

Risk Factors Comparison 2025-04-11 to 2024-04-15 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text** Section

We are subject to a variety of risks, the most significant of which are described below. Our business, sales, results of operations and financial condition could be materially adversely affected by any of these risks. BUSINESS RISKS We operate in a highly competitive industry. Failure to develop and execute strategies to remain the nation's **preferred-largest** retailer of used vehicles and to adapt to the increasing use of digital and online tools to market, buy, sell and finance used vehicles could adversely affect our business, sales and results of operations. Automotive retailing is a highly competitive and highly fragmented business. Our competition includes publicly and privately owned new and used car dealers and online and mobile sales platforms, as well as millions of private individuals. Competitors buy and sell the same or similar makes of vehicles that we offer in the same or similar markets at competitive prices. New car dealers leverage their franchise relationships with automotive manufacturers to brand certain used cars as "certified pre-owned," which could provide those competitors with an advantage over CarMax. Retail Competition. Some of our competitors have replicated or attempted to replicate portions of the consumer offer that we pioneered when we opened our first used car store in 1993, including our use of competitive, no-haggle prices and our commitment to buy a customer's vehicle even if they do not purchase one from us. Competitors using online focused business models, both for direct sales and consumer-to-consumer facilitation, could materially impact our business model. Increased online used vehicle offerings and the growing consumer trend of buying vehicles online **adds new** ~~could make it more difficult for us to differentiate our customer offering from competitors~~ **competition**' offerings, **in a segment that is growing and** could result in lower-than-expected retail margins, and could have a material adverse effect on our business, sales and results of operations. Further, existing e-commerce businesses have and could continue to enter the online new and used vehicle markets, including companies with significantly more resources than CarMax that might be able to provide customers access to a greater inventory of vehicles while delivering a superior online experience. If we fail to respond effectively to our existing and potential retail competitors, it could have a material adverse effect on our business, sales and results of operations. Online Facilitation. In addition, our competitive standing is affected by companies, including search engines and online car marketplaces, that are not direct competitors but that may direct online traffic to the websites of competing automotive retailers. The increasing activities of these companies could make it more difficult for carmax.com to attract traffic. These companies could also make it more difficult for CarMax to otherwise market its vehicles online. The increasing use of digital and online tools to facilitate consumers' sales or trade-ins of their current vehicles could have a material adverse effect on our ability to source vehicles through our appraisal process, which in turn could have a material adverse effect on our vehicle acquisition costs and results of operations. For example, online appraisal tools are available to consumers that generate offers and facilitate purchases by dealers other than CarMax. In addition, there are companies that sell software and data solutions to new and used car dealers to enable those dealers to, among other things, more efficiently source and price inventory. ~~The~~ **Although these companies do not compete with CarMax,** the increasing use of such products by dealers who compete with CarMax could reduce the relative competitive advantage of CarMax's internally developed proprietary systems. If we fail to respond effectively to competitive pressures or to changes in the used vehicle marketplace, it could have a material adverse effect on our business, sales and results of operations. CAF Competition. Our CAF segment is subject to competition from various financial institutions, including banks and credit unions, which provide vehicle financing to consumers. If we were unable to continue providing competitive finance offers to our customers through CAF, it could result in a greater percentage of sales financed through our third-party finance providers, which are generally less profitable to CarMax, or through other outside financing sources. Moreover, if CAF competitors are able to attract potential customers before they visit CarMax, whether through competitive finance offers or ease of customer experience, they may be directed to retail options other than CarMax. Accordingly, if CAF was unable to continue making competitive finance offers to our customers, or our finance competitors are able to successfully attract and redirect a disproportionate number of our potential customers, it could have a material adverse effect on our business, sales and results of operations. Evolving Marketplace. The marketplace for used vehicles may be impacted by the significant, and likely accelerating, changes to the broader automotive industry. Increasing demand for EVs is driving the need to adapt our business to source, recondition and service EVs. Technological changes, including the development of autonomous vehicles, new products and services, new business models, including subscription models, and new methods of travel could reduce automotive retail demand or disrupt our current business model. If we fail to respond effectively to the evolving marketplace, it could have a material adverse effect on our business, sales and results of operations. The automotive retail industry in general and our business in particular are sensitive to economic conditions. These conditions could adversely affect our business, sales, results of operations and financial condition. We are subject to national and regional U. S. economic conditions. These conditions include, but are not limited to, recession, inflation, interest rates, unemployment levels, the state of the housing market, gasoline prices, consumer credit availability, consumer credit delinquency and loss rates, **tariffs or the imposition of new tariffs, trade wars, barriers or restrictions, or threats of such actions,** personal discretionary spending levels, and consumer sentiment about the economy in general. These conditions and the economy in general have **been**, and in the future may ~~be~~, affected by significant national or international events such as a global health crisis ~~(including the COVID-19 pandemic)~~ or current geopolitical conditions ~~(including the Israel-Hamas War and the Russia-Ukraine War)~~. When these economic conditions worsen or stagnate, it can have a material adverse effect on consumer demand for vehicles generally, demand from particular consumer categories or demand for particular vehicle types. It can also negatively impact availability of credit to finance vehicle purchases for all or certain categories of consumers. This could result in challenges to vehicle affordability, lower sales, decreased margins

on units sold, and decreased profits for our CAF segment. For example, **tariffs impacting the availability and price of automotive parts, vehicle vehicles** affordability challenges that stem from widespread inflationary pressures, higher interest rates, tightened lending standards and prolonged low consumer confidence are the primary drivers behind the overall decrease in demand for **or steel** used vehicles. **Worsening in constructing new locations could also adversely impact or our stagnating business.** Economic conditions can also have a material adverse effect on the supply of late-model used vehicles, as automotive manufacturers produce fewer new vehicles and consumers retain their current vehicles for longer periods of time. This could result in increased costs to acquire used vehicle inventory and decreased margins on units sold. Any significant change or deterioration in economic conditions could have a material adverse effect on our business, sales, results of operations and financial condition. Our business is dependent upon capital to operate, fund growth and support the activities of our CAF segment. Changes in capital and credit markets could adversely affect our business, sales, results of operations and financial condition. Changes in the availability or cost of capital and working capital financing, including the long-term financing to support the expansion of our store base and sales growth in existing stores, could adversely affect sales, operating strategies and store growth. Although, ~~in recent years,~~ internally generated cash flows have generally been sufficient to maintain our operations and fund our growth, there can be no assurance that we will continue to generate sufficient cash for these purposes. Failure to do so — or our decision to put our cash to other uses — would make us more dependent on external sources of financing to fund our growth. Changes in the availability or cost of the long-term financing to support the origination of auto loans receivable through CAF could adversely affect sales and results of operations. We use a securitization program to fund the majority of the auto loans receivable originated by CAF. Changes in the condition of the asset-backed securitization market could lead us to incur higher costs to access funds in this market or require us to seek alternative means to finance CAF's loan originations. If this market ceased to exist and there were no immediate alternative funding sources available, we might be forced to curtail our lending practices for some period of time. The impact of reducing or curtailing CAF's loan originations could have a material adverse effect on our business, sales and results of operations. Our revolving credit facility, term ~~loans-~~ **loan**, senior unsecured notes and certain securitization and sale-leaseback agreements contain covenants and event-of-default or other performance triggers. Any failure to comply with these covenants or performance triggers could have a material adverse effect on our business, results of operations and financial condition. Disruptions in the capital and credit markets could adversely affect our ability to draw on our revolving credit facility or access our deposits generally. If our ability to secure funds from the facility or our deposits were significantly impaired, our access to working capital would be impacted, our ability to maintain appropriate inventory levels could be affected and these conditions — especially if coupled with a failure to generate significant cash flows — could have a material adverse effect on our business, sales, results of operations and financial condition. CarMax was founded on the fundamental principle of integrity. Failure to maintain a reputation of integrity and to otherwise maintain and enhance our brand could adversely affect our business, sales and results of operations. Our reputation as a company that is founded on the fundamental principle of integrity is critical to our success. Our reputation as a retailer offering competitive, no-haggle prices, a broad selection of CarMax Quality Certified used vehicles **and**, superior customer service **and a seamless omni-channel experience** is also critical to our success. If we fail to maintain the high standards on which our reputation is built, or if an event occurs that damages this reputation, it could adversely affect consumer demand and have a material adverse effect on our business, sales and results of operations. Such an event could include an isolated incident at a single store, particularly if such incident results in adverse publicity, governmental investigations, or litigation and could involve, among other things, our sales process, our provision of financing, our reconditioning process, our treatment of customers or associates, our use of **AI artificial intelligence**, cultural brand positioning, or real or perceived vehicle quality and related injury. Even the perception of a decrease in the quality of our brand could impact results. The use of social media has increased the speed with which information and opinions can be shared and ~~thus~~ the speed with which reputation can be affected. We monitor social media and attempt to address customer concerns, provide accurate information and protect our reputation, but there can be no guarantee that our efforts will succeed. If we fail to correct or mitigate misinformation or negative information, including information spread through social media or traditional media channels, about the vehicles we offer, our customer experience, or any aspect of our brand, it could have a material adverse effect on our business, sales and results of operations. Our business is sensitive to changes in the prices of new and used vehicles. Any significant changes in retail prices for new and used vehicles could have a material adverse effect on our sales and results of operations. For example, **if when** retail prices for used vehicles rise relative to retail prices for new vehicles, it ~~could~~ **can** make buying a new vehicle more attractive to our customers than buying a used vehicle, which ~~could~~ **can** have a material adverse effect on sales and results of operations and ~~could~~ **can** result in decreased used margins. Manufacturer incentives could contribute to narrowing this price gap. In addition, any significant changes in retail or wholesale prices for used vehicles could have a material adverse effect on our results of operations by reducing margins. Our business is dependent upon access to vehicle inventory and the parts used to recondition such inventory. A failure to expeditiously liquidate that inventory — or obstacles to acquiring inventory, including parts — whether because of supply, competition, or other factors could have a material adverse effect on our business, sales and results of operations. Used vehicle inventory is subject to depreciation risk. CarMax has experienced, and **could** ~~may continue to~~ experience **in the future**, steep market depreciation of its vehicle inventory due to changes in economic conditions, which could result in reduced retail and wholesale margins. The inability to liquidate excess inventory at prices that allow us to meet margin targets or to recover our costs could have a material adverse effect on our results of operations. A reduction in the availability of, or access to, sources of inventory, including parts used to recondition inventory, ~~also~~ could have a material adverse effect on our business, sales and results of operations. We source a significant percentage of our vehicles through our appraisal process, which includes our online instant appraisal offers, and these vehicles are generally more profitable for CarMax. Accordingly, if we fail to adjust appraisal offers to stay in line with broader market trade-in offer trends, or fail to recognize those trends, it could adversely affect our ability to acquire inventory. **Acquiring** ~~It could also force us to purchase a greater percentage of our~~

inventory from third-party auctions, ~~which~~ **or from other dealers through our MaxOffer channel** is generally less profitable for CarMax ~~than acquiring it from our in-store and online appraisal products~~. Our ability to source vehicles through our appraisal process could also be affected by competition, both from new and used car dealers directly and through third parties driving appraisal traffic to those dealers. See the risk factor above titled “ We operate in a highly competitive industry ” for discussion of this risk. Our ability to source vehicles from third-party auctions could be affected by an increase in the number of closed auctions that are open only to new car dealers who have franchise relationships with automotive manufacturers. Our failure to realize the benefits associated with our omni-channel platform **or initiatives designed to leverage evolving technologies, including AI**, could have a material adverse effect on our business, sales and results of operations. We have made a considerable investment in our omni-channel platform ~~and a~~ **, as well as investments in initiatives designed to leverage evolving technologies, including AI. A** failure to capture the benefits that we expect from the platform **or these initiatives** and our continued investments in enhancements to the platform **or in these initiatives** could have a material adverse effect on our business, sales and results of operations. We must anticipate and meet our customers’ expectations in an evolving retail ~~industry~~ **marketplace**. Our business, sales and results of operations may be negatively affected if we fail to provide a high quality and consistent customer experience, regardless of sales channel, if our omni-channel platform ~~does~~ **or other initiatives do** not meet customer expectations, or if we are unable to attract, retain and manage the personnel at various levels who have the necessary skills and experience we need to implement our ~~omni-channel~~ initiatives. Our failure to manage our growth and the related challenges could have a material adverse effect on our business, sales and results of operations. Our growth is dependent on the success of our omni-channel platform, opening stores in new and existing markets, continued sales growth and the build-out of our offsite production and auction facilities. These enhancements and expansions place significant demands on our management team, our associates and our information systems. If we fail to effectively or efficiently manage our growth, it could have a material adverse effect on our business, sales and results of operations. Sales growth requires that we continue to effectively execute our business strategies and implement new and ongoing initiatives to elevate the experience of our customers. See the risk factor above titled “ Our failure to realize the benefits associated with our omni-channel platform could have a material adverse effect on our business, sales and results of operations ” for more discussion of this risk. The expansion of our store base **, addition of offsite production and auction facilities** and implementation of new initiatives also requires us to recruit and retain the associates necessary to support that expansion. See the risk factor below titled “ Our success depends upon the continued contributions of our associates ” for discussion of this risk. The expansion of our business also requires real estate. Our inability to acquire or lease suitable real estate at favorable terms could limit our expansion and could have a material adverse effect on our business and results of operations. Our success depends upon the continued contributions of our associates. Our associates are the driving force behind our success. We believe that one of the ~~things~~ **key factors** that distinguishes CarMax is a culture centered on valuing our associates. ~~We~~ **Adapting to new dynamics, we** provide flexible, hybrid and remote work arrangements for certain associates, which may impact associate engagement, integration of new associates and overall company culture. A failure to maintain our culture could have a material adverse effect on our business, sales and results of operations. In addition, managing our response to a changing economic environment ~~as well as~~ **, evolving technologies and** our strategic initiatives require management, employees and contractors to adapt and learn new skills and capabilities. A failure to maintain an adaptable and responsive culture or to continue developing and retaining the associates that drive our success could have a material adverse effect on our business, sales and results of operations. We have experienced, and could experience in the future, a shortage of associates for retail and operational positions, which could have an impact on our ability to conduct our business and maintain qualified talent in key areas. Further, there has been a general increase in domestic workers organizing to form or join a union. If we are unable to maintain positive associate relations, or if, despite our efforts, we become subject to successful unionization efforts, it could increase costs, limit our ability to respond to competitive threats and have a material adverse effect on our business, sales and results of operations. Our ongoing success also depends upon the continued contributions of our store, CEC, region and corporate management teams. Consequently, the loss of the services of any of these associates could have a material adverse effect on our business, sales and results of operations. In addition, an inability to build our management bench strength to support store growth could have a material adverse effect on our business, sales and results of operations. We may experience greater credit losses in CAF’ s portfolio of auto loans receivable than anticipated. We are exposed to the risk that our customers who finance their purchases through CAF will be unable or unwilling to repay their loans according to their terms and that the vehicle collateral securing the payment of their loans may not be sufficient to ensure full repayment. Credit losses are inherent in CAF’ s business and could have a material adverse effect on our results of operations. We make various assumptions and judgments about CAF’ s portfolio of auto loans receivable and provide an allowance for loan losses based on a number of factors. Although management will establish an allowance for loan losses it believes is appropriate, this allowance may not be adequate. For example, when economic conditions deteriorate unexpectedly, additional loan losses not incorporated in the existing allowance for loan losses may occur. Losses in excess of the existing allowance for loan losses could have a material adverse effect on our business, results of operations and financial condition. Our failure to realize the benefits associated with our strategic investments, including actual or potential acquisitions, could have a material adverse effect on our business, sales and results of operations and we may incur impairment losses on our strategic investments in equity securities. From time to time, CarMax makes strategic investments, including acquisitions, and we currently hold non-controlling equity investments in several companies. We may encounter difficulties in managing our strategic investments and in assimilating new capabilities or acquisitions to meet the future needs of our business. Furthermore, we may not realize all the anticipated benefits of these investments, or the realized benefits may be significantly delayed. While our evaluation of any potential transaction includes business, legal, and financial due diligence with the goal of identifying and evaluating the material risks involved, our due diligence reviews may not identify all of the issues necessary to accurately estimate the cost and potential benefits and risks of a particular investment. Additionally, under U. S. generally accepted accounting principles (“

GAAP”), if any investment’s fair value declines below its carrying value, we will need to record an impairment loss in the applicable fiscal period. As a result, we may incur expenses related to the impairment of existing or future equity investments. Any such impairment charge could have a material adverse effect on our business, financial condition and results of operations. We rely on third- party finance providers to finance a significant portion of our customers’ vehicle purchases. Accordingly, our sales and results of operations are partially dependent on the actions of these third parties. We provide financing to qualified retail customers through CAF and several third- party finance providers. We also have arrangements with third parties who provide financing to some of our auction customers. If one or more of these third- party providers cease to provide financing to our customers, provide financing to fewer customers or no longer provide financing on competitive terms, it could have a material adverse effect on our business, sales and results of operations. Additionally, if we were unable to replace the current third- party providers upon the occurrence of one or more of the foregoing events, it could also have a material adverse effect on our business, sales and results of operations. We rely on third- party providers to supply EPP products to our customers. Accordingly, our sales and results of operations are partially dependent on the actions of these third- parties. We receive revenue for selling EPP products on behalf of unrelated third- parties, who are the primary obligors. If one or more of these third- party providers cease to provide EPP products, make changes to their products or no longer provide their products on competitive terms, it could have a material adverse effect on our business, sales and results of operations. Additionally, if we were unable to replace the current third- party providers upon the occurrence of one or more of the foregoing events, it could also have a material adverse effect on our business, sales and results of operations. We rely on third- party vendors for key components of our business. Many components of our business, including data management, key operational processes and critical customer systems, are provided by third parties. We carefully select our third- party vendors, but we do not control their actions. If our vendors fail to perform as we expect or conduct operations that are inconsistent with our values, our operations and reputation could suffer if the failure harms the vendors’ ability to serve us and our customers. One or more of these third- party vendors may experience financial distress, technology challenges, cybersecurity incidents, staffing shortages or, liquidity challenges, file for bankruptcy protection, go out of business, or suffer disruptions in their business **or experience significant increases in the cost of their goods or services sold due to factors beyond their control, including tariffs**. The use of third- party vendors represents an inherent risk to our company that could have a material adverse effect on our business, sales and results of operations. Our business is sensitive to conditions affecting automotive manufacturers, **including manufacturer recalls and tariffs impacting the availability and price of vehicles and automotive parts**. Adverse conditions, such as the 2023 United Auto Workers strike **and tariffs impacting the availability and price of vehicles and automotive parts**, affecting one or more automotive manufacturers could have a material adverse effect on our sales and results of operations and could impact the supply of vehicles, including the supply of late- model used vehicles. In addition, manufacturer recalls are a common occurrence. Because we do not have manufacturer authorization to complete recall- related repairs, some vehicles we sell may have unrepaired safety recalls. Such recalls, and our lack of authorization to make recall- related repairs, could adversely affect used vehicle sales or valuations, could cause us to temporarily remove vehicles from inventory, could force us to incur increased costs and could expose us to litigation and adverse publicity related to the sale of recalled vehicles, which could have a material adverse effect on our business, sales and results of operations. Our results of operations and financial condition are subject to management’s accounting judgments and estimates, as well as changes in accounting policies. The preparation of our financial statements requires us to make estimates and assumptions affecting the reported amounts of CarMax’s assets, liabilities, revenues, expenses and earnings. If these estimates or assumptions are incorrect, it could have a material adverse effect on our results of operations or financial condition. We have identified several accounting policies as being “critical” to the fair presentation of our financial condition and results of operations because they involve major aspects of our business and require us to make judgments about matters that are inherently uncertain. These policies are described in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, and the notes to consolidated financial statements included in Item 8. Consolidated Financial Statements and Supplementary Data. The implementation of new accounting requirements or other changes to GAAP could have a material adverse effect on our reported results of operations and financial condition. We may not be able to adequately protect our intellectual property, which could adversely affect our business, sales, results of operations and financial condition. Protecting our intellectual property (including patents, trademarks, copyrights, confidential information and trade secrets) is integral to our business. The failure to protect our intellectual property, including from unauthorized uses, can erode consumer trust and our brand value and have a material adverse effect on our business. Our business is sensitive to weather events. The occurrence of severe weather events, such as rain, flooding, hail, snow, wind, storms, hurricanes, extended periods of unusually cold weather or natural disasters, **including wildfires**, could cause store closures or affect the timing of consumer demand, either of which could adversely affect consumer traffic and could have a material adverse effect on our sales and results of operations in a given period. Further, as the Earth’s climate changes, extreme weather events **could have** become more frequent or more intense, which could have a material adverse effect on our sales and results of operations. We have communicated certain environmental goals that are subject to related disclosure requirements. Failure to meet environmental goals or satisfy disclosure requirements could adversely affect our business, sales, results of operations and financial condition. We have communicated certain environmental goals in our public disclosures which may be difficult to achieve. The accuracy, adequacy or completeness of the disclosures may subject us to scrutiny. Further, statements about our environmental goals, and progress toward those goals, may be based on standards for measuring progress that are still developing, and such statements may be subject to evolving, forthcoming and altogether new disclosure requirements. If we are unable to achieve progress with respect to our environmental goals, accomplish our environmental goals or satisfy evolving shareholder expectations **or regulatory** or industry standards, we could suffer reputational harm. Our environmental data, processes, and disclosure may be incomplete or inaccurate, which may result in civil penalties and have a material adverse effect on our business, sales and results of operations. We are subject to local conditions in the geographic areas in which we are concentrated. Our performance is subject to local economic, competitive and

other conditions prevailing in geographic areas where we operate. Since a large portion of our sales is generated in the Southeastern U. S., California, Texas and Washington, D. C. / Baltimore, our results of operations depend substantially on general economic conditions and consumer spending habits in these markets. In the event that any of these geographic areas experience a downturn in economic conditions, weather events or other region- specific incidents, it could have a material adverse effect on our business, sales and results of operations.

TECHNOLOGY AND DATA PRIVACY RISKS We collect sensitive confidential information from our customers. A breach of this confidentiality, whether due to a cybersecurity or other incident, could result in harm to our customers and damage to our brand. We collect, process and retain sensitive and confidential customer information in the normal course of business and may share that information with our third- party service providers. This information includes the information customers provide when purchasing **or selling** a vehicle and applying for vehicle financing. We also collect, process and retain sensitive and confidential associate information in the normal course of business and may share that information with our third- party service providers. Although we have taken measures designed to safeguard such information and have received assurances from our third- party providers, our facilities and systems, and those of third- party providers, could be vulnerable to external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors or other similar events. The security measures we have implemented to protect against cybersecurity incidents may not always prevent or mitigate the impact of a cybersecurity incident and there can be no assurance that future efforts to prevent or mitigate a cybersecurity incident will be effective either. Numerous national retailers have disclosed security breaches involving sophisticated cyber- attacks, including ransomware, that were not recognized or detected until after such retailers had been affected, notwithstanding the preventive measures such retailers had in place. Further, the rapid evolution and increased adoption of **artificial intelligence- AI and other evolving** technologies may increase our level of cybersecurity risk. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer or associate information, whether experienced by us or by our third- party service providers, and whether due to an external cybersecurity incident, a programming error, or other cause, could damage our reputation, expose us to mitigation costs and the risks of private litigation and government enforcement, disrupt our business and otherwise have a material adverse effect on our business, sales and results of operations. In addition, our failure to respond quickly and appropriately to such a security breach could exacerbate the consequences of the breach. We are subject to numerous and rapidly changing federal, state, and local laws and regulations regarding privacy, cybersecurity, and the collection, use, and disclosure of sensitive confidential information. If we fail to comply with these laws and regulations or future applicable laws and regulations, we could suffer reputational harm and disruption to our business, and be subject to significant litigation, monetary damages, regulatory enforcement actions, or fines. See the risk factor below titled “ We operate in a highly regulated industry and are subject to a wide range of federal, state and local laws and regulations. Changes in these laws and regulations, or our failure to comply, could have a material adverse effect on our business, sales, results of operations and financial condition ” for the risks associated with failure to comply with these laws and regulations. We rely on sophisticated information systems to run our business. The failure of these systems, or the inability to enhance our capabilities, could have a material adverse effect on our business, sales and results of operations. Our business is dependent upon the integrity and efficient operation of our information systems. **We** In particular, we rely on our information systems to manage sales, inventory, our customer- facing websites and applications (carmax. com, carmaxautofinance. com, the CarMax mobile app, and carmaxauctions. com), consumer financing, customer information and other data. The failure of these systems to perform as designed, the failure to maintain or **invest in and** update these systems as necessary, or the inability to enhance our data management and information technology capabilities, could disrupt our business operations and have a material adverse effect on our sales and results of operations. Despite our ongoing efforts to maintain and enhance the integrity and security of these systems, we have been and could be subjected to attacks by hackers, including denial- of- service attacks directed at our websites or other system breaches or malfunctions due to associate error or misconduct or other disruptions. Such incidents could disrupt our business and have a material adverse effect on sales and results of operations. See the risk factor above titled “ We collect sensitive confidential information from our customers ” for the risks associated with a breach of confidential customer or associate information.

REGULATORY AND LITIGATION RISKS We operate in a highly regulated industry and are subject to a wide range of federal, state and local laws and regulations. Changes in these laws and regulations, or our failure to comply, could have a material adverse effect on our business, sales, results of operations and financial condition. We are subject to a wide range of federal, state and local laws and regulations, as well as changes in these laws and regulations and the manner in which they are interpreted or applied. Our sale of used vehicles and related products is subject to state and local licensing requirements, federal and state laws regulating marketing and advertising, and state laws regulating sales and services. Our provision of vehicle financing is subject to federal and state laws regulating the provision of consumer finance. Our facilities and business operations are subject to laws and regulations relating to environmental protection and health and safety. In addition to these laws and regulations that apply specifically to our business, we are also subject to laws and regulations affecting public companies and large employers generally, including privacy laws and federal employment practices, securities and tax laws, and sustainability and responses to climate change. For additional discussion of these laws and regulations, see the section of this Form 10- K titled “ Business – Laws and Regulations. ” The violation of any of these laws or regulations could result in administrative, civil or criminal penalties or in a cease- and- desist order against our business operations, any of which could damage our reputation and have a material adverse effect on our business, sales and results of operations. We have incurred and will continue to incur capital and operating expenses and other costs to comply with these laws and regulations. We are subject to evolving regulations, disclosure requirements, **standards** and expectations relating to environmental, social and governance matters. Failure to satisfy these regulations, requirements, **standards** and expectations could adversely affect our business, sales, results of operations and financial condition. We are subject to **an increasing number of** regulations and disclosure requirements relating to environmental, social and governance (“ ESG ”) matters, including **environmental and climate change- related disclosure**

regulations. These ESG- related laws and Regulators regulations, as well as shareholder standards and expectations, continue to evolve, creating uncertainty for public companies. Our shareholders, associates customers and other stakeholders **are increasingly focused may hold differing views on ESG - related matters and, including differing views on our response to concerns regarding ESG- related disclosures matters, which may result in pressure from various stakeholders, negative media attention, damage to our reputation, and a diversion of management's attention and resources. These circumstances could have material adverse effects on our business.** We have incurred and will continue to incur operating expenses and other costs to comply with the evolving set of **laws and** regulations and **to disclosure requirements** and respond to shareholder **standards and** expectations **for** related to ESG matters. Compliance with ESG- related **matters** regulations and disclosure requirements, including an evolving set of environmental and climate change laws, and shareholder expectations can be costly, challenging and time-consuming. The violation of **laws or** regulations **or for** disclosure requirements **ESG- related to ESG matters** (or the disclosures themselves) could result in civil penalties, significant expenses, or damage to our reputation, which could have a material adverse effect on our business, sales and results of operations. We are subject to various legal proceedings. If the outcomes of these proceedings are adverse to CarMax, it could have a material adverse effect on our business, results of operations and financial condition. We are subject to various litigation matters from time to time, which could have a material adverse effect on our business, results of operations and financial condition. Claims arising out of actual or alleged violations of **the** law could be asserted against us by individuals, either individually or through class claims, or by governmental entities in civil or criminal investigations and proceedings. These claims could be asserted under a variety of laws including, but not limited to, consumer finance laws, consumer protection laws, intellectual property laws, privacy laws, labor and employment laws, securities laws, employee benefit laws, tax laws and environmental laws. These actions could expose us to adverse publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties including, but not limited to, suspension or revocation of licenses to conduct business.

GENERAL RISKS The market price of our common stock may be volatile and could expose us to securities class action litigation. The price of our common stock may be subject to wide fluctuations based upon our operating results, general economic and market conditions, general trends and prospects for our industry, announcements by our competitors, our ability to achieve any long- term targets or performance metrics and other factors. In addition, the market price of our common stock may also be affected by whether we meet analysts' expectations. Failure to meet such expectations could have a material adverse effect on the price of our common stock. Following periods of volatility in the market price of a company's securities, securities class action litigation is more likely. If litigation were instituted against us, it could result in substantial costs and a diversion of our attention and resources, which could have a material adverse effect on our business.