Copart, Inc. (NASDAQ: CPRT)

Author: Mike Gorlon
Date: 7/19/26
Company: Copart, Inc. (NASDAQ: CPRT)
Recommendation: Buy
Market Capitalization: $25.56B
Enterprise Value: $21.45B
Current Price Per Share: $27.61
Target Price Per Share: $40.25
Expected Return: 46%
Disclosure: I own shares of Copart at the time of writing.

Elevator Pitch

Copart runs online auctions that sell wrecked cars for insurance companies. The stock has been slaughtered recently. It traded as high as around $64 in May 2025 and closed at $27.61 on July 17th, cutting the price by around 56% in about fourteen months.

Several reasons have led to the stock price decline. U.S. insurance volumes have been declining as more drivers drop collision coverage or drive uninsured altogether. The market is afraid that driver-assistance technology and autonomous vehicles will impact the number of vehicles that go through Copart's salvage market. The CEO surprised everyone by resigning in late June, which sent the stock down 8% in a single day. And a lot of money has rotated into chip and AI stocks.

I think each of these issues is either cyclical or temporary, but not structurally damaging to the long-term value of the business. The percentage of insurance claims that resulted in a total loss instead of a repair hit an all-time high of 23.1% in 2025, the U.S. car fleet has never been older at an average age of 12.8 years, and the balance sheet holds $4.2 billion of cash and Treasury bills against essentially no debt.

Management views the stock as undervalued as well since they repurchased $1.6 billion of stock in the first nine months of fiscal 2026. This retired about 4.5% of the share count at an average price of $37.63, which is 36% above today's price. This is a company that famously refuses to buy back stock unless it thinks the stock is cheap.

Meanwhile, Jay Adair, the operator who ran Copart for fourteen years and built its online auction model, is returning as CEO on July 31st. The stock price dropped 8% the day this was announced.

At 12.6x enterprise value to trailing operating income, a multiple last seen around 2016-2017, the price offers a favorable risk/reward setup for a great business with a wide moat that operates in a duopoly and has consistently generated high returns on capital. My target price is $40.25, about 46% above the current price.

Business Summary

When a car gets into a bad accident, the insurance company has to decide whether to repair it or pay the driver what the car was worth before the accident. If the repair estimate exceeds the car's value minus what the wreck can fetch at auction, the insurer declares a total loss, pays the policyholder, and takes ownership of a smashed car it has no use for.

Copart's job is to turn that wrecked car into cash. It tows the car to one of its yards, stores it, handles the title paperwork, photographs it, and auctions it online to its database of roughly one million registered buyers, which include dismantlers, rebuilders, used car dealers, and exporters around the world.

In the U.S., Copart almost never owns the car. It sells the car on consignment as an agent and earns fees, including through its Percentage Incentive Program (PIP), where Copart earns a predetermined percentage of the final auction price. The higher the price the car fetches, the more both Copart and the insurance company make.

In fiscal 2025, 85% of revenue was service revenue rather than vehicle purchases, and 81% of vehicles processed came from insurance company sellers. The rest come from banks, fleet operators, rental companies, dealers, charities, and individuals.

Willis Johnson, a Vietnam veteran who grew up working in his father's junkyard, founded the company in 1982. He grew the company into a global marketplace that processes over 4 million vehicles a year across more than 250 facilities in 11 countries, sitting on thousands of acres of land that the company mostly owns.

Exhibit A: Consolidated Results

($M)	FY 2023	FY 2024	FY 2025	TTM (Apr 2026)
Service revenues	3,198.1	3,561.0	3,968.7	3,956.2
Vehicle sales	671.4	675.8	678.3	682.7
Total revenue	3,869.5	4,236.8	4,647.0	4,638.9
Operating income	1,486.6	1,572.0	1,696.7	1,696.3
Operating margin	38.4%	37.1%	36.5%	36.6%
Net income	1,237.7	1,363.0	1,552.4	1,553.2

Source: Company Filings

Business Segments

Copart reports in two segments: United States and International.

United States - The U.S. segment produced $3.86 billion of revenue and $1.48 billion of operating income in fiscal 2025, a 38.4% segment margin. About 90% of U.S. revenue is service fees earned on consignment, which means Copart takes essentially no inventory risk. The segment also includes the growing non-insurance business: Blue Car for banks, fleets, and rental companies; Copart Dealer Services for franchise

and independent dealers; National Powersport Auctions for motorcycles and powersports; and Purple Wave, an equipment auction company Copart has invested in.

International - This segment consists of Copart's operations in the U.K., Canada, Brazil, Germany, Spain, Ireland, Finland, the U.A.E., Oman, and Bahrain. Historically, much of the international business ran on a purchase model, where Copart buys the wrecked car outright and resells it for its own account, which is lower margin and carries inventory risk. The long game has been converting these markets to the U.S.-style consignment model, and this is finally starting to work, particularly in Germany, where insurers are shifting from purchase contracts to consignment.

International operating income grew 50% in fiscal 2025 to $215.8 million, and in the most recent quarter international revenue grew 6.1%. While the U.S. digests its volume headwinds, the international segment is growing.

Exhibit B: Fiscal 2025 Segment Results

($M)	United States	International	Total
Revenue	3,855.1	791.9	4,647.0
Operating income	1,480.9	215.8	1,696.7
Operating margin	38.4%	27.3%	36.5%

Source: Company Filings

Why the Stock Is Down

The stock is down roughly 56% from the levels it traded at in May 2025 and sits right above its 52-week low even though trailing revenue and operating income are at or near record highs. Several things compounded on each other to make this happen:

1. U.S. insurance volumes are declining - U.S. insurance-assigned unit volume fell 4.2% in the most recent quarter, and the market is worried the declines are permanent.

2. Collision insurance is falling - Premiums rose so much over the past several years that a growing share of drivers dropped collision coverage or insurance entirely, which shrinks the funnel of cars that flow into Copart's auctions.

3. AI and autonomous vehicle fears - The market is derating anything it believes is on the wrong side of AI. For Copart, the fear is that driver-assistance systems and eventually robotaxis will reduce accidents until the salvage industry collapses. When the stock traded around $64 in May 2025 and AI fears started mounting, the stock price started dropping along with SaaS companies. Although companies are testing AV vehicles in various towns, we are far from the roads being populated with AV vehicles at the expense of driver-owned vehicles.

4. The CEO resigned unexpectedly - On June 29, 2026, Copart announced CEO Jeff Liaw will step down July 31st. The stock fell 8% in one session to its 52-week low. A surprise CEO change layered on top of soft volumes gave bears a clean narrative that the board sees something it doesn't like.

Each of these four headline issues will get its own section below after looking at the moat and management.

Moat

Copart's moat has two layers: land and network effects from its VB3 online auction system.

Land - Storing hundreds of thousands of wrecked cars requires enormous amounts of zoned, permitted land near population centers, and nobody wants a junkyard next door. Getting new salvage yards permitted is a multi-year fight against not-in-my-backyard opposition. This makes existing permitted acreage nearly impossible to replicate.

Copart owns more than 90% of the land it operates on. This is in contrast to its main competitor IAA, which historically leased land to look capital-light for Wall Street and now deals with rising rents. Owned land also gives Copart surge capacity for catastrophes. It maintains mega yards in storm-prone regions that sit largely idle until a hurricane hits, at which point they absorb tens of thousands of flooded cars.

After Hurricane Katrina, Copart absorbed the towing and labor costs itself rather than passing them to customers, and even leased part of a yard to its competitor. Here is what the company told shareholders at the time:

> *"We feel that the costs we absorbed will pay off in the future. When another catastrophe hits, our customers know without reservation we will see them through - we will answer their call for help. That's a value they can't afford to do without."*

Network effects - Copart's auctions attract roughly one million registered buyers globally. International buyers represent more than a third of the volume sold at U.S. auctions and nearly half of auction proceeds. A dismantler in Lithuania or a rebuilder in Nigeria bidding on a wreck in Texas raises the price the insurance company receives, and under the company's Percentage Incentive Program, Copart's fee rises with it. More buyers mean higher recoveries, higher recoveries attract more sellers, and more sellers attract more buyers.

A startup cannot bootstrap that loop, and the buyer network is precisely what makes insurers reluctant to move volume. Analysts estimate Copart holds roughly 45-50% of the U.S. salvage market versus roughly 30-35% for IAA, and Copart's returns on invested capital have consistently run well above its competitor's.

It's important to note the one natural limit on the moat. Insurance carriers want a duopoly, not a monopoly. Large carriers like State Farm have historically been willing to steer volume to IAA simply to keep negotiating leverage. That caps Copart's market share, but it also means the industry structure is stable and rational. Investors still get half of a duopoly that earns 37% operating margins and 30% returns on invested capital.

CEO Background and Experience

You can't understand Copart without understanding its founder. Willis Johnson grew up dismantling cars in his father's junkyard, served in Vietnam where he earned a Purple Heart, and came home to buy his own dismantling yard. He lived in a trailer on the property with his wife to save money.

He was an operator with unusual instincts. He spent $110,000 on a computer system to track parts inventory in the 1970s because he realized data would tell him which parts made money. In 1982, he bought an auction company for $1 million and Copart was born. He took the company public in 1994 and insisted, against Wall Street's preference, on owning the land under his yards. That decision is a big part of the moat today.

Jay Adair joined Copart in 1989 at age 19 while dating Johnson's daughter, whom he later married. He became President in 1996 and CEO in February 2010, running the company for fourteen years. Adair is the one who pushed Copart onto the internet, launching virtual bidding in 2001 and killing physical auctions entirely in 2003. This was a bet that the rest of the industry thought was crazy at the time but then spent two decades trying to copy.

During Jay's tenure as CEO, revenue grew from under $800 million to over $4.2 billion. He also showed he knows what to do when the stock gets cheap. In 2011, Copart issued its first-ever debt, $400 million, specifically to fund a tender offer that repurchased shares at $38 per share (pre-stock split). Adair has lots of his wealth in Copart stock, so his incentives are aligned with shareholders.

Exhibit C: Security Ownership for Jay Adair

Name and Address of Beneficial Owner[1]	Number of Shares Beneficially Owned	Percent of Total Shares Outstanding[2]
5% or more beneficial owners, executive officers and directors:		
The Vanguard Group[3]	99,099,835	10.24%
BlackRock, Inc.[4]	58,210,940	6.01%
Willis J. Johnson[5]	55,695,395	5.75%
A. Jayson Adair[6]	30,561,732	3.14%
Matt Blunt[7]	105,861	*
Steven D. Cohan[8]	305,957	*
Daniel J. Englander[9]	1,260,813	*
Stephen Fisher[10]	45,861	*
Cherylyn Harley LeBon[11]	145,861	*
Jeffrey Liaw[12]	3,298,828	*
James E. Meeks[13]	455,861	*
Diane M. Morefield[14]	255,861	*
Thomas N. Tryforos[15]	1,327,496	*
Carl D. Sparks[16]	145,861	*
Leah C. Stearns[17]	348,000	*
All directors and executive officers as a group (13 persons)[18]	93,963,387	9.60%

Source: Company Filings

Jeff Liaw joined as CFO in 2016, became co-CEO alongside Adair in 2022, and sole CEO in 2024. The company achieved all-time high transaction values, average selling prices, and auction liquidity when he was CEO. His resignation, which I cover in its own section below, is the reason Adair is coming back on July 31, 2026.

The succession picture here is unusual in a good way. The returning CEO is a 37-year veteran and major shareholder who has already run the company successfully for fourteen years. This is not a board reaching for an outsider. This is someone who knows the business very well.

Insurance Volume Declines

In the third quarter of fiscal 2026 (ended April 30, 2026), global insurance unit volume fell 2.7% and U.S. insurance units fell 4.2% year-over-year. In the first quarter, U.S. insurance units were down 9.5%, though that quarter was lapping the one-time volume surge from hurricanes Helene and Milton a year earlier. Nine-month U.S. service revenue declined 2.1%, driven by lower volume and the hurricane comparison.

Why are volumes down? Fewer insured cars mean fewer insurance claims, which means fewer total loss vehicles flowing into Copart's auctions. Management cited ISS Fast Track data on the last earnings call showing that earned car years, which is essentially a count of how much insured vehicle coverage exists, declined 4% year-over-year in the fourth calendar quarter of 2025 even as vehicles in operation grew 1.4%. In other words, the car fleet is growing while the insured car fleet is shrinking. Management believes this divergence is evidence that drivers are pulling back on insurance coverage (discussed in the next section).

There is also a self-inflicted component that I consider healthy though. Copart has been deliberately pruning low-value units, such as charity and municipality cars, and routing some low-value vehicles through a direct-buy channel that skips the yard entirely to save transportation and storage costs.

Now here is what the unit count hides. Pricing is doing the heavy lifting. U.S. insurance average selling prices rose 4.1% in the third quarter to a seasonally adjusted all-time record. Because Copart's fees scale with the selling price, revenue per car is rising fast enough that third-quarter revenue still grew 2.1% and operating margin expanded to 37.5% despite the volume decline.

Here is what CEO Jeff Liaw said on the Q3 earnings call about why Copart's auctions outperform:

> *"Today, for U.S. insurance sellers at Copart, the mix of pure sale units is at all-time highs. We estimate that our pure sale insurance volume is literally an order of magnitude higher than what is available at other similar platforms."*

Pure sale means no-reserve auctions, and buyers bid more aggressively when they know the car will actually sell. Keep in mind also that the volume weakness is a U.S. insurance phenomenon, not a company-wide one. International units grew 5.9% last quarter and total loss frequency, which is the long-term engine of this business, hit a record 23.1% of claims in 2025.

The cars that do get into serious accidents are more likely than ever to end up at a Copart auction. The question is whether the shrinking insured-driver pool is permanent or cyclical, which brings me to the next section.

Exhibit D: Q3 Fiscal 2026 Snapshot (Quarter Ended April 30, 2026)

Metric	Q3 FY26
Total revenue growth	+2.1%
Operating margin	37.5%
U.S. insurance unit volume	-4.2%
Global insurance unit volume	-2.7%
U.S. insurance average selling price	+4.1% (record)
International unit volume	+5.9%
International revenue growth	+14.1%

Source: Company Filings

Collision Insurance Penetration Concerns

The reason insurance volumes are falling is not that Americans stopped crashing cars. It is that a growing share of accidents happens outside the insurance system. Auto insurance premiums went through a brutal inflation cycle over the past several years, and consumers responded by dropping or reducing their coverage.

The Insurance Information Institute estimates the share of uninsured motorists climbed from 11.6% in 2019 to 15.4% in 2023, and the Insurance Research Council estimates that uninsured plus underinsured drivers combined reached 33.4% of the driving population in 2023. Roughly a quarter of consumers reported downgrading or dropping coverage in 2025, and about 26% of policyholders now carry deductibles above $1,000.

When an uninsured or liability-only driver wrecks his or her car, there is no collision claim for their car, no total loss determination, and no consignment to Copart. The bear case treats this as the new normal. I think it's cyclical, and I'd point to three things.

First, insurance is not optional in the way the bears imply. Nearly every state legally requires liability coverage, lenders require full coverage on financed cars, and households that dropped coverage to save money tend to restore it when premiums stabilize.

Second, premiums are already moderating. A report from Insurify showed average car insurance prices actually declined about 6% in 2025, the first meaningful relief in years, and regulators in large states like Florida have begun approving rate reductions.

Third, the vehicles that skip the insurance funnel don't vanish. They age, break, and eventually get scrapped. Copart has been building the direct-buy and non-insurance channels to capture exactly this population.

Management has consistently characterized the uninsured-motorist swing as cyclical. The timing of the reversal isn't knowable but investors who are able to wait, should benefit when the reversal does happen.

AI/AV

Advanced driver-assistance systems (ADAS) like automatic emergency braking are already reducing crash frequency. If autonomous vehicles eventually dominate the roads, accidents could decline to the point where the salvage funnel dries up. On top of that, in a market where capital is stampeding into AI beneficiaries, a physical-world auction company gets tossed into the "AI loser" bucket by default.

Here is why I don't think the fear fits this particular company. Start with the fleet math. There are roughly 289 million light vehicles on U.S. roads and only 15 to 18 million new cars sold per year, so even if every new car sold starting today were fully autonomous, it would take 17 to 20 years to turn over the fleet.

Actual Level 4 robotaxi penetration is below 1% of the fleet and will likely remain in the single digits through 2030. Meanwhile, the average car on the road is a record 12.8 years old, and roughly six in ten vehicles are twelve years or older. The salvage pool for the next decade is already built, sitting in driveways, and it contains no self-driving cars.

Second, this movie has been playing for nearly four decades and Copart grew through all of it. Crash frequency per mile driven has fallen steadily since 1988, from 3.9 crashes per million vehicle miles traveled to 2.1, thanks to ABS, stability control, airbags, and now ADAS.

Over that same period, total loss frequency went from roughly 4% of claims in 1980 to a record 23.1% in 2025. Why? Severity of the totaled car. The same sensors that prevent fender benders make the crashes that do happen much more expensive to repair.

ADAS calibrations now show up on 28.3% of repairable appraisals, up about 30% in a single year, and a bumper full of radar modules turns a minor collision into an economic total loss. Fewer accidents, but a higher share of them totaled, has been a net tailwind. And I expect this to hold until autonomy can prevent the high-severity crashes, which remains far away from where we are today.

Third, when an autonomous vehicle does crash, the high cost of the technology inside the car could make it more likely to be totaled. Tesla cars have been reaching Copart’s salvage market but Waymo cars haven’t. Waymo cars make up a very small percentage of cars on the road and are not where they need to be safety-wise to populate the entire road.

Finally, on the AI side specifically, Copart isn't a per-seat software vendor whose data can be scraped or whose interface can be commoditized by an LLM. Its assets are permitted land, tow logistics, title-processing operations, and a million-buyer marketplace. There are no seats to cut, nothing to scrape, and the network effect that Copart already has makes it hard for a new company to develop a new online

auction market and convince buyers and sellers to change platforms. The high cost of figuring out where to store the cars while they're auctioned is also too cumbersome for an upstart to deal with.

There has been a lot of money flowing into chip stocks that are associated with the AI buildout. Memory makers like Micron and SanDisk have seen their stocks more than triple just this year alone. This money has mostly fled SAAS companies but also any company that the market believes is vulnerable to being disrupted by AI.

Copart is getting included in this category since their VB3 online auction system may seem ripe for disruption but the market is missing the land that is needed to store the cars after they are totaled. This storage is a large upfront cost that new entrants won't be willing to take on. Therefore, I expect the duopoly to remain in place and for funds to flow back into companies like Copart when funds leave the AI infrastructure buildout trade.

CEO Resignation

On June 29, 2026, Copart announced that CEO Jeff Liaw will step down effective July 31st. Executive Chairman Jay Adair will return to the CEO role he held from 2010 to 2024. The stock fell 8% that day to $28.10, a 52-week low. The market read it as a board firing dressed up in polite language, and when a CEO departs on the heels of soft volumes, I understand why people sell first and ask questions later.

But there are some signs that indicate this transition isn't going to be a hostile one since Jeff Liaw isn't disappearing. He will stay on as a Special Advisor through July 2027 to manage the transition. Adair also went out of his way to credit him publicly and indicated they live close to each other and are on friendly terms.

Companies getting rid of an executive for cause don't keep him around for a year and praise his record. What we end up having is an operator who knows the business very well - who is also a major shareholder - returning to the CEO role. The stock is trading where it traded in 2022 while revenue has grown to $4.6 billion today compared to $3.5 billion in 2022, and operating income has grown to $1.7 billion today compared to $1.37 billion in 2022.

The company has $4.2 billion of cash and 282 million shares still authorized for repurchase. When Jay was CEO in 2011, he borrowed money to buy back shares at what proved to be a bargain price. This time he already has the cash on hand, so he doesn't need to borrow money.

It is likely that he will continue to buy back shares at what I believe to be a very undervalued stock price. So while the Street is paying too much attention to the transition and the short-term ramifications that could have led up to the transition, I see the most experienced person available for the job returning.

Valuation

Trailing twelve-month revenue through April 30, 2026 is $4.64 billion, operating income is $1.7 billion, and net income is $1.55 billion. At $27.61 with 925.75 million shares outstanding, the market cap is $25.56 billion. Backing out $4.2 billion of cash and Treasury bills against essentially no debt (the $1.25 billion

revolver is undrawn and lease liabilities are roughly $93 million) gives an enterprise value of about $21.45 billion.

That works out to roughly 12.6x enterprise value to trailing operating income and 16.5x market cap to trailing earnings, for a business with a ten-year average P/E around 32x. You have to go back to around 2016 to find Copart at a comparable EV-to-operating-income multiple, and it is no coincidence that 2016-2017 was the last time management spent heavily on buybacks before this year.

For my target price, I take FY 2025 EPS of around $1.61 and project flat growth to arrive at FY 2026 estimates of around $1.61 per share. I project a recovery in FY 2027 and beyond. For this year, I expect a rerating of the multiple from its current TTM P/E multiple of 17x to 25x due to rotation out of AI chip stocks and signs of a recovery in insurance volumes in FY 2027. A P/E multiple of 25x on $1.61 earnings results in a target price of $40.25 per share or a 46% return over the next year.

Conclusion

The stock is trading at where it traded at four years ago while trailing operating income sits at a record, total loss frequency just made an all-time high at 23.1%, the U.S. fleet has never been older, and the international segment grew operating income 50% last year.

The company bought back $1.6 billion of stock in nine months, its most aggressive repurchasing ever, at an average price 36% above where the stock trades today, and 282 million shares remain authorized. The balance sheet holds $4.2 billion of net cash.

Jay Adair, who ran the company for fourteen years and once borrowed money to retire shares when the stock got this cheap, takes back the CEO seat on July 31st. The next data point is the fiscal fourth-quarter report in early September. If the U.S. insurance unit decline narrows from Q3's 4.2%, the cyclical thesis gets closer to being confirmed and the multiple has a lot of room to rerate. Chip stocks related to the AI buildout are starting to see their stock prices drop, which could set up a rotation that I expect Copart to benefit from.

Insurance volume softness is a coverage cycle, not a broken funnel. The AI/AV fear is overblown since Level 4 autonomous vehicles are at least a decade out at this point. The CEO change puts a proven owner-operator back in charge.

At 12.6x EV-to-operating income for half of a duopoly with 37% margins and a fortress balance sheet, the risk/reward is skewed in the long's favor. My price target is $40.25.