Welcome




Katharine
Kenny
VP, Investor Relations
CARmax

Forward-Looking Statements

This presentation contains forward-looking statements, which are subject to risks and uncertainties. Additional discussion of factors that could cause actual results to differ materially from management's projections and estimates is contained in the CarMax, Inc. SEC filings, including its Form 10-K, for the year ended February 29, 2016. The company disclaims any intent or obligation to update its forward-looking statements.

CARmax®


Bill Nash
President & CEO
CARMAX

Forbes®

Car crash

By Peter Spiegel

You pay a chief executive to be imaginative and to take calculated risks, so you can't criticize Circuit City's Richard Sharp for coming up with one of the stranger line-extensions in retailing. He wanted his eminently successful vendor of microwaves, TVs and VCRs to branch out into used cars.

Sharp saw a connection. Like the consumer electronics industry of yore, the $650 billion car-selling business is big, fragmented, inefficient and extremely unfriendly to consumers. Circuit City had perfected the art of training a commissioned sales force and already had a credit business in place. "It's a big-ticket item, inventory control, value-added selling, financing, warranties, service after the sale," says Sharp. "It sounds a lot like what we do here."

Besides, it would be a way to ensure that Circuit City—now at $10.8 billion in sales—would continue to grow once it had its red-and-gray electronics stores in every corner of the country. Which will happen, Sharp figures, when the chain reaches 800 outlets—now there are 587.

But what began as an intriguing idea has turned into a mess. CarMax, 75% owned by Circuit City, lost $23.5 million on $1.5 billion in sales last year. It's not exactly growing its way out of trouble: Same-store sales declined 2%. Sharp has stopped all expansion—he was to move into Los Angeles this year—and is retooling the existing 31 locations in a desperate attempt to make them profitable.



Photographs by Marcello Pagnelli



Richard Sharp put the brakes on CarMax's expansion plans. But can he make existing dealerships profitable?

CarMax opened its first dealership in Circuit City's home base of Richmond, Va. in 1993. The second store didn't open until a year later and the third a year after that. Sharp took his time rolling out, following the strategy he used effectively with the electronics stores in the 1980s and 1990s. Archrival Best Buy went to the capital markets repeatedly to finance a dizzying expansion. Sharp's slow-and-steady strategy paid off, while Best Buy almost went bankrupt.

With his new, high-flying stock, Huizenga began buying up dealerships at a torrid clip—leaving CarMax in the dust with only five stores. "We either had to cede first entrance advantage to him or accelerate our growth plan," Sharp says.

Sharp chose the latter, raising $412 million in a CarMax public offering in February 1997 and announcing that he would open 80 to 90 new stores in five years.

Big mistake. Too many of the car lots, particularly the ones in Miami, Dallas and Chicago, were far too big—more than 80,000 square feet—to generate enough traffic to cover fixed overhead costs. Heavy advertising outlays made matters worse.

Six months after the CarMax stock offering, new-car prices declined for the first time in a decade, putting pressure on used-car prices. A glut of cars coming off lease hit the market, driving prices down even more.

Sharp slammed on the brakes in February, announcing that CarMax would postpone any expansion plans and instead focus on reworking the

CARmax®

CarMax Successes

6.5 million total retail used vehicles

4.0 million total wholesale vehicles

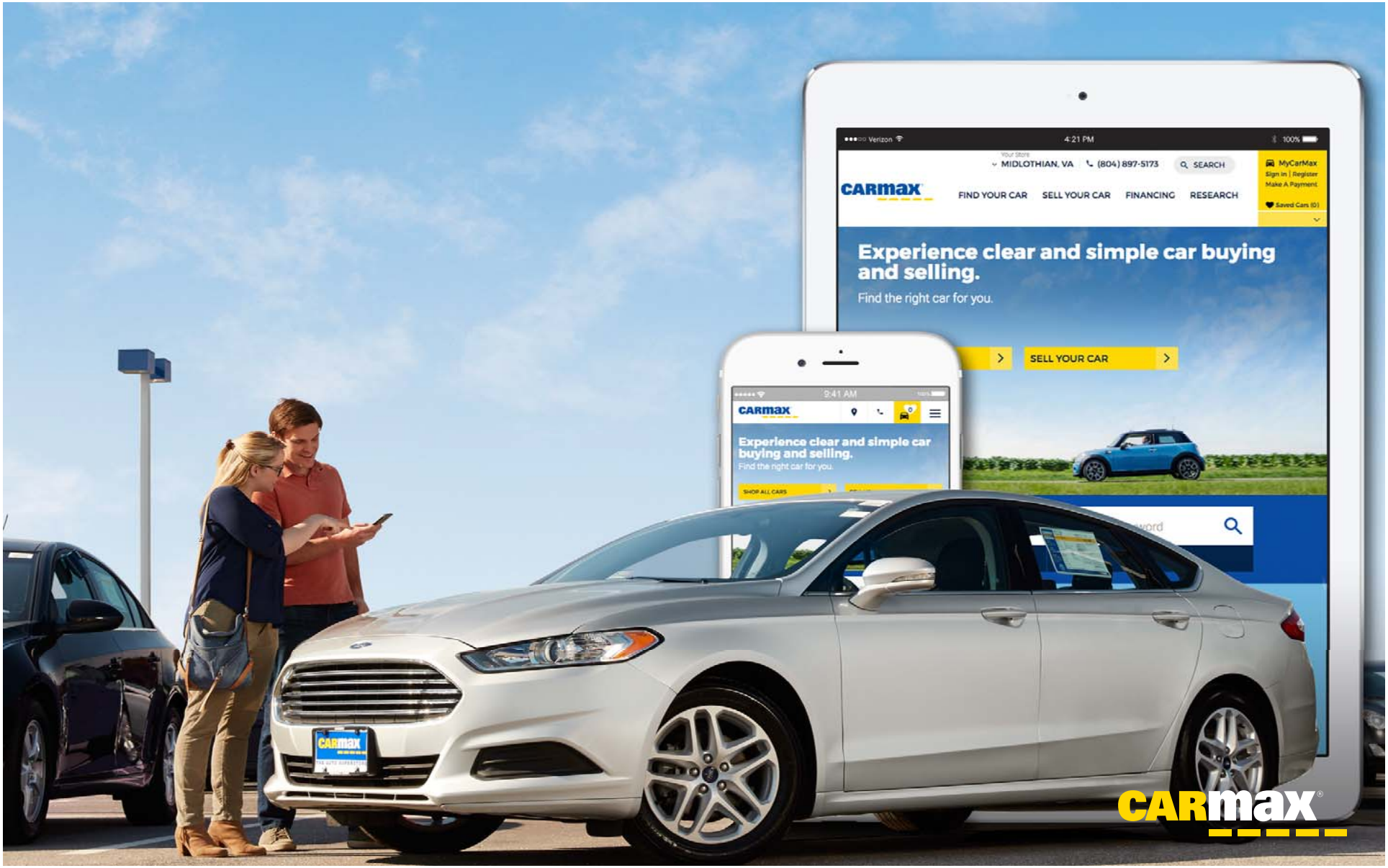
25.5 million total appraisals completed

Top 10 used car loan originator

FORTUNE 100 Best Companies to Work For® **12 years** in a row




DRIVE
WHAT'S POSSIBLE
CARmax


Verizon
4:21 PM
100%
MIDLOTHIAN, VA
(804) 897-5173
SEARCH
MyCarMax
Sign In | Register
Make A Payment
Saved Cars (0)
CARMAX
FIND YOUR CAR
SELL YOUR CAR
FINANCING
RESEARCH
Experience clear and simple car buying and selling.
Find the right car for you.
SELL YOUR CAR
9:41 AM
CARMAX
Experience clear and simple car buying and selling.
Find the right car for you.
SHOP ALL CARS
CARMAX


Jim Lyski
SVP, CMO
CARmax


CarMax Differentiates
the Customer Experience
CARmax

Macro Trends Lead to Innovation

Macro Trends Lead to Innovation

Individuality → Personalization



CARmax

Macro Trends Lead to Innovation

Individuality → Personalization

Convenience → Self-Service



CARmax

Macro Trends Lead to Innovation

Individuality	→	Personalization
Convenience	→	Self-Service
Always On	→	Seamlessness



CARMAX

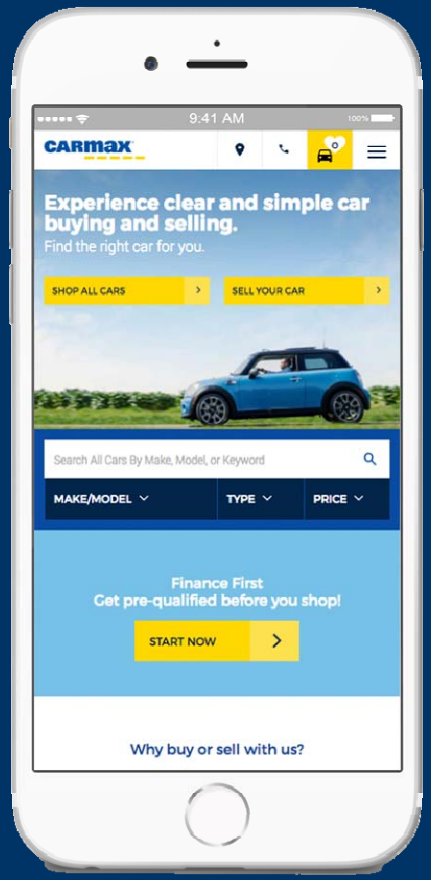
Macro Trends Lead to Innovation

Individuality → Personalization

Convenience → Self-Service

Always On → Seamlessness

Mobile First



CARMAX

Innovation
Approach

Product Teams



CARmax

Innovation Approach

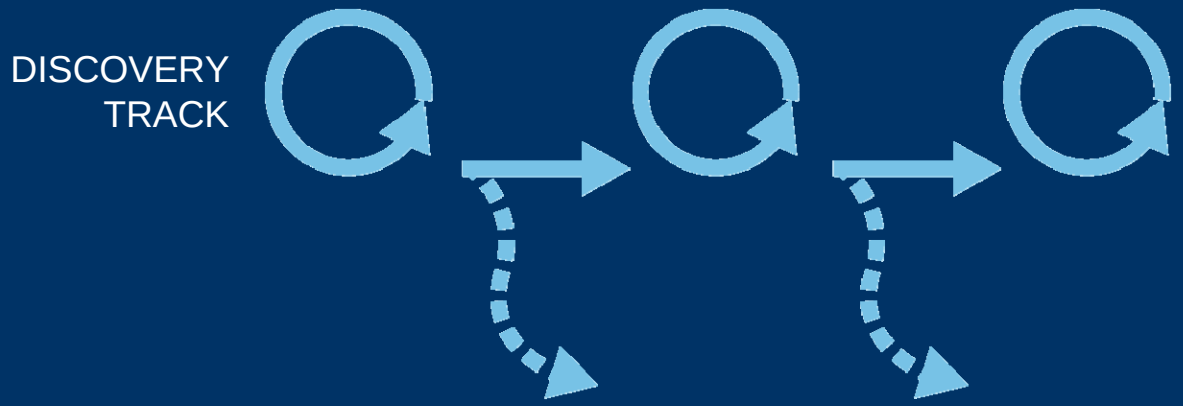
Product Teams



CARmax

Innovation
Approach

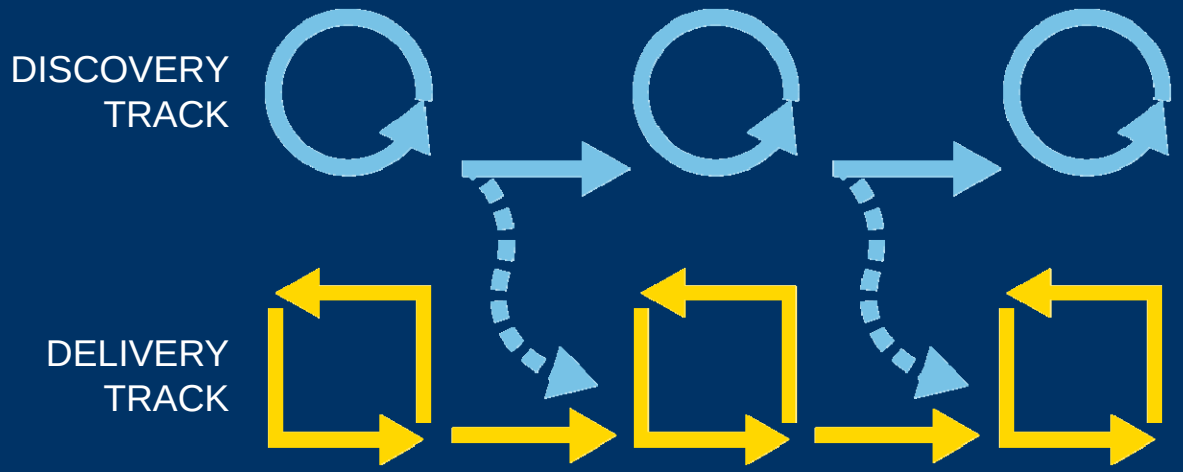
Dual Track Agile



CARmax

Innovation
Approach

Dual Track Agile



CARmax


Innovation
Approach
Fail Fast | Fail Cheap
CARmax

Empowering Capabilities Leverage Our Strengths

Digital



CARmax

Empowering Capabilities Leverage Our Strengths

Store Systems




Empowering
Capabilities
Leverage Our
Strengths
Data
CARmax


Gautam
Puranik
VP, Marketing Analytics
CARmax

CarMax compiles a vast amount of data through different areas of operation

10,500,000+
total vehicles sold

25,500,000+
vehicles appraised

65,000,000+
in-store customer contacts

180,000,000+
digital interactions per year

500,000+
customer surveys per year

750,000+
multi-year CAF relationships

CARMAX®

Our teams extract critical insights to create compelling experiences



CARmax

By prioritizing technology, we capitalize on our proprietary data



Data Enrichment



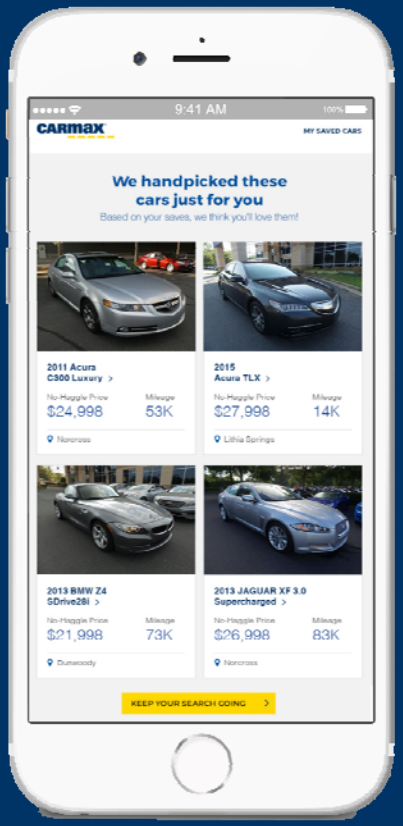
Cloud Computing



Machine Learning

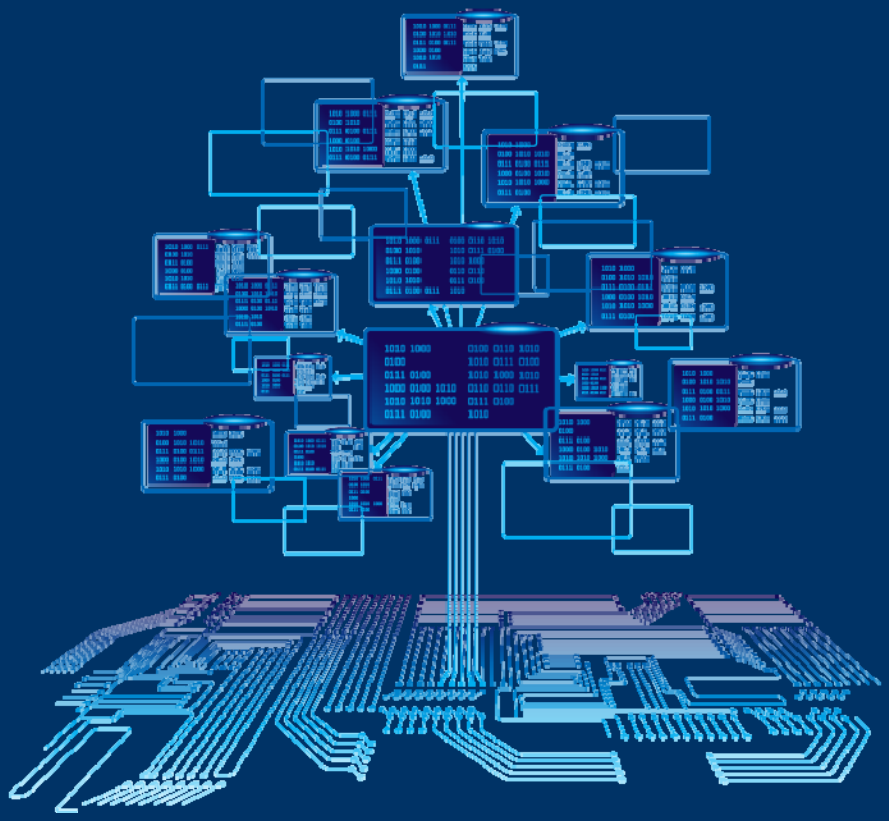
CARmax

Analytics & User Experience drive personalized, cross-channel experiences



CARMAX

Our **data**
and models
improve
pricing
effectiveness



CARmax

Thank You

