2024 Letter to Stockholders

Jeff Liaw

Chief Executive Officer

This Annual Letter to Stockholders includes forward-looking statements within the meaning of federal securities laws, including management's current views with respect to trends, opportunities, and uncertainties in our markets. These forward-looking statements involve substantial risks and uncertainties. For more detail on the risks associated with our business, we refer you to the section titled "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended July 31, 2024, and each of our subsequent Quarterly Reports on Form 10-Q. Any forward-looking statements are made as of today, and we have no obligation to update or revise any forward-looking statements.

Dear Fellow Stockholders,

As we reflect on fiscal year 2024, we are proud of the exceptional service and value we delivered to our clients and our members, and as result, the continuing profitable growth we delivered to you. We believe that our long-term ownership mindset has been instrumental in our doing so consistently over the years and will prove equally essential in ensuring our prosperous future.

From time to time, we find it meaningful ourselves to reflect on the fundamentals of our business, including the core growth drivers of the insurance salvage market, the addressable market of vehicles from sellers beyond the insurance industry, and the investment approach required to succeed in each. This return to basics is not intended to diminish our other strategic efforts, including, for example, our Purple Wave equipment marketplace, National Powersports Auction ("NPA"), and our legacy and growth markets internationally. And, in fact, it is our core business that provides the auction liquidity and capabilities which enable our expansion into new markets and arenas.

Long-term Insurance Growth Drivers

We believe in the long-term organic growth of the insurance salvage market, consistent with historical, decades-long trends. The net effect of major macro forces in our business over the long haul has been steady organic volume growth, coupled with increases in average selling prices. For the purposes of this exploration, we will focus on the United States, though our reasoning applies generally to all our markets.

Since 1960, the U.S. population has nearly doubled[1] while vehicle miles traveled ("VMT") have quadrupled.[2] Because the growth rates of each are modest in absolute terms, we must compare the effects over decades to see the significant divergence between the two. What explains the outsized growth of VMT over population? Mobility is both an essential need – for access to employment, education, health care and the like – and a luxury – for entertainment and leisure. Although we have heard arguments for a reversal of this seemingly inexorable trend in favor of remote work and virtual leisure environments, we believe it more likely that the human need for engagement and in-person experiences will persist and grow.

1. United States Census Bureau 2. United States Bureau of Transportation Statistics

Press coverage of new automotive safety technologies and autonomous driving has ebbed and flowed, particularly over the past 10 – 12 years since the first broad-based announcements about autonomous vehicles. This volatility belies the stability of the underlying reality – new technologies gradually penetrate new vehicle shipments, which still more gradually penetrate the installed base, leading to a slow, steady decline in the number of accidents per miles driven. While accident rates have decreased virtually every year for decades (with the exception of one anomalous 5-year period of heightened smartphone adoption from 2011 to 2016), the absolute number of accidents has declined by only 8% over the past 30 years,[3] because of the aforementioned growth in population and VMT. Approximately 15 years have elapsed since the introduction of forward autonomous braking systems in the U.S.[4] – and nearly 50 years since the arrival of anti-lock brakes[5] – new technology waves, some anticipated and others unforeseen, will undoubtedly emerge in the years ahead, with similarly meaningful, incremental effects.

The forces above – population, miles driven, accident frequency – are significant, gradual, and largely offsetting in their effect on volume growth in our business. The critical trend that has fueled the growth of our industry and our business, however, is total loss frequency. The deployment of each successive wave of automotive technologies has made vehicles more difficult and expensive to repair. Modern light vehicles now house some 1,000 – 3,000+ semiconductors[6] vs. literally zero 50 years ago.[7] An accident today identical to one 20 years ago in *physical* severity – the nature and speed of impact – would force a repair now that costs much more in time and money by virtue of the dramatic increase in vehicle complexity. Today's safety technologies, largely situated as cameras and sensors on the outside perimeter of vehicles, are especially prone to damage from even modest events. And in many cases, the vehicles that are subject to these economic total losses remain highly useful as drivable vehicles to our international member base. They represent the many millions of people around the globe who rely on total loss vehicles from mature economies like ours to fulfill their mobility needs.

An increase in total loss frequency by definition indicates more marginal total losses over time – damaged vehicles are rendered total losses that in past years would not have been. These vehicles are newer, less damaged, and more easily returned to use as drivable vehicles. One important result of this shift is a steady increase in the average selling prices of the vehicles we auction on behalf of our insurance clients.

We occasionally observe cyclical forces which can cause short term deviations from the secular growth drivers described above. For example, we note recent volatility in used car values, marked by the significant increase in the Manheim Used Vehicle Price Index from mid-2020 to early 2022,[8] caused by Covid-related inflationary forces coupled with semiconductor production shortages that acutely affected the automotive industry. While we and our clients benefited from higher selling prices at auction, elevated pre-accident values ("actual cash value," in US parlance) also had the effect of suppressing total loss frequency and industry volumes. Across a number of dimensions – used vehicle values, storm activity, etc. – we think it reasonable to project more near-term variance in the future than we have observed historically, but also that the core long-term fundamentals of the insurance salvage market will endure.

Growth Beyond Insurance

While our insurance volume provides the durable foundation for our business, we expanded our service offerings over time to serve sellers outside the insurance industry. As insurance carriers

3. United States Bureau of Transportation Statistics 4. United States Department of Transportation 5. Continental AG
6. Polar Semiconductor 7. Bosch Semiconductors for Automotive 8. Manheim Used Vehicle Value Index

total ever lesser-damaged vehicles, much of our marketplace inventory evolves to resemble that of a traditional wholesale auction. Our member base, enhanced by our proactive marketing efforts, expands in response, and so the flywheel effect preserves and expands our ecosystem. The US wholesale automotive remarketing industry transacts approximately 17 million vehicles annually,[9] representing multiples of the insurance salvage market. In addition, the average wholesale used vehicle sale price in the US is approximately $19,000,[10] well above the average sale price of an insurance vehicle. The industry is comprised of a wide spectrum of vehicles from type, make and model, age, mileage and condition. Naturally, we have first targeted older, higher-mileage, lesser-condition vehicles, but over time, as total loss frequency moves further in our favor and we continue to enhance the suite of services we offer to dealers, rental car companies, financial institutions, and the like, we expect the directly addressable universe of wholesale vehicles to expand further.

One specific example of the synergy between our insurance-oriented service offering and our BluCar initiatives is the expansion of our impound program for bank and finance sellers in 2024. By leveraging our physical footprint, technology, and insurance-honed capabilities in extracting vehicles from impound facilities, we have enabled financial institutions to reduce storage charges on vehicles they would have retrieved more slowly in the ordinary course, to recover vehicles they previously would have abandoned altogether, and to drive strong returns at auction for both.

The essential capability we offer to our BluCar sellers, of course, is strong auction returns, enabled by our auction liquidity. We have been pleased to observe the liquidity effect in reverse as well – some new members, for whom our whole cars were the catalyst for their initial interest, have evolved to bid on and purchase vehicles from insurance sellers as well. For example, in April 2023 a new entity registered as a Copart member for the first time and won their first wholesale vehicle two days later. While they initially purchased only non-insurance vehicles, they later expanded their purchases to include lightly damaged insurance vehicles. Within their first year as a member, they had purchased a total of 50 wholesale and 12 insurance vehicles. We believe that our insurance clients are a critical beneficiary of our growth with non-insurance sellers, and vice versa, and so we expect to continue investing proactively in both.

Ownership Mindset and Duration - Copart's Competitive Advantage

One key differentiator for Copart remains our ownership mindset. We prioritize long-term investments in land, technology, and people.

We believe owning the vast majority of our facilities instead of leasing them ensures our ability to serve our customers, insurance and otherwise, for decades to come. We could no doubt pursue a financial engineering exercise that might enhance our business on a narrow set of metrics, but we know that rising land values and restrictive permitting environments make our network of facilities nearly impossible to replicate. Responsible stewardship, for our clients and ourselves, makes ownership imperative. This year, we continued our capital expenditure program, investing more than $500 million, with the vast majority spent on the acquisition and development of more than 1,100 acres globally.

We believe that our technology platform is a critical differentiator for our business. We launched our digital-only auction in 2003, a catalyst for transparency and integrity that enabled us to

9. Cox Automotive 10. Cox Automotive

create the international member base that drives our auction returns to this day. Other auction providers would follow more than a decade later, and others to this day maintain in-person physical auctions. Our purchasing members today hail from 165 different countries and enhance auction returns on the vast majority of the vehicles in our marketplace. Across virtually every dimension of our business – seller- and member-facing, operational, and otherwise – we invest continuously and substantially in technology that improves experiences for our marketplace participants, increases the efficiency and accuracy of our own workflow via automation and artificial intelligence, and positions us for future growth.

We recently published our 2024 Environmental, Social, and Governance (ESG) Report, an overview of Copart's role in global sustainability. At our core, we play a critical role in the circular economy by facilitating the reuse and recycling of vehicles and vehicle parts. We believe that approximately 40% of vehicles sold through our auctions are driven again somewhere in the world, with the remainder being harvested for parts to extend the useful life of other vehicles. In addition, one in four vehicles sold from our U.S. auctions finds a new home in an emerging economy (as defined by the United Nations), empowering individuals and communities with greater access to transportation and driving socioeconomic progress in regions most in need.

Looking Forward

Like all industries, ours is perpetually subject to change. The needs of our sellers, insurance and otherwise, as well as our members, evolve with macro-economic forces, competitive market dynamics, regulatory changes, and technological disruptions. The tools available to us, as well as the tools we architect ourselves, likewise expand with each passing day. We are proudly founder-led, with Willis Johnson as our chairman, and we remain as committed as ever to his bedrock values. We will deliver superior service and returns to our sellers, and excellent vehicle assortment and experiences for our members, while playing a responsible role in the communities we serve. This approach has been, and will be, our enduring recipe for creating long-term shareholder value.

Sincerely,
Jeff Liaw, CEO
December 27, 2024