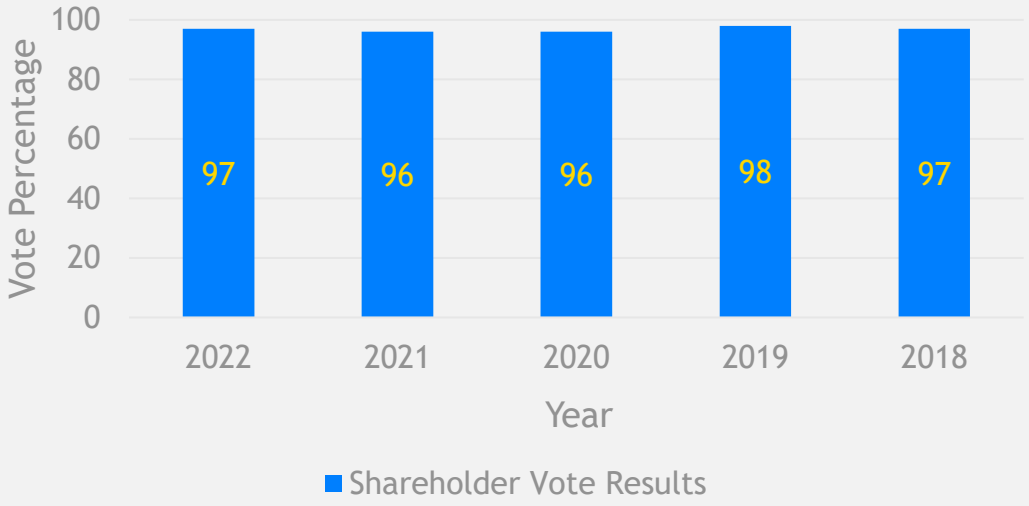
Our statements today regarding the Company's future compensation plan design and decision-making, business plans, prospects, and financial performance are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on our current knowledge and assumptions about future events that involve risks and uncertainties that could cause actual results to differ materially from our expectations. In providing projections and other forward-looking statements, the Company disclaims any intent or obligation to update them. For additional information on important factors that could affect these expectations, please see the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2023 filed with the SEC on April 13, 2023. These materials supplement the Company's definitive proxy statement (the "Proxy Statement") filed with the SEC on May 11, 2023 relating to the Company's Annual Meeting of Stockholders to be held on June 27, 2023. These materials should be read in conjunction with the Proxy Statement.

# Compensation Philosophy and Historically Strong Shareholder Support

## Compensation Philosophy is Pay-for-Performance Centric

"CarMax has a pay-for-performance philosophy. The Committee believes that the best way to implement this philosophy is by tying a significant portion of our executives' total direct compensation to the attainment of our financial goals and multi-year stock appreciation. In fiscal 2023, an average of 84% of the target total direct compensation of our CEO and other named executive officers was attributable to annual incentive bonus and long-term equity award compensation and therefore directly tied to CarMax performance."
*CarMax Proxy Statement, pages 33-34*

### Five-Year History of Say-on-Pay Support




*No structural changes were made to CarMax' s executive compensation program since last year's say-on-pay vote* [1]

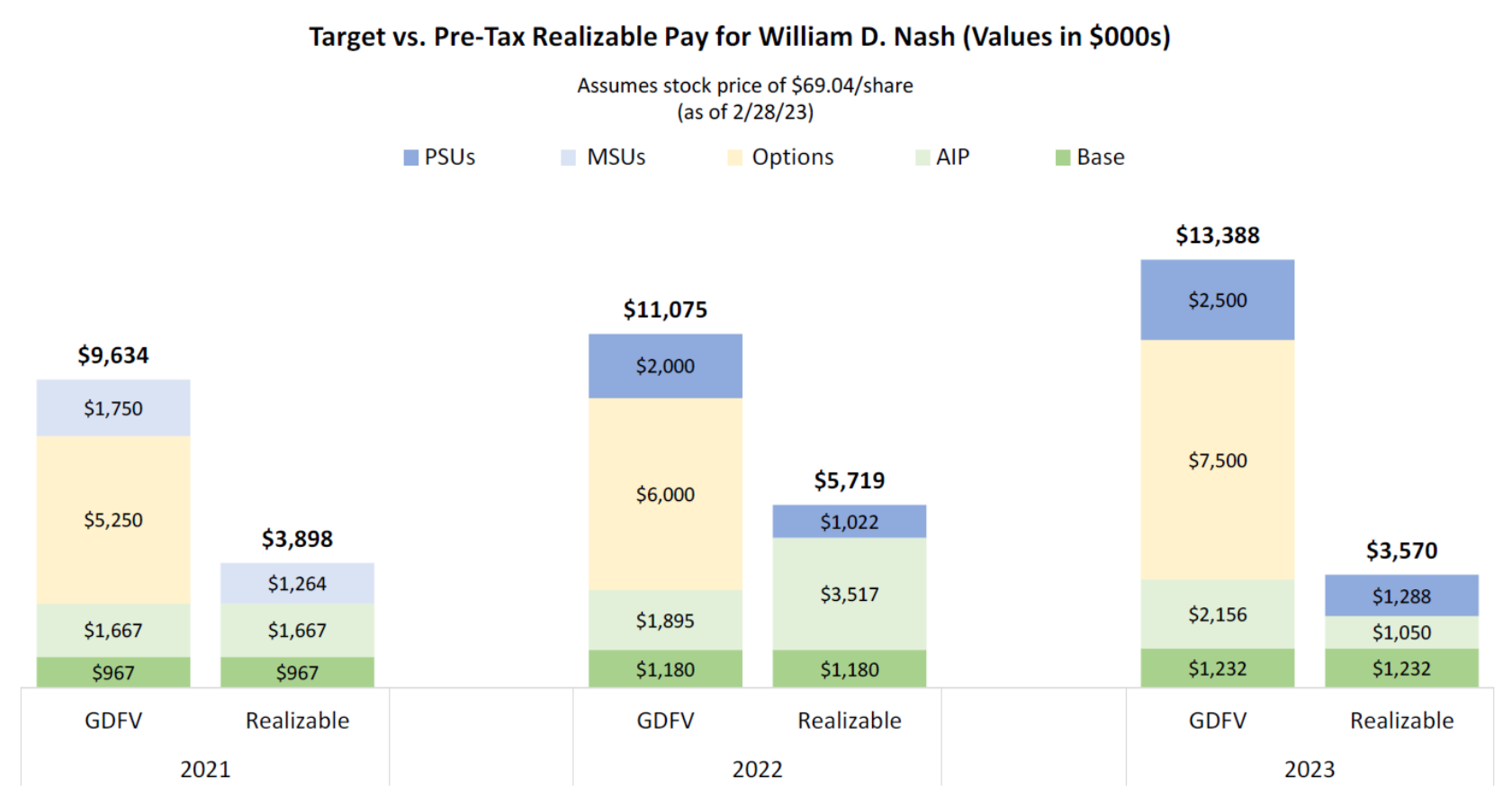
1. Market share growth, a key CarMax performance metric, was added as a second performance factor to the 2022 PSU awards (in addition to pre-tax EPS). The use of this metric is further discussed on page 4.

## CarMax Shareholders have shown overwhelmingly strong support for compensation practices

- No problematic pay practices (e.g., no discretionary awards, no single trigger CIC provisions, no subjective performance criteria in pay plans)
- CarMax provided forward-looking pay information, and, relatedly, target CEO pay was unchanged from the prior year when the Committee addressed fiscal 2024 pay levels in March 2023
  *CarMax Proxy Statement, page 33*
- CarMax consistently implements rigorous goals for performance award payouts (for fiscal 2023, annual bonus and PSUs payouts were 48.7% and 4% of target, respectively)

# Fiscal Year 2023 TSR Decline Reflected in Executive Pay

## A Comparison of CEO William D. Nash's Target v. Realizable Pay Illustrates the Performance Correlation




- As of the end of fiscal 2023, Mr. Nash's realizable pay for the last three years is 39% of target pay
- The meaningful incorporation of performance-based pay has effectively governed Mr. Nash's pay levels
- The newly required Pay-Versus-Performance disclosures further demonstrate this correlation
  *CarMax Proxy Statement, page 66*
  - Fiscal 2023 "Compensation Actually Paid" for Mr. Nash was negative $3.8M

Grant Date Fair Value (GDFV) figures include: (1) actual base salary paid; (2) target bonus amount; (3) PSU, MSU and Option award fair values at grant as reported in CarMax proxy statements.

Realizable pay figures include: (1) actual base salary paid; (2) actual bonus paid; (3) PSU/MSU awards adjusted for actual performance to date and valued at KMX price at 2/28/23; (4) option awards valued based upon spread between respective strike prices and KMX price at 2/28/23.

# Prospective Executive Compensation Program Changes

## Long-Term Incentive Awards: Planned Calendar 2024 Enhancements

### *Performance Measurement Periods*

As a component of its equity program, CarMax has awarded performance-based LTI in the form of Performance Stock Units (PSUs)

- For each of 2023 and 2022, the PSU performance metrics were balanced between pre-tax EBIT and market share growth
  - Given recent COVID/post-COVID market volatility, the performance periods were measured in one-year periods over a three-year time horizon
  - Earlier awarded PSU awards had employed a three-year measurement period

**CarMax intends to return to a three-year PSU measurement period in connection with its 2024 PSU awards**

### *Overlapping Performance Metrics*

- Market Share has been a key performance indicator for CarMax and has been incorporated into both the Company's short-term bonus plan and long-term equity incentive plan for each of 2022 and 2023
  - This overlapping metric was adopted to drive corporate success in producing market share gains
  - However, some observers might conclude that market share success could result in duplicative awards

**CarMax intends to ensure diversified metrics are employed in its short-term and long-term incentive plans in 2024**

### *Use of Stock Options as a Component of the LTI Program*

- Stock Options have historically been a key component of the CarMax LTI program
  - Options require TSR performance to deliver compensatory value; executive pay is directly tied to shareholder gains

**CarMax intends to evaluate the use of options, and their weighting within the LTI program, in 2024 to ensure appropriate incentivization and shareholder alignment**

# The CarMax Board Recommends a Vote "For" Say-on-Pay

## We have a history of active, transparent and responsive shareholder engagement

"We believe that strong corporate governance should include engagement with our shareholders to enable us to understand and respond to shareholder concerns. Our senior management team, including our CEO, CFO, and members of our Investor Relations team, maintain regular contact with a broad base of investors, including through quarterly earnings calls, individual meetings, and other channels for communication, to understand their perspectives."

*CarMax Proxy Statement, page 27*

In response to shareholder feedback, we have evolved our governance practices. Recent enhancements to our practices have included:

- ✓ The formation of a standing Technology and Innovation Committee
- ✓ Annual Responsibility Reporting
- ✓ 2025 and 2050 greenhouse gas emission reduction commitments
- ✓ The adoption of a majority vote standard for the election of directors
- ✓ Annual elections for all directors
- ✓ A mandatory director retirement policy (age 76)
- ✓ A proxy access right for shareholders

Our commitment to sound corporate governance practices extends to our executive compensation program oversight.

Our pay-for-performance philosophy has been, and continues to be, effective.

We are committing to the changes noted on the prior page and will continue to seek shareholder feedback to optimize our executive compensation practices to further align pay with performance.