



2019

ANNUAL REPORT

A Comprehensive Financial
Year in Review



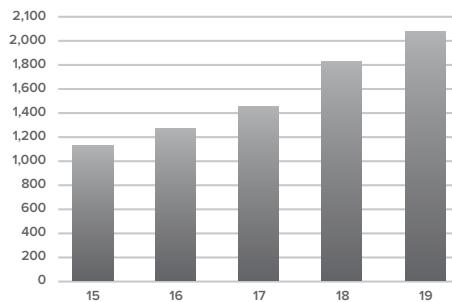


2019 HIGHLIGHTS

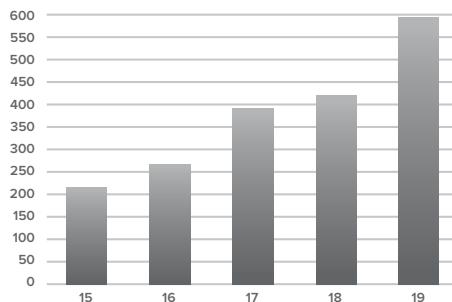
(In thousands, except per share amounts)

	As of July 31,				
	2015	2016	2017	2018	2019
OPERATING RESULTS (\$)					
Revenue	1,146,079	1,268,449	1,447,981	1,805,695	2,041,957
Operating Income.....	344,401	406,470	461,299	584,345	716,475
EBITDA.....	390,974	455,045	537,664	664,074	801,370
Impairment.....	—	—	(19,365)	(1,131)	—
Depreciation and Amortization	(46,573)	(48,575)	(57,000)	(78,598)	(84,895)
Other Expense	(12,332)	(10,605)	(21,199)	(21,834)	(11,524)
Income Before Taxes.....	332,069	395,865	440,100	562,511	704,951
Net Income	219,783	270,360	394,261	418,007	591,693
Basic Net Income Per Common Share.....	0.87	1.18	1.72	1.80	2.57
Basic Weighted Average Shares.....	251,829	228,846	228,686	231,793	230,489
Diluted Net Income Per Common Share	0.84	1.11	1.66	1.73	2.46
Diluted Weighted Average Shares.....	262,851	244,295	237,019	241,877	240,453
BALANCE SHEET DATA (\$)					
Cash and Cash Equivalents.....	456,012	155,849	210,100	274,520	186,319
Working Capital.....	521,456	220,523	285,108	431,860	405,163
Total Assets.....	1,798,660	1,649,820	1,982,501	2,307,698	2,547,617
Total Debt.....	644,514	640,492	633,038	399,898	401,229
Stockholders' Equity.....	964,464	774,456	1,098,600	1,581,099	1,778,381

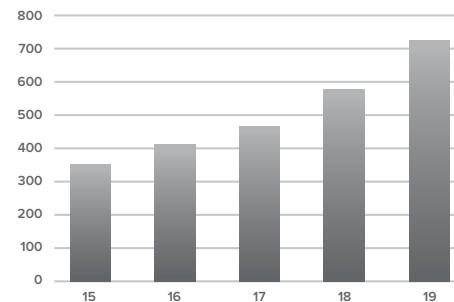
REVENUE (in millions)



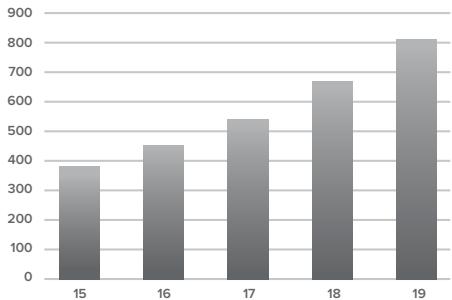
NET INCOME (in millions)



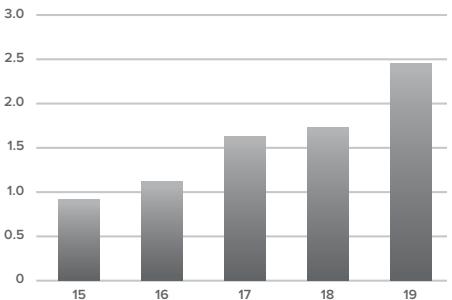
OPERATING INCOME (in millions)



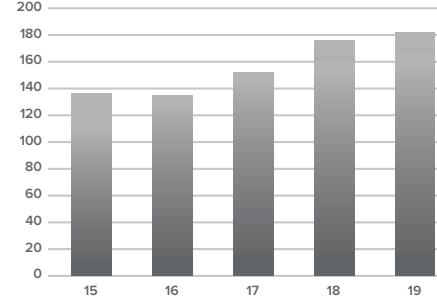
EBITDA (in millions)



DILUTED EPS (in dollars)



G&A EXPENSES (in millions)



WHAT A YEAR!

We are proud of the results we delivered for our customers, communities and shareholders in fiscal year 2019. And, while it's gratifying to see the fruits of our efforts, the end of the year also presents an opportunity for a broader reflection on our journey. In a dynamic industry and competitive environment, our strategy has stood the test of time. Not once has a decision at Copart been informed by the implications for the quarter or a specific bonus incentive. In fact, since our founding in 1982, we have grounded our decisions, big and small, in driving long-term, sustainable value. Specifically, we have chosen to invest our time and treasure in employees, technology, member recruitment, global expansion and capacity growth—believing that these investments would enable us to become the largest, most liquid vehicle auction platform in the world.

We have been steadfast in creating and maintaining our cutting-edge technologies, including VB3, a world-class auction platform that is both user-friendly for our members and generates maximum auction value for our sellers. While VB3 is widely appreciated, we labor over application deployments that fly under the radar, but deliver real value. For example, in fiscal 2019, we launched a new location-based app for our third-party tow truck drivers that helps them retrieve vehicles with virtual documents, to optimize their vehicle pick-up



routes and eliminate extra trips (and time in traffic) to Copart facilities to obtain paper documents. This application improves efficiency and quality of life for drivers, pick-up times and reliability for our customers, and costs and processing overhead for Copart. We continuously strive to eliminate hurdles that erode value and take pride in being industry leaders in technology to improve our business processes.

While the power of our international buyer base has been a topic of more frequent discussions in recent years, the reality is that the breadth of our member base reflects many years of aggressive investment by Copart. Our efforts have included social media campaigns and search engine optimization efforts, as well as investments in traditional media, trade shows and the

like—earning us global recognition as a massive, liquid vehicle auction platform, with an active, committed member base. In fact, Copart is now prominently featured in YouTube search results, with some restoration videos posted by unaffiliated third parties garnering millions of views and no doubt helping to draw the next generation of Copart members. As a result, in the U.S. market specifically, we now have more international bidders, bids per unit, purchased cars and purchased car value than ever before. Our investment in our global member base has fundamentally changed the industry for the better—in the early days of automotive salvage, damaged vehicles were literally worth their weight in metals. Today, the value of our vehicles is not solely in raw materials or parts, but as rebuildable, drivable vehicles, in part due to our active cultivation of international buyers. This significantly contributes to rising seller returns.

Since the days we were a regional domestic salvage auction operator, we anticipated the market evolving into a global one. After first extending our reach across North America, we made it a strategic priority to expand internationally, culminating in our 2007 entry into the United Kingdom. At the time, we faced internal and external questions about the wisdom of such an effort. With ample industry growth still available to us at home, how could we justify the cost and potential disruption of international expansion? But, we believed that doing so would create sustainable value. Operating profitably in new international markets helped us and our sellers in our existing markets as well. Our physical operations outside the U.S. have no doubt contributed to our understanding of those markets, informed our member recruitment efforts and brought tens of thousands of additional members to Copart. Recently, we have focused our geographic expansion efforts on Germany, where the total loss experience is radically different from the gross settlement process that is common in our current markets. In Germany, the policyholder retains the damaged vehicle, receives payment from the carrier for their loss in value and is responsible for the subsequent sale of the car. The Copart solution is the superior offering for both the insurance carrier in minimizing their financial losses and their policyholders who would prefer a single payment to close their claim. We look forward to helping insurance carriers migrate to the Copart model and extending this approach to more of Western Europe.

For decades now, we have made sizeable investments in owning land and developing facilities, recognizing early that capacity



for our business would prove to be ever more difficult to create and ever more valuable to our customers. As a result, we are substantial owners of large plots of land in major metropolitan areas, affording us and our customers long-term stability and cost control. In fiscal 2019 alone, we made capital expenditures of \$375 million, the vast majority of which was to expand our capacity. After decades of real estate price inflation and metropolitan growth that has further limited access to geographically population optimal land, other industry participants have only recently signaled their interest in acquiring land. But we have consistently invested in our land when views were far more divergent, providing us with a substantially advantaged position.

As we have noted in prior years, rising total loss frequency remains the critical long-term tailwind in our business. We are sometimes asked however: if too many damaged cars are totaled, then won't the damaged cars themselves be worth less because of their diminished value as replacement parts? While the question is logical, it misses a fundamental truth—demand growth in our industry has not been driven solely by parts recyclers, but by rebuilders who find far greater value in the drivable vehicle itself, not its component materials or parts. Rising total loss frequency is a reflection of two separate factors from our insurance carriers' point of view: first, that repairing a vehicle has become less attractive given rising vehicle complexity, repair costs and rising ancillary costs such as rental cars and the like; and second, that totaling a vehicle has become more attractive given the growth in international demand for these same vehicles; including as drivable cars. We believe the combination of these two forces will continue to drive total loss frequency for decades to come.

Rising total loss frequency has shifted our auction mix to younger cars with lower severity, both in financial terms and visible damage. And in fact, one of our strategic priorities today is working closely with our insurance customers to make earlier, better and more informed total loss decisions. The growth in our

international buyer base has fundamentally changed the value proposition for lesser-damaged vehicles.



ProQuote 4.2, our proprietary machine-learning driven pricing engine, leverages the tens of millions of member bids and transacted vehicles in our systems to empower our insurance customers to make superior total loss decisions. This process continues to drive more low-severity vehicles to auctions.

Our business is profoundly interconnected – our strength in one geographic market is in part a product of our strength in another. The addition of a single buyer in Eastern Europe benefits our sellers worldwide. Our winning a new consignment account increases the number of vehicles available at Copart auctions, enhancing liquidity and enticing the next member to join our platform as well. One good indicator of this virtual cycle has been our growth with independent automotive dealers. As our member recruitment efforts take hold and total loss frequency fundamentally shifts our mix to more drivable vehicles, so too do independent dealers benefit when they consign their vehicles to us. We have invested relentlessly for decades to create these flywheel effects for our customers and our shareholders, and we will do so for decades to come.

Lastly and most importantly, our tremendous employees across the globe continue to deliver exceptional service and we couldn't achieve such outstanding results without them.

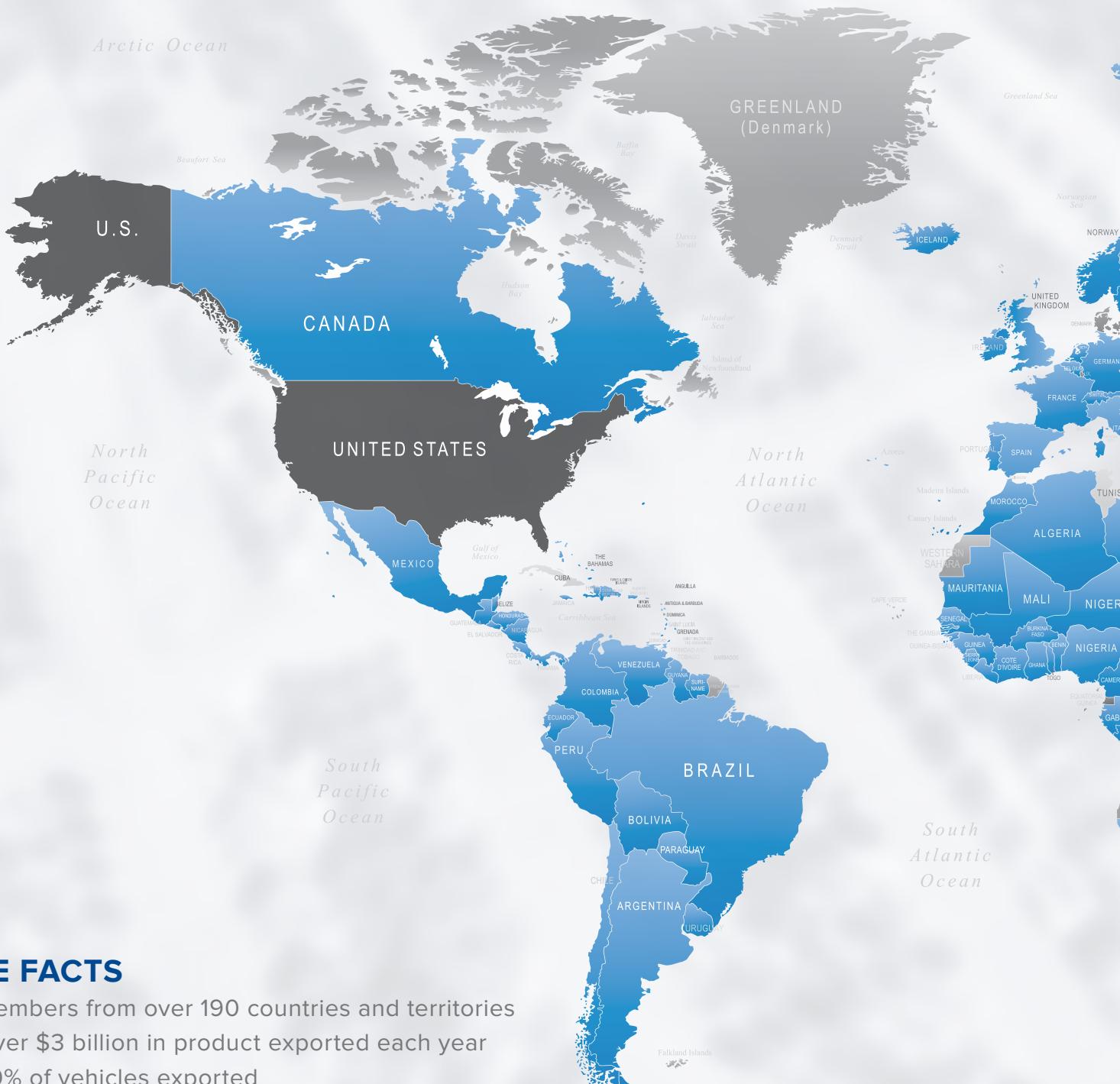
Sincerely,

A. Jayson Adair
Chief Executive Officer



OUR GLOBAL REACH

The blue countries represent buyers exporting vehicles from the United States.

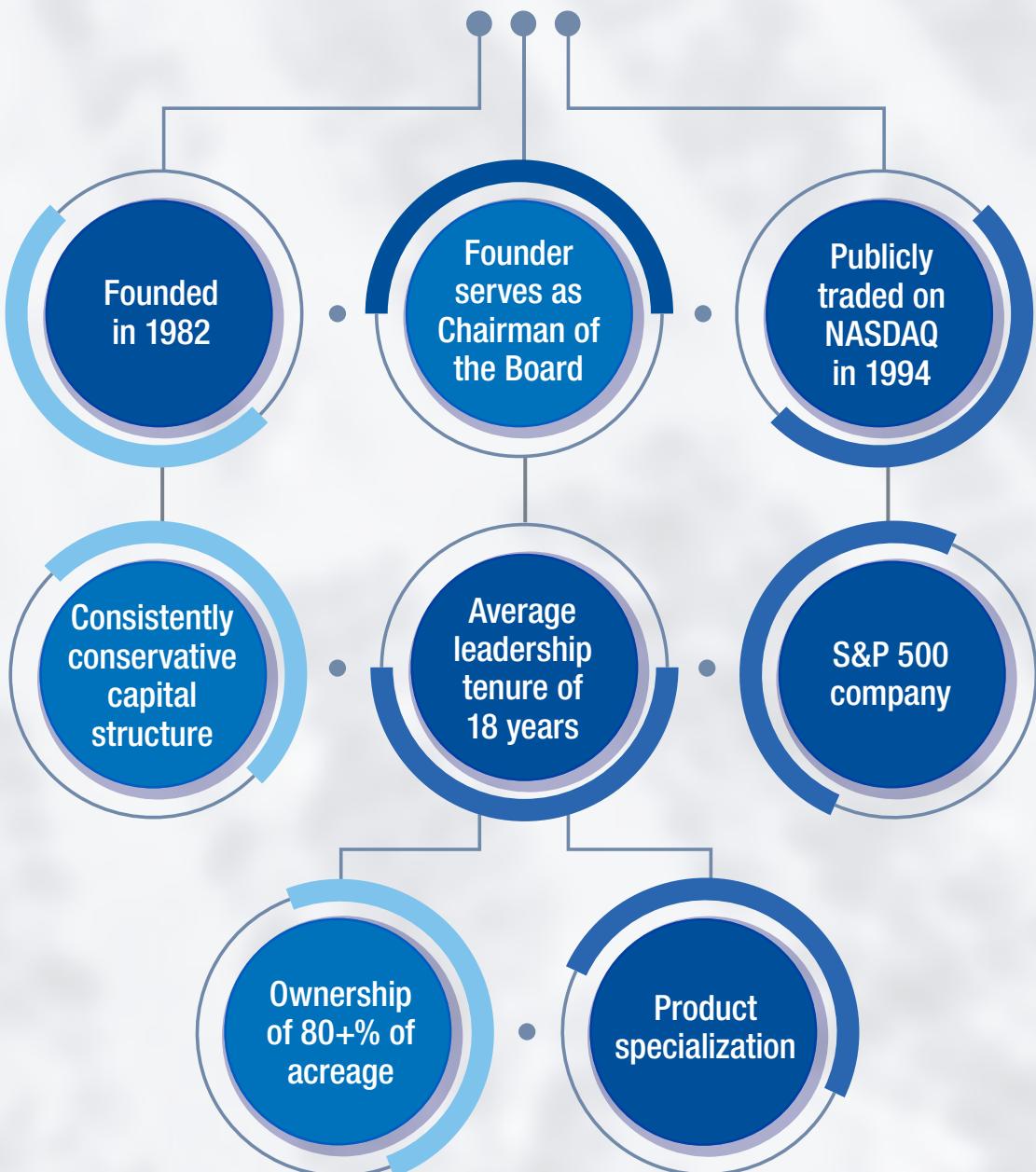


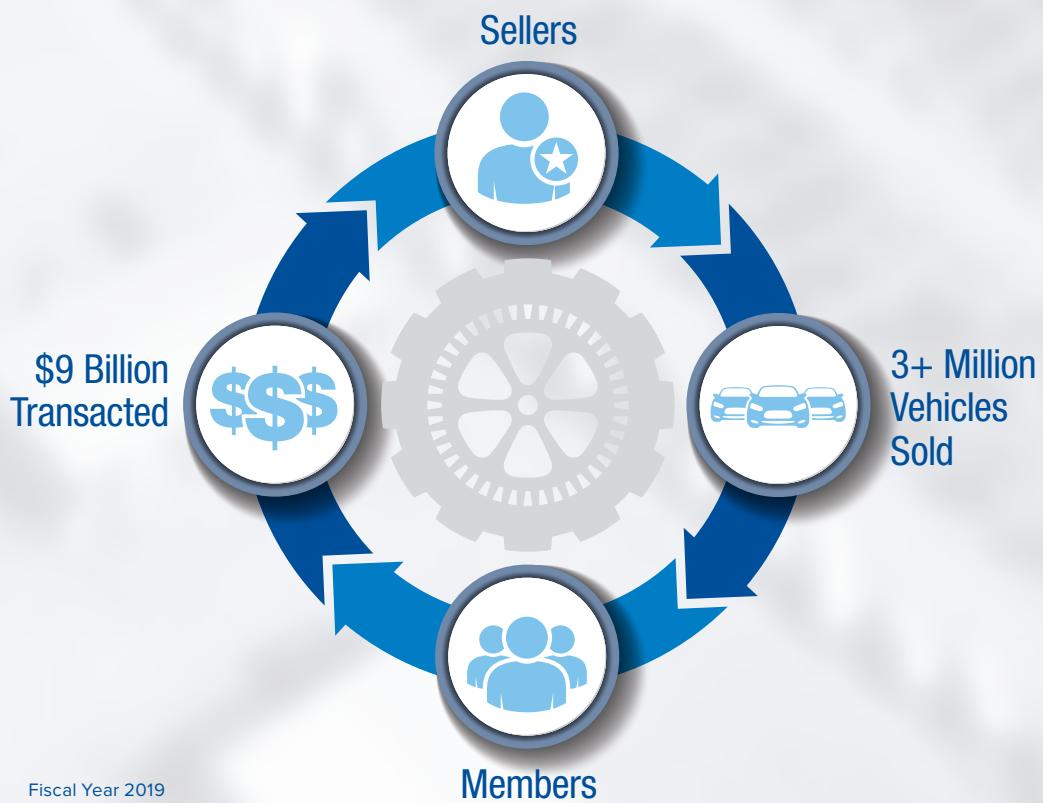
THE FACTS

- ▶ Members from over 190 countries and territories
- ▶ Over \$3 billion in product exported each year
- ▶ 40% of vehicles exported
- ▶ Over 2 million unique international site visitors each month



THE FACTS





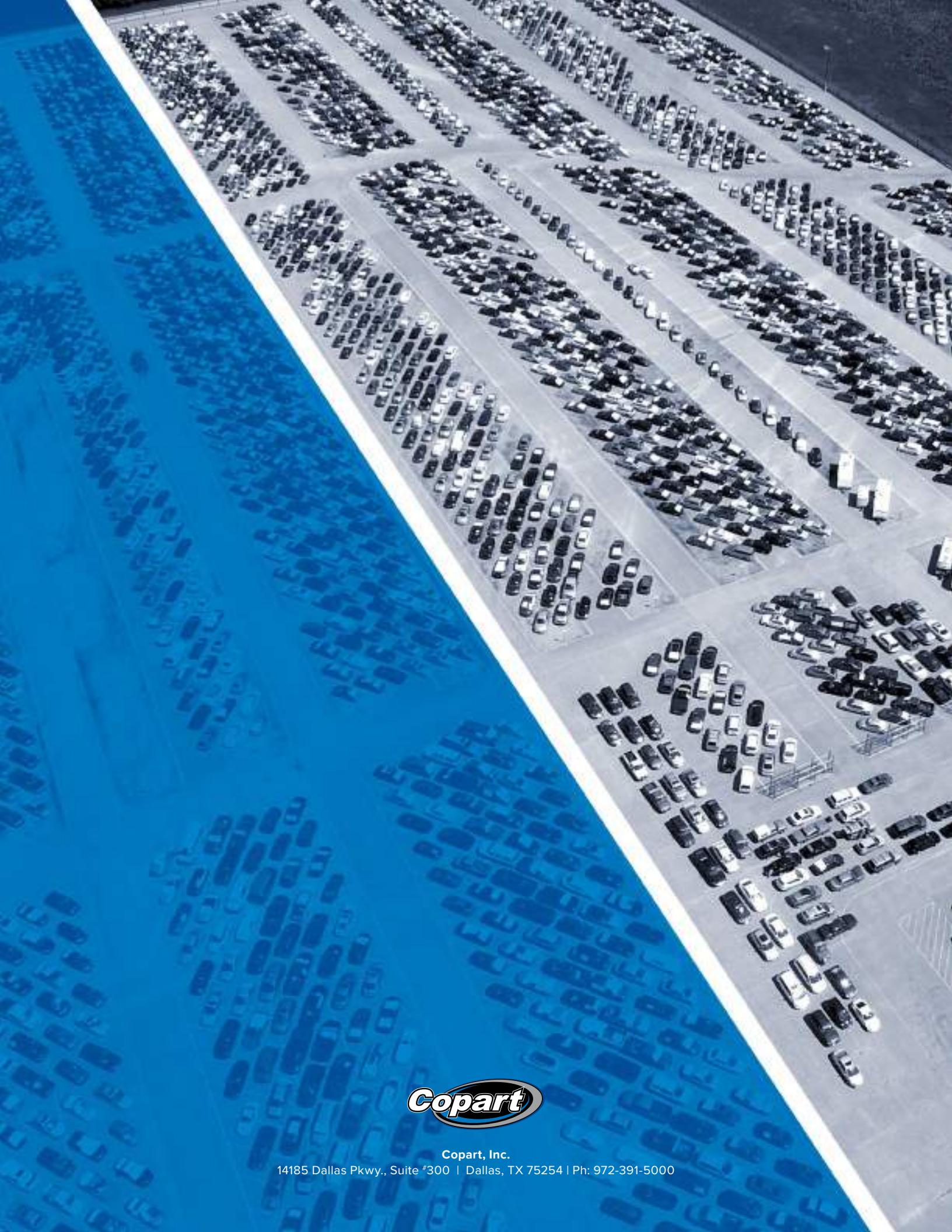
COPART'S LAND



8,500+
ACRES OWNED







Copart, Inc.

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