Copart (CPRT) Investment Analysis Report

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Executive Summary

Investment Overview

Copart, Inc. is the global leader in online salvage vehicle auctions, operating an extensive yard and logistics infrastructure paired with its proprietary digital auction platform. The stock has developed an almost cult-like following and is considered to have one of the widest moats of any company. The business has long been viewed as a high-quality compounder with robust returns, consistent growth, and durable market position. However, **our analysis of Copart's fundamentals and competitive positioning leads us to conclude that Copart shares are not an attractive investment at their current valuation.**

While Copart remains a best-in-class operator with enviable structural characteristics, the margin of safety has eroded. The stock is pricing in near-perfect execution, sustained growth, and stable insurer relationships. Given the risk of insurer concentration, the potential for competitive pressure from Insurance Auto Auctions ("IAA"), and narrowing operational gaps, we believe the risk of a structural impairment to Copart's earnings power is not adequately reflected in the stock price.

Business Overview

Founded in 1982, Copart has developed a hybrid business model integrating physical real estate (storage yards, logistics infrastructure) with a proprietary online auction platform. This allows Copart to connect sellers (insurers, dealers, fleet owners, consumers) with over 800,000 buyers worldwide.

Primary Supply Sources

1. **Insurance Total Loss Vehicles:** Core volume driver, as insurers dispose of vehicles that are uneconomical to repair.
2. **Non-Insurance Vehicles:** Dealer aged inventory, fleet cars, repossessions, and direct consumer sales.
3. **International Operations:** Copart has expanded to Canada, the UK, Germany, Spain, Brazil, and the Middle East, exporting its model abroad.

Role in Insurance Ecosystem
Copart enables insurers to quickly liquidate total-loss vehicles, recover residual value, and streamline claims cycles. It also provides buyers (repairers, dismantlers, exporters) with consistent access to salvage inventory.

Competitive Advantages

Structural Assets

- **Owned Real Estate:** Copart owns the majority of its yards, giving it long-term cost advantages and expansion flexibility.

- **Global Buyer Base:** International demand for U.S. salvage vehicles supports strong auction prices.

Scale and Network Effects

- Copart's density of yards and scale of operations create efficiencies in logistics and auction liquidity.
- However, our analysis indicates that **Copart's geographic footprint versus IAA is not as decisive as often assumed**. In many major metropolitan areas, IAA's yards are comparable in proximity to crash locations, diminishing Copart's perceived physical advantage.

Operational Performance

- Historically, Copart has achieved higher recovery rates and faster cycle times.
- Recent evidence suggests that IAA has closed much of this gap, and residual differences are modest enough to be competed away through pricing and service incentives.

Conclusion: Copart retains meaningful advantages, but its moat relative to IAA is narrower than widely believed.

Capital Allocation & Management

Copart's capital allocation has historically focused on acquiring land, building yards, and expanding internationally. This strategy has produced strong returns as yard ownership compounds value over decades.

- **Balance Sheet:** Conservative, with minimal debt and substantial owned real estate.
- **Shareholder Returns:** Minimal dividends, occasional repurchases. At today's valuation, buybacks are less accretive.
- **Reinvestment:** Yard acquisition remains the primary reinvestment channel, but diminishing incremental returns are possible as competition equalizes service levels.

Industry Overview

The salvage remarketing industry is underpinned by structural drivers:

- **Total-Loss Frequency:** Rising vehicle complexity and repair costs increase the percentages of vehicles deemed total losses.
- **Catastrophe Events:** Hurricanes, floods, hail, and wildfires drive episodic surges in salvage supply.
- **Duopolistic Market:** North America is dominated by Copart and IAA, with high barriers to entry due to land, zoning, environmental, and logistical requirements. Our research indicates that the combined market share between Copart and IAA is ~90%.

While the industry has favorable long-term characteristics, insurer concentration creates negotiation leverage. Large insurers allocate business based on performance, fees, and recovery rates, meaning share can shift between Copart and IAA.

Growth Opportunities

1. **Non-Insurance Supply Expansion:** Opportunities exist to increase penetration of dealer, fleet, and finance vehicles, though competition is active in these segments.
2. **International Expansion:** Copart has pursued selective international markets, but execution complexity and regulatory requirements limit pace.
3. **Technology and Services:** Data analytics, imaging, and cycle-time management create incremental value but are not unassailable advantages.

Valuation Analysis

Relative Valuation

- Copart trades at approximately 30x PE, a significant premium to the market.
- The premium assumes sustained high-teens growth, limited competitive erosion, and insurer stability.
- Given narrowing competitive differentials and real insurer concentration risk, the multiple looks demanding.

Embedded Expectations

- Current valuation implies **sustained high-teens EPS CAGR**.
- Even modest insurer share loss (e.g., 5 points) could structurally reduce Copart's earnings power by ~10%.

Conclusion: The stock is priced for perfection, leaving little upside and material downside if share shifts or growth slows.

Investment Thesis

Consensus View: Why Copart Trades at a Premium

- Perceived dominant yard footprint and irreplicable network.
- Track record of superior operational outcomes and insurer reliance.
- Long-term growth via non-insurance and international expansion.

Our View: Why We Are Cautious

- **Physical footprint advantage overstated:** IAA's coverage is comparable in key markets.
- **Operational deltas narrowing:** Recovery and cycle-time differences are not structural.

- **Insurer concentration risk material:** High share outside the top two carriers makes Copart vulnerable to shifts.

Thesis Statement: Copart is a high-quality business, but **not an attractive stock at its current valuation**. We recommend patience for a more favorable entry point.

Key Risks

- **Cyclicality:** Accident frequency, miles driven, and macroeconomic trends affect supply.
- **Catastrophe Exposure:** Weather events can both boost and strain operations.
- **Regulatory/Zoning:** Environmental and land use restrictions limit yard expansion.
- **Competition:** IAA is narrowing the gap and can compete aggressively for insurer allocations.
- **Insurer Concentration:** Even small share shifts can impair earnings power.
- **International Execution:** Regulatory and cultural hurdles abroad create uncertainty.

Conclusion

Copart is one of the highest-quality companies in the auto services ecosystem. Its owned yard footprint, global buyer network, and integration into insurer workflows give it durable advantages. Yet, **the moat relative to IAA is not as wide as commonly assumed**, and insurer concentration risk is significant.

Business Overview

Copart runs a digital auction marketplace that brings together vehicle sellers, most notably auto insurers, with a wide network of global buyers such as dismantlers, repair facilities, exporters, and used-car dealers.

Process overview: When an insurance carrier decides that repairing a damaged vehicle is uneconomical, it classifies the car as a "total loss." At that point, the insurer must dispose of the vehicle in a way that maximizes recovery value while ensuring a smooth experience for its policyholder. Copart steps in to manage a large portion of that process: coordinating transport of the vehicle to one of its storage yards, documenting and photographing it, and then posting it for sale on its real-time online auction platform.

Most of these vehicles are sold under a **consignment structure**, meaning Copart never takes title to the car and avoids inventory risk. Instead, the company earns fees from both sides of the transaction, though the bulk comes from buyers. Buyer fees are charged on a sliding scale tied to the vehicle's sale price, for example, our analysis suggests Copart collects roughly 37% on a $2,000 car but closer to 18% on a $6,000 vehicle. Overall, **buyer-paid fees contribute roughly 80–85% of Copart's revenue per transaction.**

(pictured below is a Copart yard with salvage vehicles being stored prior to being sold at auction)

Industry Overview

The salvage auction industry is influenced by three primary factors: miles driven, crash frequency, and total-loss rates.

Miles driven: The relationship here is straightforward: the more people drive, the higher the likelihood of accidents. Historically, vehicle miles traveled (VMT) in the U.S. has increased by roughly 1–2% annually, supported by population growth and greater car usage. In the short run,

however, VMT can swing with macro conditions such as employment trends or fuel prices. For example, fewer commuters during economic downturns or periods of high gas prices can depress driving activity. The U.S. Department of Transportation currently forecasts VMT growth of about 1% annually through 2050. While VMT impacts near-term salvage volumes, over the long run its influence is modest compared to accident rates and total-loss dynamics.

Accident frequency: Crash frequency measures the number of collisions per million miles driven. While safety technology has reduced accidents over decades, the downward trend has largely plateaued in recent years. Gains from airbags, anti-lock braking, and stability control have been counterbalanced by the rise in distracted driving, particularly linked to smartphone use. With smartphone adoption now mature and state enforcement of distracted driving laws becoming more rigorous, many industry observers anticipate accident frequency will resume its gradual decline over time.

Total loss rates: The most important driver of salvage volume is the percentage of claims that insurers classify as total losses. This decision hinges on whether the combined cost of repairs and the expected salvage value exceeds the vehicle's pre-accident market value. Two structural forces are pushing total-loss ratios higher:

1. **Rising repair costs:** Vehicles today are packed with advanced driver-assistance systems, sensors, cameras, and integrated electronics. Even minor collisions can require extensive diagnostics, recalibrations, or specialized labor. Data show that the average repair now involves more parts and labor hours, driving costs up significantly. Longer repair timelines also add indirect costs for insurers, such as extended rental-car coverage.
2. **Improved salvage economics:** Copart's global buyer base has strengthened auction recovery values. Vehicles that might once have been repaired domestically are now more often sold as "constructive totals" to international buyers who can repair them more economically. This shift increases insurer proceeds, making the salvage option more attractive than repair in many borderline cases.

The combination of higher repair costs and deeper demand for salvage vehicles tilts insurer economics toward declaring more cars as total losses. For insurers, this shortens the claims cycle, improves profitability, and reduces customer service headaches tied to lengthy repairs. For Copart, it translates into steadily increasing auction volumes and stronger competitive positioning. For reference, total loss rates essentially doubled from ~11% in 2002 to more than 22% in 2024. Based on the factors discussed, it is expected that total loss rates will continue to climb.

Sizing the salvage auction growth opportunity: Obtaining precise industry data is difficult, as neither Copart nor IAA publicly report vehicle volumes flowing through their networks. To size the opportunity, we rely on information from CCC Intelligent Solutions (CCC), the leading software provider in U.S. auto insurance claims processing.

According to CCC, there were 18 million auto insurance claims filed in 2024, with 22.3% of those claims deemed total losses. That translates to roughly 4 million vehicles classified as uneconomical to repair, effectively defining the core pool of supply available to Copart and IAA.

Industry estimates suggest that around 90% of these total-loss vehicles ultimately enter the two incumbents' yards, underscoring their dominance of the channel.

To frame potential growth, we model future outcomes by flexing total-loss rates. Using CCC's projections as a reference point:

Base Case: If total-loss ratios rise to ~27% by 2030, industry salvage volumes would grow at about a 1% CAGR between 2025 and 2030.

Bull Case: If total-loss ratios increase more aggressively to ~30% over the same horizon, salvage volumes could compound at roughly 2.7% annually.

These scenarios highlight that while the salvage auction industry may not expand rapidly on unit growth alone, modest shifts in total-loss rates can meaningfully influence auction volumes, particularly given the scale of the U.S. insurance claims base.

(Base)	2024	2025E	2026E	2027E	2028E	2029E	2030E
Number of collisions (000s)	18,000	17,640	17,287	16,941	16,603	16,271	15,945
% change		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Total loss rate	22.3%	23.1%	23.8%	24.6%	25.3%	26.1%	26.8%
bps change		75	75	75	75	75	75
Total loss vehicles (000s)	4,014	4,066	4,114	4,159	4,200	4,238	4,273
% change		1.3%	1.2%	1.1%	1.0%	0.9%	0.8%
2025-2030 volume CAGR							
1.0%							

(Bull)	2024	2025E	2026E	2027E	2028E	2029E	2030E
Number of collisions (000s)	18,000	17,640	17,287	16,941	16,603	16,271	15,945
% change		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Total loss rate	22.3%	23.6%	24.8%	26.1%	27.3%	28.6%	29.8%
bps change		125	125	125	125	125	125
Total loss vehicles (000s)	4,014	4,154	4,287	4,413	4,533	4,645	4,752
% change		3.5%	3.2%	2.9%	2.7%	2.5%	2.3%
2025-2030 volume CAGR							
2.7%							

Competitive Landscape

Discussions with industry experts suggest that insurance carriers primarily focus on two overarching criteria when deciding between salvage auction providers: **(1) the "net" return realized on a vehicle, and (2) the provider's ability to perform during catastrophe events.**

Net Proceeds

Net recovery is defined as the auction sale price of a totaled vehicle minus fees, storage, and

other associated expenses, expressed relative to the car's pre-accident market value. Four sub-metrics are particularly important:

1. **Auction Sale Price ("Gross Return"):**
    - This refers to the price achieved at auction for the sold vehicle, before deducting seller fees. Copart often markets its long track record in digital auctions (dating back to 2003) and its broader international buyer base as reasons why its platform delivers higher prices.
    - That said, expert interviews indicate little consistent difference between Copart and IAA in realized sale prices. Given the business-to-business nature of these platforms and the pricing transparency/efficiency of digital auctions, persistent pricing gaps would likely be arbitraged away quickly if they existed.

2. **Seller Fees:**
    - Insurers pay the auction company either a fixed fee per vehicle or a percentage of the sale price. This fee typically covers towing costs, which represent the largest incremental expense in processing a vehicle.
    - Importantly, seller fees account for only about **15–20%** of the auctioneer's total revenue per vehicle. The majority of Copart's revenue per vehicle, around **80–85%**, comes from fees charged to the highly fragmented buyer base. Meanwhile, the seller side is concentrated, with the top 10 insurers controlling roughly three-quarters of the U.S. market. This asymmetry shapes the economics of the industry.

3. **Vehicle Pickup Time:**
    - Timeliness of retrieval is a critical swing factor in insurer economics. After an accident, cars may sit in police lots or body shops where storage charges can easily exceed $100 per day.
    - Delays not only increase costs but also bog down claims resolution. Auction providers that can consistently dispatch tow trucks and remove vehicles quickly help insurers reduce expenses and improve the policyholder experience.

4. **Title Transfer Speed:**
    - Once a vehicle is deemed a total loss, legal transfer of title from the insured to the carrier must be completed before it can be sold. This involves coordination with DMVs, lienholders, and owners, and timelines vary widely by state.
    - Every day the process drags on, the vehicle sits idle, incurring storage costs and losing value (often $3–$5 per day due to weathering and parts deterioration). A provider that can streamline and accelerate title transfer helps insurers preserve recovery values and shorten the overall claims cycle.

Our work suggests that the real operational distinction between Copart and IAA lies in two areas: **the speed at which vehicles are collected** and the **time required to complete title transfers.** According to the former Senior Vice President of Claims at GEICO, the difference in "net yields", defined as auction proceeds minus fees and charges, expressed as a percentage of the vehicle's pre-accident value, has historically been about **100 basis points in Copart's**

favor. Importantly, he also observed that this advantage has been narrowing in recent years as IAA improves its processes.

To illustrate, consider a vehicle with a pre-accident value of $10,000 that ultimately sells for $2,000 at auction. A 100 basis point variation in net yield on that transaction would amount to a $100 swing in insurer recovery. For a large carrier processing roughly $2.5 billion worth of salvage annually, the difference scales to about **$25 million per year.** While that figure is not insignificant, in the context of an insurer's overall claims expense it is relatively modest. Moreover, such gaps can often be offset if an auction provider is willing to offer **pricing concessions or other financial incentives** to win or retain business.

Vehicle pre-accident value	$10,000	
	Copart	**IAA**
Sale proceeds at auction ("Gross" Returns)	$2,000	$2,000
% pre-accident value	20%	20%
Charges/Expenses		
Fee paid to auction provider	$125	$125
Storage fees prior to pick up	$100	$150
Days to pick up damaged vehicle ($100 per day)	1	1.5
Decline in vehicle value due to sitting in storage yard	$160	$208
Days for title transfer to be completed ($4 per day)	40	52
Total charges/expenses	**$385**	**$483**
Total charges/expenses as % of pre-accident vehicle value	3.9%	4.8%
"Net" proceeds	**$1,615**	**$1,517**
% pre-accident value	16.2%	15.2%
Delta in performance (Copart vs. IAA)	**1.0%**	
Large insurer annual savings amount ($mm)	$2,500	
Annual savings ($mm)	**$25**	

The following example highlights how the net recovery gap between Copart and IAA shifts if IAA reduces its seller fee to zero. It's important to recognize that the bulk of transaction economics in salvage auctions comes from the fees charged to buyers, not the sellers. Because of this dynamic, auction companies often have flexibility to adjust or even waive seller-side fees as a competitive lever, knowing that securing higher vehicle volumes ultimately drives profitable buyer fee revenue.

Vehicle pre-accident value	$10,000	
	Copart	**IAA**
Sale proceeds at auction ("Gross" Returns)	$2,000	$2,000
% pre-accident value	20%	20%
Charges/Expenses		
Fee paid to auction provider	$125	$0
Storage fees prior to pick up	$100	$150
Days to pick up damaged vehicle ($100 per day)	1	1.5
Decline in vehicle value due to sitting in storage yard	$160	$208
Days for title transfer to be completed ($4 per day)	40	52
Total charges/expenses	**$385**	**$358**
Total charges/expenses as % of pre-accident vehicle value	3.9%	3.6%
"Net" proceeds	**$1,615**	**$1,642**
% pre-accident value	16.2%	16.4%
Delta in performance (Copart vs. IAA)	**-0.3%**	
Large insurer annual savings amount ($mm)	$2,500	
Annual savings ($mm)	**-$7**	

Performance during natural disasters

For insurers, how a salvage partner performs during natural disasters is one of the most important factors in vendor selection. Hurricanes, floods, hailstorms, and wildfires can generate tens of thousands of total-loss vehicles in a matter of days. When this happens, insurers need those cars to be removed, stored, and auctioned with speed and efficiency. Any delay creates significant incremental costs, impound or storage fees can reach hundreds of dollars per vehicle, and also adds friction to the claims process.

The claims experience during a catastrophic event is not just an operational challenge, but also a customer retention issue. Filing a claim is often the most direct touchpoint between a policyholder and their insurer. If the process drags on or feels mishandled, customers may reevaluate their choice of provider. For this reason, insurers view disaster response as a defining moment in maintaining customer trust and loyalty.

Over the past decade, Copart has built a reputation for outperforming IAA during catastrophe events. Despite being costly to manage, requiring the rapid mobilization of tow trucks from across the country, temporary storage facilities, and extra staffing, salvage providers do not bill these incremental costs back to insurers. Instead, the industry sees disaster response as a “table stakes” obligation to support insurance partners.

Industry calls highlight that during its time under private equity ownership and later within KAR, IAA consistently underinvested in catastrophe preparedness. This led to repeated operational

failures that caused insurers to shift volume toward Copart. One of the clearest examples is GEICO, the third-largest auto insurer in the U.S., which migrated its business from IAA to Copart after multiple missteps by IAA.

The former Senior Vice President of Claims at GEICO summarized the issue bluntly:

> "(IAA) They're bogged down in numbers, and they may not necessarily want to spend money that needs to be spent in order to make things happen…you get to 2016, and the industry experiences another catastrophe. Not nearly what Katrina, Sandy, some of these other things I've alluded to are, but a catastrophe nonetheless. A lot of rain in Baton Rouge, Louisiana…Everybody springs into action, everybody has a CAT (catastrophe) plan…Everybody has a CAT plan, the carriers have one, the auctioneers have one, and everybody springs into action…As we figured out that neither IAA nor Copart had an immediate good amount of land nearby, they both went off and executed their own CAT plan to get more land near one of their yards, which was very close to, let's call it ground zero…IAA got land. If you just imagine a city and you went 15 miles south of the city and you said, 'That's ground zero', IAA got land about 10 miles north of the city. You wind up with a lot of travel time for tow trucks to get to and from the drop off point. You're going south of the city and you're picking up cars and you're bringing north of the city and it could be 40 minutes round trip. If you're picking up 30,000, 40,000 cars for the industry and you're going that kind of distance and that kind of traffic not on an interstate, it's going to take you a long time. That fumble by IAA on land became even worse because they didn't have enough trucks. We, the industry, had seen them fumble with tow trucks before."

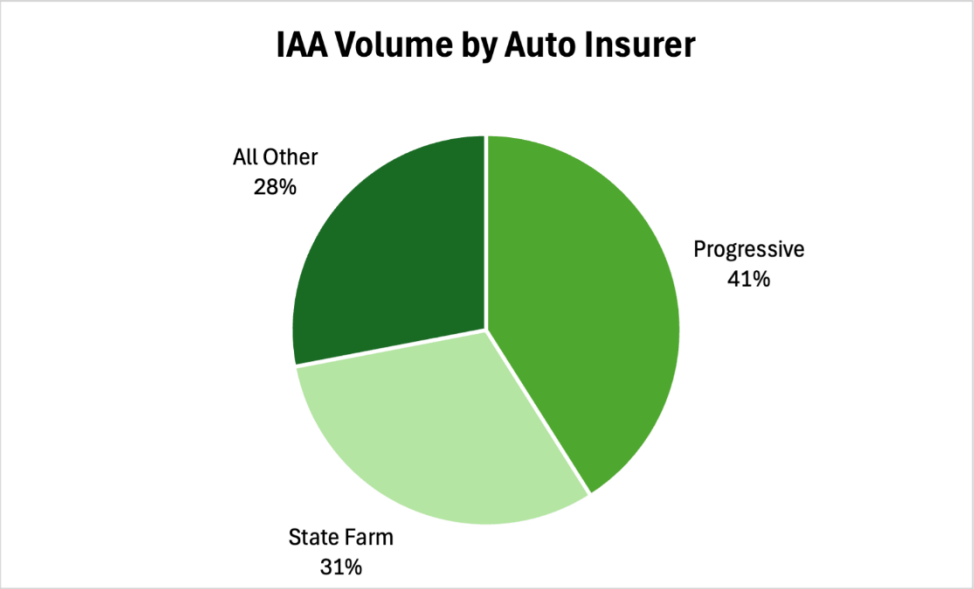
Market share scenario analysis

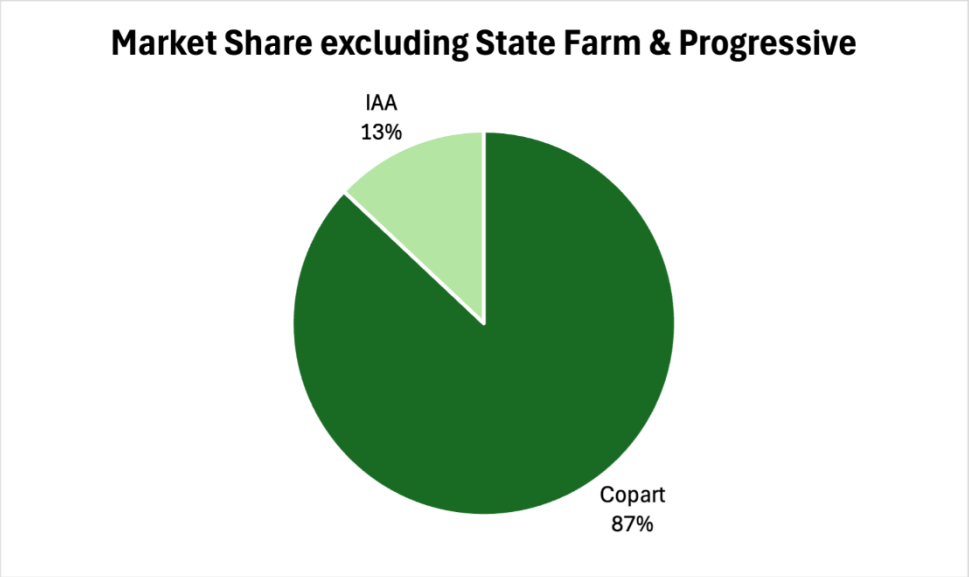
Through a mix of expert interviews and company disclosures, we compiled a view of Copart's and IAA's relationships with the top 25 U.S. auto insurers. Market share data from the National Association of Insurance Commissioners highlights just how concentrated the industry is: the **top 10 carriers represent more than three-quarters of the market**, while the **largest 25 carriers control close to 90%**.

RANK	GROUP/ COMPANY CODE	GROUP/COMPANY NAME	DIRECT PREMIUMS WRITTEN	DIRECT PREMIUMS EARNED	DIRECT LOSS TO EP RATIO[1]	DIRECT LOSS & DCC TO EP RATIO[2]	MARKET SHARE %	CUMULATIVE MARKET SHARE %[3]
1	176	STATE FARM GRP	67,754,117,585	65,850,852,141	73.91	77.28	18.87	18.87
2	155	PROGRESSIVE GRP	60,053,469,078	56,789,379,487	60.54	62.11	16.72	35.59
3	31	BERKSHIRE HATHAWAY GRP	41,764,021,113	41,327,519,797	65.72	67.15	11.63	47.23
4	8	ALLSTATE INS GRP	36,581,811,847	35,617,593,273	65.85	67.64	10.19	57.41
5	200	UNITED SERV AUTOMOBILE ASSN GRP	22,135,830,430	21,763,069,325	64.61	66.47	6.16	63.58
6	69	FARMERS INS GRP	13,492,655,158	13,661,692,619	58.30	59.80	3.76	67.34
7	111	LIBERTY MUT GRP	11,741,470,804	12,656,807,288	57.42	59.75	3.27	70.61
8	3548	TRAVELERS GRP	7,184,379,064	7,003,218,963	61.03	63.78	2.00	72.61
9	1318	AUTO CLUB ENTERPRISES INS GRP	6,465,136,944	6,081,770,841	74.33	76.37	1.80	74.41
10	473	AMERICAN FAMILY INS GRP	6,174,180,283	6,128,786,653	64.76	66.08	1.72	76.13
11	280	AUTO OWNERS GRP	5,179,378,655	4,800,504,716	64.89	68.51	1.44	77.57
12	213	ERIE INS GRP	5,007,234,077	4,652,937,712	82.06	83.78	1.39	78.96
13	140	NATIONWIDE CORP GRP	4,800,874,679	5,055,280,241	60.92	63.02	1.34	80.30
14	1278	CSAA INS GRP	4,759,666,515	4,341,074,138	70.22	71.70	1.33	81.63
15	660	MERCURY GEN GRP	3,371,806,198	3,259,393,260	61.97	65.26	0.94	82.57
16	169	SENTRY INS GRP	3,104,477,047	2,981,093,131	56.62	59.00	0.86	83.43
17	215	KEMPER CORP GRP	2,961,550,274	2,991,412,709	57.80	60.66	0.82	84.25
18	55	AUTOMOBILE CLUB MI GRP	2,623,117,386	2,564,473,132	79.92	83.13	0.73	84.99
19	91	HARTFORD FIRE & CAS GRP	2,335,109,999	2,285,904,339	67.70	69.67	0.65	85.64
20	785	MARKEL GRP	1,614,950,698	1,558,279,070	70.92	74.05	0.45	86.09
21	28	AMICA MUT GRP	1,592,129,823	1,547,462,151	63.33	67.19	0.44	86.53
22	50	COUNTRY INS & FIN SERV GRP	1,591,701,868	1,541,498,604	61.24	61.78	0.44	86.97
23	123	SHELTER INS GRP	1,576,042,350	1,523,082,969	67.88	69.53	0.44	87.41
24	483	SOUTHERN FARM BUREAU CAS GRP	1,574,385,950	1,544,549,872	62.87	64.33	0.44	87.85
25	708	NEW JERSEY MANUFACTURERS GRP	1,526,135,174	1,416,842,684	85.51	94.96	0.43	88.27
		INDUSTRY TOTAL	359,067,882,674	349,927,297,942	66.05	68.22	100.00	100.00

Within salvage auctions, Copart is estimated to hold about **70% share**, leaving IAA with roughly **30%**. However, these headline numbers mask Copart's true dominance. Of the 25 largest insurers, Copart has **exclusive partnerships with 21**, with the two major exceptions being State Farm and Progressive, the industry's largest players. State Farm splits its business evenly between Copart and IAA, while Progressive allocates approximately 75% to IAA and 25% to Copart.

These two insurers alone account for the majority of IAA's volumes. By our estimates, **State Farm and Progressive represent about 72% of IAA's business by volume.** Stripping those out, Copart commands nearly all of the rest of the market, with an effective share of **roughly 87%** among the other top carriers. Put differently, outside of State Farm and Progressive, Copart is essentially operating as a monopoly.





We believe Copart's overwhelming share of business from insurers outside of State Farm and Progressive creates **structural vulnerabilities rather than incremental upside.** Two forces in particular could reshape volumes:

1. The continued expansion of **State Farm and Progressive** within the U.S. auto insurance market.
2. The potential erosion of Copart's **quasi-monopoly** among the remainder of the industry.

To illustrate the sensitivity:

- For every **1 percentage point of U.S. auto insurance market share gained by Progressive**, we estimate Copart's auction volumes face a roughly **90 bps decline.**
- For every **point gained by State Farm**, the corresponding drag is about **50 bps.**

Because both carriers are already growing at the expense of smaller insurers, Copart's dominant salvage share effectively works against it when mix shifts occur. The market appears to recognize this headwind: following Copart's FYQ3 2025 earnings release on May 22, 2025, the stock sold off by roughly **30% over the subsequent two months**, reflecting investor concern over this dynamic.

A less recognized, but potentially more meaningful, threat to Copart's earnings profile stems from its **extraordinary market share outside of State Farm and Progressive.** Our work suggests that, when those two insurers are excluded, Copart controls roughly **87%** of the salvage auction market. Expert interviews further indicate that the company maintains **exclusive contractual arrangements with 21 of the 23 largest insurers** beyond the top two.

This dominance, however, creates vulnerability. If IAA begins to win back even modest business from these carriers, the impact on Copart's volumes could be material. For example:

- A decline to **80% share** in this group would reduce Copart's total market share from about **70% to 65%.**
- A decline to **72% share** in this group would reduce Copart's total market share to about **60%.**

In short, Copart's near-monopoly among the broader insurance base is a strength today, but even incremental share losses could translate into significant pressure on its reported market share and volumes. The following analysis illustrates the potential downside under different scenarios.

If market share goes to 65/35		
	Volume (000s)	Market Share (%)
Copart	2,348	65%
IAA	1,264	35%
Total	3,613	
Copart Volume Headwind	(168)	
% of Volume	**-7%**	

If market share goes to 60/40		
	Volume (000s)	Market Share (%)
Copart	2,168	60%
IAA	1,445	40%
Total	3,613	
Copart Volume Headwind	(349)	
% of Volume	**-14%**	

Real Estate Assessment

A major component of our review involved comparing the property networks of Copart and IAA. The common market narrative is that Copart's yard portfolio is vastly superior and forms the foundation of its market dominance. To test this assumption, we analyzed both companies' real estate positions across three dimensions: **capacity, geographic reach, and proximity to accident sites.** Our methodology and findings are summarized below.

Capacity:

- Why it matters: Both Copart and IAA must process large flows of damaged and total-loss vehicles on behalf of insurers. Cars need to be securely stored while titles are transferred, auctions are prepared, and buyers arrange pickup. On average, vehicles remain at auction yards for ~60 days, though this can stretch longer for complex lien or title issues. By providing storage capacity, auction companies help insurers avoid costly daily impound or repair shop fees. Storage availability is therefore a critical part of the value proposition.
- Approach: We used Google Earth to measure the capacity (area) of each Copart (205 locations) and IAA (193 IAA; 30 Ritchie Bros) yard. Salvage facilities are typically large, open parcels with clear boundaries, making them straightforward to evaluate via satellite imagery. Because nearly the entire footprint is dedicated to outdoor storage, acreage serves as a reliable proxy for functional capacity.
- Key Findings:
  Copart: ~6,840 acres of storage capacity
  IAA: ~4,849 acres
  Relative difference: Copart has ~40% more acreage, yet handles ~130% more annual vehicle volume.

  Ritchie Bros.: ~1,400 acres; if ~25% of this is usable for salvage, Copart's capacity edge falls to ~32%.

  The takeaway: IAA has sufficient yard space to support incremental volume, challenging the perception that Copart's capacity advantage is overwhelming.

Geographic coverage:

- Why it matters: For insurers, proximity to accident sites ensures faster retrieval and compliance with service-level agreements (often requiring pickup within hours or days). For buyers, especially dismantlers and scrap operators, transportation costs are a large component of vehicle economics. Broad geographic presence also acts as a powerful barrier to entry. Without a nationwide footprint, new entrants cannot credibly service insurers or build buyer liquidity, making it nearly impossible to compete.
- Approach: We mapped Copart and IAA yards using Geographic Information System (GIS) software, then drew a 50-mile radius around each facility (roughly a 60–75 minute drive). This was compared against the 250 largest MSAs in the U.S., representing ~80% of the population.

- Key Findings:
  Copart covers 216 of 250 MSAs

  IAA covers 221 of 250 MSAs

  By population: Copart covers 96.6% vs. IAA at 97.2%

  Contrary to popular belief, IAA's footprint offers at least comparable, and slightly broader, geographic coverage than Copart.

Location proximity:

- Why it matters: The perception persists that Copart's decades-long focus on land ownership has secured it better-positioned yards closer to population centers, resulting in shorter tow distances and faster cycle times. This analysis aims to test that assumption by evaluating the geographic proximity of Copart's yards relative to a set of real-world addresses meant to simulate crash locations, in order to assess whether Copart's real estate footprint is placed in more advantageous locations.
- Approach: We generated 30 random real addresses in each of the 15 largest MSAs (~110 million people, about one-third of the U.S. population). Each address was treated as a simulated crash site, and we measured distance to the nearest Copart and IAA yard.
- Key Findings:
  Out of 450 addresses tested, Copart was closer 209 times (~46%).

  In 15 MSAs: Copart had a material advantage (≥20% closer on average) in 4 markets; IAA in 5 markets; the remaining 6 were roughly equivalent.

Overall, Copart's yard placement is **not meaningfully better** than IAA's, and in some markets IAA appears to hold a slight edge.

Comparative Summary Table

Metric	Copart	IAA (incl. Ritchie)	Implications
Total Acreage	~6,840 acres	~4,849 acres (+ ~350 effective from Ritchie)	Copart larger, but IAA has capacity to absorb additional share.
MSA Coverage	216 / 250 MSAs	221 / 250 MSAs	IAA slightly broader national coverage.
Population Coverage	96.6%	97.2%	IAA marginally ahead in aggregate reach.
Proximity Advantage	Closer in 46% of simulated crashes	Closer in 54%	Advantage not decisively with Copart; IAA competitive.

Conclusion: Our analysis of Copart's and IAA's real estate networks, across **capacity, geographic coverage, and location proximity**, challenges the assumption that Copart holds a structural edge over IAA. Copart does operate larger yards on average, but IAA's **geographic reach is slightly broader**, and our proximity study of 450 simulated crash sites found that Copart's locations were not consistently closer; in fact, IAA held a modest advantage in several markets. Overall, we conclude that Copart's real estate footprint is **not a meaningful differentiator versus IAA**, though the scale and breadth of both networks continue to reinforce the duopoly structure of the industry.

Unit Economics

This section breaks down the economics of a single vehicle transacted on Copart's platform, focusing on revenue sources, variable costs, and ultimate profitability at different sale price levels. Our analysis draws on company disclosures and insights from industry experts.

Revenue

Most vehicles sold through Copart are handled on a **consignment basis**, meaning the company does not assume ownership or inventory risk. Instead, Copart functions as an intermediary, collecting fees from both the seller (typically insurers) and the buyer.

- Seller Fees: Only a small portion of Copart's revenue comes from sellers. We estimate that **15–20% of transaction revenue** is generated through fees charged to insurers. These fees are generally flat service charges per vehicle, rather than tied to the auction sale price. Based on expert calls, insurers typically pay around **$125–$150 per car.** Given the concentrated structure of the U.S. auto insurance industry, it makes sense that sellers wield negotiating power, which keeps their share of total fees relatively modest. In practice, salvage auction providers sometimes adjust or waive these fees to win or retain volume with large carrier clients.
- Buyer Fees: The bulk of Copart's economics, roughly **80–85% of revenue per transaction**, comes from the buyer side. Copart's buyer base is extremely fragmented, with between **750,000 and 1 million registered participants worldwide** across more than 190 countries. Buyer fees include both fixed and variable components, and the fee structure is publicly available. On Copart's platform, these include:

  Buyer Fee: Scales with the vehicle's final sale price.

  Gate Fee: A fixed charge of $95 per purchased vehicle.

  Virtual Bid Fee: A fixed charge of $110 per vehicle.

Below, we show the revenue Copart generates on a vehicle sold on its platform at various price points. Copart's effective "take rate" varies significantly with vehicle price. Based on our estimates:

- At **$2,000**, Copart captures ~**37%** of the transaction value.
- At **$4,000**, the take rate falls to ~**24%**.
- At **$6,000**, it drops further to ~**18%**.

Vehicle Price	$2,000	Vehicle Price	$4,000	Vehicle Price	$6,000
Seller Fees		Seller Fees		Seller Fees	
Per Vehicle Fee	150	Per Vehicle Fee	150	Per Vehicle Fee	150
Buyer Fees		Buyer Fees		Buyer Fees	
Buyer Fee	390	Buyer Fee	600	Buyer Fee	700
Gate Fee	95	Gate Fee	95	Gate Fee	95
Virtual Bid Fee	110	Virtual Bid Fee	110	Virtual Bid Fee	110
Total Revenue	**745**	**Total Revenue**	**955**	**Total Revenue**	**1055**
Take Rate	37%	Take Rate	24%	Take Rate	18%

The role of buyer fee increases: Over the past decade, Copart has substantially increased the fees charged to buyers. To illustrate, we compared Copart's 2017 fee schedule with its 2025 structure for a $4,000 vehicle. Under the old schedule, fees represented about 13% of the vehicle's price; today, that figure has climbed to roughly 20%.

These increases are not simply a reflection of higher costs from inflation. Because Copart's fee system is tiered to the sale price of the vehicle, rising used car prices themselves automatically expand Copart's revenue per transaction. In other words, inflation in vehicle values directly enhances Copart's take rate.

The company has been able to exercise this level of pricing power on the demand side thanks to two factors: 1) A highly fragmented buyer base made up of dismantlers, rebuilders, and exporters who individually have little bargaining power, and 2) An industry structure that is effectively a duopoly, limiting alternative platforms for buyers.

That said, there are natural limits. Buyers tend to be sophisticated operators who treat Copart's fees as part of their all-in acquisition cost. If fees rise too aggressively, buyers will adjust by lowering their bids, which in turn reduces the net recovery for sellers (insurers). This dynamic places a ceiling on how far Copart can continue to raise fees without creating pushback from its supply-side partners.

Buyer Fees	2017	2025
Buyer Fee (Variable)	400	600
Gate Fee	59	95
Virtual Bid Fee	79	110
Total	**538**	**805**
% of Vehicle Cost	13%	20%

Expenses

Unlike revenue, where buyer fee schedules are publicly available, estimating Copart's cost profile requires more assumptions. To address this uncertainty, we modeled expenses under both "high" and "low" cases. Insights from our research suggest that Copart's variable costs fall into three main categories: towing, labor, and other expenses (including title processing and yard upkeep). Among these, towing represents the single largest variable cost per vehicle, as every car must be transported from the accident site or holding facility to a Copart yard.

As a cross-check, we drew on an expert call with a former Copart General Manager who held P&L responsibility for his yard before leaving the company in 2018. He reported that in 2017 Copart allocated roughly $197 of incremental cost per vehicle when evaluating expansion opportunities. Adjusting this figure forward at a 3% annual inflation rate places the implied 2025 cost near the low end of our expense range, supporting the validity of our assumptions.

Expenses (High)	
Towing	200
Labor	100
Miscellaneous	50
Total	**350**
Expenses (Low)	
Towing	150
Labor	60
Miscellaneous	40
Total	**250**

Putting it all together

Copart's unit economics remain highly attractive. The table below illustrates profitability across different vehicle price points on the platform. For example, on a $4,000 auctioned vehicle, we estimate Copart captures about $955 in revenue, translating to margins in the 63%–74% range. Crucially, because the company operates on a consignment model, this level of profitability requires minimal incremental capital investment, reinforcing the efficiency and scalability of the business.

Vehicle Price	$2,000	Vehicle Price	$4,000	Vehicle Price	$6,000
Seller Fees		Seller Fees		Seller Fees	
Per Vehicle Fee	150	Per Vehicle Fee	150	Per Vehicle Fee	150
Buyer Fees		Buyer Fees		Buyer Fees	
Buyer Fee	390	Buyer Fee	600	Buyer Fee	700
Gate Fee	95	Gate Fee	95	Gate Fee	95
Virtual Bid Fee	110	Virtual Bid Fee	110	Virtual Bid Fee	110
Total Revenue	**745**	**Total Revenue**	**955**	**Total Revenue**	**1055**
Take Rate	37%	Take Rate	24%	Take Rate	18%
Estimated Expenses		Estimated Expenses		Estimated Expenses	
High	350	High	350	High	350
Low	250	Low	250	Low	250
EBIT Estimates		EBIT Estimates		EBIT Estimates	
High Expenses Scenario	395	High Expenses Scenario	605	High Expenses Scenario	705
% margin	**53%**	**% margin**	**63%**	**% margin**	**67%**
Low Expenses Scenario	495	Low Expenses Scenario	705	Low Expenses Scenario	805
% margin	**66%**	**% margin**	**74%**	**% margin**	**76%**

Impact from Market Share Loss: Scenario Analysis

To assess how changes in market share could affect Copart, we considered two angles:

1. The potential drag on **earnings power** under different share outcomes.
2. The degree to which market share erosion could **constrain volume growth** in the salvage auction segment.

Earnings Sensitivity

Using our earlier unit economics framework, we modeled Copart's volumes and earnings at its current ~70% share versus IAA's ~30%. We then tested scenarios where Copart cedes business to IAA in five-point increments. The analysis highlights how quickly the impact compounds:

- At **65% share**, Copart's volumes would face roughly a **7% decline.**
- At **60% share**, the reduction deepens to about **14%.**
- At **55% share**, the hit would reach approximately **21%.**

This exercise shows that even moderate shifts in market share can create meaningful headwinds for Copart's earnings profile, underscoring the importance of maintaining its current position in the duopoly.

Current market share (70/30)		
	Volume (000s)	Market Share (%)
Copart	2,516	70%
IAA	1,096	30%
Total	3,613	
If market share goes to 65/35 (~5 points of market share loss)		
	Volume (000s)	Market Share (%)
Copart	2,348	65%
IAA	1,264	35%
Total	3,613	
Copart Volume Headwind	(168)	
% of Volume	**-7%**	
If market share goes to 60/40 (~10 points of market share loss)		
	Volume (000s)	Market Share (%)
Copart	2,168	60%
IAA	1,445	40%
Total	3,613	
Copart Volume Headwind	(349)	
% of Volume	**-14%**	
If market share goes to 55/45 (~15 points of market share loss)		
	Volume (000s)	Market Share (%)
Copart	1,987	55%
IAA	1,626	45%
Total	3,613	
Copart Volume Headwind	(529)	
% of Volume	**-21%**	

We then linked the projected volume declines to Copart's profitability using our unit economics framework. Since Copart does not separately report results for its U.S. salvage auction operations, we assumed this segment represents roughly **80% of total company revenue.** Applying an EBIT margin range of **60%–70%** to the lost volumes provides a high-to-low view of

potential earnings sensitivity. Under these assumptions, every five percentage points of market share ceded to IAA would equate to about a **10% reduction in Copart's earnings power.**

	Market Share Loss		
	5 points	10 points	15 points
2024 Salvage revenue (estimate)	$3,432	$3,432	$3,432
Volume headwind	-7%	-14%	-21%
Lost revenue	-$240	-$480	-$721
Margin on lost revenue (high)	70%	70%	70%
Margin on lost revenue (low)	60%	60%	60%
Lost EBIT (high)	-$168	-$336	-$504
Lost EBIT (low)	-$144	-$288	-$432
EBIT headwind % (high)	-11%	-21%	-32%
EBIT headwind % (low)	-9%	-18%	-28%

To evaluate the growth implications, we applied our base case industry outlook (collision frequency and total-loss rate assumptions) and overlaid different market share paths for Copart.

In one scenario, Copart's share slips gradually from ~70% today to ~64% by 2030, equivalent to losing about one percentage point per year. If market share were to hold steady, Copart's US salvage vehicle volumes would likely grow at roughly **1% annually** through the end of the decade. Under the declining-share scenario, however, that growth flips negative, with volumes contracting at about **0.5% per year** over the same horizon.

(Base)	2024	2025E	2026E	2027E	2028E	2029E	2030E
Number of collisions (000s)	18,000	17,640	17,287	16,941	16,603	16,271	15,945
% change		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Total loss rate	22.3%	23.1%	23.8%	24.6%	25.3%	26.1%	26.8%
bps change		75	75	75	75	75	75
Total loss vehicles (000s)	4,014	4,066	4,114	4,159	4,200	4,238	4,273
% change		1.3%	1.2%	1.1%	1.0%	0.9%	0.8%
Copart/IAA addressable market	3,613	3,659	3,703	3,743	3,780	3,815	3,846
% change		1.3%	1.2%	1.1%	1.0%	0.9%	0.8%
% of Salvaged Vehicles	90%	90%	90%	90%	90%	90%	90%
Copart volume	2,529	2,525	2,518	2,508	2,495	2,480	2,461
% change		-0.2%	-0.3%	-0.4%	-0.5%	-0.6%	-0.8%
Market share	70%	69%	68%	67%	66%	65%	64%
bps change		(100)	(100)	(100)	(100)	(100)	(100)
2025-2030 Copart volume CAGR							
-0.5%							

In a more adverse case, we modeled Copart's market share falling from **70% today to roughly 61% by 2030**, implying a loss of about **150 basis points per year.** Under this scenario, instead

of modest growth, Copart's volumes would contract at an average rate of **~1.3% annually** over the period.

(Base)	2024	2025E	2026E	2027E	2028E	2029E	2030E
Number of collisions (000s)	18,000	17,640	17,287	16,941	16,603	16,271	15,945
% change		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Total loss rate	22.3%	23.1%	23.8%	24.6%	25.3%	26.1%	26.8%
bps change		75	75	75	75	75	75
Total loss vehicles (000s)	4,014	4,066	4,114	4,159	4,200	4,238	4,273
% change		1.3%	1.2%	1.1%	1.0%	0.9%	0.8%
Copart/IAA addressable market	3,613	3,659	3,703	3,743	3,780	3,815	3,846
% change		1.3%	1.2%	1.1%	1.0%	0.9%	0.8%
% of Salvaged Vehicles	90%	90%	90%	90%	90%	90%	90%
Copart volume	2,529	2,507	2,481	2,452	2,419	2,384	2,346
% change		-0.9%	-1.0%	-1.2%	-1.3%	-1.4%	-1.6%
Market share	70%	69%	67%	66%	64%	63%	61%
bps change		(150)	(150)	(150)	(150)	(150)	(150)
2025-2030 Copart volume CAGR							
-1.3%							

Conclusion

Copart remains one of the highest-quality publicly traded companies, with a unique combination of owned real estate, a global buyer base, and entrenched integration into insurer workflows. These assets have historically underpinned attractive margins and durable growth, both from secular growth of the US salvage vehicle industry as well as taking market share from its largest competitor. However, our research suggests the moat is narrower than commonly perceived: Competitor IAA offers comparable geographic coverage, operational performance gaps are closing, and Copart's extraordinary concentration of insurer relationships creates asymmetric downside risk. With the stock trading at ~30x earnings and embedding assumptions of flawless execution, sustained growth, and continued dominance, we believe Copart is priced for perfection. While the business is best-in-class, the current valuation leaves little room for error.