

CEO Letter to Shareholders



2022 marks our 40th anniversary'. Founded in 1982 by our Chairman Willis Johnson, we began operations from a single yard in Vallejo, California. Committed to serving customers across the United States, we established a national footprint through facility openings and strategic acquisitions. We took the company public in 1994, pioneered the industry's first online-only auto auction platform in 2003, became a multinational company with our entrance in Canada in 2004, and crossed the Atlantic to establish a presence in Europe in 2007.

From our modest beginnings, Copart has now grown to operate over 200 locations in 11 countries, together comprising approximately 16,000 acres of storage capacity around the world. At our core, we are a technology company that provides a global marketplace platform to connect vehicle buyers and sellers around the world. We sell well over three million cars per year on behalf of our sellers, including insurance companies, automotive dealers, rental car fleets, financial institutions, and many others.

"Corporate sustainability" is a relatively new addition to the corporate lexicon – in Google Trends, the expression was searched for approximately eight times more often in the twelve months ending August 2022 than in 2004, the first period for which Google provides such data. And yet, sustainability has been a core emphasis of ours since inception, in two specific respects – the sustainability of our business in environmental terms, and the sustainability of our enterprise in serving our customers.

We have long prided ourselves on making decisions for the long-term benefit of our customers, our people, our shareholders, our communities, and the world around us. Our framework is simple, but not easy. We have committed our time and our capital in pursuit of durable excellence in ways that were at times contrary to prevailing wisdom, including for example our investment in owning our land and our conservative capitalization, among many other such cases.

Our horizon is a competitive advantage. And with each year, the flywheel of our marketplace spins with greater weight and speed. With substantial growth prospects across multiple dimensions – providing additional services to our existing sellers and members,

expanding our market share beyond the insurance industry, and growing in Western Europe and beyond – we are as energized about our potential for the next 40 years as we are proud of the past 40.

Environmental Sustainability

By facilitating the world's re-use of vehicles and harvested parts and raw materials, Copart is a unique enabler in the circular economy.

In the coming weeks, we will publish our inaugural ESG report which not only includes standard metrics provided by corporations like ours, but critically also quantifies the benefit we provide to society through avoided emissions from the re-use and recycling of vehicles, parts, and raw materials, that our marketplace enables. We estimate that over 10 million tons of CO₂e emissions per year are eliminated as a result of our extending the useful life of vehicles or their component parts. For context, these carbon "savings" represent more than 100-fold our own Scope 1 and Scope 2 emissions.

In 2022, we also made our first financial investment in green energy production, through our recent equity investment in a portfolio of eight utility-scale solar projects in Virginia with aggregate capacity of nearly 50 megawatts. These projects will produce renewable power for use at a local data center.

This year, we completed the acquisition of Hills Salvage & Recycling (The Green Parts Specialists) to help fulfill the growing demand among Copart's UK insurance customers for access to recycled parts. Hills operates facilities comprising over 27 acres to harvest vehicles for non-damaged parts for use in automotive repair. We will combine this business with our complementary self-service 'U-pull-it' operations in the UK to form Copart Recycling.

Enterprise Sustainability

We are proud of our critical role in the circular economy, but our favorable impact on the environment does not alone assure the sustainability of our *enterprise*. We view it as our responsibility to manage our business in a manner that enables us to serve our customers, to engage our employees, to support the communities

in which we do business, and to earn returns for our shareholders for decades to come.

To that end, we continue to invest substantial resources in physical capacity, technology, and member recruitment. Over the last 4 years, we have spent more than \$1.5 billion on capital expenditures to grow and develop our physical storage capacity – in the past 12 months alone, we expanded our footprint by some 1,200 acres. We have always favored outright ownership of our facilities, as opposed to entering long-term leases as tenants, and as a result, we own more than 90% of the acreage on which we operate today. This approach ensures that we control our own destiny and assures our customers they can rely on our ability to serve them in perpetuity. We view ourselves not just as participants in a value chain, but as stewards of a vital industry.

Across multiple technology waves – from personal computing to mobile telephony to cloud services and beyond – Copart has always prioritized the use of innovative technology for the efficiency of our operations, the reliability and accuracy of our services to our customers, and enhanced access to the world’s buyers of our vehicles. Today, we employ approximately 800 people in technology alone and invest substantially more than others in our industry. Our understanding of our customer’s business processes, coupled with decades of experience as in-house applications developers, enables us to deploy uniquely powerful and tech-oriented solutions to our customers. Recent examples of our innovations include an image-based rapid total loss decision tool for our sellers and a location-based dispatch app for our towing providers, among many others.

Copart has benefited for many years from a widely distributed and growing network of members around the world, for whom our salvage vehicles (and increasingly whole cars as well) are a critical source of mobility in their home countries. These members drive our superior returns. The foundational decision that created this network is arguably our commitment in 2003 to exclusively online auctions – to this day, most auto remarketers continue to operate in-person auctions. With nearly two decades under our belt of operating virtual-only auctions, we have repeatedly overhauled and refined our Virtual Bidding platform, leaving us with a best-in-class auction platform and member base. We invest substantially in online and traditional outreach efforts to current and prospective members. And despite the worldwide volatility we have all experienced across multiple dimensions over the past few years, our international members continue to drive returns higher on virtually every vehicle we sell.

Market Forces

There is now more than ample precedent in corporations declaring unprecedented times. Instead of repeating the mantra, we’ll note that across a variety of spheres – the automotive industry, fuel, inflation, unemployment, military conflict, financial markets, traffic patterns, weather, and on and on – we are experiencing an

unusual confluence of extremes, and that we are better positioned than we have ever been to provide exceptional service to our customers regardless.

One specific anomaly in our industry is that used car prices have risen approximately 55% over the past 3 years, driving Copart selling prices to all-time highs, while also reducing total loss frequency over the past 18 months, a legitimately unprecedented development. Like you, we cannot accurately predict when these transitory trends will abate, but we have firm conviction that the long-term forces in favor of rising total loss frequency remain intact. In short, the two core truths behind total loss have not changed: first, repairing vehicles is *less attractive* over time with rising vehicle complexity and repair costs, and second, that the developing world’s demand for vehicles will make selling damaged vehicles *more attractive* over time.

And of course, we are not merely passive beneficiaries of this phenomenon. We will continue to invest relentlessly in enhancing the liquidity of our global marketplace by recruiting and retaining new buyers, by providing additional services to make it still easier for buyers and sellers to do business with Copart, and by diversifying our marketplace to include cars sourced from outside the insurance industry to further attract buyers to our marketplace.

Summary

No discussion about Copart is complete without an acknowledgement of our extraordinary team. We count over 9,000 passionate team members all over the world, many of whom have contributed to our success for decades. Every day and every year, in calm and stormy times, they make us who we are. From the folks who worked with Willis in Vallejo, to those who joined us as new hires or through one of our mergers, to those who have joined Copart just this year, we thank you.

To the next 40,



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".