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## CarMax, Inc. F1Q10 (Qtr End 05/31/09) Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Rod Lache – Deutsche Bank Securities.

#### Rod Lache – Deutsche Bank Securities

I guess first a couple of questions on CAF. Can you just roughly go through the math on this 0.7% gain? What kind of provisions and what kind of warehouse cost of funds you're assuming now?

And also, you had a 16.5% credit enhancement in the last securitization. Talk a little bit about the capital required to support the business going forward, whether you see any opportunities to sell subordinated tranches.

And then just lastly, any thoughts, preliminary thoughts, on the impact of the financial overhaul on CAF?

#### Katharine Kenny

That was one question, right Rod?

#### Keith Browning

As far as current period originations, we did have to make an estimate. We looked at what our last public securitization was and incorporated that as part of the estimate, as well as looking at our current status of negotiations on renewing or replacing the conduit. And so it was really split into almost 50/50 an increase in impact on the gain percent from the higher enhancement levels that we think we'll have pay. We don't know what those are yet and so we're not comfortable in disclosing how much they are.

And we also estimate that the cost of the facility itself will be up about 150 basis points so it's really kind of the combination of those two pieces that drove the gain percentage down.

And as far as outlook, I guess what I would say is that there is positive outlook in the fact that the spreads did come down on sub bonds. We don't know whether they will continue to decline or not but it does give us some hope that there may be a market in the future for those.

But the same reason why we slowed down originations is that we are allowing ourselves time for the market to continue to correct itself and try to make sure that we can sustain CAF because it's critical

to our operations and we will see what the market brings to us. But right now we are kind of cautiously optimistic, I guess.

The government regulations, I have taken a quick look at it. Quite honestly, CAF is a finance company and currently is governed by all the states. That will continue. I think that there is likely to be some spill-over effect on CAF from just the overall regulations that are going to impact the banks and the non-banks and that also CAF will fall under the purview of the new consumer financial protection agency.

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