

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended January 31, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 000-23255

COPART, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

000-23255

(Commission File Number)

94-2867490

(I.R.S. Employer Identification No.)

14185 Dallas Parkway

Suite 300

Dallas

Texas

75254

(Address of principal executive offices) (zip code)

(972) 391-5000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, par value \$0.0001

Trading Symbol(s)
CPRT

Name of each exchange on which registered
The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 25, 2025, 966,092,956 shares of the registrant's common stock were outstanding.

Copart, Inc.
Index to the Quarterly Report on Form 10-Q
January 31, 2025

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Copart, Inc.
Consolidated Balance Sheets
(Unaudited)

(In thousands, except share amounts)	January 31, 2025	July 31, 2024
ASSETS		
Current assets:		
Cash, cash equivalents, and restricted cash	\$ 3,338,909	\$ 1,514,111
Investment in held to maturity securities	458,542	1,908,047
Accounts receivable, net	882,745	785,877
Vehicle pooling costs	142,815	132,638
Inventories	59,072	43,639
Income taxes receivable	48,240	—
Prepaid expenses and other assets	36,460	33,872
Total current assets	4,966,783	4,418,184
Property and equipment, net	3,462,768	3,175,838
Operating lease right-of-use assets	114,839	116,301
Intangibles, net	68,083	74,088
Goodwill	509,670	513,909
Other assets	65,204	129,444
Total assets	<u>\$ 9,187,347</u>	<u>\$ 8,427,764</u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 562,205	\$ 518,148
Deferred revenue	26,892	28,121
Income taxes payable	17,844	60,994
Current portion of operating and finance lease liabilities	22,696	21,304
Total current liabilities	629,637	628,567
Deferred income taxes	92,886	93,653
Income taxes payable	44,091	59,560
Operating and finance lease liabilities, net of current portion	96,701	97,429
Total liabilities	863,315	879,209
Commitments and contingencies		
Redeemable non-controlling interest	22,775	24,544
Stockholders' equity:		
Preferred stock: \$0.0001 par value - 5,000,000 shares authorized; none issued	—	—
Common stock: \$0.0001 par value - 1,600,000,000 shares authorized; 966,053,166 and 962,967,011 shares issued and outstanding, respectively.	97	96
Additional paid-in capital	1,179,816	1,120,985
Accumulated other comprehensive loss	(171,560)	(142,972)
Retained earnings	7,292,904	6,545,902
Total stockholders' equity	8,301,257	7,524,011
Total liabilities, redeemable noncontrolling interests and stockholders' equity	<u>\$ 9,187,347</u>	<u>\$ 8,427,764</u>

The accompanying notes are an integral part of these consolidated financial statements.

Copart, Inc.
Consolidated Statements of Income
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended January 31,		Six Months Ended January 31,	
	2025	2024	2025	2024
Service revenues and vehicle sales:				
Service revenues	\$ 991,281	\$ 861,745	\$ 1,977,617	\$ 1,721,281
Vehicle sales	172,035	158,404	332,528	319,284
Total service revenues and vehicle sales	1,163,316	1,020,149	2,310,145	2,040,565
Operating expenses:				
Facility operations	490,056	409,178	986,602	817,679
Cost of vehicle sales	147,707	146,819	285,885	294,715
General and administrative	99,342	84,252	205,080	152,895
Total operating expenses	737,105	640,249	1,477,567	1,265,289
Operating income	426,211	379,900	832,578	775,276
Other income (expense):				
Interest income, net	40,747	33,956	86,294	65,961
Other (expense), net	(3,907)	(3,103)	(4,503)	(7,175)
Total other income	36,840	30,853	81,791	58,786
Income before income taxes	463,051	410,753	914,369	834,062
Income tax expense	76,510	85,226	166,652	176,003
Net income	386,541	325,527	747,717	658,059
Less: Net (loss) income attributable to redeemable noncontrolling interest	(859)	(108)	(1,769)	(103)
Net income attributable to Copart, Inc.	\$ 387,400	\$ 325,635	\$ 749,486	\$ 658,162
Basic net income per common share	\$ 0.40	\$ 0.34	\$ 0.78	\$ 0.69
Weighted average common shares outstanding	964,746	960,525	963,961	959,326
Diluted net income per common share	\$ 0.40	\$ 0.33	\$ 0.77	\$ 0.68
Diluted weighted average common shares outstanding	977,910	974,589	977,208	973,135

The accompanying notes are an integral part of these consolidated financial statements.

Copart, Inc.
Consolidated Statements of Comprehensive Income
(Unaudited)

(In thousands)	Three Months Ended January 31,		Six Months Ended January 31,	
	2025	2024	2025	2024
Comprehensive income, net of tax:				
Net income	\$ 386,541	\$ 325,527	\$ 747,717	\$ 658,059
Other comprehensive income:				
Foreign currency translation adjustments	(26,821)	32,080	(28,588)	(4,273)
Comprehensive income	359,720	357,607	719,129	653,786
Less: Comprehensive (loss) income attributable to redeemable noncontrolling interest	(859)	(108)	(1,769)	(103)
Comprehensive income attributable to Copart, Inc.	<u>\$ 360,579</u>	<u>\$ 357,715</u>	<u>\$ 720,898</u>	<u>\$ 653,889</u>

The accompanying notes are an integral part of these consolidated financial statements.

Copart, Inc.
Consolidated Statement of Changes in Redeemable Noncontrolling Interest and Stockholders' Equity
(Unaudited)

(In thousands, except share amounts)	Common Stock		Additional	Accumulated		Total	Redeemable
	Outstanding	Amount	Paid-in	Other	Retained	Stockholders'	Noncontrolling
	Shares		Capital	Comprehensive	Earnings	Equity	Interest
				Income (Loss)			
Balances at July 31, 2024	962,967,011	\$ 96	\$ 1,120,985	\$ (142,972)	\$ 6,545,902	\$ 7,524,011	\$ 24,544
Net income	—	—	—	—	362,086	362,086	(910)
Currency translation adjustment	—	—	—	(1,767)	—	(1,767)	—
Exercise of stock options, net of repurchased shares	476,491	—	2,857	—	(720)	2,137	—
Stock-based compensation	80,900	—	9,845	—	—	9,845	—
Balances at October 31, 2024	963,524,402	96	1,133,687	(144,739)	6,907,268	7,896,312	23,634
Net income/(loss)	—	—	—	—	387,400	387,400	(859)
Currency translation adjustment	—	—	—	(26,821)	—	(26,821)	—
Exercise of stock options, net of repurchased shares	2,296,400	1	29,976	—	(1,764)	28,213	—
Stock-based compensation	69,085	—	8,749	—	—	8,749	—
Shares issued for Employee Stock Purchase Plan	163,279	—	7,404	—	—	7,404	—
Balances at January 31, 2025	966,053,166	97	1,179,816	(171,560)	7,292,904	8,301,257	22,775

The accompanying notes are an integral part of these consolidated financial statements.

Copart, Inc.
Consolidated Statement of Changes in Redeemable Noncontrolling Interest and Stockholders' Equity (Continued)
(Unaudited)

(In thousands, except share amounts)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders' Equity	Redeemable Noncontrolling Interest
	Outstanding Shares	Amount					
Balances at July 31, 2023	957,344,162	\$ 96	\$ 938,910	\$ (141,006)	\$ 5,189,440	\$ 5,987,440	\$ —
Net income	—	—	—	—	332,527	332,527	5
Currency translation adjustment	—	—	—	(36,353)	—	(36,353)	—
Acquisition of noncontrolling interest	2,499,993	—	112,075	—	—	112,075	25,217
Exercise of stock options, net of repurchased shares	331,358	—	8,123	—	(711)	7,412	—
Stock-based compensation	32,761	—	8,316	—	—	8,316	—
Balances at October 31, 2023	960,208,274	96	1,067,424	(177,359)	5,521,256	6,411,417	25,222
Net income	—	—	—	—	325,635	325,635	(108)
Currency translation adjustment	—	—	—	32,080	—	32,080	—
Exercise of stock options, net of repurchased shares	828,799	—	5,359	—	(1,453)	3,906	—
Stock-based compensation	119,004	—	8,601	—	—	8,601	—
Shares issued for Employee Stock Purchase Plan	155,419	—	5,961	—	—	5,961	—
Balances at January 31, 2024	961,311,496	96	1,087,345	(145,279)	5,845,438	6,787,600	25,114

The accompanying notes are an integral part of these consolidated financial statements.

Copart, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Six Months Ended January 31,	
	2025	2024
Cash flows from operating activities:		
Net income	747,717	\$ 658,059
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, including debt cost	109,122	88,485
Allowance for credit losses	1,056	3,702
Equity in losses of unconsolidated affiliates	(61)	(5,402)
Stock-based compensation	19,732	17,676
Gain on sale of property and equipment	(194)	(971)
Deferred income taxes	47	(2,103)
Changes in operating assets and liabilities:		
Accounts receivable	(133,024)	(169,508)
Vehicle pooling costs	(10,675)	(14,387)
Inventories	(16,175)	(2,994)
Prepaid expenses, other current and non-current assets	4,976	(35,040)
Operating lease right-of-use assets and lease liabilities	614	865
Accounts payable and accrued liabilities	44,765	6,556
Deferred revenue	(1,066)	(13)
Income taxes receivable	(48,239)	(10,463)
Income taxes payable	(58,194)	2,577
Net cash provided by operating activities	660,401	537,039
Cash flows from investing activities:		
Purchases of property and equipment	(353,399)	(285,289)
Purchase of assets and liabilities in connection with acquisitions	(1,213)	17,662
Proceeds from sale of property and equipment	662	2,069
Purchases of held to maturity securities	(458,542)	(1,411,122)
Proceeds from held to maturity securities	1,940,000	1,430,000
Investment in unconsolidated affiliate	—	(1,000)
Net cash provided by (used in) investing activities	1,127,508	(247,680)
Cash flows from financing activities:		
Proceeds from the exercise of stock options	32,833	13,482
Proceeds from the issuance of Employee Stock Purchase Plan shares	7,404	5,961
Payments for employee stock-based tax withholdings	(2,484)	(2,164)
Principal payments on revolver facility	—	(10,820)
Payments of finance lease obligations	(40)	(11)
Net cash provided by financing activities	37,713	6,448
Effect of foreign currency translation	(824)	3,746
Net increase in cash, cash equivalents, and restricted cash	1,824,798	299,553
Cash, cash equivalents, and restricted cash at beginning of period	1,514,111	957,395
Cash, cash equivalents, and restricted cash at end of period	3,338,909	\$ 1,256,948
Supplemental disclosure of cash flow information:		
Interest paid	\$ 1,371	\$ 2,036
Income taxes paid, net of refunds	\$ 277,051	\$ 188,480
Purchase of property and equipment through settlement of deposit	\$ 57,453	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

Copart, Inc.
Notes to Consolidated Financial Statements
January 31, 2025
(Unaudited)

NOTE 1 – Summary of Significant Accounting Policies

Basis of Presentation and Description of Business

Copart, Inc. (“the Company”) provides vehicle sellers with a full range of services to process and sell vehicles over the internet through the Company’s Virtual Bidding Third Generation (“VB3”) internet auction-style sales technology. Vehicle sellers consist primarily of insurance companies, but also include dealers, individuals, charities, rental car companies, banks, finance companies, and fleet operators. The Company sells principally to licensed vehicle dismantlers, rebuilders, repair licensees, used vehicle dealers, exporters, and directly to the general public. The majority of vehicles sold on behalf of insurance companies are either damaged vehicles deemed a total loss or not economically repairable by the insurance companies or are recovered stolen vehicles for which an insurance settlement with the vehicle owner has already been made. The Company offers vehicle sellers a full range of services that expedite each stage of the vehicle sales process, minimize administrative and processing costs and maximize the ultimate sales price through the online auction process. In the United States (“U.S.”), Canada, Brazil, the Republic of Ireland, Finland, the United Arab Emirates (“U.A.E.”), Oman, and Bahrain, the Company sells vehicles primarily as an agent and derives revenue primarily from auction and auction related sales transaction fees charged for vehicle remarketing services as well as fees for services subsequent to the auction, such as delivery and storage. In the United Kingdom (“U.K.”), Germany, and Spain, the Company operates both as an agent and on a principal basis, in some cases purchasing salvage vehicles outright and reselling the vehicles for its own account. In Germany and Spain, the Company also derives revenue from listing vehicles on behalf of insurance companies and insurance experts to determine the vehicle’s residual value and/or to facilitate a sale for the insured.

Principles of Consolidation

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments of a normal recurring nature considered necessary for fair presentation of the Company’s financial position as of January 31, 2025 and July 31, 2024, its consolidated statements of income, comprehensive income, changes in redeemable noncontrolling interests and stockholders’ equity for the three and six months ended January 31, 2025 and 2024, and its cash flows for the six months ended January 31, 2025 and 2024. Interim results for the three and six months ended January 31, 2025 are not necessarily indicative of the results that may be expected for any future period, or for the entire year ending July 31, 2025. These consolidated financial statements have been prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The interim consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the fiscal year ended July 31, 2024. Certain prior year amounts have been reclassified to conform to current year presentation.

The consolidated financial statements of the Company include the accounts of the parent company and its wholly-owned subsidiaries. Significant intercompany transactions and balances have been eliminated in consolidation.

On August 4, 2023, the Company’s Board of Directors approved a two-for-one common stock split effected in the form of a stock dividend entitling each stockholder of record to receive one additional share of common stock for every one share owned. On August 21, 2023, the Company effected the two-for-one stock dividend to stockholders of record as of August 14, 2023.

The stock dividend increased the number of shares of common stock outstanding and all share and per share amounts have been retroactively adjusted for the stock dividend, as of the date earliest presented in these financial statements to conform to current year presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates include, but are not limited to, vehicle pooling costs; income taxes; stock-based compensation; and contingencies. Actual results may differ from these estimates.

Revenue Recognition

The Company’s primary performance obligation is the auctioning of consigned vehicles through an online auction process. Service revenue and vehicle sales revenue are recognized at the date the vehicles are sold at auction, excluding annual registration fees. Costs to prepare the vehicles for auction, including inbound transportation costs and titling fees, are deferred and recognized at the time of revenue recognition at auction.

The Company's disaggregation between service revenues and vehicle sales at the segment level reflects how the nature, timing, amount and uncertainty of its revenues and cash flows are impacted by economic factors. The Company reports sales taxes on relevant transactions on a net basis in the Company's consolidated results of operations, and therefore does not include sales taxes in revenues or costs.

Service revenues

The Company's service revenue consists of auction and auction related sales transaction fees charged for vehicle remarketing services. Within this revenue category, the Company's primary performance obligation is the auctioning of consigned vehicles through an online auction process. These auction and auction related services may include a combination of vehicle purchasing fees, vehicle listing fees, and vehicle selling fees that can be based on a predetermined percentage of the vehicle sales price, tiered vehicle sales price driven fees, or at a fixed fee based on the sale of each vehicle regardless of the selling price of the vehicle; transportation fees for the cost of transporting the vehicle to or from the Company's facility; title processing and preparation fees; vehicle storage fees; bidding fees; and vehicle loading fees. These services are not distinct within the context of the contract. Accordingly, revenue for these services is recognized when the single performance obligation is satisfied at the completion of the auction process. The Company does not take ownership of these consigned vehicles, which are stored at the Company's facilities located throughout the U.S. and at its international locations. These fees are recognized as net revenue (not gross vehicle selling price) at the time of auction in the amount of such fees charged.

The Company has a separate performance obligation related to providing access to its online auction platform as the Company charges members an annual registration fee for the right to participate in its online auctions and access the Company's bidding platform. This fee is recognized ratably over the term of the arrangement, generally one year, as each day of access to the online auction platform represents the best depiction of the transfer of the service.

No provision for returns has been established, as all sales are final with no right of return or warranty, except for separately identified vehicles subject to the arbitration policy, although the Company provides for credit loss expense in the case of non-performance by its buyers or sellers.

(In thousands)	Three months ended January 31,		Six Months Ended January 31,	
	2025	2024	2025	2024
Service revenues				
United States	\$ 868,130	\$ 756,036	\$ 1,728,120	\$ 1,518,561
International	123,151	105,709	249,497	202,720
Total service revenues	<u>\$ 991,281</u>	<u>\$ 861,745</u>	<u>\$ 1,977,617</u>	<u>\$ 1,721,281</u>

Vehicle sales

Certain vehicles are purchased and remarketed on the Company's own behalf. The Company has a single performance obligation related to the sale of these vehicles, which is the completion of the online auction process. Vehicle sales revenue is recognized on the auction date. As the Company acts as a principal in vehicle sales transactions, the gross vehicle selling price at auction is recorded as revenue.

(In thousands)	Three Months Ended January 31,		Six Months Ended January 31,	
	2025	2024	2025	2024
Vehicle sales				
United States	\$ 106,715	\$ 74,690	\$ 194,265	\$ 153,072
International	65,320	83,714	138,263	166,212
Total vehicle sales	<u>\$ 172,035</u>	<u>\$ 158,404</u>	<u>\$ 332,528</u>	<u>\$ 319,284</u>

Contract assets

The Company capitalizes certain contract assets related to obtaining a contract, where the amortization period for the related asset is greater than one year. These assets are amortized over the expected life of the customer relationship. Contract assets are classified as current or long-term other assets, based on the timing of when the Company expects to recognize the related revenues and are amortized as an offset to the associated revenues on a straight-line basis. The Company assesses these costs for impairment at least quarterly and as "triggering" events occur that indicate it is more likely than not that an impairment exists. The contract asset costs where the amortization period for the related asset is one year or less are expensed as incurred and recorded within general and administrative expenses in the accompanying consolidated statements of income.

The change in the carrying amount of contract assets was as follows (In thousands):

Balance as of July 31, 2024	\$	49,238
Capitalized contract assets during the period		—
Costs amortized during the period		(4,734)
Effect of foreign currency exchange rates		(11)
Balance as of January 31, 2025	\$	<u>44,493</u>

Vehicle Pooling Costs

The Company defers costs that relate directly to the fulfillment of its contracts associated with vehicles consigned to and received by the Company, but not sold as of the end of the period. The Company quantifies the deferred costs using a calculation that includes the number of vehicles at its facilities at the beginning and end of the period, the number of vehicles sold during the period, and an allocation of certain facility operation costs of the period. The primary expenses allocated and deferred are inbound transportation costs, titling fees, certain facility costs, labor, and vehicle processing. If the allocation factors change, then facility operation expenses could increase or decrease correspondingly in the future. These costs are expensed into facility operations expenses as vehicles are sold in subsequent periods on an average cost basis.

Foreign Currency Translation

The Company records foreign currency translation adjustments from the process of translating the functional currency of the financial statements of its foreign subsidiaries into the U.S. dollar reporting currency. The British pound, Canadian dollar, Brazilian real, European Union euro, U.A.E. dirham, Omani rial, and Bahraini dinar are the functional currencies of the Company's foreign subsidiaries as they are the primary currencies within the economic environment in which each subsidiary operates. The original equity investment in the respective subsidiaries is translated at historical rates. Assets and liabilities of the respective subsidiary's operations are translated into U.S. dollars at period-end exchange rates, and revenues and expenses are translated into U.S. dollars at average exchange rates in effect during each reporting period. Adjustments resulting from the translation of each subsidiary's financial statements are reported in other comprehensive income.

The cumulative effects of foreign currency exchange rate fluctuations were as follows (In thousands):

Cumulative loss on foreign currency translation as of July 31, 2023	\$	(141,006)
Loss on foreign currency translation		(1,966)
Cumulative loss on foreign currency translation as of July 31, 2024	\$	<u>(142,972)</u>
Loss on foreign currency translation		(28,588)
Cumulative loss on foreign currency translation as of January 31, 2025	\$	<u>(171,560)</u>

Fair Value of Financial Instruments

The Company records its financial assets and liabilities at fair value in accordance with the framework for measuring fair value in U.S. GAAP. In accordance with Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, the Company considers fair value as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market conditions. This framework establishes a fair value hierarchy that prioritizes the inputs used to measure fair value:

Level I Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level II Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly.

Level III Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate.

The amounts recorded for financial instruments in the Company's consolidated financial statements, which included cash, restricted cash, accounts receivable, accounts payable, and accrued liabilities approximated their fair values as of January 31, 2025 and July 31, 2024, due to the short-term nature of those instruments and are classified within Level II of the fair value hierarchy. Cash equivalents are classified within Level II of the fair value hierarchy because they are valued using quoted market prices of the underlying investments.

Redeemable Noncontrolling Interest

Redeemable noncontrolling interests represent a 20% noncontrolling ownership in Purple Wave, Inc., a consolidated subsidiary of the Company. Redeemable noncontrolling interests are presented outside of permanent equity on the consolidated balance sheet as they are redeemable by the holders of the noncontrolling interest and the redemption is outside the control of the Company. The redeemable noncontrolling interests were initially recorded at their issuance date fair value of \$25.2 million. We record the carrying amount of the redeemable noncontrolling interests at the greater of (i) the initial carrying amount, increased or decreased for the noncontrolling interest's share of net income or loss and its share of other comprehensive income or loss, and dividends or (ii) the redemption value. For interests that are redeemable in the future, we recognize changes in the redemption value immediately as they occur.

Cash, Cash Equivalents, and Restricted Cash

The Company considers all highly liquid investments purchased with original maturities of three months or less at the time of purchase to be cash equivalents. Cash, cash equivalents, and restricted cash include cash held in checking, U.S. Treasury Bills, and money market accounts. The Company periodically invests its excess cash in money market funds and U.S. Treasury Bills. The Company's cash, cash equivalents, and restricted cash are placed with high credit quality financial institutions.

The Company had held to maturity securities comprised of U.S. Treasury Bills as of July 31, 2024. These investments were classified as held to maturity as the Company had the intent and ability to hold these investments until they matured. The table below shows the amortized cost, associated gross unrealized gains and associated fair value of held to maturity securities.

(In thousands)	January 31, 2025		
	Amortized Cost	Gross Unrealized Gains	Fair Value
Investment in held to maturity securities	\$ 458,542	\$ 389	\$ 458,931

(In thousands)	July 31, 2024		
	Amortized Cost	Gross Unrealized Gains	Fair Value
Investment in held to maturity securities	\$ 1,908,047	\$ 18,298	\$ 1,926,345

NOTE 2 — Acquisitions

Fiscal Year 2024 Transactions

On October 6, 2023, the Company acquired an 80% controlling ownership in Purple Wave, Inc., an online offsite heavy equipment auction company. The Company acquired the controlling ownership by issuing 2.5 million shares of the Company's common stock which was equal to the \$108.0 million acquisition price divided by the 10-day volume average weighted price of the Company's common stock prior to closing. Under U.S. GAAP, the fair value of the merger consideration paid for Purple Wave, Inc. was \$112.1 million and was determined on the basis of the closing price of the Company's common stock on October 6, 2023. Substantially all of the merger consideration has been allocated to intangible assets, including goodwill. The fair value of the 20% redeemable noncontrolling interest in Purple Wave, Inc. was \$25.2 million, and was estimated by applying the transaction method. Refer to *Note 1 – Summary of Significant Accounting Policies* for more details regarding the redeemable noncontrolling interests. Acquisition costs reflected in the general administrative line on the income statement were \$1.2 million.

NOTE 3 — Accounts Receivable, Net

Accounts receivable, net consisted of:

(In thousands)	January 31, 2025	July 31, 2024
Advance charges receivable	\$ 666,627	\$ 598,805
Trade accounts receivable	206,041	173,652
Other receivables	23,572	25,953
	896,240	798,410
Less: Allowance for credit loss	(13,495)	(12,533)
Accounts receivable, net	\$ 882,745	\$ 785,877

Advance charges receivable represents amounts paid to third parties on behalf of insurance companies for which the Company will be reimbursed when the vehicle is sold. Advance charges are recovered within one year. Trade accounts receivable includes fees and gross auction proceeds to be collected from insurance companies and buyers.

NOTE 4 — Property and Equipment, Net

Property and equipment, net consisted of the following:

(In thousands)	January 31, 2025	July 31, 2024
Land	\$ 2,261,125	\$ 2,027,639
Buildings and improvements	1,576,005	1,482,891
Transportation and other equipment	650,407	604,977
Office furniture and equipment	98,121	97,576
Software	112,720	105,001
	4,698,378	4,318,084
Less: Accumulated depreciation and amortization	(1,235,610)	(1,142,246)
Property and equipment, net	<u>\$ 3,462,768</u>	<u>\$ 3,175,838</u>

Depreciation and amortization expense on property and equipment was \$50.8 million and \$41.7 million for the three months ended January 31, 2025 and 2024, respectively, and \$100.9 million and \$81.7 million for the six months ended January 31, 2025 and 2024, respectively.

NOTE 5 – Leases

The Company has both lessee and lessor arrangements. The Company determines whether a contract is or contains a lease at the inception of the contract or at any subsequent modification. A contract will be deemed to be or contain a lease if the contract conveys the right to control and direct the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Company generally must also have the right to obtain substantially all of the economic benefits from the use of the property, plant, and equipment. Depending on the terms, leases are classified as either operating or finance leases if the Company is the lessee, or as operating, sales-type, or direct financing leases if the Company is the lessor. Certain of the Company's lessee and lessor leases have renewal options to extend the leases for additional periods at the Company's discretion.

Leases - Lessee

The Company leases certain facilities and certain equipment under non-cancelable finance and operating leases, which are recorded as right-of-use assets and lease liabilities. Certain leases provide the Company with either a right of first refusal to acquire or an option to purchase a facility at fair value. Certain leases also contain escalation clauses and renewal option clauses calling for increased rents. Where a lease contains an escalation clause or a concession, such as a rent holiday or tenant improvement allowance, the Company includes these items in the determination of the right-of-use asset and the lease liabilities. The effects of these escalation clauses or concessions have been reflected in lease expense on a straight-line basis over the expected lease term and any variable lease payments subsequent to establishing the lease liability are expensed as incurred. The lease term commences on the date when the Company has the right to control the use of the leased property, which is typically before lease payments are due under the terms of the lease. Certain of the Company's leases have renewal periods up to 40 years, exercisable at the Company's option, and generally require the Company to pay property taxes, insurance and maintenance costs, in addition to the lease payments. At lease inception, the Company includes all renewals or option periods that are reasonably certain to exercise when determining the expected lease term, as failure to renew the lease would impose an economic penalty.

Operating lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the expected lease term. To determine the present value of lease payments not yet paid, the Company estimates incremental borrowing rates based on the information available at lease commencement date, as rates are not implicitly stated in the Company's leases.

Components of lease expense were as follows:

(In thousands)	Three Months Ended January 31,		Six Months Ended January 31,	
	2025	2024	2025	2024
Operating lease expense	\$ 7,624	\$ 6,443	\$ 14,293	\$ 13,112
Finance lease expense:				
Amortization of right-of-use assets	83	5	83	10
Interest on finance lease liabilities	171	—	171	—
Short-term lease expense	2,105	1,397	4,242	2,326
Variable lease expense	6	359	693	572
Total lease expense	<u>\$ 9,989</u>	<u>\$ 8,204</u>	<u>\$ 19,482</u>	<u>\$ 16,020</u>

Supplemental cash flow information related to leases as of January 31, 2025 was as follows:

(In thousands)	Six Months Ended January 31,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows related to operating leases	\$ 13,773	\$ 12,231
Operating cash flows related to finance leases	170	—
Financing cash flows related to finance leases	40	11
Right-of-use assets obtained in exchange for new operating lease liabilities	8,437	21,411
Right-of-use assets obtained in exchange for new finance lease liabilities	1,547	—

Leases - Lessor

The Company's lessor arrangements include certain facilities and various land locations, of which each qualifies as an operating lease. Certain leases also contain escalation clauses and renewal option clauses calling for increased rents. Where a lease contains an escalation clause or a concession, such as a rent holiday or tenant improvement allowance, the Company includes these items in the determination of the straight-line rental income. The effects of these escalation clauses or concessions have been reflected in lease payments receivable on a straight-line basis over the expected lease term and any variable lease income subsequent to establishing the receivable will be recognized as earned.

The cost of the leased space as of January 31, 2025 and July 31, 2024 was \$50.3 million and \$50.3 million, respectively. The accumulated depreciation associated with the leased assets as of January 31, 2025 and July 31, 2024 was \$5.1 million and \$4.6 million, respectively. Both the leased assets and accumulated depreciation are included in Property and equipment, net on the consolidated balance sheet. Rental income from these operating leases was \$4.7 million and \$4.2 million for the three months ended January 31, 2025 and 2024, respectively, and \$9.4 million and \$8.6 million for the six months ended January 31, 2025 and 2024, respectively, and is included within Service revenues on the consolidated statements of income.

NOTE 6 – Goodwill and Intangible Assets

The following table sets forth amortizable intangible assets by major asset class:

(In thousands)	January 31, 2025	July 31, 2024
Amortized intangibles:		
Supply contracts and customer relationships	\$ 84,863	\$ 84,228
Trade names	19,272	19,299
Licenses and databases	16,543	16,571
Indefinite-lived intangibles:		
Trade names	16,291	16,555
Accumulated amortization	(68,886)	(62,565)
Intangibles, net	\$ 68,083	\$ 74,088

Amortization expense on amortizable intangible assets was \$3.4 million and \$3.5 million for the three months ended January 31, 2025 and 2024, respectively, and \$7 million and \$6.7 million for the six months ended January 31, 2025 and 2024, respectively.

The change in the carrying amount of goodwill was as follows:

(In thousands)	
Balance as of July 31, 2024	\$ 513,909
Acquisitions during the period	207
Effect of foreign currency exchange rates	(4,446)
Balance as of January 31, 2025	\$ 509,670

NOTE 7 – Long-Term Debt

Credit Agreement

On December 21, 2021, the Company entered into a Second Amended and Restated Credit Agreement by and among the Company, certain subsidiaries of the Company party thereto, the lenders party thereto, and Bank of America, N.A., as administrative agent (the “Second Amended and Restated Credit Agreement”). The Second Amended and Restated Credit Agreement amends and restates certain terms of the First Amended and Restated Credit Agreement, dated as of July 21, 2020, by and among the Company, the lenders party thereto, and Bank of America, N.A., as administrative agent (as successor in interest to Wells Fargo Bank, National Association) (the “Existing Credit Agreement”). The Second Amended and Restated Credit Agreement provides for, among other things, (a) an increase in the secured revolving credit commitments by \$200.0 million, bringing the aggregate principal amount of the revolving credit commitments under the Second Amended and Restated Credit Agreement (the “Revolving Loan Facility”) to \$1,250.0 million, (b) an increase in the letter of credit sublimit from \$60.0 million to \$100.0 million, (c) addition of Copart UK Limited, CPRT GmbH and Copart Autos España, S.L.U., each a wholly-owned direct or indirect foreign subsidiary of the Company, as borrowers, (d) addition of the ability to borrow under the Second and Amended and Restated Credit Agreement in certain foreign currencies including Pounds Sterling, Euro and Canadian Dollars, (e) extension of the maturity date of the revolving credit facility under the Existing Credit Agreement from July 21, 2023 to December 21, 2026, (f) replacing the LIBOR interest rate applicable to U.S. Dollar denominated borrowings with a SOFR-based interest rate, and (g) changing the pricing levels with respect to the revolving loans as further described below.

The Second and Amended and Restated Credit Agreement provides for the Revolving Loan Facility of \$1,250.0 million maturing on December 21, 2026 (including up to \$550.0 million equivalent of borrowings in Pounds Sterling, Euro and Canadian Dollars) with a \$150.0 million equivalent sub-facility available to CPRT GmbH, a \$150.0 million equivalent sub-facility available to Copart Autos España, S.L.U. and a \$250.0 million equivalent sub-facility available to Copart UK Limited. The proceeds may be used for general corporate purposes, including working capital and capital expenditures, potential share repurchases, acquisitions, or other investments relating to the Company’s expansion strategies in domestic and international markets.

Borrowings under the Second Amended and Restated Credit Agreement bear interest based on, at our option, either (1) the applicable fixed rate plus 1.00% to 1.75% or (2) the daily rate plus 0.0% to 0.75%, in each case, depending on the Company’s consolidated total net leverage ratio. Additionally, the unused revolving commitments under the Second Amended and Restated Credit Agreement are subject to the payment of a customary commitment fee at a range of 0.175% to 0.275%, depending on the Company’s consolidated total net leverage ratio. The applicable fixed rates described above with respect to borrowings denominated in (1) U.S. Dollars is SOFR plus certain “spread adjustments” described in the Second Amended and Restated Credit Agreement, (2) Pounds Sterling is SONIA plus certain “spread adjustments” described in the Second Amended and Restated Credit Agreement, (3) Euro is EURIBOR, and (4) Canadian Dollars is CDOR. The Company had no outstanding borrowings under the Revolving Loan Facility as of January 31, 2025 and July 31, 2024.

The Company’s obligations under the Second Amended and Restated Credit Agreement are guaranteed by certain of the Company’s domestic subsidiaries meeting materiality thresholds set forth in the Second Amended and Restated Credit Agreement. Such obligations, including the guaranties, are secured by substantially all of the assets of the Company and the assets of the subsidiary guarantors pursuant to a Security Documents Confirmation Agreement as part of the Second Amended and Restated Credit Agreement.

The Second Amended and Restated Credit Agreement contains customary affirmative and negative covenants, including covenants that limit or restrict the Company and its subsidiaries’ ability to, among other things, incur indebtedness, grant liens, merge or consolidate, dispose of assets, make investments, make acquisitions, enter into transactions with affiliates, pay dividends, or make distributions on and repurchase stock, in each case subject to certain exceptions. The Company is also required to maintain compliance, measured at the end of each fiscal quarter, with a consolidated total net leverage ratio and a consolidated interest coverage ratio. The Second Amended and Restated Credit Agreement contains no restrictions on the payment of dividends and other restricted payments, as defined, as long as (1) the consolidated total net leverage ratio, as defined, both before and after giving effect to any such dividend or restricted payment on a pro forma basis, is less than 3.25:1, in an unlimited amount, (2) if clause (1) is not available, so long as the consolidated total net leverage ratio both before and after giving effect to any such dividend on a pro forma basis is less than 3.50:1, in an aggregate amount not to exceed the available amount, as defined, and (3) if clauses (1) and (2) are not available, in an aggregate amount not to exceed \$50.0 million; provided, that, minimum liquidity, as defined, shall be not less than \$75.0 million both before and after giving effect to any such dividend or restricted payment. As of January 31, 2025, the consolidated total net leverage ratio was (1.92):1. Minimum liquidity available as of January 31, 2025 was \$5.0 billion. Accordingly, the Company does not believe that the provisions of the Second Amended and Restated Credit Agreement represent a significant restriction to its ability to pay dividends or to the successful future operations of the business. The Company has not paid a cash dividend since becoming a public company in 1994. The Company was in compliance with all covenants related to the Second Amended and Restated Credit Agreement as of January 31, 2025.

Related to execution of the Second Amended and Restated Credit Agreement, the Company incurred \$2.7 million in costs, which were capitalized as debt issuance fees. The debt discount is amortized to interest expense over the term of the respective debt instruments and is included in other assets on the consolidated balance sheet.

NOTE 8 – Fair Value Measurements

The following table summarizes the carrying values and fair values of the Company's financial instruments that were not carried at fair value in the consolidated balance sheets:

(In thousands)	January 31, 2025		July 31, 2024	
	Carrying Value Total	Fair Value Total	Carrying Value Total	Fair Value Total
Assets				
Cash equivalents	\$ 2,926,303	\$ 2,940,796	\$ 1,125,231	\$ 1,127,275
Investment in held to maturity securities	458,542	458,931	1,908,047	1,926,345
Total Assets	<u>\$ 3,384,845</u>	<u>\$ 3,399,727</u>	<u>\$ 3,033,278</u>	<u>\$ 3,053,620</u>

The Company has investments in U.S. Treasury Bills some of which mature over a period greater than 90 days and are classified as short-term investments. The U.S. Treasury Bills are carried at amortized cost and classified as held to maturity as the Company has the intent and the ability to hold them until they mature. The carrying value of the U.S. Treasury Bills are adjusted for accretion of discounts over the remaining life of the investment. Income related to the Treasury Bills is recognized in interest income in the Company's consolidated statement of income. The U.S. Treasury Bills are classified within Level I of the fair value hierarchy.

During the six months ended January 31, 2025, no transfers were made between any levels within the fair value hierarchy.

NOTE 9 – Net Income Per Share

The table below reconciles basic weighted average shares outstanding to diluted weighted average shares outstanding:

(In thousands)	Three Months Ended January 31,		Six Months Ended January 31,	
	2025	2024	2025	2024
Weighted average common shares outstanding	964,746	960,525	963,961	959,326
Effect of dilutive securities	13,164	14,064	13,247	13,809
Weighted average common and dilutive potential common shares outstanding	<u>977,910</u>	<u>974,589</u>	<u>977,208</u>	<u>973,135</u>

There were no material adjustments to net income required in calculating diluted net income per share. Excluded from the dilutive net income per share calculation were 1,131,328 and 1,006,147 options to purchase the Company's common stock and restricted stock for the three months ended January 31, 2025 and 2024, respectively, and 2,158,733 and 1,306,147 options to purchase the Company's common stock and restricted stock for the six months ended January 31, 2025 and 2024, respectively, because their inclusion would have been anti-dilutive.

NOTE 10 – Stock-based Compensation

The Company recognizes compensation expense for stock option awards without a market condition on a straight-line basis over the requisite service period of the award. The following is a summary of activity for the Company's stock options for the six months ended January 31, 2025:

<u>(In thousands, except per share and term data)</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (In years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding as of July 31, 2024	16,310	\$ 18.60	4.34	\$ 550,115
Grants of options	159	58.34		
Exercises	(2,773)	11.84		
Forfeitures or expirations	(5)	4.43		
Outstanding as of January 31, 2025	13,691	\$ 20.44	4.11	\$ 513,715
Exercisable as of January 31, 2025	11,791	\$ 17.40	3.54	\$ 477,990

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company's common stock. The number of options that were in-the-money was 19,574,145 at January 31, 2025.

The Company grants option awards to certain executives that contain service and market conditions. The options will become exercisable over five years, subject to continued service by the executive, with 20% vesting on the first anniversary of the grant date and the balance vesting monthly over the subsequent four years. Separate and apart from the time-based vesting schedule, the options are also subject to a market condition requiring the trading price of the Company common stock on the Nasdaq Global Select Market to be greater than or equal to 125% of the exercise price of the options, determined both (i) at the time of any exercise, and (ii) based on the closing price on each of the twenty consecutive trading days preceding the date of any exercise. The exercise price of the options is equivalent to the closing price of the Company's common stock on the grant date. The fair value of the awards is determined at the grant date using either Lattice or Monte Carlo model, risk-free interest rates ranging from 0.71% to 4.37%, estimated volatility ranging from 25.2% to 29.8%, and no expected dividends. The total estimated compensation expense to be recognized by the Company over the five-year service period for these options is \$50.1 million and \$46.5 million has been recognized with the remaining to be recognized using the accelerated attribution method over each vesting tranche of the award. The Company recognized \$1.0 million and \$2.0 million in compensation expense related to these awards for the three months ended January 31, 2025 and 2024, and \$2.3 million and \$4.2 million in compensation expense related to these awards in the six months ended January 31, 2025 and 2024, respectively.

The following is a summary of activity for the Company's stock option awards subject to market conditions for the six months ended January 31, 2025:

<u>(In thousands, except per share and term data)</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (In years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding as of July 31, 2024	5,995	\$ 24.70	6.47	\$ 165,656
Grants of options	—	—		
Exercises	—	—		
Forfeitures or expirations	—	—		
Outstanding as of January 31, 2025	5,995	\$ 24.70	5.96	\$ 199,228
Exercisable as of January 31, 2025	4,769	\$ 23.47	5.75	\$ 164,361

The table below sets forth the stock-based compensation recognized by the Company for stock options, restricted stock, and restricted unit awards:

<u>(In thousands)</u>	<u>Three Months Ended January 31,</u>		<u>Six Months Ended January 31,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
General and administrative	\$ 7,498	\$ 7,541	\$ 16,089	\$ 14,492
Facility operations	1,819	1,628	3,643	3,184
Total stock-based compensation	\$ 9,317	\$ 9,169	\$ 19,732	\$ 17,676

Additionally, Purple Wave, Inc. maintains an equity-based compensation plan for certain executives. Compensation cost attributable to Purple Wave, Inc. equity-based compensation plan was \$0.6 million and \$0.6 million the three months ended January 31, 2025 and 2024, and \$1.1 million and \$0.8 million included in stock based compensation for the six months ended January 31, 2025 and 2024, respectively.

The Company's restricted stock awards ("RSA"), restricted stock unit awards ("RSU"), and performance stock units ("PSU") have generally been issued with vesting periods ranging from two years to five years. RSA and RSU vest solely on service conditions while PSU will vest over five years, when and if certain financial performance targets are met. Accordingly, the Company recognizes compensation expense for RSA and RSU awards on a straight-line basis over the requisite service period of the award. Compensation expense for PSU is recognized on an accelerated attribution method when the achievement of certain financial performance targets appear probable and is recognized over the remaining requisite service period.

The following is a summary of activity for the Company's RSA, RSU and PSU for the six months ended January 31, 2025:

<u>(In thousands, except per share data)</u>	Restricted and Performance Shares	Weighted Average Grant Date Fair Value
Outstanding as of July 31, 2024	1,873	\$ 47.29
Grants	236	51.74
Vested	(144)	38.68
Forfeitures or expirations	(10)	44.60
Outstanding as of January 31, 2025	1,955	\$ 48.73

NOTE 11 – Stock Repurchases

On September 22, 2011, the Company's Board of Directors approved a 320 million share increase in the stock repurchase program, bringing the total current authorization to 784 million shares. The repurchases may be effected through solicited or unsolicited transactions in the open market or in privately negotiated transactions. No time limit has been placed on the duration of the stock repurchase program. Subject to applicable securities laws, such repurchases will be made at such times and in such amounts as the Company deems appropriate and may be discontinued at any time. The Company did not repurchase any shares of its common stock under the program during the six months ended January 31, 2025 or 2024. As of January 31, 2025, the total number of shares repurchased under the program was 458 million, and subject to applicable limitations under Delaware law, 326 million shares were available for repurchase under the program.

NOTE 12 – Income Taxes

The Company's effective income tax rates were 18.2% and 21.1% for the six months ended January 31, 2025 and 2024, respectively, which differs from the U.S. statutory rate of 21% primarily due to state income taxes, deduction for Foreign Derived Intangible Income, and excess tax benefits associated with equity-based compensation.

The Company applies the provisions of the accounting standard for uncertain tax positions to its income taxes. For benefits to be realized, a tax position must be more likely than not to be sustained upon examination. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

The Company files income tax returns in the U.S. federal jurisdiction, various states and foreign jurisdictions. The Company is currently under examination by certain taxing authorities in the U.S. for fiscal years between 2020 and 2022. At this time, the Company does not believe that the outcome of any examination will have a material impact on the Company's consolidated results of operations and financial position.

NOTE 13 – Recent Accounting Pronouncements***Adopted***

In March 2023 the FASB issued ASU 2023-02, Investments—Equity Method and Joint Ventures (Topic 323), which allows the option for reporting entities to elect to account for their tax equity investments, using the proportional amortization method if certain conditions are met. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company's adoption of ASU 2023-02 did not have a material impact on the Company's consolidated results of operations and financial position.

Pending

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which updates reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Management is currently evaluating this ASU to determine its impact on the Company's disclosures.

On December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topics 740): Improvements to Income Tax Disclosures" to expand the disclosure requirements for income taxes, primarily related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. Management is currently evaluating this ASU to determine its impact on the Company's disclosures.

On November 2024, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40). ASU 2024-03 requires disclosure of specified information about certain costs and expenses. ASU 2024-03 is effective for annual periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted, and the amendments may be applied either prospectively or retrospectively. Management is currently evaluating this ASU to determine its impact on the Company's disclosures.

NOTE 14 – Legal Proceedings

The Company is subject to threats of litigation and is involved in actual litigation and damage claims arising in the ordinary course of business, such as actions related to injuries, property damage, contract disputes, and handling or disposal of vehicles. In addition, from time to time, the Company receives communications from government or regulatory agencies concerning investigations or allegations of noncompliance with laws or regulations in jurisdictions in which the Company operates. Except as otherwise noted in this Note 14, there are no material pending legal proceedings to which the Company is a party, or with respect to which any of the Company's property is subject.

The Company provides for an accrual for matters when a loss is probable and the amount can be reasonably estimated. The effect of the outcome of any such matters on the Company's future consolidated results of operations and cash flows cannot be predicted because any such effect depends on future results of operations and the amount and timing of the resolution of any such matters. The Company believes that any ultimate liability regarding existing litigation and claims would not have a material effect on its consolidated results of operations, financial position, or cash flows. However, legal and regulatory proceedings are inherently unpredictable, and the amount of the liabilities associated with claims, if any, cannot be determined with certainty. If one or more matters were resolved against us for amounts in excess of the Company's expectations, the impact on the Company's consolidated results of operations, financial position, or cash flow could be material. The Company maintains insurance which may or may not provide coverage for claims made against the Company. There is no assurance that there will be insurance coverage available when and if needed. Additionally, the insurance that the Company carries requires that the Company pay for costs and/or claims exposure up to the amount of the insurance deductibles.

The U.S. Department of Justice, Consumer Protection Branch (DOJ) is conducting an ongoing investigation into potential violations by the Company of certain money laundering laws related to its practices and procedures for preventing and detecting money laundering activity by its auction platform members. In connection with this investigation, the Company received a letter from the DOJ in October 2023 in which the DOJ indicated the Company may have exposure as a result of potential violations of such money laundering statutes and regulations. The Company is cooperating with the DOJ's investigation. At this time, we are unable to predict the timing, scope, or result of any potential governmental, criminal, or civil proceeding that may result, the imposition of fines and penalties, and/or other remedies, and as a result, we are unable to predict the range of possible loss.

NOTE 15 – Segments and Other Geographic Reporting

The Company's U.S. and International regions are considered two separate operating segments and are disclosed as two reportable segments. The segments represent geographic areas and reflect how the chief operating decision maker allocates resources

and measures results, including total revenues and operating income.

The following table presents financial information by segment:

(In thousands)	Three Months Ended January 31, 2025			Three Months Ended January 31, 2024		
	United States	International	Total	United States	International	Total
Service revenues	\$ 868,130	\$ 123,151	\$ 991,281	\$ 756,036	\$ 105,709	\$ 861,745
Vehicle sales	106,715	65,320	172,035	74,690	83,714	158,404
Total service revenues and vehicle sales	974,845	188,471	1,163,316	830,726	189,423	1,020,149
Facility operations	418,824	71,232	490,056	343,689	65,489	409,178
Cost of vehicle sales	92,807	54,900	147,707	70,128	76,691	146,819
General and administrative	87,321	12,021	99,342	69,571	14,681	84,252
Operating income	\$ 375,893	\$ 50,318	\$ 426,211	\$ 347,338	\$ 32,562	\$ 379,900
Depreciation and amortization	\$ 46,455	\$ 7,744	\$ 54,199	\$ 38,344	\$ 6,918	\$ 45,262
Capital expenditures and acquisitions	153,212	20,868	174,080	83,861	39,168	123,029

(In thousands)	Six Months Ended January 31, 2025			Six Months Ended January 31, 2024		
	United States	International	Total	United States	International	Total
Service revenues	\$ 1,728,120	\$ 249,497	\$ 1,977,617	\$ 1,518,561	\$ 202,720	\$ 1,721,281
Vehicle sales	194,265	138,263	332,528	153,072	166,212	319,284
Total service revenues and vehicle sales	1,922,385	387,760	2,310,145	1,671,633	368,932	2,040,565
Facility operations	842,441	144,161	986,602	693,283	124,396	817,679
Cost of vehicle sales	169,093	116,792	285,885	142,150	152,565	294,715
General and administrative	179,898	25,182	205,080	126,572	26,323	152,895
Operating income	\$ 730,953	\$ 101,625	\$ 832,578	\$ 709,628	\$ 65,648	\$ 775,276
Depreciation and amortization	\$ 92,370	\$ 15,456	\$ 107,826	\$ 75,280	\$ 13,146	\$ 88,426
Capital expenditures and acquisitions	365,129	46,966	412,095	299,992	79,710	379,702

(In thousands)	January 31, 2025			July 31, 2024		
	United States	International	Total	United States	International	Total
Total assets	\$ 8,047,720	\$ 1,139,627	\$ 9,187,347	\$ 7,386,103	\$ 1,041,661	\$ 8,427,764
Goodwill	390,421	119,249	509,670	390,421	123,488	513,909

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to "Copart," the "Company," "we," "us," or "our" refer to Copart, Inc.

The following is a discussion and analysis of our financial condition and results of operations as of, and for, the periods presented and should be read in conjunction with our unaudited interim consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

This Quarterly Report on Form 10-Q, including the information incorporated by reference herein, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts are statements that could be deemed forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expect," "plan," "intend," "forecast," "outlook," "project," "seek," "anticipate," "believe," "estimate," "predict," "potential," "continue" or the negative of these terms or other comparable terminology. The forward-looking statements contained in this Form 10-Q involve known and unknown risks, uncertainties and situations that may cause our or our industry's actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. These forward-looking statements are made in reliance upon the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These factors include those listed in Part II, Item 1A. under the caption entitled "Risk Factors" in this Quarterly Report on Form 10-Q and those discussed elsewhere in this Quarterly Report on Form 10-Q. We encourage investors to review these factors carefully together with the other matters referred to herein, as well as in the other documents we file with the Securities and Exchange Commission (the "SEC"). We may from time to time make additional written and oral forward-looking statements, including statements contained in our filings with the SEC. We do not undertake to update any forward-looking statement that may be made from time to time by or on behalf of us.

Although we believe that, based on information currently available to us and our management, the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these forward-looking statements.

Overview

We are a leading global provider of online auctions and vehicle remarketing services with operations in the United States ("U.S."), the United Kingdom ("U.K."), Germany, Brazil, Canada, the United Arab Emirates ("U.A.E."), Spain, Finland, Oman, the Republic of Ireland, and Bahrain.

Our goals are to generate sustainable profits for our stockholders, while also providing environmental and social benefits for the world around us. With respect to our environmental stewardship, we believe our business is a critical enabler for the global re-use and recycling of vehicles, parts, and raw materials. We are not responsible for the carbon emissions resulting from new vehicle manufacturing, governmental fuel emissions standards or vehicle use by consumers. Each vehicle that enters our business operations already exists, with whatever fuel technology and efficiency it was designed and built to have, and the substantial carbon emissions associated with the vehicle's manufacture have already occurred. However, upon our receipt of an existing vehicle, we help facilitate the decrease of its total environmental impact by extending its useful life and thereby avoiding the carbon emissions associated with the alternative of new vehicle and auto parts manufacturing. For example, many of the cars we process and remarket are subsequently restored to drivable condition, reducing the new vehicle manufacturing burden the world would otherwise face. Many of our cars are purchased by dismantlers, who recycle and refurbish parts for vehicle repairs, again reducing new and aftermarket parts manufacturing. Finally, some of our vehicles are returned to their raw material inputs through scrapping, thereby reducing the need for further new resource extraction. In each of these cases, our business facilitates the reduction of the carbon and other environmental footprint of the global transportation industry.

Beyond our environmental stewardship, we also support the world's communities in two important ways. First, we believe that we contribute to economic development and well-being by enabling more affordable access to mobility around the world. For example, many of the automobiles sold through our auction platform are purchased for use in developing countries where affordable transportation is a critical enabler of education, health care, and well-being. Secondly, we believe we play an important role in the communities we serve through our response to, and management of, catastrophic weather events. This includes our investments in equipment and infrastructure which support our overall disaster recovery efforts. For example, we mobilized our people, and engaged with a multitude of service providers to timely retrieve, store, and remarket tens of thousands of flood-damaged vehicles in South Florida in the wake of Hurricane Helene and Milton in the fall of 2024.

We provide vehicle sellers with a full range of services to process and sell vehicles primarily over the internet through our Virtual Bidding Third Generation internet auction-style sales technology, which we refer to as VB3. Vehicle sellers consist primarily of insurance companies, but also include dealers, individuals, charities, rental car companies, banks, finance companies, and fleet operators. We sell the vehicles principally to licensed vehicle dismantlers, rebuilders, repair licensees, used vehicle dealers, exporters, and to the general public. The majority of the vehicles sold on behalf of insurance companies are either damaged vehicles deemed a

total loss; not economically repairable by the insurance companies; or are recovered stolen vehicles for which an insurance settlement with the vehicle owner has already been made. We offer vehicle sellers a full range of services that help expedite each stage of the vehicle sales process, minimize administrative and processing costs, and maximize the ultimate sales price through the online auction process.

In the U.S., Canada, Brazil, the Republic of Ireland, Finland, the U.A.E., Oman, and Bahrain, we sell vehicles primarily as an agent and derive revenue primarily from auction and auction-related sales transaction fees charged for vehicle remarketing services as well as fees for services subsequent to the auction, such as delivery and storage. In the U.K., Germany, and Spain we operate both as an agent and on a principal basis, in some cases purchasing salvage vehicles outright and reselling the vehicles for our own account. In the U.K. we recognize revenue on a principal basis from selling dismantled parts through GPS. In Germany and Spain, we also derive revenue from listing vehicles on behalf of insurance companies and insurance experts to determine the vehicle's residual value and/or to facilitate a sale for the insured.

Key Financial Performance Measures

We monitor and analyze a number of key financial performance indicators in order to manage our business and evaluate our financial and operating performance. Such indicators include:

Service and Vehicle Sales Revenue: Our service revenues consist of auction and auction-related sales transaction fees charged for vehicle remarketing services. These auction and auction-related services may include a combination of the following: vehicle purchasing fees; vehicle listing fees; vehicle selling fees that can be based on a predetermined percentage of the vehicle sales price, tiered vehicle sales price fees, or at a fixed fee based on the sale of each vehicle regardless of the selling price of the vehicle; transportation fees for the cost of transporting the vehicle to or from our facility; title processing and preparation fees; vehicle storage fees; bidding fees; and vehicle loading fees. These fees are recognized as net revenue (not gross vehicle selling price) at the time of auction in the amount of such fees charged. Purchased vehicle revenue includes the gross sales price of the vehicles which we have purchased or are otherwise considered to own. We have certain contracts with insurance companies, primarily in the U.K., in which we act as a principal, purchasing vehicles and reselling them for our own account. We also purchase vehicles in the open market, primarily from individuals, and resell them for our own account.

Our revenue is impacted by several factors, including total loss frequency and the average vehicle auction selling price, as a significant amount of our service revenue is associated in some manner with the ultimate selling price of the vehicle. Vehicle auction selling prices are driven primarily by: (i) market demand for rebuildable, drivable vehicles; (ii) used car pricing, which we also believe has an impact on total loss frequency; (iii) end market demand for recycled and refurbished parts as reflected in demand from dismantlers; (iv) the mix of cars sold; (v) changes in the U.S. dollar exchange rate to foreign currencies, which we believe has an impact on auction participation by international buyers and; (vi) changes in commodity prices, particularly the per ton price for crushed car bodies, as we believe this has an impact on the ultimate selling price of vehicles sold for scrap and vehicles sold for dismantling. We cannot specifically quantify the financial impact that commodity pricing, used car pricing, and product sales mix has on the selling price of vehicles, our service revenues, or financial results. Total loss frequency is the percentage of cars involved in accidents that insurance companies salvage rather than repair and is driven by the relationship between repair costs, used car values, and auction returns. Over the past 30 years we believe there has been an increase in overall growth in the salvage market driven by an increase in total loss frequency. This increase in total loss frequency may have been driven by changes in used car values and repair costs over the same long-term horizon, which we believe are generally trending upward. We believe the long-term trend of increases in total loss frequency will continue. Used car values are determined by many factors, including used car supply, which is tied directly to new car sales, and the average age of cars on the road. The average age of cars on the road has continued to increase, growing from 11.1 years in 2012 to 12.6 years in 2024. Repair costs are generally based on damage severity, vehicle complexity, repair parts availability, repair parts costs, labor costs, and repair shop lead times. The factors that can influence repair costs, used car pricing, and auction returns are many and varied and we cannot predict their movements with precision.

Operating Costs and Expenses: Facility operations expenses consist primarily of: (i) labor (operating personnel at facilities); (ii) transportation (miles traveled and fuel rates); (iii) facilities (maintenance, property-related taxes, rent, and insurance); (iv) other (marketing and auction related costs); and (v) costs of vehicles sold. General and administrative expenses consist primarily of executive management, accounting, data processing, sales personnel, professional services, marketing expenses, and technology enhancements and maintenance.

Other Income and Expense: Other income consists primarily of interest income on U.S. Treasury Bills, foreign exchange rate gains and losses; gains and losses from the disposal of assets, which will fluctuate based on the nature of these activities each period; fees and interest expense on the credit facility, and earnings from unconsolidated affiliates.

Liquidity and Cash Flows: Our primary source of working capital is cash operating results. The primary source of our liquidity is our cash and cash equivalents and our revolving credit commitments under the Second Amended and Restated Credit Agreement (the "Revolving Loan Facility."). The primary factors affecting cash operating results are: (i) seasonality; (ii) market wins and losses; (iii) supplier mix; (iv) accident frequency; (v) total loss frequency; (vi) volume from our existing suppliers; (vii) commodity pricing; (viii) used car pricing; (ix) foreign currency exchange rates; (x) product mix; (xi) contract mix to the extent applicable; (xii) our capital

expenditures; and (xiii) other macroeconomic factors. These factors are further discussed in the “Results of Operations” and “Risk Factors” sections of this Quarterly Report on Form 10-Q.

We also generate additional working capital and liquidity from the sale of assets and the issuance of shares through option exercises and shares issued under our Employee Stock Purchase Plan. In addition, we believe we have access to additional liquidity from the sale of equity or debt securities, if needed.

Acquisitions and New Operations

As part of our overall expansion strategy of offering integrated services to vehicle sellers, we anticipate acquiring and developing facilities in new regions, as well as the regions currently served by our facilities. We believe that these acquisitions and openings will strengthen our coverage, as we have facilities located in the U.S., Canada, the U.K., Brazil, the Republic of Ireland, Germany, Finland, the U.A.E, Oman, Bahrain, and Spain with the intention of providing global coverage for our sellers.

The following tables set forth operational facilities that we have opened and are now operational from August 1, 2023 through January 31, 2025:

United States Locations	Geographic Service Area	Date
Rutland	Vermont	August 2023
Phoenix	Arizona	November 2023
Austin	Texas	June 2024
Casper	Wyoming	July 2024
Napa	California	October 2024
Laurel	Maryland	November 2024
International Locations	Geographic Service Area	Date
Corby, England	United Kingdom	October 2023
Glasgow, Scotland	United Kingdom	December 2023
Alhendin, Granada	Spain	January 2024
Gloucester, England	United Kingdom	March 2024
Barcelona, Spain	Spain	May 2024
Cookstown, Ontario	Canada	July 2024
St. Helens, England	United Kingdom	October 2024
Castellón, Spain	Spain	November 2024
Vitoria, Spain	Spain	December 2024

In October 2023, we acquired a controlling interest in Purple Wave, Inc., an online offsite heavy equipment auction company (“Purple Wave”).

The period-to-period comparability of our consolidated operating results and financial position is affected by business acquisitions, new openings, weather and product introductions during such periods.

In addition to growth through business acquisitions, we seek to increase revenues and profitability by, among other things, (i) acquiring and developing additional vehicle storage facilities in key markets, including foreign markets; (ii) pursuing global, national, and regional vehicle seller agreements; (iii) increasing our service offerings; and (iv) expanding the application of VB3 into new markets. In addition, we implement our pricing structure and auction procedures, and attempt to introduce cost efficiencies at each of our acquired facilities by implementing our operational procedures, integrating our management information systems, and redeploying personnel, when necessary.

Results of Operations

The following table shows certain data from our consolidated statements of income expressed as a percentage of total service revenues and vehicle sales for the three and six months ended January 31, 2025 and 2024:

(In percentages)	Three Months Ended January 31,		Six Months Ended January 31,	
	2025	2024	2025	2024
Service revenues and vehicle sales:				
Service revenues	85 %	84 %	86 %	84 %
Vehicle sales	15 %	16 %	14 %	16 %
Total service revenues and vehicle sales	100 %	100 %	100 %	100 %
Operating expenses:				
Facility operations	42 %	41 %	43 %	41 %
Cost of vehicle sales	13 %	14 %	12 %	14 %
General and administrative	9 %	8 %	9 %	7 %
Total operating expenses	64 %	63 %	64 %	62 %
Operating income	36 %	37 %	36 %	38 %
Other income (expense)	3 %	3 %	4 %	3 %
Income before income taxes	39 %	40 %	40 %	41 %
Income taxes	6 %	8 %	7 %	9 %
Net income	33 %	32 %	33 %	32 %

Comparison of the Three and Six Months Ended January 31, 2025 and 2024

The following table presents a comparison of service revenues for the three and six months ended January 31, 2025 and 2024:

(In thousands)	Three Months Ended January 31,				Six Months Ended January 31,			
	2025	2024	Change	% Change	2025	2024	Change	% Change
Service revenues								
United States	\$ 868,130	\$ 756,036	\$ 112,094	14.8 %	\$ 1,728,120	\$ 1,518,561	\$ 209,559	13.8 %
International	123,151	105,709	17,442	16.5 %	249,497	202,720	46,777	23.1 %
Total service revenues	<u>\$ 991,281</u>	<u>\$ 861,745</u>	<u>\$ 129,536</u>	15.0 %	<u>\$ 1,977,617</u>	<u>\$ 1,721,281</u>	<u>\$ 256,336</u>	14.9 %

Service Revenues. The increase in service revenues during the three months ended January 31, 2025 of \$129.5 million, or 15.0%, as compared to the same period last year resulted from (i) an increase in the U.S. of \$112.1 million and (ii) an increase in International of \$17.4 million. The growth in the U.S. was driven primarily by an increase in volume and an increase in revenue per car. The growth in International, after excluding negative fluctuations in currency exchange rates of \$3.5 million, was driven primarily by an increase in revenue per car and an increase in volume.

The increase in service revenues during the six months ended January 31, 2025 of \$256.3 million, or 14.9%, as compared to the same period last year resulted from (i) an increase in the U.S. of \$209.6 million and (ii) an increase in International of \$46.8 million. The growth in the U.S. was driven primarily by an increase in volume and an increase in revenue per car. The growth in International, after excluding negative fluctuations in currency exchange rates of \$1.5 million, was driven primarily by an increase in volume and an increase in revenue per car.

The following table presents a comparison of vehicle sales for the three and six months ended January 31, 2025 and 2024:

(In thousands)	Three Months Ended January 31,				Six Months Ended January 31,			
	2025	2024	Change	% Change	2025	2024	Change	% Change
Vehicle sales								
United States	\$ 106,715	\$ 74,690	\$ 32,025	42.9 %	\$ 194,265	\$ 153,072	\$ 41,193	26.9 %
International	65,320	83,714	(18,394)	(22.0)%	138,263	166,212	(27,949)	(16.8)%
Total vehicle sales	<u>\$ 172,035</u>	<u>\$ 158,404</u>	<u>\$ 13,631</u>	8.6 %	<u>\$ 332,528</u>	<u>\$ 319,284</u>	<u>\$ 13,244</u>	4.1 %

Vehicle Sales. The increase in vehicle sales for the three months ended January 31, 2025 of \$13.6 million, or 8.6%, as compared to the same period last year, resulted from (i) an increase in the U.S. of \$32.0 million and (ii) a decrease in International of \$18.4 million. The increase in the U.S. was primarily driven by an increase in volume and an increase in revenue per car. The decrease in International, after excluding negative fluctuations in currency exchange rates of \$1.2 million, was primarily driven by a decrease in revenue per car due to lower auction selling prices, which we believe was due to change in mix of vehicles sold, and a decrease in volume related to sellers switching to consignment model.

The increase in vehicle sales for the six months ended January 31, 2025 of \$13.2 million, or 4.1%, as compared to the same period last year, resulted from (i) an increase in the U.S. of \$41.2 million and (ii) a decrease in International of \$27.9 million. The increase in the U.S. was primarily driven by an increase in volume and increase in revenue per car. The decrease in International, after excluding positive fluctuations in currency exchange rates of \$1.4 million, was primarily driven by a decrease in revenue per car due to lower auction selling prices, which we believe was due to change in mix of vehicles sold, offset by an increase in volume.

The following table presents a comparison of facility operations expenses for the three and six months ended January 31, 2025 and 2024:

(In thousands)	Three Months Ended January 31,				Six Months Ended January 31,			
	2025	2024	Change	% Change	2025	2024	Change	% Change
Facility operations expenses								
United States	\$ 418,824	\$ 343,689	\$ 75,135	21.9 %	\$ 842,441	\$ 693,283	\$ 149,158	21.5 %
International	71,232	65,489	5,743	8.8 %	144,161	124,396	19,765	15.9 %
Total facility operations expenses	<u>\$ 490,056</u>	<u>\$ 409,178</u>	<u>\$ 80,878</u>	19.8 %	<u>\$ 986,602</u>	<u>\$ 817,679</u>	<u>\$ 168,923</u>	20.7 %
Facility operations expenses, excluding depreciation and amortization								
United States	\$ 377,361	\$ 309,147	\$ 68,214	22.1 %	\$ 760,958	\$ 625,626	\$ 135,332	21.6 %
International	63,732	58,823	4,909	8.3 %	129,204	111,742	17,462	15.6 %
Facility depreciation and amortization								
United States	\$ 41,463	\$ 34,542	\$ 6,921	20.0 %	\$ 81,483	\$ 67,657	\$ 13,826	20.4 %
International	7,500	6,666	834	12.5 %	14,957	12,654	2,303	18.2 %

Facility Operations Expenses. The increase in facility operations expense for the three months ended January 31, 2025 of \$80.9 million, or 19.8%, as compared to the same period last year resulted from (i) an increase in the U.S. of \$75.1 million, and (ii) an increase in International of \$5.7 million. The increase in the U.S. compared to the same period last year related to an increase in volume, and an increase in non-CAT subhaul, labor, employee benefits, facility costs, and auction related expenses combined with one time CAT costs of \$27 million associated with hurricanes Helene and Milton. The increase in International, after excluding positive fluctuations in currency exchange rate of \$1.9 million, was the result of an increase in volume and an increase in cost to process a car. Included in facility operations expenses were depreciation and amortization expenses. The increase in facility operations depreciation and amortization expenses during the three months ended January 31, 2025 as compared to the same period last year resulted primarily from depreciating new and expanded facilities placed into service in the U.S and International.

The increase in facility operations expense for the six months ended January 31, 2025 of \$168.9 million, or 20.7%, as compared to the same period last year resulted from (i) an increase in the U.S. of \$149.2 million, and (ii) an increase in International of \$19.8 million. The increase in the U.S. compared to the same period last year related to an increase in volume, and an increase in non-CAT related subhaul, labor, facility costs, and employee benefits combined with one time CAT costs of \$56 million associated with hurricanes Helene and Milton. These costs are related to subhaul, labor costs incurred from overtime, increase of security costs, and increased travel and lodging. The increase in International, after excluding positive fluctuations in currency exchange rate of \$0.5 million, was the result of an increase in volume and an increase in cost to process a car. Included in facility operations expenses were depreciation and amortization expenses. The increase in facility operations depreciation and amortization expenses during the six months ended January 31, 2025 as compared to the same period last year resulted primarily from depreciating new and expanded facilities placed into service in the U.S and international.

The following table presents a comparison of cost of vehicle sales for the three and six months ended January 31, 2025 and 2024:

(In thousands)	Three Months Ended January 31,				Six Months Ended January 31,			
	2025	2024	Change	% Change	2025	2024	Change	% Change
Cost of vehicle sales								
United States	\$ 92,807	\$ 70,128	\$ 22,679	32.3 %	\$ 169,093	\$ 142,150	\$ 26,943	19.0 %
International	54,900	76,691	(21,791)	(28.4)%	116,792	152,565	(35,773)	(23.4)%
Total cost of vehicle sales	<u>\$ 147,707</u>	<u>\$ 146,819</u>	<u>\$ 888</u>	0.6 %	<u>\$ 285,885</u>	<u>\$ 294,715</u>	<u>\$ (8,830)</u>	(3.0)%

Cost of Vehicle Sales. The increase in cost of vehicle sales for the three months ended January 31, 2025 of \$0.9 million, or 0.6%, as compared to the same period last year resulted from (i) an increase in the U.S. of \$22.7 million and (ii) a decrease in International of \$21.8 million. The increase in the U.S. was primarily the result of an increase in volume. The decrease in International after excluding the positive fluctuations of currency exchange rates of \$1.1 million, was primarily due to a lower average purchase price due to a change in the mix of vehicles sold, combined with a decrease in volume related to sellers switching to consignment model.

The decrease in cost of vehicle sales for the six months ended January 31, 2025 of \$8.8 million, or 3.0%, as compared to the same period last year resulted from (i) an increase in the U.S. of \$26.9 million and (ii) a decrease in International of \$35.8 million. The increase in the U.S. was primarily the result of an increase in volume, offset by a lower average purchase price due to change in the mix of vehicles sold. The decrease in International after excluding the negative fluctuations of currency exchange rates of \$1.0 million, was primarily due to a lower average purchase price due to a change in the mix of vehicles sold, offset by an increase in volume.

The following table presents a comparison of general and administrative expenses for the three and six months ended January 31, 2025 and 2024:

(In thousands)	Three Months Ended January 31,				Six Months Ended January 31,			
	2025	2024	Change	% Change	2025	2024	Change	% Change
General and administrative expenses								
United States	\$ 87,321	\$ 69,571	\$ 17,750	25.5 %	\$ 179,898	\$ 126,572	\$ 53,326	42.1 %
International	12,021	14,681	(2,660)	(18.1)%	25,182	26,323	(1,141)	(4.3) %
Total general and administrative expenses	<u>\$ 99,342</u>	<u>\$ 84,252</u>	<u>\$ 15,090</u>	17.9 %	<u>\$ 205,080</u>	<u>\$ 152,895</u>	<u>\$ 52,185</u>	34.1 %
General and administrative expenses, excluding depreciation and amortization								
United States	\$ 82,329	\$ 65,769	\$ 16,560	25.2 %	\$ 169,011	\$ 118,949	\$ 50,062	42.1 %
International	11,777	14,429	(2,652)	(18.4)%	24,683	25,831	(1,148)	(4.4) %
General and administrative depreciation and amortization								
United States	\$ 4,992	\$ 3,802	\$ 1,190	31.3 %	\$ 10,887	\$ 7,623	\$ 3,264	42.8 %
International	244	252	(8)	(3.2)%	499	492	7	1.4 %

General and Administrative Expenses. The increase in general and administrative expenses for the three months ended January 31, 2025 of \$15.1 million, or 17.9%, as compared to the same period last year resulted from (i) an increase in the U.S. of \$17.8 million and (ii) a decrease in International of \$2.7 million. Excluding depreciation and amortization, the increase in the U.S. of \$16.6 million resulted primarily from increases in third party outside services (including legal, compliance, and system implementations), labor costs (as a result of investment in the business and the expansion of our sales force), and travel. The decrease in International of \$2.7 million after excluding the positive fluctuations in currency exchange rates of \$0.4 million, resulted primarily from decrease in legal expenses, offset by an increase in bank charges. Depreciation and amortization expenses for the three months ended January 31, 2025 as compared to the same period last year slightly increased as result of the addition of new technology assets being placed in service in the U.S.

The increase in general and administrative expenses for the six months ended January 31, 2025 of \$52.2 million, or 34.1%, as compared to the same period last year resulted from (i) an increase in the U.S. of \$53.3 million and (ii) a decrease in International of \$1.1 million. Excluding depreciation and amortization, the increase in the U.S. of \$50.1 million resulted primarily from increases in third party outside services (including legal, compliance, and system implementations), labor costs (as a result of investment in the business and the expansion of our sales force), and travel. The decrease in International of \$1.1 million, after excluding the positive fluctuations in currency exchange rates of \$0.2 million, resulted primarily from decrease in legal costs offset by increase in labor costs, advertising, computer software and bank charges. Depreciation and amortization expenses for the six months ended January 31, 2025 as compared to the same period last year slightly increased as result of the addition of new intangible assets and technology assets being placed in service in the U.S. and Internationally.

The following table summarizes total other income (expense) for the three and six months ended January 31, 2025 and 2024:

(In thousands)	Three Months Ended January 31,				Six Months Ended January 31,			
	2025	2024	Change	% Change	2025	2024	Change	% Change
Total other income	\$ 36,840	\$ 30,853	\$ 5,987	19.4 %	\$ 81,791	\$ 58,786	\$ 23,005	39.1 %

Other Income (Expense). The increase in total other income for the three months ended January 31, 2025 of \$6.0 million, or 19.4%, as compared to the same period last year was primarily due to higher interest income earned from U.S. Treasury Bills.

The increase in total other income for the six months ended January 31, 2025 of \$23.0 million, or 39.1%, as compared to the same period last year was primarily due to higher interest income earned from U.S. Treasury Bills.

The following table summarizes income taxes for the three and six months ended January 31, 2025 and 2024:

(In thousands)	Three Months Ended January 31,				Six Months Ended January 31,			
	2025	2024	Change	% Change	2025	2024	Change	% Change
Income taxes	\$ 76,510	\$ 85,226	\$ (8,716)	(10.2)%	\$ 166,652	\$ 176,003	\$ (9,351)	(5.3) %

Income Taxes. Our effective income tax rates were 16.5% and 20.8% for the three months ended January 31, 2025 and 2024, respectively, and 18.2% and 21.1% for the six months ended January 31, 2025 and 2024, respectively. The effective tax rates in the current and prior year were impacted by the recognition of excess tax benefits from stock-based compensation. The recognition of excess tax benefits from the exercise of employee stock options was \$23.7 million and \$4.6 million for the three months ended January 31, 2025 and 2024, respectively, and \$28.3 million and \$5.7 million for the six months ended January 31, 2025 and 2024, respectively.

Liquidity and Capital Resources

The following table presents a comparison of key components of our liquidity and capital resources at January 31, 2025 and July 31, 2024 and for the six months ended January 31, 2025 and 2024, respectively, excluding additional funds available to us through our Revolving Loan Facility:

<u>(In thousands)</u>	<u>January 31, 2025</u>	<u>July 31, 2024</u>	<u>Change</u>	<u>% Change</u>
Cash, cash equivalents, and restricted cash	\$ 3,338,909	\$ 1,514,111	\$ 1,824,798	120.5 %
Working capital	4,337,146	3,789,617	547,529	14.4 %
Six Months Ended January 31,				
<u>(In thousands)</u>	<u>2025</u>	<u>2024</u>	<u>Change</u>	<u>% Change</u>
Operating cash flows	\$ 660,401	\$ 537,039	\$ 123,362	23.0 %
Investing cash flows	1,127,508	(247,680)	1,375,188	555.2 %
Financing cash flows	37,713	6,448	31,265	484.9 %
Capital expenditures and acquisitions	\$ (354,612)	\$ (379,702)	\$ 25,090	6.6 %

Cash, cash equivalents, and restricted cash and working capital increased \$1.8 billion and \$547.5 million at January 31, 2025, respectively, as compared to July 31, 2024. Cash, cash equivalents, and restricted cash increased due to cash generated from operations, maturity of held to maturity securities and proceeds from stock option exercises not fully offset by capital expenditures. Working capital increased primarily from cash generated from operations and timing of cash receipts and payments, partially offset by capital expenditures, certain income tax benefits related to stock option exercises, and timing of cash payments. Cash equivalents consisted of bank deposits, U.S. Treasury Bills, and funds invested in money market accounts, which bear interest at variable rates.

Historically, we have financed our growth through cash generated from operations, public offerings of common stock, equity issued in conjunction with certain acquisitions and debt financing. Our primary source of cash generated by operations is from the collection of service fees and funds received from the sale of vehicles. We expect to continue to use cash flows from operations to finance our working capital needs and to develop and grow our business. In addition to our stock repurchase program, we are considering a variety of alternative potential uses for our remaining cash balances and our cash flows from operations. These alternative potential uses include additional stock repurchases, acquisitions and the payment of dividends. For further detail, see Notes to Unaudited Consolidated Financial Statements, *Note 7 – Long-Term Debt* and *Note 11 – Stock Repurchases* and under the subheading “*Credit Agreement*” below.

Our business is seasonal as inclement weather during the winter months increases the frequency of accidents and consequently, the number of cars involved in accidents which the insurance companies salvage rather than repair. During the winter months, most of our facilities process 5% to 20% more vehicles than at other times of the year. Severe weather events, including but not limited to hurricanes, tornadoes, and hailstorms, can also impact our volumes. These increased volumes require the increased use of our cash to pay out advances and handling costs of the additional business.

We believe that our currently available cash and cash equivalents and cash generated from operations will be sufficient to satisfy our operating and working capital requirements for the foreseeable future. We expect to acquire or develop additional locations and expand some of our current facilities in the foreseeable future. We may raise additional cash through drawdowns on our Revolving Loan Facility or potentially issue equity to fund this expansion. Although the timing and magnitude of growth through expansion and acquisitions are not predictable, the opening of new greenfield facilities is contingent upon our ability to locate property that (i) is in an area in which we have a need for more capacity; (ii) has adequate size given the capacity needs; (iii) has the appropriate shape and topography for our operations; (iv) is reasonably close to a major road or highway; and (v) most importantly, has the appropriate zoning for our business.

As of January 31, 2025, \$258.2 million of the \$3.3 billion of cash, cash equivalents, and restricted cash was held by our foreign subsidiaries. If these funds are needed for our operations in the U.S., the repatriation of these funds could be subject to the foreign withholding tax. However, our intent is to permanently reinvest these funds outside of the U.S. and our current plans do not require repatriation to fund our U.S. operations.

Net cash provided by operating activities increased for the six months ended January 31, 2025 as compared to the same period in 2024 due to higher volumes and fee optimization. The change in operating assets and liabilities was primarily the result of an increase in cash provided by a decrease in accounts receivable of \$37 million, a decrease in prepaid and other assets of \$40 million and an increase in accounts payable, accrued liabilities and other liabilities of \$38 million. This is offset by cash used due to a decrease in income tax payable of \$61 million and an increase in income tax receivable of \$38 million.

Net cash provided by investing activities increased for the six months ended January 31, 2025 as compared to the same period in 2024 due primarily to increased proceeds from held to maturity securities offset by increased capital expenditures. Our capital expenditures are primarily related to lease buyouts of certain facilities, acquiring land, opening and improving facilities, capitalized software development costs for new software for internal use and major software enhancements, and acquiring facility equipment. We continue to develop, expand and invest in new and existing facilities.

Net cash provided by financing activities increased for the six months ended January 31, 2025 as compared to the same period in 2024 due primarily to an increase of the receipt of proceeds from the exercise of stock options.

Credit Agreement

On December 21, 2021, we entered into a Second Amended and Restated Credit Agreement by and among Copart, certain subsidiaries of Copart party thereto, the lenders party thereto, and Bank of America, N.A., as administrative agent (the “Second Amended and Restated Credit Agreement”). The Second Amended and Restated Credit Agreement provides for a revolving loan facility of \$1,250.0 million maturing on December 21, 2026 (including up to \$550.0 million equivalent of borrowings in the Pounds Sterling, European Union Euro and Canadian dollars) with a \$150.0 million equivalent sub-facility available to CPRT GmbH, a \$150.0 million equivalent sub-facility available to Copart Autos España, S.L.U. and a \$250.0 million sub-facility available to Copart UK Limited. The proceeds may be used for general corporate purposes, including working capital, capital expenditures, potential share repurchases, acquisition, or other investments relating to the Company’s expansion strategies in domestic and international markets.

We had no outstanding borrowings under the Revolving Loan Facility as of January 31, 2025 and July 31, 2024. The Credit Agreement contains customary affirmative and negative covenants and we were in compliance with all covenants related to the Credit Agreement as of January 31, 2025.

Stock Repurchases

On September 22, 2011, our Board of Directors approved a 320 million share increase in our stock repurchase program, bringing the total current authorization to 784 million shares. The repurchases may be effected through solicited or unsolicited transactions in the open market or in privately negotiated transactions. No time limit has been placed on the duration of the stock repurchase program. Subject to applicable securities laws, such repurchases will be made at such times and in such amounts as we deem appropriate and may be discontinued at any time. We did not repurchase any shares of our common stock under the program during the six months ended January 31, 2025 or 2024. As of January 31, 2025, the total number of shares repurchased under the program was 458 million, and subject to applicable limitations under Delaware law, 326 million shares were available for repurchase under the program.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions.

Management has discussed the selection of critical accounting policies and estimates with the Audit Committee of the Board of Directors and the Audit Committee has reviewed our disclosure relating to critical accounting policies and estimates in this Quarterly Report on Form 10-Q. There have been no material changes to the critical accounting policies and estimates from what was disclosed in our Annual Report on [Form 10-K](#) for the fiscal year ended July 31, 2024 filed with the SEC on September 27, 2024. Our significant accounting policies are described in the Notes to Unaudited Consolidated Financial Statements, *Note 1 – Summary of Significant Accounting Policies* in this Quarterly Report on Form 10-Q.

Recently Issued Accounting Standards

For a description of new accounting standards that affect us, refer to the Notes to Unaudited Consolidated Financial Statements, *Note 13 – Recent Accounting Pronouncements* in this Quarterly Report on Form 10-Q.

Contractual Obligations and Commitments

There have been no material changes during the six months ended January 31, 2025 to our contractual obligations disclosed in our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on [Form 10-K](#) for the fiscal year ended July 31, 2024, filed with the SEC on September 27, 2024.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the information required under this Item from what was disclosed in our Annual Report on [Form 10-K](#) for the fiscal year ended July 31, 2024, filed with the SEC on September 27, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), or Disclosure Controls, as of the end of the period covered by this Quarterly Report on Form 10-Q. This evaluation, or Controls Evaluation, was performed under the supervision and with the participation of management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”). Disclosure Controls are controls and procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure Controls include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Based upon the Controls Evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our Disclosure Controls were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is accumulated and communicated to management, including the CEO and CFO, to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized, and reported within the time periods specified by the SEC.

Changes in Internal Control Over Financial Reporting

In the ordinary course of business, we make changes to our systems and processes to improve controls and increase efficiency, while ensuring that we maintain an effective internal control environment. Changes may include such activities as implementing new, more efficient systems and automating manual processes. In the first quarter of fiscal 2025, we began implementing a new financial system, which will be completed in stages. The first stage of the system implementation included our member billing in the United States. This new financial system is a significant component of our internal control over financial reporting. We will continue to implement our new financial system, in stages, and each implementation will become a significant component of our internal control over financial reporting.

Except for the new financial system implementation noted above, there have been no changes in our internal control over financial reporting during the most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of Legal Proceedings that affect us, refer to the Notes to Unaudited Consolidated Financial Statements, [Note 14 – Legal Proceedings](#) included in [Part I, Item 1](#) of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Set forth below and elsewhere in this Quarterly Report on Form 10-Q and in other documents we file with the SEC are descriptions of the risks and uncertainties that could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this Quarterly Report on Form 10-Q. The descriptions below include any material changes to and supersede the description of the risk factors affecting our business previously disclosed in “Part I, Item 1A, Risk Factors” of our Annual Report on [Form 10-K](#) for the fiscal year ended July 31, 2024.

Risks Related to Our Business and Industry

We depend on a limited number of major vehicle sellers for a substantial portion of our revenues. The loss of one or more of these major sellers could adversely affect our consolidated results of operations and financial position, and an inability to increase our sources of vehicle supply could adversely affect our growth rates.

Although no single customer accounted for more than 10% of our consolidated revenues during the six months ended January 31, 2025, a limited number of vehicle sellers historically have collectively accounted for a substantial portion of our revenues. Vehicle sellers have terminated agreements with us in the past in particular markets, which has affected revenues in those markets. There can be no assurance that our existing agreements will not be canceled. Furthermore, there can be no assurance that we will be able to enter into future agreements with vehicle sellers or that we will be able to retain our existing supply of salvage vehicles. A reduction in vehicles from a significant vehicle seller or any material changes in the terms of an arrangement with a significant vehicle seller could have a material adverse effect on our consolidated results of operations and financial position. In addition, a failure to increase our sources of vehicle supply could adversely affect our earnings and revenue growth rates.

Our expansion into markets outside the U.S., including expansions in the U.K., Canada, Europe, Brazil, and the Middle East expose us to risks arising from operating in international markets. Any failure to successfully integrate businesses acquired or operational capabilities established outside the U.S. could have an adverse effect on our consolidated results of operations, financial position, or cash flows.

We first expanded our operations outside the U.S. in fiscal 2003 with an acquisition in Canada. Subsequently, in fiscal 2007 and fiscal 2008 we made significant acquisitions in the U.K., followed by acquisitions in the U.A.E., Brazil, Germany, and Spain in fiscal 2013, expansions into Bahrain and Oman in fiscal 2015, expansion into the Republic of Ireland and India in fiscal 2016, an acquisition in Finland in fiscal 2018, and an acquisition of a parts recycler in the U.K. in fiscal 2022. We continue to evaluate acquisitions and other opportunities outside of the U.S. Acquisitions or other strategies to expand our operations outside of the U.S. pose substantial risks and uncertainties that could have an adverse effect on our future operating results. In particular, we may not be successful in realizing anticipated synergies from these acquisitions, or we may experience unanticipated costs or expenses integrating the acquired operations into our existing business. We have and may continue to incur substantial expenses establishing new facilities and operations, acquiring buyers and sellers, and implementing shared services capabilities in international markets. Among other things, we plan to ultimately deploy our proprietary auction technologies at all of our foreign operations and we cannot predict whether this deployment will be successful or will result in increases in the revenues or operating efficiencies of any acquired companies relative to their historic operating performance. Integration of our respective operations, including information technology and financial and administrative functions, may not proceed as anticipated and could result in unanticipated costs or expenses such as capital expenditures that could have an adverse effect on our future operating results. We cannot provide any assurance that we will achieve our business and financial objectives in connection with these acquisitions or our strategic decision to expand our operations internationally.

As we continue to expand our business internationally, we will need to develop policies and procedures to manage our business on a global scale. Operationally, acquired businesses typically depend on key seller relationships, and our failure to maintain those relationships would have an adverse effect on our consolidated results of operations and could have an adverse effect on our future operating results. Moreover, success in opening and operating facilities in new markets can be dependent upon establishing new relationships with buyers and sellers, and our failure to establish those relationships could have an adverse effect on our consolidated results of operations and future operating results.

In addition, we anticipate our international operations will continue to subject us to a variety of risks associated with operating on an international basis, including:

- the difficulty of managing and staffing foreign offices;
- the increased travel, infrastructure, and legal compliance costs associated with multiple international locations;
- the need to localize our mix of product and service offerings in response to customer requirements, particularly the need to implement our online auction platform in foreign countries;
- the need to comply with complex foreign and U.S. laws and regulations that apply to our international operations;
- tariffs, trade barriers, trade disputes, and other regulatory or contractual limitations on our ability to operate in certain foreign markets;
- exposure to foreign currency exchange rate risk, which may have an adverse impact on our revenues and revenue growth rates;
- adapting to different business cultures, languages, and market structures, particularly where we seek to implement our auction model in markets where insurers have historically not played a substantial role in the disposition of salvage vehicles;
- repatriation of funds currently held in foreign jurisdictions to the U.S., which may result in higher effective tax rates;
- military conflicts, including the Russian invasion of Ukraine and recent events in the Middle East;
- public health issues, such as the COVID-19 pandemic and other pandemics;
- environmental issues;
- natural and man-made disasters; and
- political issues.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Our failure to manage any of these risks successfully could harm our international operations and have an adverse effect on our operating results.

Our business is exposed to risks associated with online commerce security and credit card fraud.

Consumer concerns over the security of transactions conducted on the internet or the privacy of users may inhibit the growth of the internet and online commerce. To securely transmit confidential information such as customer credit card numbers, we rely on encryption and authentication technology. Unanticipated events or developments could result in a compromise or breach of the systems we use to protect customer transaction data. Furthermore, our servers may also be vulnerable to viruses transmitted via the internet and other points of access. While we proactively check for intrusions into our infrastructure, a new or undetected virus could cause a service disruption.

We maintain an information security program and our processing systems incorporate multiple levels of protection in order to address or otherwise mitigate these risks. Despite these mitigation efforts, there can be no assurance that we will be immune to these risks and not suffer losses in the future. Under current credit card practices, we may be held liable for fraudulent credit card transactions and other payment disputes with customers. As such, we have implemented certain anti-fraud measures, including credit card verification procedures. However, a failure to adequately prevent fraudulent credit card transactions could adversely affect our consolidated financial position and results of operations.

Our security measures may also be breached due to employee error, malfeasance, insufficiency, or defective design. Additionally, outside parties may attempt to fraudulently induce employees, users, or customers to disclose sensitive information in order to gain access to our data or our users' or customers' data. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation, and a loss of confidence in the security of our products and services that could have an adverse effect on our consolidated financial position and results of operations.

Implementation of our online auction model in new markets may not result in the same synergies and benefits that we achieved when we implemented the model in the U.S., Canada, and the U.K.

We believe that the implementation of our proprietary auction technologies across our operations had a favorable impact on our results of operations by increasing the size and geographic scope of our buyer base, increasing the average selling price for vehicles sold through our sales, and lowering expenses associated with vehicle sales.

For example, we implemented our online system across all of our U.S., Canada, and the U.K. storage facilities between fiscal 2004 and fiscal 2008 and experienced increases in revenues and average selling prices, as well as improved operating efficiencies in those markets. In considering new markets, we consider the potential synergies from the implementation of our model based in large part on our experience in the U.S., Canada, and the U.K. However, we cannot predict whether these synergies will also be realized in new markets.

Failure to maintain sufficient capacity to accept additional vehicles at one or more of our storage facilities could adversely affect our relationships with insurance companies or other sellers of vehicles.

Capacity at our storage facilities varies from period to period and from region to region. For example, following adverse weather conditions in a particular area, our facilities in that area may fill and limit our ability to accept additional salvage vehicles while we process existing inventories. For example, Hurricane Ida had, in certain quarters, an adverse effect on our operating results, in part because of facility capacity constraints in the impacted areas of the U.S. We regularly evaluate our capacity in all our markets and where appropriate, seek to increase capacity through the acquisition of additional land and facilities. We may not be able to reach agreements to purchase independent storage facilities in markets where we have limited excess capacity, zoning restrictions or difficulties obtaining and maintaining use permits, which may limit our ability to sustain and expand our capacity through acquisitions of new land. Failure to have sufficient capacity at one or more of our facilities could adversely affect our relationships with insurance companies or other sellers of vehicles, which could have an adverse effect on our consolidated results of operations and financial position.

Because the growth of our business has been due in large part to acquisitions and development of new facilities, the rate of growth of our business and revenues may decline if we are not able to successfully complete acquisitions and develop new facilities.

We seek to increase our sales and profitability through the acquisition of complementary businesses, additional facilities and the development of new facilities. Historically, the acquisition and development of new facilities has both enabled and resulted from market share gains in our core salvage vehicle remarketing business. For example, in fiscal 2022, we opened one new operational facility in Canada, one new operational facility in Spain, and five new operational facilities in the U.S. In fiscal 2023, we opened one new operational facility in Brazil, one new operational facility in Germany, one new operational facility in Canada, and eight new operational facilities in the U.S. In fiscal 2024, we opened three new operational facilities in the U.K., one new operational facility in Spain, one new operational facility in Canada, and four new operational facilities in the U.S. As for strategic acquisitions of complementary businesses, we acquired National Powersport Auctions in fiscal 2017, we acquired Hills Motors in fiscal 2022, a used, or “green” parts recycler in the U.K. that has four operating facilities and in fiscal 2024, we acquired Purple Wave, Inc. an online offsite heavy equipment auction company. Acquisitions are difficult to identify and complete for a number of reasons, including competition among prospective buyers, the availability of affordable financing in the capital markets and the need to satisfy applicable closing conditions and obtain antitrust and other regulatory approvals on acceptable terms. There can be no assurance that we will be able to:

- continue to acquire additional facilities on favorable terms;
- expand existing facilities in no-growth regulatory environments;
- obtain or retain buyers, sellers, and sales volumes in new markets or facilities;
- increase revenues and profitability at acquired and new facilities;
- maintain the historical revenue and earnings growth rates we have been able to obtain through facility openings and strategic acquisitions related to market share expansion in our core salvage vehicle remarketing business;
- create new vehicle storage facilities that meet our current revenue and profitability requirements;
- obtain necessary regulatory approvals under applicable antitrust and competition laws; or
- identify and complete strategic acquisitions in complementary market segments.

Acquisitions typically will increase our sales and profitability, although given the typical size of our acquisitions to date, most acquisitions will not individually have a material impact on our consolidated results of operations and financial position. We may not always be able to introduce our processes and selling platform to acquired companies due to different operating models in international jurisdictions or other facts. As a result, the associated benefits of acquisitions may be delayed for years. During this period, the acquisitions may operate at a loss and certain acquisitions, while profitable, may operate at a margin percentage that is below our overall operating margin percentage and, accordingly, have an adverse impact on our consolidated results of operations and financial position. Hence, the conversion periods vary from weeks to years and cannot be predicted.

In addition, certain of the acquisition agreements under which we have acquired companies require the former owners to indemnify us against certain liabilities related to the operation of the company before we acquired it. In most of these agreements, however, the liability of the former owners is limited and certain former owners may be unable to meet their indemnification responsibilities. We cannot assure that these indemnification provisions will protect us fully or at all, and as a result we may face unexpected liabilities that adversely affect our financial statements. Any failure to continue to successfully identify and complete acquisitions and develop new facilities could have a material adverse effect on our consolidated results of operations and financial position.

As we continue to expand our operations, our failure to manage growth could harm our business and adversely affect our consolidated results of operations and financial position.

Our ability to manage growth depends not only on our ability to successfully integrate new facilities, but also on our ability to:

- hire, train and manage additional qualified personnel;
- establish new relationships or expand existing relationships with vehicle sellers;
- identify and acquire or lease suitable premises on competitive terms;
- manage overhead expenses and maintain operating efficiencies;
- identify productive uses for available capital reserves; and
- maintain the supply of vehicles from vehicle sellers.

Our inability to control or manage these growth factors effectively could have a material adverse effect on our consolidated results of operations and financial position.

If we experience problems with our subhauleders and trucking fleet operations, our business could be harmed.

We rely primarily upon independent subhauleders to pick up and deliver vehicles to and from our storage facilities in the U.S., Canada, Brazil, the Republic of Ireland, Germany, Finland, the U.A.E., Oman, Bahrain, and Spain. We also utilize, to a lesser extent, independent subhauleders in the U.K. Our failure to pick up and deliver vehicles in a timely and accurate manner could harm our reputation and brand, which could have a material adverse effect on our business. Further, an increase in fuel cost may lead to increased prices charged by our independent subhauleders, which may significantly increase our cost. We may not be able to pass these costs on to our sellers or buyers.

In addition to using independent subhauleders, in the U.S., the U.K. and Germany we utilize a fleet of company trucks to pick up and deliver vehicles to and from our storage facilities in those geographies. In connection therewith, we are subject to the risks associated with providing trucking services, including but not limited to inclement weather, disruptions in transportation infrastructure, accidents and related injury claims, availability and price of fuel, any of which could result in an increase in our operating expenses and reduction in our net income.

New member programs could impact our operating results.

We have initiated and intend to continue to initiate programs to open our auctions to the general public. These programs include the Registered Broker program through which the public can purchase vehicles through a registered member, and Copart Lounge programs through which registered members can open Copart storefronts in foreign markets with internet kiosks enabling the general public to search our inventory and purchase vehicles. Initiating programs that allow access to our online auctions to the general public will involve material expenditures and we cannot predict what future benefit, if any, will be derived. These programs could also create additional risks including heightened regulation and litigation risk related to vehicle sales to the general public, and heightened branding, reputational, and intellectual property risk associated with allowing Copart registered members to establish Copart-branded storefronts in foreign jurisdictions.

Factors such as mild weather conditions can have an adverse effect on our revenues and operating results, as well as our revenue and earnings growth rates, by reducing the available supply of salvage vehicles. Conversely, extreme weather conditions can result in an oversupply of salvage vehicles that requires us to incur abnormal expenses to respond to market demands.

Mild weather conditions tend to result in a decrease in the available supply of salvage vehicles because traffic accidents decrease and fewer automobiles are damaged. Accordingly, mild weather can have an adverse effect on our salvage vehicle supply, which would be expected to have an adverse effect on our revenue and operating results and related growth rates. Conversely, our salvage vehicle supply will tend to increase in poor weather such as a harsh winter or as a result of adverse weather-related conditions such as flooding. During periods of mild weather conditions, our ability to increase our revenues and improve our operating results and related growth will be increasingly dependent on our ability to obtain additional vehicle sellers and to compete more effectively in the market, each of which is subject to the other risks and uncertainties described in these sections. In addition, extreme weather conditions, although they increase the available supply of salvage cars, can have an adverse effect on our operating results. For example, during fiscal 2023, we recognized substantial additional costs associated with Hurricane Ian. Weather events have had, in certain quarters, an adverse effect on our operating results, in part because of facility capacity constraints in the impacted areas of the U.S.

If we lose key management or are unable to attract and retain the talent required for our business, we may not be able to successfully manage our business or achieve our objectives.

Our future success depends in large part upon the leadership and performance of our executive management team, all of whom are employed on an at-will basis and none of whom are subject to any agreements not to compete. If we lose the service of one or

more of our senior executives or key employees, or if one or more of the senior executives or key employees decide to join a competitor or otherwise compete directly or indirectly with us, we may not be able to successfully manage our business or achieve our business objectives.

More generally, our future success also depends on our ability to attract and retain a talented workforce. The labor market is highly competitive, and our business could be adversely affected if we are unable to attract and retain talented personnel in our organization at appropriate staffing levels. In addition, because our core technology platform is internally developed, we face heightened risks relating to workforce recruitment and retention of key personnel with subject matter expertise relating to our technology platform.

The vehicle sales industry is highly competitive and we may not be able to compete successfully.

We face significant competition for the supply of salvage and other vehicles and for the buyers of those vehicles. We believe our principal competitors include other auction and vehicle remarketing service companies with whom we compete directly in obtaining vehicles from insurance companies and other sellers, and large vehicle dismantlers, who may buy salvage vehicles directly from insurance companies, bypassing the salvage sales process. Many of the insurance companies have established relationships with competitive remarketing companies and large dismantlers. Certain of our competitors may currently or in the future have greater financial resources than we do. Due to the limited number of vehicle sellers, particularly in the U.K., and other foreign markets, the absence of long-term contractual commitments between us and our sellers and the increasingly competitive market environment, there can be no assurance that our competitors will not gain market share at our expense.

We may also encounter significant competition for local, regional, and national supply agreements with vehicle sellers. There can be no assurance that the existence of other local, regional, or national contracts entered into by our competitors will not have a material adverse effect on our business or our expansion plans. Furthermore, we are likely to face competition from major competitors in the acquisition of vehicle storage facilities, which could significantly increase the cost of such acquisitions and thereby materially impede our expansion objectives or have a material adverse effect on our consolidated results of operations. These potential new competitors may include consolidators of automobile dismantling businesses, organized salvage vehicle buying groups, automobile manufacturers, automobile auctioneers and software companies. While most vehicle sellers have abandoned or reduced efforts to sell salvage vehicles directly without the use of service providers such as us, there can be no assurance that this trend will continue, which could adversely affect our market share, consolidated results of operations and financial position. Additionally, existing or new competitors may be significantly larger and have greater financial and marketing resources than us; therefore, there can be no assurance that we will be able to compete successfully in the future.

Risks Related to Regulatory Compliance and Legal Matters

Our business activities and public policy interests expose us to political, regulatory, economic, and reputational risks.

Our business activities, facilities expansions, and civic and public policy interests may be unpopular in certain communities, exposing us to reputational and political risk. For example, public opposition in some communities to different aspects of our business operations has impacted our ability to obtain required business use permits. Additionally, our interests in legislative and regulatory processes at different levels of government in the geographies in which we operate have been opposed by competitors and other interest groups. Although we believe we generally enjoy positive community relationships and political support in our range of operations, shifting public opinion sentiments and sociopolitical dynamics could have an adverse effect on our business and reputation.

Our operations and acquisitions in the U.S. and certain foreign areas expose us to political, regulatory, economic, and reputational risks.

Although we have implemented policies, procedures, and training designed to ensure compliance with anti-bribery laws, trade controls and economic sanctions, and similar regulations, our employees or agents may take actions in violation of our policies. We may incur costs or other penalties in the event that any such violations occur, which could have an adverse effect on our business and reputation.

In some cases, the enforcement practices of governmental regulators in certain foreign areas and the procedural and substantive rights and remedies available to us may vary significantly from those in the United States, which could have an adverse effect on our business.

Although we face risks associated with international expansion in each of the non-U.S. markets where we operate, our current focus on the German market heightens the risks we face relating to our expansion plans in Germany.

In addition, some of our recent acquisitions have required us to integrate non-U.S. companies which had not previously been subject to U.S. law. In many countries outside of the United States, particularly in those with developing economies, it may be common for persons to engage in business practices prohibited by laws and regulations applicable to us, such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, Brazil Clean Companies Act, India's Prevention of Corruption Act, 1988 or similar local anti-bribery laws. These laws generally prohibit companies and their employees or agents from making improper payments for the

purpose of obtaining or retaining business. Failure by us and our subsidiaries to comply with these laws could subject us to civil and criminal penalties that could have a material adverse effect on our consolidated operating results and financial position.

We face risks associated with transacting on a principal rather than agent basis, which may have an adverse impact on our gross margin percentages and expose us to inventory risks.

Certain of the vehicles that we remarket in the U.S. and foreign markets may be transacted either wholly or partially on the principal model, in which the vehicle is purchased and then resold for our own account, rather than the agency model, in which we generally act as a sales agent for the legal owner of vehicles. Further, operating on a principal basis exposes us to inventory risks, including losses from theft, damage, and obsolescence. In addition, our business in the U.S., Canada, and the U.K. has been established and grown based largely on our ability to build relationships with insurance carriers. In other markets, including Germany, insurers have traditionally been less involved in the disposition of vehicles. As we expand into markets outside the U.S., Canada, and the U.K., including Germany in particular, we cannot predict whether markets will readily adapt to our strategy of online auctions of automobiles sourced principally through vehicle insurers. Any failure of new markets to adopt our business model could adversely affect our consolidated results of operations and financial position.

Our business is subject to a variety of domestic and international laws and other obligations regarding privacy and data protection.

We are subject to federal, state and international laws, directives, and regulations relating to the collection, use, retention, disclosure, security, and transfer of personal data. These laws, directives, and regulations, and their interpretation and enforcement continue to evolve and may be inconsistent from jurisdiction to jurisdiction. For example, the General Data Protection Regulation (“GDPR”), which went into effect in the European Union on May 25, 2018, applies to all of our activities conducted from an establishment in the European Union and may also apply to related products and services that we offer to European Union users. Similarly, the California Consumer Privacy Act, or AB375 as amended (“CCPA”), the Brazilian General Data Protection Law (“LGPD”), and similar recently enacted laws create new data privacy rights for individuals. Complying with the GDPR, the CCPA, the LGPD, and similar emerging and changing privacy and data protection requirements may cause us to incur substantial costs or require us to change our business practices. Noncompliance with our legal obligations relating to privacy and data protection could result in penalties, legal proceedings by governmental entities or others, and significant legal and financial exposure and could affect our ability to retain and attract customers. Any of the risks described above could adversely affect our consolidated results of operations and financial position.

Regulation of the vehicle sales industry may impair our operations, increase our costs of doing business, and create potential liability.

Participants in the vehicle sales industry are subject to, and may be required to expend funds to ensure compliance with a variety of laws, regulations, and ordinances. These include, without limitation, land use ordinances, business and occupational licensure requirements and procedures, vehicle titling, sales, and registration rules and procedures, and laws and regulations relating to the environment, anti-money laundering, anti-corruption, exporting, and reporting and notification requirements to agencies and law enforcement relating to vehicle transfers. Many of these laws and regulations are frequently complex and subject to interpretation, and failure to comply with present or future regulations or changes in interpretations of existing laws or regulations may result in impairment or suspension of our operations and the imposition of penalties and other liabilities. At various times, we may be involved in disputes with local governmental officials regarding the development and/or operation of our business facilities. We may be subject to similar types of regulations by governmental agencies in new markets. In addition, new legal or regulatory requirements or changes in existing requirements may delay or increase the cost of opening new facilities, may limit our base of vehicle buyers, may decrease demand for our vehicles, and may adversely impact our ability to conduct business. As described under *Note 14 – Legal Proceedings*, the U.S. Department of Justice, Consumer Protection Branch is conducting an ongoing investigation into potential violations by the Company of certain money laundering laws related to its practices and procedures for preventing and detecting money-laundering activity by its auction platform members. The Company is cooperating with the DOJ’s investigation. The Company may receive additional regulatory or governmental inquiries related to the matters that are the subject of the DOJ’s investigation. Any such inquiries or investigations may be time-consuming, costly, divert management resources, or otherwise have a material adverse effect on our business, financial condition or results of operation. These or other governmental investigations, inquiries, or lawsuits could lead to our incurring liability for damages or other costs, a criminal or civil proceeding, the imposition of fines and penalties, and/or other remedies, and reputational harm to our business, which can impact our ability to attract and retain customers and qualified personnel, as well as restrictions on or added costs for our business operations going forward.

Changes in laws or the interpretation of laws, including foreign laws and regulations, affecting the import and export of vehicles may have an adverse effect on our business and financial condition.

Our internet-based auction-style model has allowed us to offer our products and services to international markets and has increased our international buyer base. As a result, foreign importers of vehicles now represent a significant part of our total buyer base. As a result, our foreign buyers may be subject to a variety of foreign laws and regulations, including the imposition of import duties by foreign countries. Changes in laws, regulations, and treaties that restrict or impede or negatively affect the economics surrounding the importation of vehicles into foreign countries may reduce the demand for vehicles and impact our ability to maintain

or increase our international buyer base. In addition, we and our vehicle buyers must work with foreign customs agencies and other non-U.S. governmental officials, who are responsible for the interpretation, application, and enforcement of these laws, regulations, and treaties. Any inability to obtain requisite approvals or agreements from such authorities could adversely impact the ability of our buyers to import vehicles into foreign countries. In addition, any disputes or disagreements with foreign agencies or officials over import duties, tariffs, or similar matters, including disagreements over the value assigned to imported vehicles, could adversely affect our costs and the ability and costs of our buyers to import vehicles into foreign countries. For example, in March 2008, a decree issued by the president of Mexico became effective that placed restrictions on the types of vehicles that can be imported into Mexico from the U.S. The adoption of similar laws or regulations in other jurisdictions that have the effect of reducing or curtailing our activities abroad, changes in the interpretation, application, and enforcement of laws, regulations, or treaties, any failure to comply with non-U.S. laws or regulatory interpretations, or any legal or regulatory interpretations or governmental actions that significantly increase our costs or the costs of our buyers could have a material adverse effect on our consolidated results of operations and financial position by reducing the demand for our products and services and our ability to compete in non-U.S. markets.

The operation of our storage facilities poses certain environmental risks, which could adversely affect our consolidated results of operations, financial position, or cash flows.

Our operations are subject to international, federal, provincial, state and local laws and regulations regarding the protection of the environment in the countries in which we have storage facilities. In some cases, we may acquire land with existing environmental issues, including landfills as an example. In the salvage vehicle remarketing industry, large numbers of wrecked vehicles are stored at storage facilities, requiring us to actively monitor and manage potential environmental impacts. In the U.K., we provide vehicle de-pollution and crushing services for end-of-life vehicles. We could incur substantial expenditures for preventative, investigative, or remedial action and could be exposed to liability arising from our operations, contamination by previous users of certain of our acquired facilities or facilities which we may acquire in the future, or the disposal of our waste at off-site locations. In addition to conducting environmental diligence on new site acquisitions, we also take such appropriate actions as may be necessary to avoid liability for activities of prior owners, and we have from time to time acquired insurance with respect to acquired facilities with known environmental risks. There can be no assurances, however, that these efforts to mitigate environmental risk will prove sufficient if we were to face material liabilities. We have incurred expenses for environmental remediation in the past, and environmental laws and regulations could become more stringent over time. There can be no assurance that we or our operations will not be subject to significant costs in the future or that environmental enforcement agencies at the state and federal level will not pursue enforcement actions against us. In addition to acquiring insurance in connection with certain acquisitions, we have also obtained indemnification for pre-existing environmental liabilities from many of the persons and entities from whom we have acquired facilities, but there can be no assurance that such indemnifications will be available or sufficient. In addition, increased focus by the U.S. and other governmental authorities on climate change and other environmental matters may lead to enhanced regulation in these areas, which could also result in increased compliance costs and subject us to additional potential liabilities. The extent of these costs and risks is difficult to predict and will depend in large part on the extent of new regulations and the ways in which those regulations are enforced. Any such expenditures or liabilities could have a material adverse effect on our consolidated results of operations, financial position, or cash flows.

Changes in federal, state and local, or foreign tax laws, changing interpretations of existing tax laws, or adverse determinations by tax authorities could increase our tax burden or otherwise adversely affect our results of operations, and financial condition.

We are subject to taxation at the federal, state, provincial, and local levels in the U.S., the U.K., and various other countries and jurisdictions in which we operate, including income taxes, sales taxes, value-added (“VAT”) taxes, and similar taxes and assessments. The laws and regulations related to tax matters are extremely complex and subject to varying interpretations. Although we believe our tax positions are reasonable, we are subject to audit by the Internal Revenue Service, in the United States, HM Revenue and Customs in the United Kingdom, state tax authorities in the states in which we operate, and other similar tax authorities in international jurisdictions. We have been subject to audits and challenges from applicable federal, state, or foreign tax authorities in the past, and may be subject to similar audits and challenges in the future. While we believe we comply with all applicable tax laws, rules, and regulations in the relevant jurisdictions, tax authorities may elect to audit us and determine that we owe additional taxes, which could result in a significant increase in our liabilities for taxes, interest, and penalties in excess of our accrued liabilities.

New tax legislative initiatives may be proposed from time to time, such as proposals for comprehensive tax reform in the United States, which may impact our effective tax rate and which could adversely affect our tax positions or tax liabilities. Our future effective tax rate could be adversely affected by, among other things, changes in the composition of earnings in jurisdictions with differing tax rates, changes in statutory rates and other legislative changes, changes in interpretations of existing tax laws, or changes in determinations regarding the jurisdictions in which we are subject to tax. From time to time, U.S. federal, state and local, and foreign governments make substantive changes to tax rules and their application, which could result in materially higher taxes than would be incurred under existing tax law and which could adversely affect our financial condition or results of operations.

Risks Related to Our Intellectual Property and Technology

Disruptions to our information technology systems, including failure to prevent outages, maintain security, and prevent unauthorized access to our information technology systems and other confidential information, could disrupt our business and materially and adversely affect our reputation, consolidated results of operations, and financial condition.

Information availability and security risks for online commerce companies have significantly increased in recent years because of, in addition to other factors, the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, and other external parties. These threats may derive from fraud or malice on the part of third parties or current or former employees. In addition, human error or accidental technological failure could make us vulnerable to information technology system disruptions and/or cyber-attacks, including the introduction of malicious computer viruses or code into our system, phishing attacks, ransomware attacks, or other cyber security incidents. For example, in March 2023, one of our immaterial subsidiaries suffered a ransomware attack. Although the impacted subsidiary successfully maintained its operations during this event and the attack did not affect the rest of our business, future cyber-attacks could result in material adverse impacts to our business and our consolidated results of operations.

Our operations rely on the secure processing, transmission, and storage of confidential, proprietary and other information in our computer systems and networks. Our customers and other parties in the payments value chain rely on our digital technologies, computer and email systems, software, and networks to conduct their operations. In addition, to access our products and services, our customers increasingly use personal smartphones, tablet PCs, and other mobile devices that may be beyond our control.

Information technology system disruptions, cyber-attacks, ransomware attacks, or other cyber security incidents could materially and adversely affect our reputation, operating results, or financial condition by, among other things, making our auction platform inoperable for a period of time, damaging our reputation with buyers, sellers, and insurance companies as a result of the unauthorized disclosure of confidential information (including account data information), or resulting in governmental investigations, litigation, liability, fines, or penalties against us. If such attacks are not detected immediately, their effect could be compounded. While we maintain insurance coverage that may, subject to policy terms and conditions, cover certain aspects of these cyber risks, an insurer may deny or exclude from coverage certain types of claims or our insurance coverage may be insufficient to cover all losses and would not remedy damage to our reputation.

We regularly evaluate and implement new technologies and processes to manage risks relating to cyber-attacks and system and network disruptions, including but not limited to usage errors by our employees, power outages, and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. We have also enhanced our security protocols based on the investigation we conducted and in response to our prior attacks and service interruptions. Nevertheless, we cannot provide assurances that our efforts to address cyber security incidents and mitigate against the risk of future cyber security incidents or system disruptions will be successful. The techniques used by criminals to obtain unauthorized access to sensitive data change frequently and are often not recognized immediately. We may be unable to anticipate these techniques or implement adequate preventative measures and believe that cyber-attacks and threats against us have occurred in the past and are likely to continue in the future. If our systems are compromised, become inoperable for extended periods of time, or cease to function properly, we may have to make a significant investment to fix or replace them, and our ability to provide many of our electronic and online solutions to our customers may be impaired. In the event of another, more serious ransomware attack, we could suffer significant financial and reputational harm, regardless of whether we choose to pay the ransom amount. In addition, as cyber-threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Any of the risks described above could materially and adversely affect our consolidated results of operations and financial position.

Our internet-based sales model has increased the relative importance of intellectual property assets to our business, and any inability to protect those rights could have a material adverse effect on our business, results of operations, or financial position.

Our intellectual property rights include patents relating to our auction technologies, as well as trademarks, trade secrets, copyrights, and other intellectual property rights. In addition, we may enter into agreements with third parties regarding the license or other use of our intellectual property. Effective intellectual property protection may not be available in every country in which our products and services are distributed, deployed, or made available. We seek to maintain certain intellectual property rights as trade secrets. The secrecy could be compromised by third parties, or intentionally or accidentally by our employees, which would cause us to lose the competitive advantage resulting from those trade secrets. Any significant impairment of our intellectual property rights, or any inability to protect our intellectual property rights, could have a material adverse effect on our consolidated results of operations and financial position.

We also may not be able to acquire or maintain appropriate domain names in all countries in which we do business. Furthermore, regulations governing domain names may not protect our trademarks and similar proprietary rights. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights.

We have in the past been and may in the future be subject to intellectual property rights claims, which are costly to defend, could require us to pay damages, and could limit our ability to use certain technologies in the future.

Litigation based on allegations of infringement or other violations of intellectual property rights are common among companies who rely heavily on intellectual property rights. Our reliance on intellectual property rights has increased significantly in recent years as we have implemented our auction-style sales technologies across our business and ceased conducting live auctions. Recent U.S. Supreme Court precedent potentially restricts patentability of software inventions by affirming that patent claims merely requiring application of an abstract idea on standard computers utilizing generic computer functions are patent ineligible, which may impact our ability to enforce our issued patent and obtain new patents. As we face increasing competition, the possibility of intellectual property rights claims against us increases. Litigation and any other intellectual property claims, whether with or without merit, can be time-consuming, expensive to litigate and settle, and can divert management resources and attention from our core business. An adverse determination in current or future litigation could prevent us from offering our products and services in the manner currently conducted. We may also have to pay damages or seek a license for the technology, which may not be available on reasonable terms and which may significantly increase our operating expenses, if it is available for us to license at all. We could also be required to develop alternative non-infringing technology, which could require significant effort and expense.

We have developed a proprietary enterprise operating system, and we may experience difficulties operating our business as we continue to design and develop this system.

We have developed a proprietary enterprise operating system to address our international expansion needs. The ongoing design, development, and implementation of our enterprise operating systems carries certain risks, including the risk of significant design or deployment errors causing disruptions, delays or deficiencies, which may make our website and services unavailable. This type of interruption could prevent us from processing vehicles for our sellers and may prevent us from selling vehicles through our internet bidding platform, VB3, which would adversely affect our consolidated results of operations and financial position. In addition, the transition to our internally developed proprietary system will continue to require us to commit substantial financial, operational and technical resources before the volume of business increases, without assurance that the volume of business will increase. We began using our internally developed proprietary system with our expansion into Spain in fiscal 2016 and Germany in fiscal 2017.

We may also implement additional or enhanced information systems in the future to accommodate our growth and to provide additional capabilities and functionality. The implementation of new systems and enhancements is frequently disruptive to the underlying business of an enterprise and can be time-consuming and expensive, increase management responsibilities and divert management attention. Any disruptions relating to our system enhancements or any problems with the implementation, particularly any disruptions impacting our operations or our ability to accurately report our financial performance on a timely basis during the implementation period, could materially and adversely affect our business. Even if we do not encounter these material and adverse effects, the implementation of these enhancements may be much more costly than we anticipated. If we are unable to successfully implement the information systems enhancements as planned, our financial position, results of operations, and cash flows could be negatively impacted.

Our success depends on maintaining the integrity of our systems and infrastructure. As our operations continue to grow in both size and scope, domestically and internationally, we must continue to provide reliable, real-time access to our systems by our customers through improving and upgrading our systems and infrastructure for enhanced products, services, features and functionality. Any failure to maintain the integrity of our systems and infrastructure may result in loss of customers due, among other things, to slow delivery times, unreliable service levels, or insufficient capacity, any of which could have a material adverse effect on our business, consolidated results of operations, and financial position.

Rapid technological changes may render our technology obsolete or decrease the competitiveness of our services.

To remain competitive, we must continue to enhance and improve the functionality and features of our websites and software. The internet and the online commerce industry are rapidly changing. In particular, the online commerce industry is characterized by increasingly complex systems and infrastructures. If competitors introduce new services embodying new technologies or if new industry standards and practices emerge, such as the increased use of artificial intelligence, machine learning and generative artificial intelligence, our existing websites and proprietary technology and systems may become obsolete. Our future success will depend on our ability to:

- enhance our existing services;
- develop, access, acquire, and license new services and technologies that address the increasingly sophisticated and varied needs of our current and prospective customers; and
- respond to technological advances and emerging industry standards and practices in a cost-effective and timely basis.

Developing our websites and other proprietary technology entails significant technical and business risks. We may use new technologies ineffectively or we may fail to adapt our websites, transaction-processing systems, and network infrastructure to customer requirements or emerging industry standards. If we face material delays in introducing new services, products, and enhancements, our customers and suppliers may forego the use of our services and use those of our competitors.

We continue to evaluate emerging technologies like artificial intelligence, machine learning, and generative artificial intelligence for incorporation into our business to augment our products and services. Such technologies present unique business opportunities along with ever-changing legal and regulatory risks. Both state and federal regulations relating to these emerging technologies are quickly and constantly evolving and may require significant resources to modify and maintain business practices to comply with laws, the nature of which cannot be determined at this time. Our failure to accurately identify and address our responsibilities and liabilities in this new environment could negatively affect any solutions we develop incorporating such technology and could subject us to reputational harm, regulatory action, or litigation, which may harm our financial condition and operating results. These same risks apply to our third-party service providers who are implementing these tools into the products or services they provide to us. Any failures to manage and mitigate these risks by these third-party service providers may negatively affect the products and services we provide our clients.

Risks Related to Ownership of Our Common Stock

Our annual and quarterly performance may fluctuate, causing the price of our stock to decline.

Our revenues and operating results have fluctuated in the past and can be expected to continue to fluctuate in the future on a quarterly and annual basis as a result of a number of factors, many of which are beyond our control. Factors that may affect our operating results include, but are not limited to, the following:

- fluctuations in the market value of salvage and used vehicles;
- fluctuations in commodity prices, particularly the per ton price of crushed car bodies;
- the impact of foreign exchange gain and loss as a result of international operations;
- our ability to successfully integrate our newly acquired operations in international markets and any additional markets we may enter;
- the availability of salvage vehicles or other vehicles we sell including the supply of used and salvage vehicles in relation to the supply of new vehicle alternatives;
- variations in vehicle accident rates;
- variations in total loss frequency rates;
- supply chain disruptions;
- member participation in the internet bidding process;
- delays or changes in state title processing;
- changes in international, state or federal laws, regulations, or treaties affecting the vehicles we sell;
- changes in the application, interpretation, and enforcement of existing laws, regulations or treaties;
- trade disputes and other political, diplomatic, legal, or regulatory developments;
- inconsistent application or enforcement of laws or regulations by regulators, governmental or quasi-governmental entities, or law enforcement or quasi-law enforcement agencies, as compared to our competitors;
- changes in laws affecting who may purchase the vehicles we sell;
- the timing and size of our new facility openings;
- the announcement of new vehicle supply agreements by us or our competitors;
- the severity of weather and seasonality of weather patterns;
- the amount and timing of operating costs and capital expenditures relating to the maintenance and expansion of our business, operations, and infrastructure;
- the availability and cost of general business insurance;
- labor costs and collective bargaining;
- changes in the current levels of out of state and foreign demand for salvage vehicles;
- the introduction of a similar internet product by a competitor;
- the ability to obtain or maintain necessary permits to operate;
- goodwill impairment;
- crimes committed against us, including theft, forgery, and counterfeit payments;

- military conflicts, including the Russian invasion of Ukraine and recent events in the Middle East;
- bank failures;
- natural and man-made disasters;
- public health issues, such as COVID-19 and other pandemics;
- monetary policy and potential inflation impacts, including any adverse effects of inflation and/or interest rates on our cash reserves; and
- political issues.

Due to the foregoing factors, our operating results in one or more future periods can be expected to fluctuate. As a result, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance. In the event such fluctuations result in our financial performance being below the expectations of public market analysts and investors, the price of our common stock could decline substantially.

Our executive officers, directors, and their affiliates hold a large percentage of our stock and their interests may differ from other stockholders.

Our executive officers, directors and their affiliates beneficially own, in the aggregate, more than 10% of our issued and outstanding common stock as of January 31, 2025. If they were to act together, these stockholders would have significant influence over most matters requiring approval by stockholders, including the election of directors, any amendments to our amended and restated certificate of incorporation and certain significant corporate transactions, including potential merger or acquisition transactions. In addition, without the consent of these stockholders, we could be delayed or prevented from entering into transactions that could be beneficial to us or our other investors. These stockholders may take these actions even if they are opposed by our other investors.

We have certain provisions in our amended and restated certificate of incorporation and bylaws which may have an anti-takeover effect or that may delay, defer or prevent acquisition bids for us that a stockholder might consider favorable and limit attempts by our stockholders to replace or remove our current management.

Our Board of Directors is authorized to create and issue from time to time, without stockholder approval, up to an aggregate of 5,000,000 shares of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval, and which may include rights superior to the rights of the holders of common stock. In addition, our bylaws establish advance notice requirements for nominations for elections to our Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, even if doing so would benefit our stockholders. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and cause us to take other corporate actions the stockholders desire.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (iii) any action or proceeding asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation, or our amended and restated bylaws, or (iv) any action or proceeding asserting a claim that is governed by the internal affairs doctrine, shall be the Court of Chancery of the State of Delaware.

This provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act, for which the U.S. federal courts have exclusive jurisdiction, or the Securities Act.

Any person or entity purchasing or otherwise acquiring or holding or owning (or continuing to hold or own) any interest in any of our securities shall be deemed to have notice of and consented to the foregoing provisions. Although we believe this exclusive forum provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the exclusive forum provision may (i) increase the costs for a stockholder, and/or (ii) limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or any of our directors, officers, other employees, stockholders, or others which may discourage lawsuits with respect to such claims. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provision. Further, in the event a court finds the exclusive forum provision contained in our amended and restated certificate of incorporation to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our results of operations.

General Risk Factors

Cash investments are subject to risks.

We may invest our excess cash in securities or money market funds backed by securities, which may include U.S. treasuries, other federal, state and municipal debt, bonds, preferred stock, commercial paper, insurance contracts and other securities both privately and publicly traded. All securities are subject to risk, including fluctuations in interest rates, credit risk, market risk, and systemic economic risk. Changes or movements in any of these investment-related risk items may result in a loss or impairment to our invested cash and may have a material effect on our consolidated results of operations and financial position.

We are partially self-insured for certain losses and if our estimates of the cost of future claims differ from actual trends, our results of operations could be harmed.

We are partially self-insured for certain losses related to our different lines of insurance coverage including, without limitation, medical insurance, general liability, workers' compensation, and auto liability. Our liability represents an estimate of the ultimate cost of claims incurred as of the balance sheet date. The estimated liability is not discounted and is established based upon analysis of historical data and actuarial estimates. Further, we utilize independent actuaries to assist us in establishing the proper amount of reserves for anticipated payouts associated with these self-insured exposures. While we believe these estimates are reasonable based on the information currently available, if actual trends, including the severity of claims and medical cost inflation, differ from our estimates, our results of operations could be impacted.

Macroeconomic factors such as fluctuations in fuel prices, commodities as well as used car prices, and vehicle-related technological advances may have an adverse effect on our revenues and operating results, as well as our earnings growth rates.

Macroeconomic factors that affect oil prices and the automobile and commodity markets can have adverse effects on our revenues, revenue growth rates, and operating results. Significant increases in the cost of fuel or heightened level of inflation could lead to a reduction in miles driven per car and a reduction in accident rates. A material reduction in accident rates, whether due to, among other things, a reduction in miles driven per car, vehicle-related technological advances such as accident avoidance systems and, to the extent widely adopted, the advent of autonomous vehicles, could have a material impact on revenue growth. Similarly, a reduction in total loss frequency rates, due to among other things, sharp increases in used car prices that make it less economical for insurance company sellers to declare a vehicle involved in an accident a total loss, could also have a material impact on revenue growth. In addition, under our PIP contracts, the cost of transporting the vehicle to one of our facilities is included in the PIP fee. We may incur increased fees, which we may not be able to pass on to our vehicle sellers. A material increase in transportation rates could have a material impact on our operating results. Volatility in fuel, commodity, and used car prices could have a material adverse effect on our revenues and revenue growth rates in future periods.

Adverse U.S. and international economic conditions may negatively affect our business, operating results, and financial condition.

The capital and credit markets have historically experienced extreme volatility and disruption, which has in the past and may in the future lead to economic downturns in the U.S. and abroad. As a result of any economic downturn, economic uncertainty or rising inflation, the number of miles driven may decrease, which may lead to fewer accident claims, a reduction of vehicle repairs, and fewer salvage vehicles. Increases in unemployment, as a result of any economic downturn, may lead to an increase in the number of uninsured motorists. Uninsured motorists are responsible for disposition of their vehicle if involved in an accident. Disposition generally is either the repair or disposal of the vehicle. In the situation where the owner of the wrecked vehicle, and not an insurance company, is responsible for its disposition, we believe it is more likely that vehicle will be repaired or, if disposed, disposed through channels other than us. Adverse credit markets may also affect the ability of members to secure financing to purchase salvaged vehicles which may adversely affect demand. In addition, if the banking system or the financial markets deteriorate or are volatile, our credit facility or our ability to obtain additional debt or equity financing may be affected. These adverse economic conditions and events may have a negative effect on our business, consolidated results of operations, and financial position.

Fluctuations in foreign currency exchange rates could result in declines in our reported revenues and earnings.

Our reported revenues and earnings are subject to fluctuations in currency exchange rates. We do not engage in foreign currency hedging arrangements; consequently, foreign currency fluctuations may adversely affect our revenues and earnings. Should we choose to engage in hedging activities in the future we cannot be assured our hedges will be effective or that the costs of the hedges will not exceed their benefits. Fluctuations in the rate of exchange between the U.S. dollar and foreign currencies, primarily the Pounds Sterling, Canadian dollar, Brazilian real, European Union euro, U.A.E. dirham, Omani rial, and Bahraini dinar could adversely affect our consolidated results of operations and financial position.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the fiscal quarter ended January 31, 2025, no director or officer, as defined in Rule 16a-1(f), adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” each as defined in Regulations S-K Item 408.

ITEM 6. EXHIBITS

a) Exhibits

3.1	Amended and Restated Certificate of Incorporation of Copart, Inc. (incorporated by reference from Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on November 2, 2022)
3.2	Amended and Restated Bylaws of Copart, Inc. (incorporated by reference from Exhibit 3.1 to the registrant's Current Report on Form 8-K filed on March 12, 2024)
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File, formatted in Inline Extensible Business Reporting Language (iXBRL) and contained in Exhibit 101
*	Filed herewith
**	The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COPART, INC.

/s/ LEAH STEARNS

Leah Stearns, Chief Financial Officer

(Principal Financial and Accounting Officer and duly Authorized Officer)

Date: February 26, 2025