



LONG Recommendation

Current Share Price: \$33.2

Target Share Price: \$43.3

Upside: 30.5%

Date: 14-05-2026

By: Michael Sedigh & Ville Nordmark

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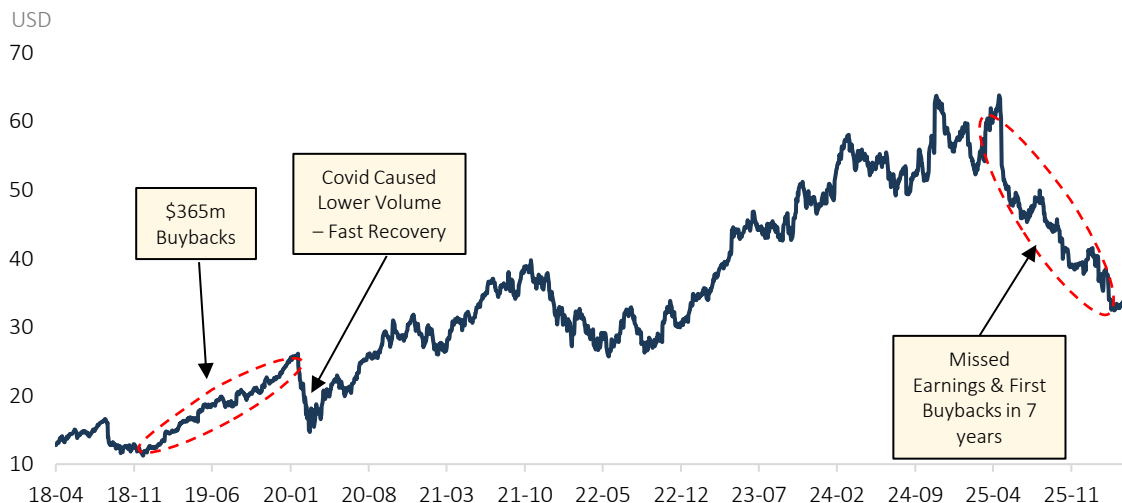
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Cyclical Selloff Masks a 40-Year Compounder Trading at Trough Multiples

Share Price Performance



Investment Thesis

1

Cyclical Volume Weakness Mispriced as Structural Decline

Recent U.S. insurance unit softness is driven by consumer coverage pullbacks and carrier mix, rather than contract losses. The market is extrapolating temporary volume pressure despite total loss frequency remaining structurally elevated

2

Proven International Expansion Strategy Unlocks Significant Growth Potential

Copart's proven U.S. marketplace model remains underpenetrated internationally. With buyers across 180+ countries and a scalable online auction platform, international growth can expand the addressable market without requiring major changes to the core model

3

Capital Returns at Low Multiples

Copart's net cash balance and strong FCF generation give management significant capital allocation optionality. Repurchases at trough valuation multiples create EPS accretion and signal confidence in intrinsic value

Business Overview

- Copart is the global leading online marketplace for totaled and salvage vehicles, connecting insurers, rental fleets, dealerships, and banks with buyers in 180+ countries. Operating primarily as a fee-based intermediary on consignment sales, Copart earns transaction fees from both buyers and sellers, creating an asset-light, structurally high-margin platform. Alongside IAA, the company controls ~80% of the U.S. salvage auction market, with 275+ owned yards and 40 years of permitted infrastructure forming a near-impossible barrier to entry

Financials

▪ Share Price:	\$33.2
▪ MCAP:	\$32.1bn
▪ EV:	\$27.0bn
▪ LTM EV/EBITDA:	14.2x
▪ 3yr Avg. ROIC:	30.0%
▪ LTM P/E	21.4x
▪ LTM FCF Yield	4.7%
▪ LTM Net Debt/EBITDA	(2.7x)

Insider Ownership/ Main Shareholders

Insider Ownership

▪ CEO Jeffrey Liaw	0.3%
▪ Founder Willis Johnson	5.8%
▪ Total insider ownership	9.6%

Main Shareholders

▪ Vanguard Group INC	11.3%
▪ Blackrock INC	6.6%
▪ Capital Group	3.9%

Why does the Opportunity Exist?



Market Extrapolates Cyclical Weakness

We believe investors are misreading suppressed U.S. insurance volumes as a structural decline. In our view, the weakness is primarily driven by carrier mix and reduced consumer coverage rather than contract losses.



Structural Total Loss Tailwinds Are Underappreciated

We believe investors are misreading the current weakness in U.S. insurance volumes as structural decline. In our view, softer volumes are primarily explained by shifts in carrier mix and reduced consumer insurance coverage, rather than lost contracts or deterioration in Copart's competitive position. As these factors normalize, we expect volumes to recover while Copart's long-term market position remains intact.



International Growth Is Not Fully Reflected

Copart is still viewed primarily as a mature U.S. salvage auction business, while its global buyer base and international expansion provide a longer runway than the current multiple implies.



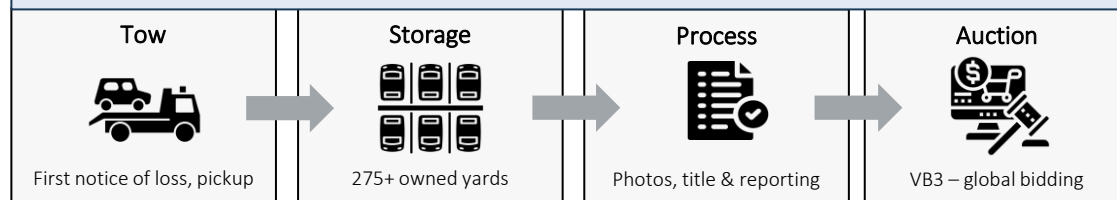


Totaled Cars, Untotalled Returns

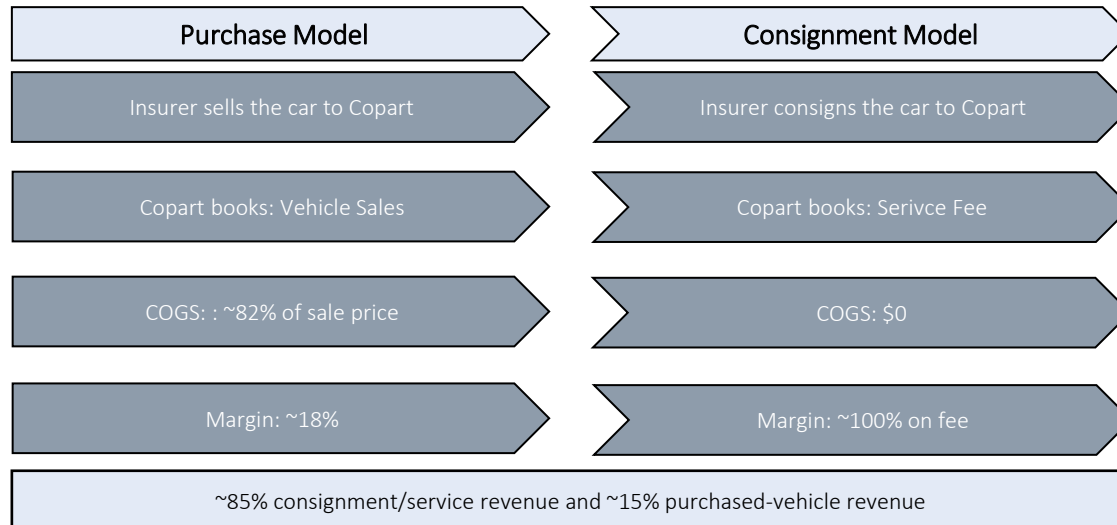
Company Overview

- Global online marketplace for damaged and used vehicles, handling the full lifecycle from towing and storage to title processing and auction across insurers, fleets, dealers, and public agencies
- Operates primarily as a fee-based intermediary, earning transaction fees from both buyers and sellers that can exceed 20% of vehicle value, supporting an asset-light, high-margin model.
- Controls ~80% of the U.S. salvage auction market alongside IAA in a rational duopoly, with 275+ owned yards forming a near impossible barrier to entry

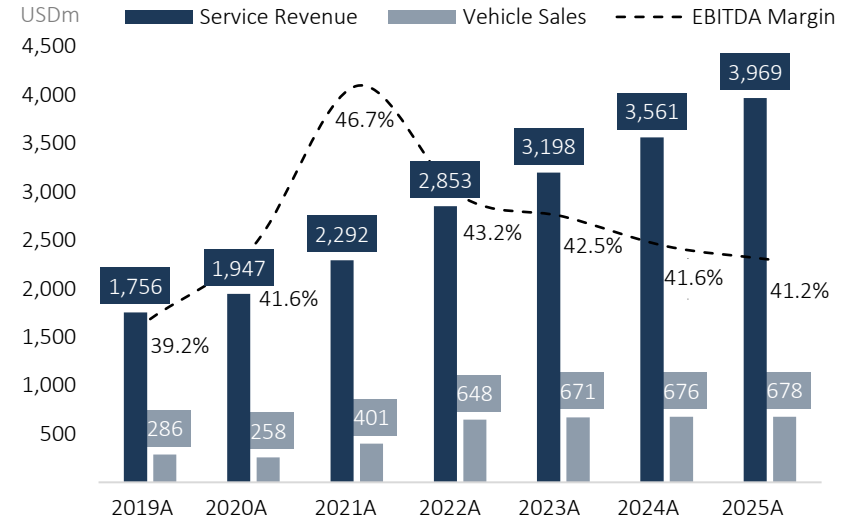
End-to-End Control Across the Total Loss Lifecycle



Consignment vs Purchase

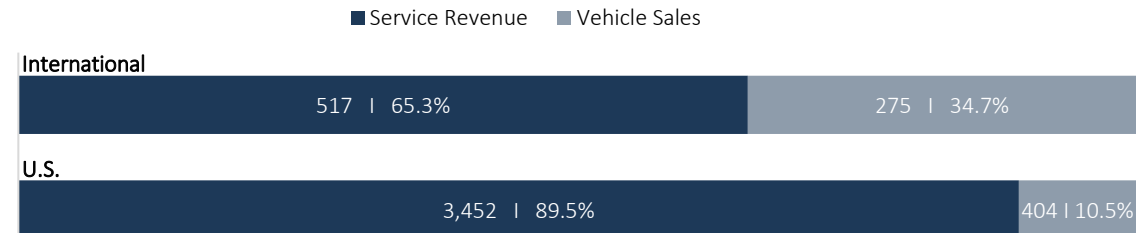


Income Overview



- Revenue Mix**
- ~85% service revenue
 - ~15% vehicle sales
- Geographic Split**
- USA ~83%
 - International ~17%
- Margin Profile**
- EBITDA historically ~41-47%. Current pressure is cyclical, not structural
- FCF Conversion**
- ~26% FCF margin, \$5.1bn cash, virtually no debt

Revenue Composition by Segment



275+ & 21,000 Acres Of owned yards	~1m Registered buyers in 180+ countries
4m+ Vehicles sold per year	11 Active countries

Sources: Bloomberg, Analyst Estimates





The U.S. Salvage Market: Structurally Growing, Functionally a Duopoly

Industry Overview

The Salvage Vehicle Auction Industry

Salvage auctions are a critical part of the auto insurance supply chain, processing vehicles declared total losses by insurers. The US market is currently a \$10-12B TAM, with Copart and IAA controlling the vast majority of volume, approximately 80%, as a functional duopoly

Structural Shift Toward Total Losses

Rising vehicle complexity, advanced driver assistance systems, EVs, and expensive sensors, has increased repair costs dramatically. Total loss frequency in the US has risen from 14% in 2015 to over 20% today, structurally expanding the addressable market regardless of economic cycle

Geopolitical & Export Demand Tailwinds

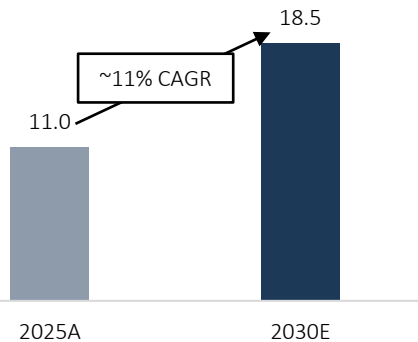
Copart's 1,000,000+ registered buyers across 180+ countries drives competitive bidding and premium pricing. Emerging markets in Eastern Europe, the Middle East, and Africa rely on imported salvage vehicles for affordable transportation, creating durable international demand

U.S. total loss frequency reached 23.1% in H1 2026

Copart serves 1m+ buyers across 180+ countries

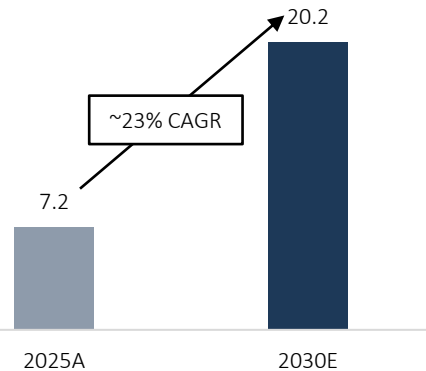
Market Size & Growth

U.S Salvage Vehicle Market Growth (USDbn)



The U.S. remains the largest single market, growing from \$11.0bn in 2025 to \$18.5bn by 2030 at a 11% CAGR

Global Salvage Vehicle Market Growth (USDbn)



The global market is expected to grow from \$7.2bn in 2025 to \$20.2bn by 2030, supported by emerging markets and rising total loss frequency

Competitive Landscape

U.S. Vehicle Salvage Market

Copart

- 100% virtual auctions
- Owns 90% of all yards
- 275+ yards
- Exclusive contracts with insurers
- Salvage revenue (LTM): \$4.7bn

IAA (RB Global)

- Leases majority of yards
- Presence in heavy equipment salvage
- 200+ yards
- Exclusive contracts with insurers
- Salvage revenue (LTM): \$2.6bn

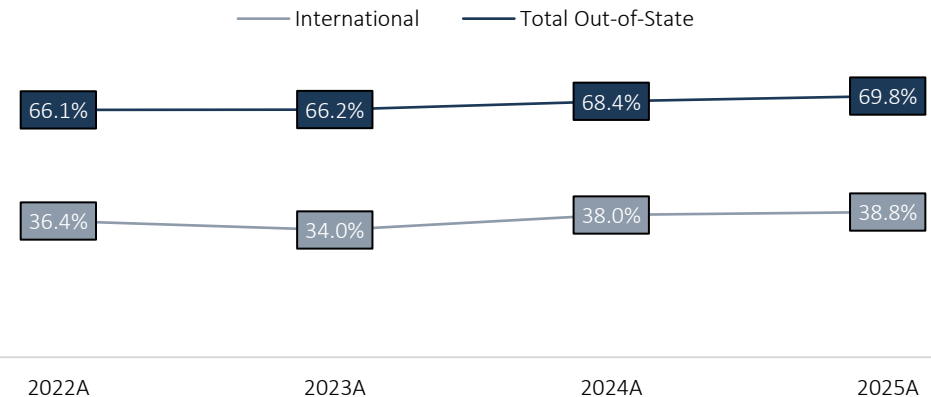
U.S Salvage Market Share

■ Copart ■ IAA ■ Other



Global Buyer Reach

Rising international demand for salvage vehicles reflects structural global supply-demand asymmetry, expanding the addressable market beyond domestic buyers

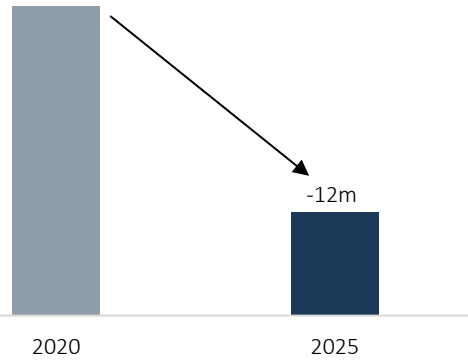




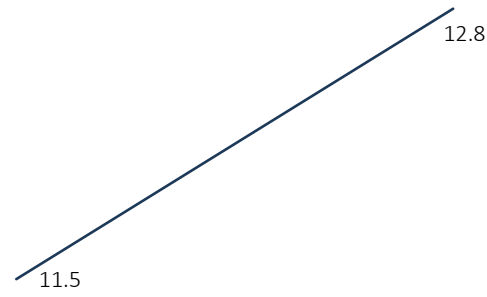
Vehicle Complexity and Fleet Aging Push More Cars into Total Loss

1. Older Fleet, Lower ACV

12m fewer vehicles ≤6 years old in operation vs. 2020



Average U.S. Fleet Age (Years)

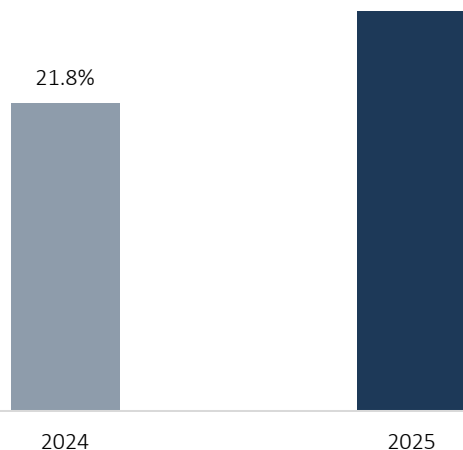


289m U.S. light vehicles in operation

Older vehicles have lower actual cash values, making them easier to write off when repair costs rise

3. Vehicle Repairs Becoming More Technical

Share of repairable damaged vehicles requiring sensor or radar recalibration



- The chart shows that more repairable damaged vehicles now require sensor or radar recalibration.
- It increased from 21.8% in 2024 to 28.3% in 2025. That means repairs are becoming more technical and expensive, which increases the chance that insurers declare the vehicle a total loss instead of repairing it.
- That is supportive for Copart's salvage supply.

2. Salvage Equation Moves in Copart's Favor

Lower actual cash value

Higher repair severity

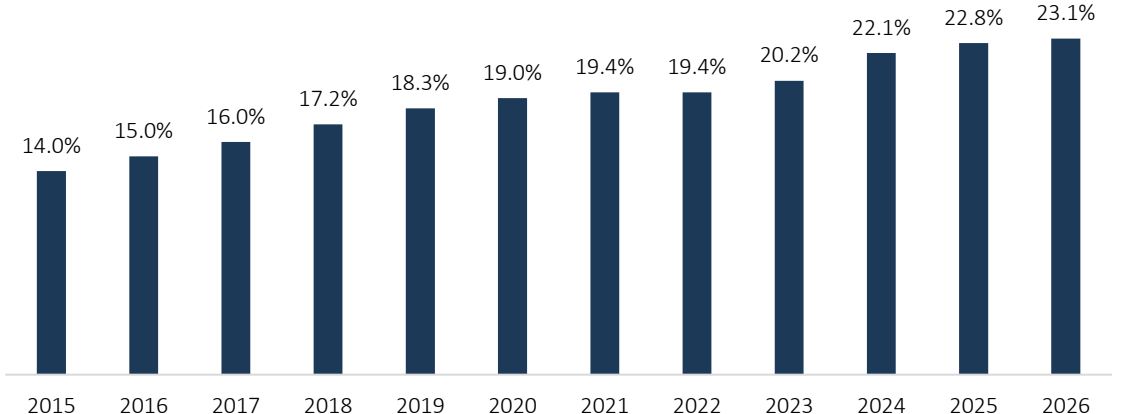
Repair cost > Pre-accident value – Salvage Value

Higher probability of total loss

We are not underwriting an insurance-rate recovery.
The structural driver is claims conversion: older vehicles lower actual cash values, while more technical repairs lift severity, making reported claims more likely to be written off rather than repaired

4. Rising Total Loss Frequency

- Average U.S. vehicles age at record 12.8 years in 2025.
- 1,000 to 3,000 semiconductors per vehicle create economic losses from minor damage.
- Higher total loss frequency directly expands Copart's addressable salvage supply and TAM.



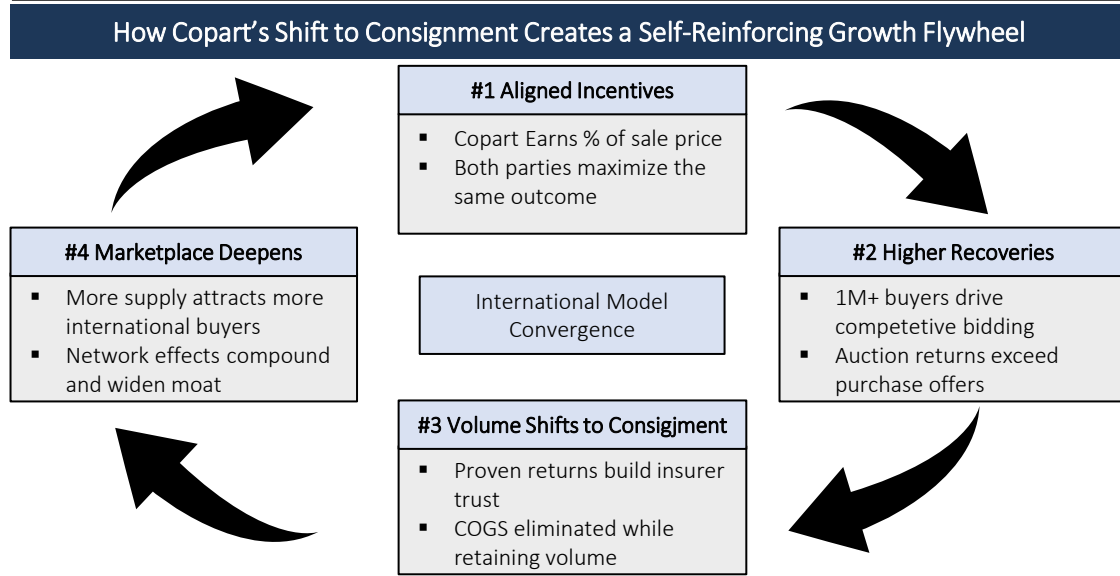
Sources: Bloomberg, Analyst Estimates, CCC, S&P Global Mobility



Thesis 2 – Proven International Expansion Strategy Unlocks Significant Growth Potential



International Is Emerging as Copart's Next Profit Engine



Proven Playbook, Global Runway

Mature	Transitioning	Early Stage

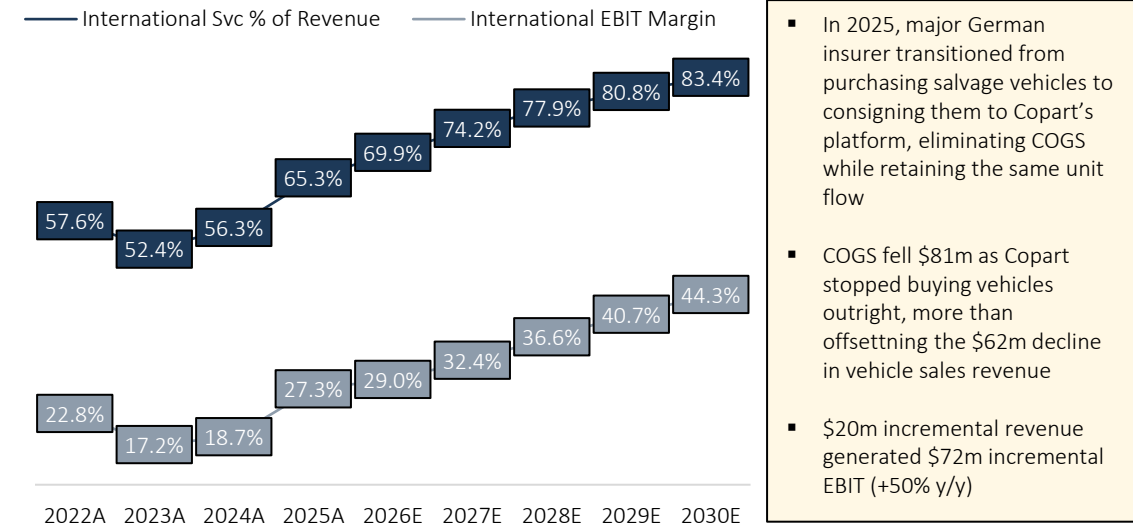
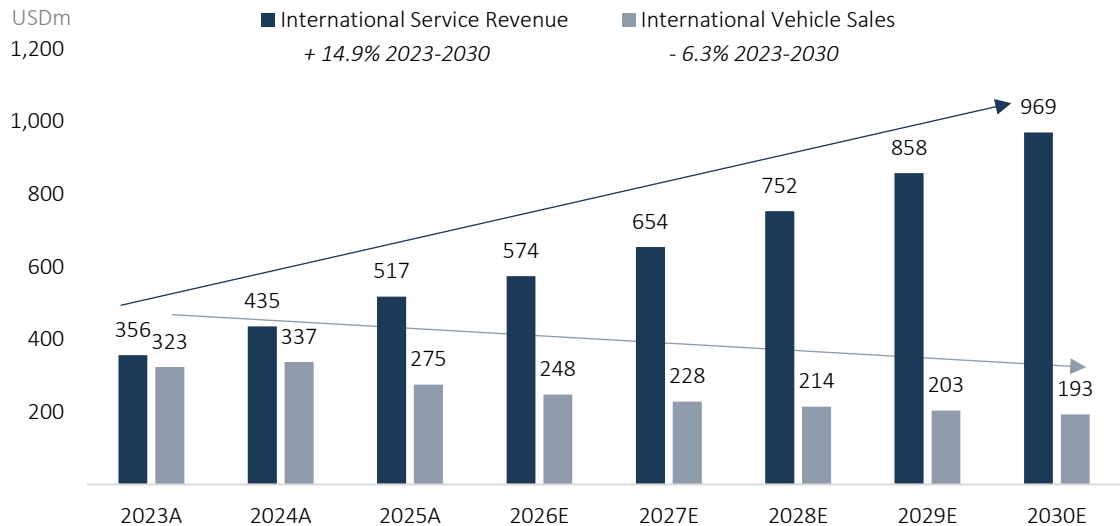
Case Study: Germany FY2025

- +\$20m Rev Incremental Revenue
- COGS → 0 Purchase Eliminated
- +\$72m Ebit +50% y/y

The German market estimated to grow at a 21% CAGR

Each market that converts to consignment adds margin without proportional cost – the VB3 platform and global buyer base already exist

Consignment Model Shift In Numbers



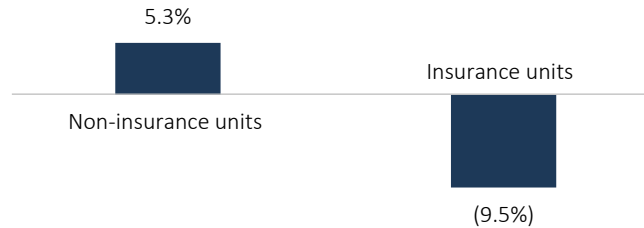
Sources: Bloomberg, Analyst Estimates



Capital Returns at Low Multiples

Revenue Diversification Beyond Insurance

Growth increasingly driven outside core insurance salvage

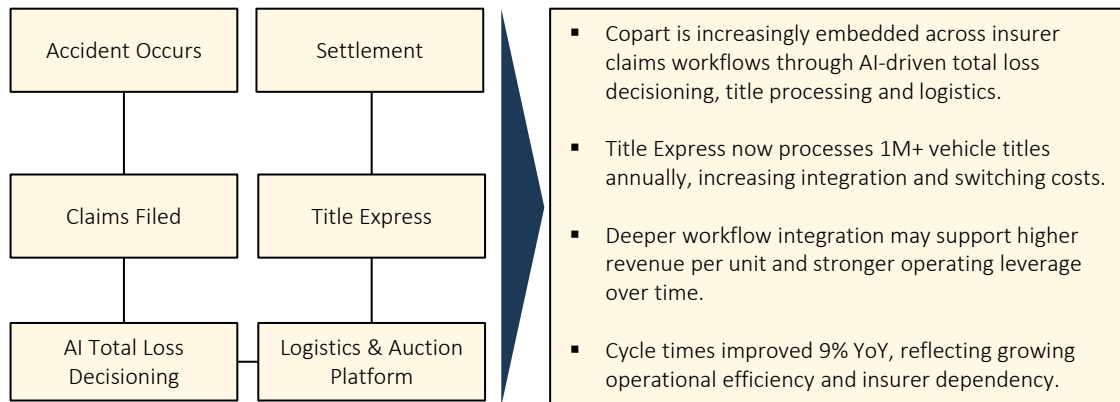


Copart is leveraging the same infrastructure, buyer network and logistics platform across a growing number of adjacent verticals, expanding its addressable market beyond traditional insurance salvage while requiring limited incremental capital.

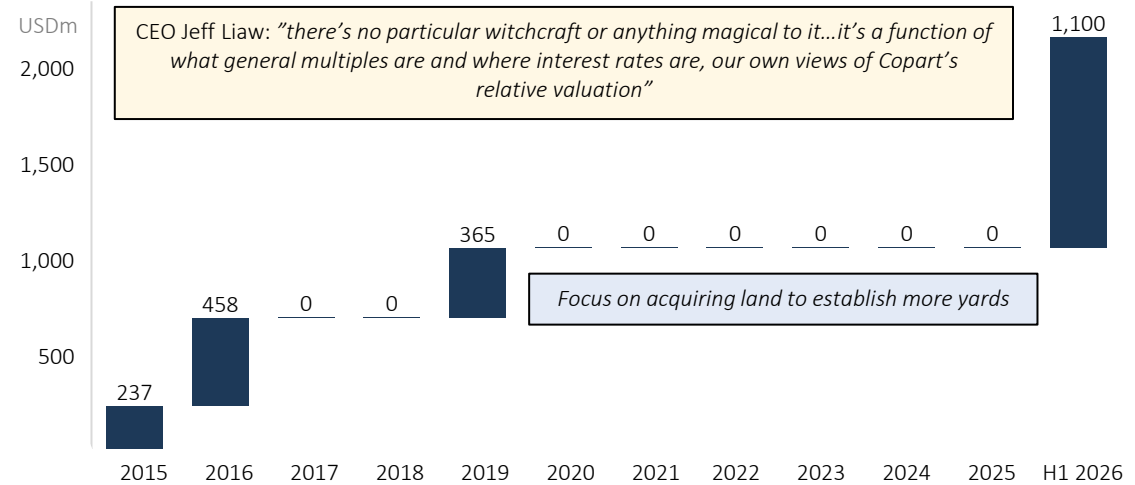
Bluecar	Purple Wave	NPA	Cash for Cars
27% YoY Growth	Yields Diversification	14% YoY Growth	Seller Sourcing
Whole-car remarketing for dealers, fleets & financial institutions	Heavy equipment & industrial auctions	Powersports, marine & RV remarketing	Consumer vehicle acquisition expanding seller sourcing

From Vendor to Strategic partner

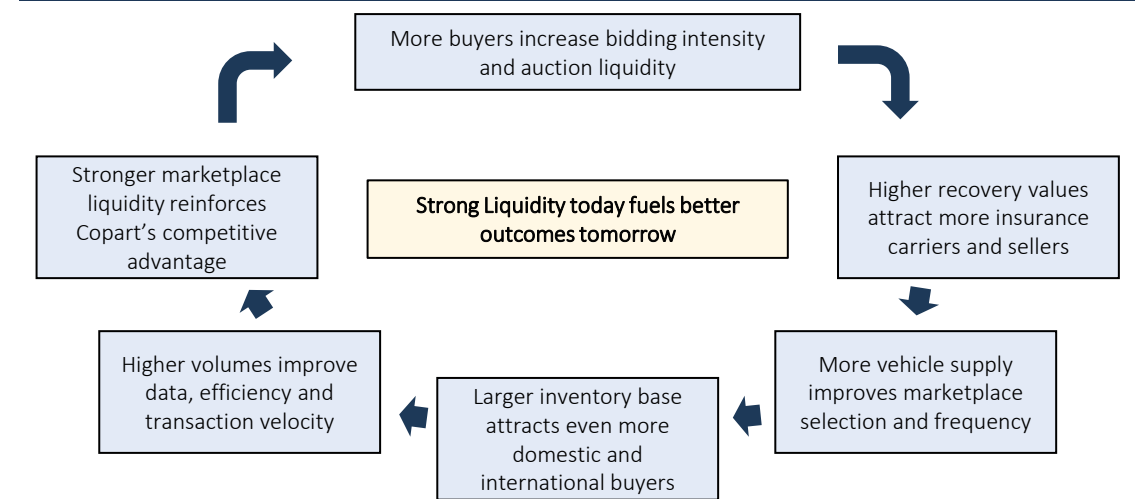
"Copart increasingly functions as critical insurance infrastructure rather than a transactional auction provider."
"We're a utility... like the septic tanks of the sewer system."
 - Willis Johnson, Founder



First Buybacks in 7 Years



Liquidity Begets Liquidity



Sources: Bloomberg, Analyst Estimates

Valuation and Scenario Analysis



Sometimes the Best Investments Look Like Junkyards From the Outside

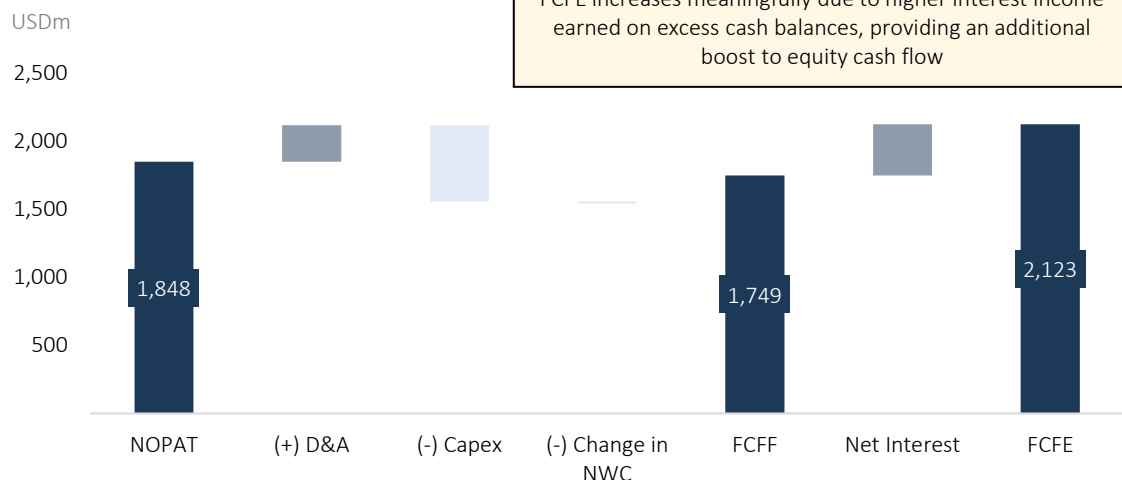
Peer Valuation Likely Understates Quality

EV/EBITDA				
Company	FY26	FY27	FY28	FY25-28 EBITDA CAGR
RB Global	15,9	14,9	13,9	6,6%
Openlane	16,6	15,0	12,7	10,0%
LKQ	7,6	7,1	7,0	5,8%
O'Reilly	19,3	18,1	16,9	8,7%
Average	14,9	13,8	12,63	7,8%
Median	11,8	12,6	13,3	6,6%
Copart	10,2	9,2	8,1	10,90%
<i>Upside to Average</i>	<i>31,3%</i>	<i>33,3%</i>	<i>35,7%</i>	

Copart has historically generated substantially higher ROIC and free cash flow conversion than peers, supported by its asset-light and highly scalable business model. Given the durability of these returns and the company's consistent ability to compound capital at attractive rates, a premium valuation multiple appears justified relative to the peer group

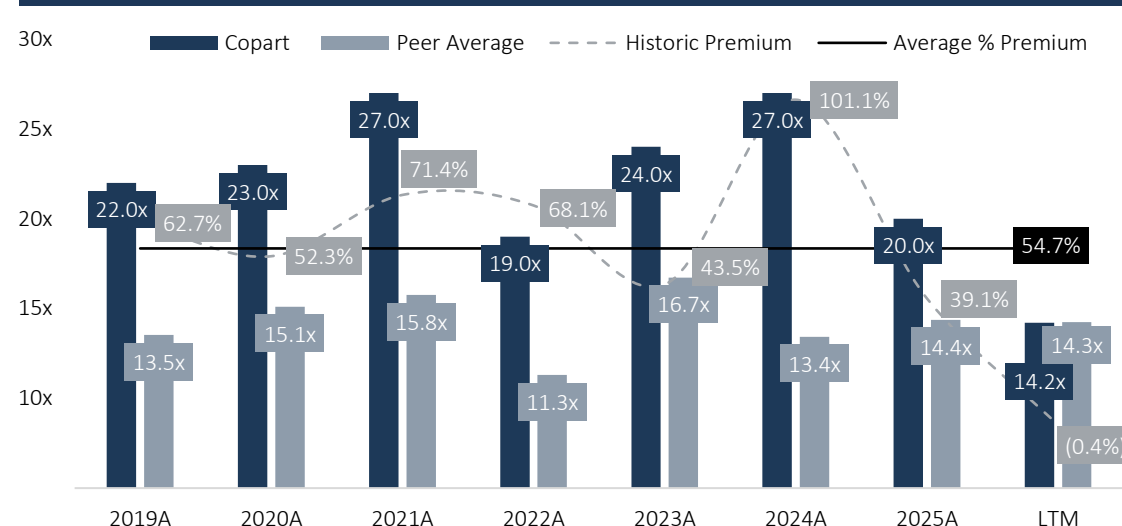
High Cash Balance Enhances FCFE Generation

Waterfall from NOPAT -> FCFE 2028E



FCFE increases meaningfully due to higher interest income earned on excess cash balances, providing an additional boost to equity cash flow

EV/EBITDA Multiple vs Peers – LTM and Historic



DCF Valuation Framework

15% revenue CAGR over the past decade normalizing to 9-10% in recent years

Levered DCF Overview

CoE	9.0%
TGR	3.0%
Sum PV Forecast	\$24,354m
PV of TV	\$45,046m
Implied Equity Value	\$40,050m
NOSH	\$963m
Implied Share Price	\$41.6
Current Share Price	\$33.2
Discount to Fair Value	25.2%

TGR	Cost of Equity				
	7%	8%	9%	10%	11%
1%	45	39	35	31	28
2%	51	43	38	33	30
3%	60	49	42	36	32
4%	75	57	47	40	35
5%	105	71	55	45	38

Change in NOPAT	Cost of Equity				
	7%	8%	9%	10%	11%
(20%)	48	39	34	29	26
(10%)	54	44	37	33	29
0%	60	49	42	36	32
10%	66	54	45	39	35
20%	72	58	49	43	38

Sources: Bloomberg, Analyst Estimates

Key Risks and Mitigation



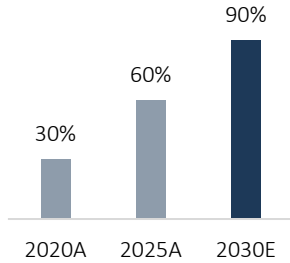
Navigating Risks From A Position of Strength

1. ADAS Rising Risk

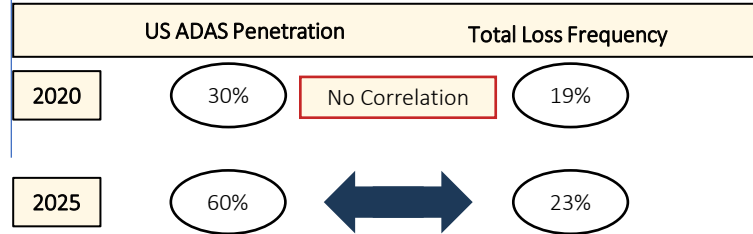
ADAS (Advanced Driver Assistance Systems)

- Over time, increasing ADAS penetration could structurally reduce accident frequency as vehicles become safer and more capable of preventing collisions. This may gradually reduce the overall supply of salvage vehicles entering the market.
- Lower claims frequency and tighter salvage supply could intensify competition for insurer volumes across the industry, potentially creating a long-term headwind to unit growth for salvage auction operators such as Copart.

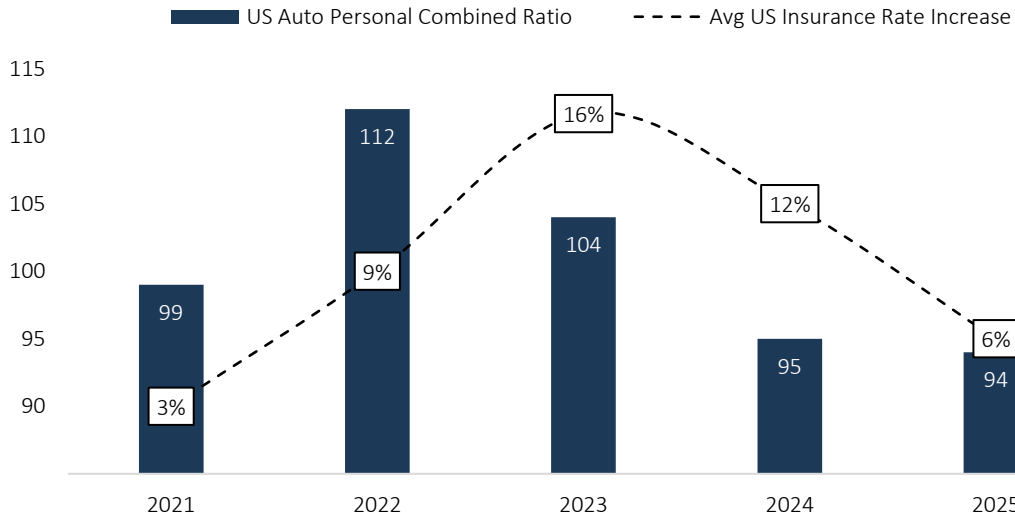
US ADAS Penetration



Collision avoidance systems have been shown to reduce rear-end crashes by 50%



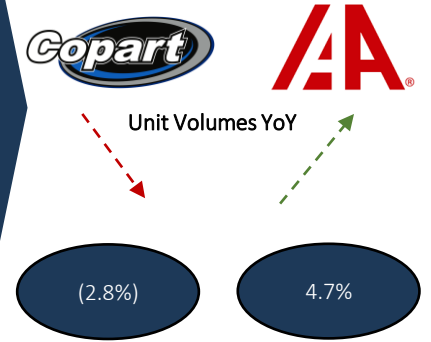
3. Underinsurance Cycle



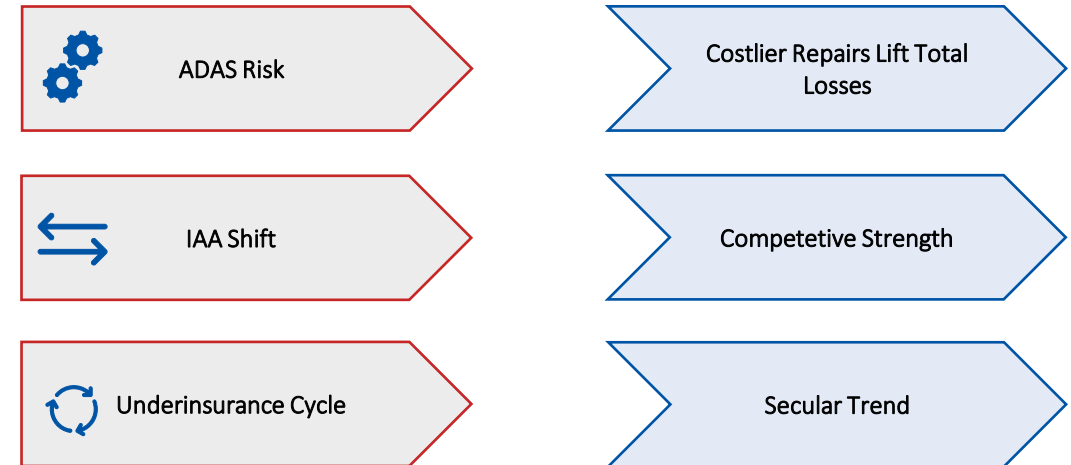
2. IAA Re-gaining Market Share

- Following RB Global's acquisition of IAA, competitive dynamics within the U.S. salvage auction market appear to have shifted modestly in IAA's favor after several years of relative underperformance.
- Improved operational execution, strengthened insurer relationships and more aggressive pricing strategies have likely enabled IAA to regain incremental market share, particularly within insurance salvage volumes.
- Third-party industry data during late 2025 indicated IAA insurance unit volumes grew 4.7% YoY, while Copart volumes declined 2.8% YoY, implying modest share gains for IAA and suggesting competitive pressure has increased somewhat versus historical trends.

Recent volume trends indicate modest market share gains for IAA.



Summary Risk & Mitigation



Sources: Bloomberg, Analyst Estimates



Experienced Management with Skin in the Game

Key Executive Management

Jeff Liaw – CEO



Years at Copart: 10

Background: Joined Copart 2016 as CFO; served as President 2019–2022 and Co-CEO 2022–2024 before becoming sole CEO

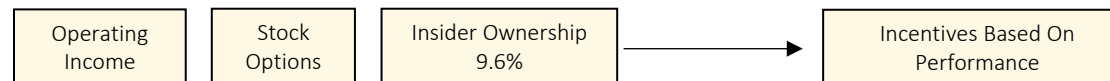
Leah Stearns – CFO



Years at Copart: 4

Background: Joined Copart 2022. Previously CFO at CBRE, a global leader in commercial real estate

Incentive Plan for Management



- **Performance-Based Rewards:** Management's incentives are directly tied to long-term share price appreciation, with executive compensation placing greater weighting on equity than cash
- **Objective Criteria:** Stock options vest ratably over 5 years and are subject to a market condition requiring the stock to trade at 125%+ of the exercise price before exercise. Management only benefits if shareholders do first
- **Long-term Financial Incentives:** CEO Jeff Liaw total compensation of ~\$2M on a ~\$30B company. Founder Willis Johnson and Executive Chairman Jayson Adair collectively own ~9% of the company. Adair takes a \$1/year salary. Compensation is structured to think in decades, not quarters

"With 9.6% insider ownership and equity-heavy incentives tied to share price, management and shareholders are pointing in the same direction"

Key Board Members

Willis Johnson – Founder



Years at Copart: 44

Background: Founded Copart in 1982. Served as CEO until 2010, overseeing growth to 200+ facilities. Chairman of the Board since 2004

Jay Adair – Executive Chairman



Years at Copart: 37

Background: Worked directly with founder Willis Johnson. Previously President (1996), CEO (2010–2024), and Executive Chairman

Matt Blunt – Board Member



Years at Copart: 3.5

Background: President of the American Automobile Policy Council. Former Governor of Missouri (2005–2009) and Secretary of State

Steve Cohan – Board Member



Years at Copart: 34

Background: Held executive roles in finance, accounting and business development at Copart 1992–1997. Currently CEO of Loco Ventures

In 1996, Adair and Johnson bought the Internet domain name Copart.com - they also tried to buy IAA.com as a joke on their biggest rival

Sources: The Company, Bloomberg, Alphasense





Appendix

Income Statement



USDm	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Total Revenue	2,693	3,501	3,870	4,237	4,647	4,927	5,365	5,905	6,504	7,115
y/y Growth	22.1%	30.0%	10.5%	9.5%	9.7%	6.0%	8.9%	10.1%	10.1%	9.4%
COGS	(1,349)	(1,895)	(2,133)	(2,330)	(2,547)	(2,709)	(2,898)	(3,114)	(3,354)	(3,620)
Gross Profit	1,343	1,606	1,737	1,907	2,100	2,218	2,467	2,791	3,150	3,495
<i>Gross Margin</i>	49.9%	45.9%	44.9%	45.0%	45.2%	45.0%	46.0%	47.3%	48.4%	49.1%
Operating Expenses	(186)	(211)	(233)	(316)	(379)	(389)	(405)	(421)	(438)	(455)
EBITDA	1,529	1,817	1,970	2,223	2,478	2,607	2,872	3,212	3,588	3,950
<i>EBITDA Margin</i>	56.8%	51.9%	50.9%	52.5%	53.3%	52.9%	53.5%	54.4%	55.2%	55.5%
D&A	(21)	(20)	(17)	(19)	(24)	(26)	(28)	(31)	(34)	(37)
EBIT	1,136	1,375	1,487	1,572	1,697	1,803	2,035	2,340	2,679	3,003
<i>EBIT Margin</i>	42.2%	39.3%	38.4%	37.1%	36.5%	36.6%	37.9%	39.6%	41.2%	42.2%
Net Financial Items (expense)	(29)	(51)	136	285	398	266	268	274	285	298
EBT	1,122	1,341	1,554	1,715	1,896	2,069	2,302	2,614	2,964	3,301
<i>EBT Margin</i>	41.7%	38.3%	40.2%	40.5%	40.8%	42.0%	42.9%	44.3%	45.6%	46.4%
Tax	(185)	(251)	(317)	(352)	(347)	(435)	(484)	(549)	(622)	(693)
Net Income	936	1,090	1,238	1,362	1,548	1,635	1,819	2,065	2,341	2,607
<i>Net Margin</i>	34.8%	31.1%	32.0%	32.2%	33.3%	33.2%	33.9%	35.0%	36.0%	36.6%



Appendix



Balance Sheet

USDm	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Cash and Cash Equivalents	1,048	1,384	2,364	3,422	4,789	4,509	6,141	7,970	10,027	12,292
Accounts Receivable, net	481	579	702	786	763	858	946	1,033	1,121	1,241
Vehicle Pooling Costs & Inventories	139	171	164	176	156	215	225	240	262	285
Prepaid Expenses and Other Current Assets	34	69	33	34	47	37	43	50	55	58
Total Current Assets	1,703	2,202	3,263	4,418	5,755	5,619	7,356	9,293	11,466	13,876
Property and Equipment, net	2,297	2,486	2,844	3,176	3,598	3,772	3,998	4,288	4,608	4,958
Right-of-use Lease Assets	119	116	108	116	100	92	81	71	63	55
Intangible Assets, net	46	55	63	74	63	63	63	63	63	63
Goodwill	356	402	394	514	518	518	518	518	518	518
Other Non-current Assets	42	48	66	129	58	49	51	54	56	59
Total Non-current Assets	2,860	3,106	3,475	4,010	4,336	4,494	4,711	4,994	5,308	5,654
Total Assets	4,562	5,309	6,738	8,428	10,091	10,113	12,067	14,287	16,774	19,529
Total Equity	3,529	4,626	5,987	7,549	9,207	9,270	11,174	13,323	15,754	18,451
Accounts Payable and Accrued Liabilities	391	419	467	546	622	620	683	762	839	909
Income tax Payable	8	0	4	61	41	30	41	55	52	55
Current Portion of Leases and Debt	22	22	21	21	20	18	17	16	15	14
Total Current Liabilities	421	441	493	629	683	668	741	832	906	978
Deferred tax Liability, net	64	80	89	94	81	71	62	55	48	43
Other Long-term Liabilities	52	65	69	60	36	29	24	20	16	13
Non-current Portion of Lease Liabilities	98	96	88	97	84	74	65	57	50	44
Long-term Debt	398	2	11	0	0	0	0	0	0	0
Total Non-current Liabilities	612	242	258	251	200	174	151	132	115	100
Total Liabilities and Equity	4,562	5,309	6,738	8,428	10,091	10,113	12,067	14,287	16,774	19,529



Appendix

Cash Flow Statement



USDm	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E
Cash flows from operating activities										
Net income	936	1 090	1 238	1 362	1 548	1 635	1 819	2 065	2 341	2 607
Depreciation and amortization	123	139	160	190	218	224	244	269	296	324
Stock-based compensation	41	39	40	35	38	35	37	39	41	43
Other non-cash adjustments	(14)	34	15	(1)	(27)	(10)	(9)	(7)	(7)	(6)
Changes in working capital	(96)	(125)	(88)	(114)	23	(159)	(37)	(22)	(47)	(77)
Net cash provided by operating activities	991	1 177	1 364	1 473	1 800	1 725	2 054	2 343	2 625	2 891
Cash flows from investing activities										
Purchases of property and equipment	(463)	(337)	(517)	(511)	(569)	(398)	(470)	(559)	(616)	(674)
Other investing activities	(2)	(105)	(1 375)	(429)	(18)	2 009	-	-	-	-
Net cash used in investing activities	(465)	(442)	(1 892)	(940)	(587)	1 610	(470)	(559)	(616)	(674)
Cash flows from financing activities										
Repurchases of common stock	-	-	-	-	-	(1 633)	-	-	-	-
Proceeds / repayments of debt, net	(1)	(419)	11	(11)	(0)	(0)	(0)	(0)	(0)	(0)
Other financing activities	42	36	56	30	52	26	48	45	48	47
Net cash provided by (used in) financing activities	41	(383)	67	19	52	(1 607)	48	45	48	47
Effect of foreign currency translation	4	(16)	34	5	2	-	-	-	-	-
Net increase (decrease) in cash	571	336	(427)	557	1 266	1 729	1 632	1 829	2 057	2 265
Cash, beginning of period	478	1 048	1 384	957	1 514	2 781	4 509	6 141	7 970	10 027
Cash end of period	1 048	1 384	957	1 514	2 781	4 509	6 141	7 970	10 027	12 292

