

CEO Letter to Shareholders



This Annual Letter to Shareholders includes forward-looking statements within the meaning of federal securities laws, including management’s current views with respect to trends, opportunities, and uncertainties in our markets. These forward-looking statements involve substantial risks and uncertainties. For more detail on the risks associated with our business, we refer you to the section titled “Risk Factors” in our Annual Report on Form 10-K for the year ended July 31, 2023 and each of our subsequent Quarterly Reports on Form 10-Q. Any forward-looking statements are made as of today, and we have no obligation to update or revise any forward-looking statements.

We reflect on fiscal year 2023 as another eventful and successful year for Copart, our clients, and our people. In a tumultuous period for the automotive landscape in general – continuing supply chain shortages, vehicle price volatility, corporate financial distress, disruptive mergers and acquisitions activity, and so on – we stayed the course. We benefited from our long-standing investments in our business in the form of continued profitable growth, and we are re-doubling our efforts to invest in the future success of our clients and our company.

In March 2024, we will celebrate our 30th anniversary as a public company. From time to time, we are asked by prospective shareholders to describe our principal competitive advantages. They invariably expect us to cite the land we own, our international buyer base, and our best-in-class technology platform. And that reasoning has merit. But it mistakes cause and effect. Our critical competitive advantage is our ownership mindset and, by extension, our investment horizon. We live and codify “Be an Owner” as one of our core Copart values. As modeled by our Founder and Executive

Chairman Willis Johnson, we make business decisions with the 30-year prosperity of our clients and ourselves as the ultimate objective. As a result, we are empowered to invest in land, technology, capital equipment, auction liquidity, and our people. For example, at any given moment, it is “cheaper” to lease than to buy the facilities through which we serve our customers. We know, however, given how difficult it is to permit and develop new facilities, facility ownership is essential to ensuring the long-run sustainability of our service offerings. Therefore, in fiscal 2023, we continued our aggressive capital investment program, with the significant majority of our spending in land acquisition and development. Over the past 5 years, we have invested well over \$2 billion into this endeavor.

In countless other ways, large and small, our long-run orientation creates distinctive advantages for Copart, particularly as other industry participants are compelled to optimize for short-term considerations.

Our insurance clients are managing cost inflation at levels that virtually none of their senior leaders have experienced in their professional lifetimes. As a result, they are leaning on Copart to provide certain services at scale that they previously would have performed themselves. For example, for the first 35 years of Copart’s existence, insurance carriers bore the responsibility for securing the original, physical title to the vehicles they consigned through our auction platform, in large part to ensure a friendly customer service experience for their policyholders. Today, insurance companies are increasingly relying on Copart to provide title procurement and loan payoff services, which we collectively call Title Express. In fact, by the end of fiscal 2024, Copart will provide Title Express services for nearly one-third of all insurance vehicles we sell. Our clients recognize the scale

and technology that we uniquely bring to this endeavor, while also entrusting us with the critical task of gracefully managing their customers. We expect in the years and decades ahead to continue to absorb more responsibility on behalf of our insurance clients.

Across the global economy, inflation has been extensive, but also unevenly distributed. It has been particularly acute in used car values. Various industry benchmarks show prices for comparable vehicles rising over 35% from February 2020 to July 2023. Because of the naturally inverse relationship between used car prices and total loss frequency, we observed the first ever year-over-year decline in total loss frequency, starting in the 3rd calendar quarter of 2021. As prices stabilized, however, and rental car costs and repair costs reached similarly elevated levels, the anomaly in total loss frequency began unwinding in the 4th calendar quarter of 2022, with year-over-year increases in total loss frequency for the last four straight quarters. We can't predict precisely where total loss frequency will be in 12 months, but we believe with conviction that total loss frequency will trend to levels beyond pre-pandemic levels, and eventually well beyond.

In the months and years ahead, we expect increasing adoption of our image-based total loss prediction tools, powered by machine learning algorithms, data, and images from the many millions of vehicles we have sold. Today, our proprietary ProQuote technology empowers insurance carriers to make better decisions about which cars to total and which to repair. But just as importantly, we are collaborating with our clients to forward deploy ProQuote to empower them to make faster decisions. Even for vehicles that are obvious total losses, our insurance clients often incur advance charges, including storage fees, that can cost them thousands of dollars for a single vehicle. For our clients, time is literally money, and our tools will enable them to conserve both.

Across many of our markets, we also continue to drive unit growth from rental car companies, financial institutions, corporate fleet operators, and consumers. There are a multitude of alternatives to auctioning a car through Copart – from handselling to retailing to other auction platforms, virtual and physical – but our platform offers a superior digital auction experience and unmatched international buyer liquidity. Whether a vehicle's highest and best use is next door or an ocean's voyage away, VB3 will make the appropriate match. We will continue to invest in product and marketing resources to fuel our ongoing growth in this "BluCar" segment, which will in turn benefit BluCar and insurance sellers alike. Ultimately, our success rests on our ability to deliver superior economic and

service outcomes to our clients, for which increasing auction liquidity is the foundation.

Last year, we published our first ever Environmental, Social, and Governance (ESG) Report. We recently issued an update offering further commentary on sustainability – as we broadly define it – in the introductory letter therein.

Finally, we were excited this year to make a substantial investment in Purple Wave, a market leader in digital-only auctions for industrial, construction, and agricultural equipment. Aaron and Suzy McKee and their terrific team share our entrepreneurial mindset and commitment to digital-first auctions as the most efficient way to create value for buyers and sellers. We are excited to join them on their journey.

On behalf of the Board of Directors and the management of Copart, we thank you for your continued support of our vision and look forward to driving further success for our shareholders and our customers in 2024.



Jay Adair
Co-CEO

A handwritten signature in black ink, appearing to read "Jay Adair".



Jeff Liaw
Co-CEO

A handwritten signature in black ink, appearing to read "Jeff Liaw".