

# CarMax CEO: Auto Recovery Won't Be Full-Throttle

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RICHMOND, Va. (AP) — CarMax Inc. CEO Tom Folliard is expecting the recovery of the worst U.S. auto sales market in decades is going to be slower than some others foresee.

The head of the Richmond-based used car dealership chain told shareholders at its annual meeting in Richmond that customers are starting to return and sales are improving, but not at pre-recession levels.

"It's coming back slow," Folliard said. "I still think we're in for a little bit of a rough road. Although we see some positive signs in the economy, I personally feel it's going to be a slow burn."

CarMax, which operates more than 100 stores, saw its sales at stores open at least a year fall 25 percent within six months during the recession.

Meanwhile, the company last week said its fiscal first-quarter net income more than tripled to \$101.1 million as same store sales rose 9 percent. A year ago, same store sales were down 17 percent.

It earned \$281.7 million in fiscal 2010 compared with \$59.2 million in the previous year. Revenue for the year increased 7 percent to \$7.47 billion.

Folliard said until unemployment and other economic indicators improve, consumers remain nervous about a big-ticket item like a car, which almost always requires a loan.

"I don't think you're going to get the hockey stick type recovery that you hear some people talking about," he said in an interview after the meeting.

But Folliard said the recession has given CarMax an opportunity to focus on eliminating waste and improving execution to weather the weak auto market and better position it for future growth. For example, the company has improved its sale and appraisal rates and lowered the costs for reconditioning vehicles.

He also said the company will benefit from the change in the competitive landscape as thousands of car dealers leave the market.

So far this fiscal year, CarMax has opened three stores — one in Georgia and two in Ohio — that it had previously built and chose not to open until market conditions improved.

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It expects to open between eight and 15 stores over fiscal 2012 and 2013.

Over the past year or so, CarMax had curtailed its store growth in response to the economic environment, but has said it is committed to resuming its long-term plan of increasing its store base, which had been growing at annual rate of about 15 percent.

Folliard said there are many markets CarMax has not yet entered and others where it could use more stores.

At Monday's meeting, shareholders also re-elected three members to the company's board of directors.

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