



2020 ANNUAL REPORT

A Comprehensive Financial Year in Review

Photos were taken prior to and during COVID-19, which is why some do not show staff social distancing or wearing masks.





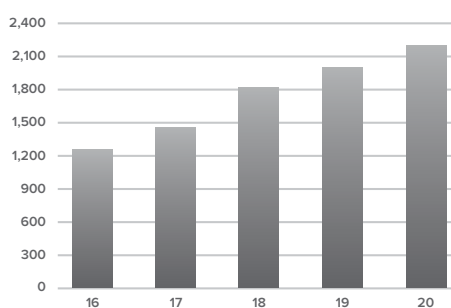
2020 HIGHLIGHTS

(In thousands, except per share amounts)

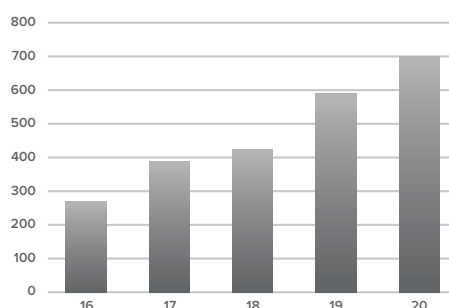
As of July 31,

	2016	2017	2018	2019	2020
OPERATING RESULTS (\$)					
Revenue	1,268,449	1,447,981	1,805,695	2,041,957	2,205,583
Operating Income.....	406,470	461,299	584,345	716,475	816,099
EBITDA.....	455,045	537,664	664,074	801,370	917,489
Impairment.....	—	(19,365)	(1,131)	—	—
Depreciation and Amortization	(48,575)	(57,000)	(78,598)	(84,895)	(101,390)
Other Expense	(10,605)	(21,199)	(21,834)	(11,524)	(15,260)
Income Before Taxes.....	395,865	440,100	562,511	704,951	800,839
Net Income	270,360	394,261	418,007	591,693	699,907
Basic Net Income Per Common Share	1.18	1.72	1.80	2.57	3.00
Basic Weighted Average Shares.....	228,846	228,686	231,793	230,489	233,202
Diluted Net Income Per Common Share	1.11	1.66	1.73	2.46	2.93
Diluted Weighted Average Shares	244,295	237,019	241,877	240,453	238,656
BALANCE SHEET DATA (\$)					
Cash, Cash Equivalents, and Restricted Cash.....	155,849	210,100	274,520	186,319	477,718
Working Capital.....	220,523	285,108	431,860	405,163	607,715
Total Assets	1,649,820	1,982,501	2,307,698	2,547,617	3,455,261
Total Debt.....	640,492	633,038	399,898	401,229	397,787
Stockholders' Equity.....	774,456	1,098,600	1,581,099	1,778,381	2,489,516

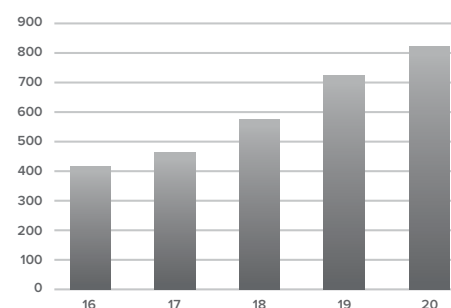
REVENUE (in millions)



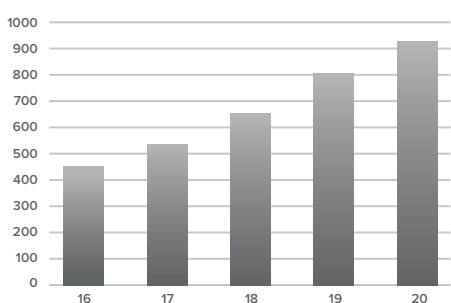
NET INCOME (in millions)



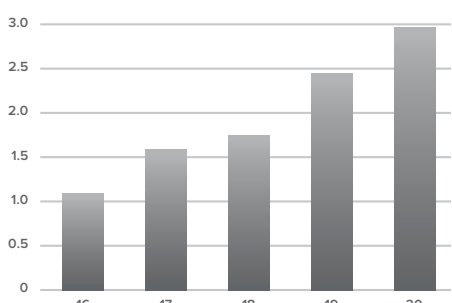
OPERATING INCOME (in millions)



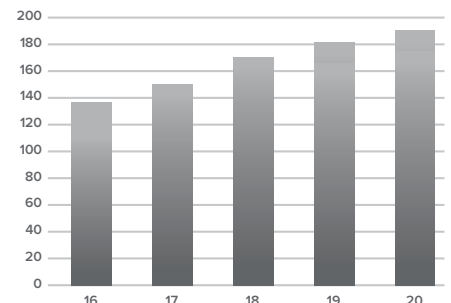
EBITDA (in millions)



DILUTED EPS (in dollars)



G&A EXPENSES (in millions)



A LETTER FROM COPART'S CEO

This calendar year 2020 will no doubt be remembered for the most disruptive social and economic event of our lifetimes – the arrival of the COVID-19 pandemic and its effects on society, business, education, our health care system, and every other corner of our lives. In the second half of our fiscal year, we observed disruptions on a scale that we have never seen before – massive increases in unemployment; shutdowns of schools, gyms, and businesses across our economy; stay-at-home orders; and of course the illnesses, hospitalizations and deaths of collectively millions of people. We wish we all could have avoided the pandemic and yearn for a return to a fully functioning society. However, in times of crisis, at Copart, we seek to distinguish ourselves in how we serve our customers, our people, and the communities in which we live. While we cannot claim to have anticipated this event, we do believe we were uniquely prepared for it.

Throughout the pandemic, we have taken very seriously our responsibility to the communities in which we do business. In most of these jurisdictions, government agencies have consistently recognized the essential nature of our business. Our uninterrupted retrieval and remarketing of vehicles from impound yards, repair shops, and our roads and highways has enabled the smooth functioning of the roadways in most of the countries in which we do business. As a society, we are acutely dependent on our road infrastructure and the free flow of delivery vehicles, first responders, and commuters.

Although we don't know how and when this crisis will resolve itself, we do believe that in hindsight, we will see that our core principles served us well.

As a company, we have embraced and leveraged technology since our inception. Technology enables us to serve our customers more efficiently and to achieve superior results. While other industry participants were compelled by the pandemic to adapt their auctions to a virtual format, we benefited from having made this specific migration 17 years ago. We recognized, even then, that all-digital auctions not only generated higher returns for our customers; they also mitigated the risk of various forms of business interruption, including inclement weather – and now a global pandemic. We're grateful for having made that leap so long ago, and with the benefit of countless iterative enhancements since. Technology has also enabled us to keep our employees, customers, members, and service providers safe – when the crisis first emerged in our major markets, in a matter of 48 hours, we developed and deployed to our facilities an in-house SMS-enabled Virtual Queue product to allow our customers, members, and service providers to await service in the comfort of their own vehicles instead of a crowded office.

Copart has always chosen to maintain a conservative balance sheet. In good times, our approach may appear too prudent. But, during the COVID-19 crisis, our capitalization meant that our focus was not on liquidity and covenants, but instead on our customers, employees, and members. We did not suspend capital expenditures in support of our business; instead we accelerated them – in FY2020 alone, we invested over \$600 million and added 2,000 acres of owned land to our portfolio. Instead of widespread cost-cutting measures, we continued to recruit, hire, develop, and promote the talented people who are the lifeblood of our business. We were the rare company at the height of the pandemic

to extend the maturity and expand the size of its undrawn revolving credit facility to \$1.05 billion. In a time of crisis, our customers have an abundance of concerns and disruptions of their own – they know that Copart, however, is a bedrock service provider with the balance sheet to serve them well under virtually any circumstances.

We are a relentlessly process-oriented company. We adapted our business processes on the fly to accommodate the workflow modifications that our customers required, including virtualizing many of the appraisal functions they had previously conducted in person. We enabled many of our employees to work remotely. And we refused to accept the notion that we were merely “stabilizing” our business – instead we continued deploying new processes and new technologies, and recruiting more buyers for our vehicles. We have picked up cars even faster during the pandemic crisis than beforehand when we were already the industry leader. We have generated record-high selling prices and record-high growth rates in selling prices for our vehicles, substantially eclipsing the increases we've observed in prices for used cars. Despite many global currencies depreciating relative to the U.S. dollar, we have more views, bidders, and bids, than ever before in the history of our auctions, and have achieved record selling prices in every market in which we do business.

There remain a multitude of open questions that the pandemic has raised about society, our industry, and our business, with near and long-term ramifications. When will a vaccine or treatment solutions enable us to return to “normal”? For how long will driving activity remain suppressed, and to what extent? Will elevated values for durable goods persist, particularly for the various types of vehicles that Copart remarkets? How much will higher selling prices drive total loss frequency upwards in the near and medium term? Will companies adopt and maintain permanent remote work arrangements? Will mass transit and air travel lose share to driving?

The transparent answer on the future of pandemic-related matters is “we don't know yet,” and the correct answer is “it doesn't matter.” Because regardless of the specific answers to the above, we will invest in serving our customers and growing our business.

Here is what we know:

Total loss frequency will continue its 40+ year trend of rising virtually every year. As vehicle complexity increases and repair costs rise, still more cars will be totaled year after year. We are not just passive beneficiaries of these forces – our active cultivation of global buyers and market-leading auction technology generates the returns that cause insurance carriers to total more vehicles. Total loss frequency has grown approximately six-fold in 40 years, not just because repairing a vehicle is less economically attractive, but because totaling a car and auctioning it to the highest bidder worldwide has become *more economically attractive*.

We will invest in our growth internationally. In Germany for example, we are now operating in 12 yards and hosting auctions twice a week. We are achieving record-high returns at our Copart auctions and record-high

spreads in comparison to values provided by listing services who are the incumbent price discovery mechanism for German insurance carriers. We are serving German insurance carriers on a consignment basis and expect to further demonstrate the superiority of the Copart model, both for reduced loss expenses, but also a better policyholder experience.

We will grow our non-insurance business. In Copart's early days, many of the cars we auctioned were sold for their metal content, as a more efficient substitute for de novo metals extraction from the earth. Years later, we sold vehicles that were instead harvested for parts, substantially raising their value. Today, we sell many of our insurance cars as repairable, drivable vehicles. Our member base has become the natural audience for an increasing population of undamaged cars as well. For example, our dealer business continues to grow substantially, a byproduct of our naturally expanding addressable market, as well as our proactive sales efforts. Our auctions create and benefit from the classic flywheel effect – every vehicle we auction, whatever the source, location, vehicle type, age, or condition – invariably supports the outcome of the next vehicle we sell.

We will invest in land, technology, and people. When we announced our 20-20-20 land acquisition project in April 2016, we declared internally and externally our intentions to invest massive resources in expanding capacity. History proves that we were not nearly ambitious enough. In the past five years alone, we have invested more in our land and technology than we did in the preceding 21 years since Copart became a public company.

Copart will continue its commitment to environmental stewardship. We of course adhere to the environmental regulations in the places we do business, but we aspire to do much more. And at our core, our business plays a crucial role in enabling the recycling, refurbishing, and reuse of metals, parts, and vehicles. We'll have much more to say, including on quantifying the benefits of these activities, in future years.

In any other year, I would have written at length about the new additions to Copart's senior leadership team. First, we extend our best wishes to Sean Eldridge, who retired as Copart's Chief Operating Officer after a storybook 30-year career with Copart. I hired Sean at Yard 1 to wash cars – through his intellect, work ethic, selflessness, and leadership skills, he advanced to the senior-most ranks of the company and no doubt played a significant role in making Copart what it is today. I have enjoyed working with you all these years, Sean. Thank you! We promoted Steve Powers, previously Vice President of our Eastern

Division, to become Copart's Chief Operating Officer. I have worked with Steve for 25 years since our acquisition of NER (otherwise known as New England Recovery). Steve leads Copart's operations team, consisting of over 4,500 employees across more than 200 locations, optimizing processes and technology to ensure excellent service for Copart's customers and members. He will no doubt continue to raise the bar in our operations and exceed our customer's expectations. We also hired Scott Booker as our Chief Marketing Officer and Chief Product Officer. Scott leads Copart's efforts to recruit, retain, empower, and serve the company's global member network via robust and strategic web, promotional, public relations, creative and international marketing campaigns. In his product leadership role, Scott is responsible for evaluating, building, and enhancing Copart's product portfolio. Additionally, we are excited to welcome John North as Chief Financial Officer. John leads Copart's finance and accounting functions to help enable the company's ongoing profitable growth. John brings a wealth of prior experience in a 20+ year career in related industries – his judgment, leadership skills, and analytical capabilities will help us achieve our objectives.

These leaders will bring new perspectives and ideas that will contribute to the innovation engine that is core to who we are.

While the world around us has arguably never felt more uncertain, I have never had this much conviction in who we are and where we're going. We have the right values, people, processes, technology, and assets to serve our customers and communities for decades to come. During the financial crisis of 2008-2009, we learned that our business model was recession resistant; in 2020, we learned that we could support our customers and succeed in a global pandemic.

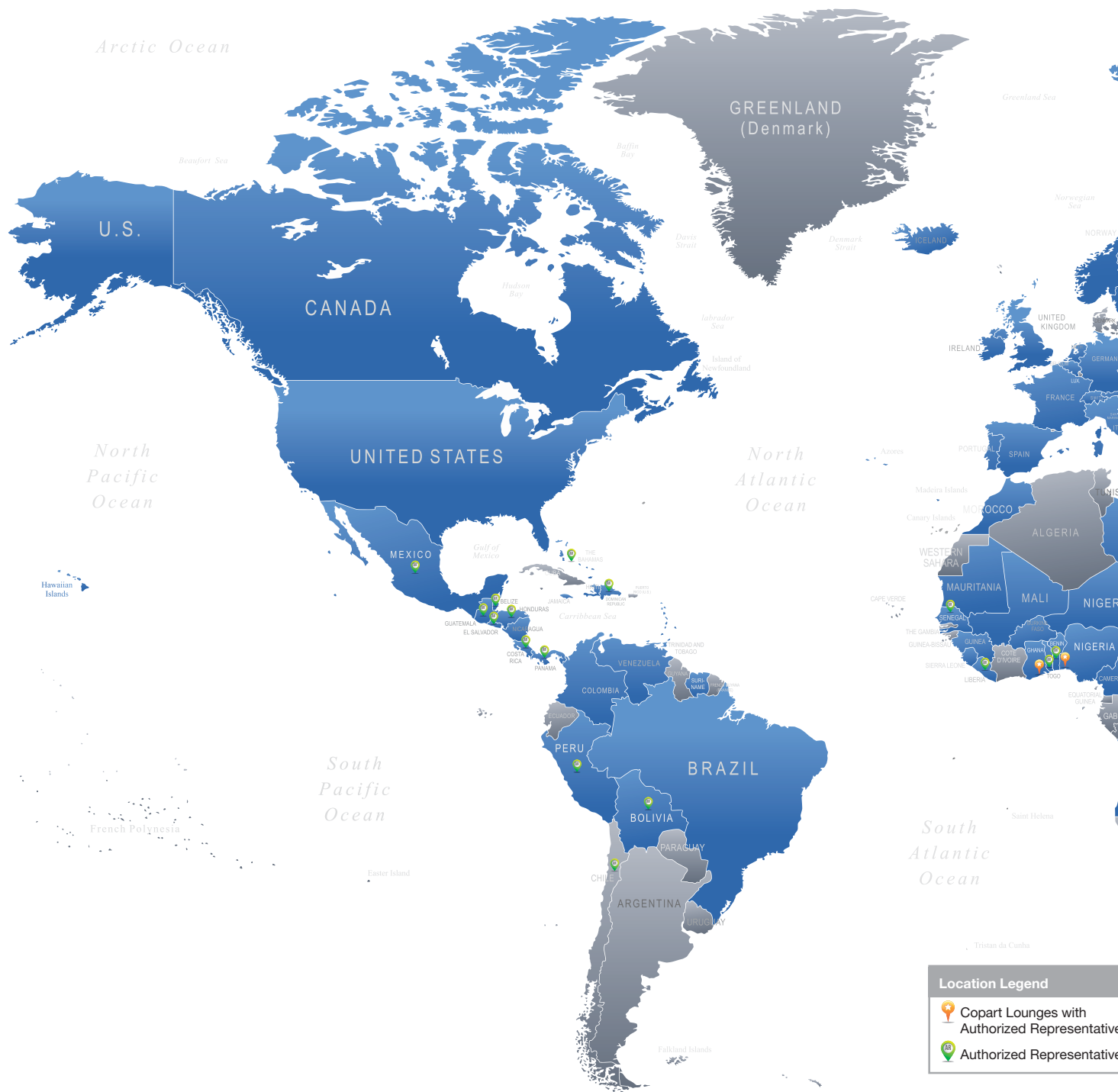
Copart President Jeff Liaw and I thank you for all your continued support, and we thank our employees for their relentless commitment to our customers.



Jay Adair
CEO

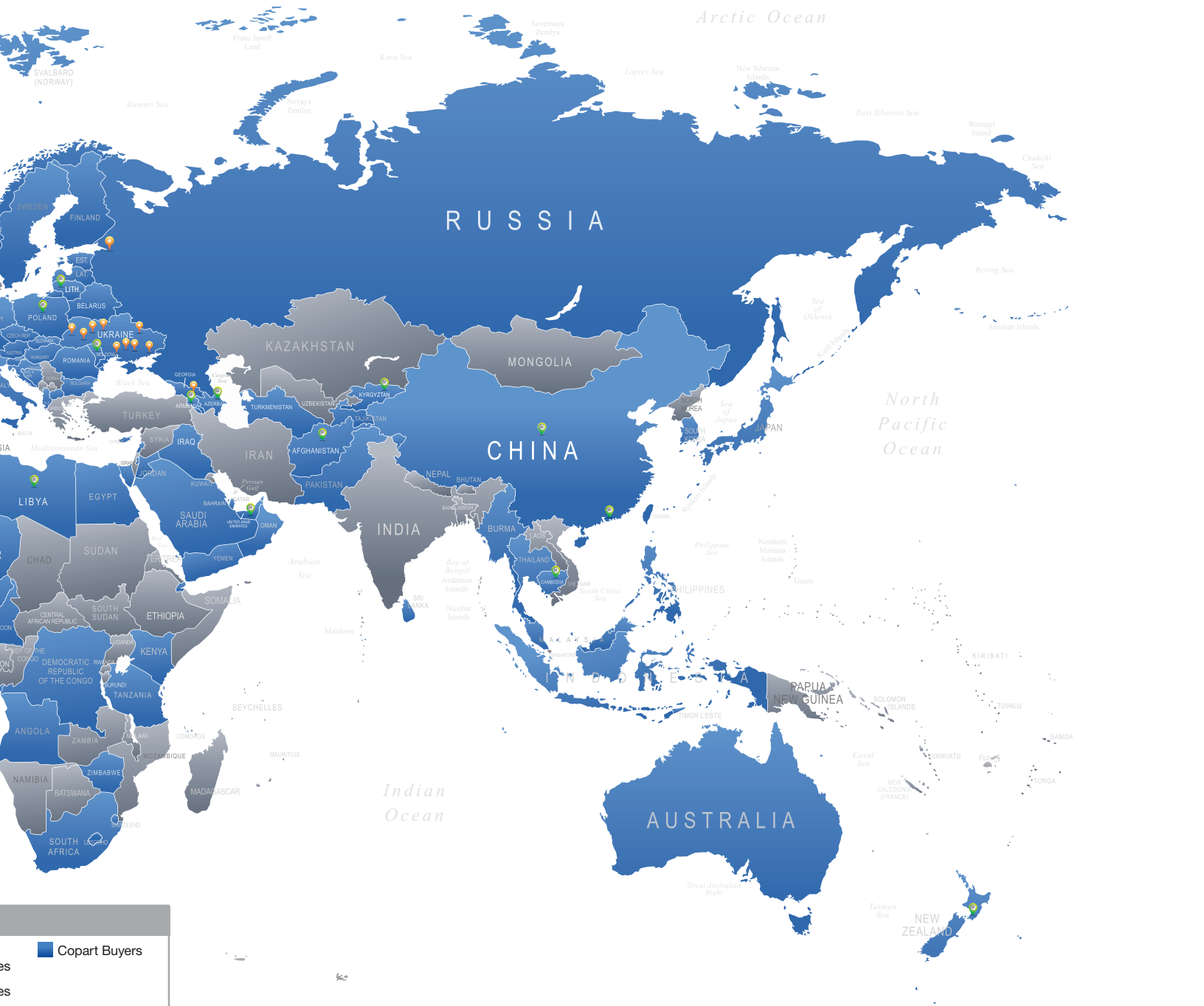


GLOBAL FOOTPRINT





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COPART'S SUCCESS

Geared to Win

Copart was rightly optimistic about being able to continue providing top notch customer service when the world was impacted by COVID-19. Because 100% of Copart auctions were already online, our



E-SIGN E-Signatures

Copart's E-Sign allows vehicle sellers to generate state-approved documents, such as Powers of Attorney and Odometer Disclosures, securely send them to vehicle owners and get them signed for electronic signatures. The benefits to our insurance partners are reduced costs, better compliance, quicker turnaround, and customer satisfaction.

LP^{LOG} Loan Payoff with LOG

Loan Payoff with Letter of Guarantee allows sellers to digitally obtain real-time payoff quotes with per diem and request letters of guarantee from lenders. This saves both insurance carriers and lenders valuable time and resources.

1982

First Copart location opened in Vallejo, California



1982-1993

Copart opens 11 locations in Northern California, Texas and the Pacific Northwest.

1994

Copart became a public company and debuted on the NASDAQ under the symbol "CPRT."

1995



Copart goes nationwide

1996



Copart.com

2008

Copart opens website to the public.

2010

400k+

Member base grows to more than 400,000.

2012

Copart expands international presence to UAE, Brazil and Germany and moved its Global Headquarters to Dallas, Texas

2015

Copart expands international presence to Bahrain and the Sultanate of Oman

members continued to search, bid on and purchase vehicles as usual. We immediately focused on enhancing our existing technology to provide an even safer experience. Below are highlights of new and enhanced offerings for Copart buyers and sellers in Fiscal Year 2020.



Copart's Virtual Queue was developed in March 2020 to provide visitors with a convenient and safe way to secure a place in line while visiting a Copart location. Yard visitors simply scan a QR code at the location entrance or use the Copart Mobile App to join in a virtual line to be helped by a customer service agent.



Copart has accepted online payments via credit card for years. In 2020, we made it easier for our members to pay for their registration by adding Apple Pay, Google Pay and PayPal to the list of accepted payment types.



1998-2001

First to accept proxy bids for online bidding, first to post images online, and first to launch hybrid auction model.

2003

Copart expands to 100 locations, opens its first yard in Canada, and is the first in the industry to launch its proprietary 100% online auction platform, VB2.

2007



Copart expands to the United Kingdom.

2017



Acquires National Powersport Auctions (NPA), one of the top powersport remarketing providers.

2018



Copart expands international presence to Finland.

2019

Copart.com and auction platform refresh

2020



Copart created and adopted Virtual Queue which is an alternative to physical lines for visitors waiting for assistance at locations.

COPART'S NEW AND EXPANDED LOCATIONS IN 2020





Copart, Inc.

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