CPRT gideon lens

Copart (CPRT) — Gideon-Lens Equity Research

Report ID: CPRT_ER2_20260922T085742; **Date:** 2026-09-22 SGT; **Price:** USD 28.91 at the September 21 completed close.

Security: XNAS:CPRT common share; **FY end:** July 31; **Mode:** Production ER2 refresh; **Trade execution authorized:** NO

What changed from the previous report and why

Previous report: ER2-CPRT-20260915-PRODUCTION-REFRESH; 2026-09-15; `C:\Users\Admin\OneDrive\GPT\ER 2.0\Copart\raw\pulse-cio-20260922T085742+0800\prior_active_snapshot\CPRT_gideon_lens.md`; SHA-256 `60940319dd796852bf79705c11673e22c0f080e38ea8d7c46bd10a0af4a58ad2` **Current report:** CPRT_ER2_20260922T085742; 2026-09-22; price anchor USD 28.91 as of 2026-09-21

Area	Previous report	Current report	What changed and why	Decision impact
Price anchor	USD 29.95, Sep 11	USD 28.91, Sep 21	Price/market: the QFR-sealed completed close fell 3.47%; the exact security and share basis were rechecked.	Lower entry price helps per-share returns and the P/E-15 cushion.
ER2 verdict and gates	WATCH; Management YELLOW, Moat PASS, P/E-15 PASS	PASS; Management YELLOW, Moat YELLOW, P/E-15 PASS	New evidence: insurer customer loss, U.S. margin decline and ACV integration weaken twenty-year moat confidence. Management succession and acquisition returns remain open.	Two qualitative YELLOW gates make ER2 PASS despite the mechanical valuation pass.
FY+5 valuation bridge	Base EPS USD 2.1398; required USD 1.9967; cushion 7.17%	Base EPS USD 2.0862; required USD 1.9273; cushion 8.24%	Model/evidence: the new conditional ACV perimeter includes purchase charges, interest displacement and award stress; diluted shares now follow a dated stock and weighted-average bridge. The lower price more than offsets lower Base EPS in the entry test.	Cushion is still narrow and depends on an unclosed acquisition.
Insurer retained economics / book bridge	n/a	n/a	Copart is a salvage marketplace, not a P&C insurer.	No insurer book method applies.
Shareholder returns	Gross USD Bear/Base/Bull/PW –5.78%/7.40%/18.69%/7.60%	–5.91%/7.85%/19.86%/8.86%	Price and conditional acquired earnings change terminal wealth; method correction annualizes the Sep 21 quote to Jul 31, 2031 over 4.856947 years instead of five.	Weighted gross return stays below the CIO objective.
CIO actionability	PASS; net-SGD Bear/Base/Bull/PW –7.73%/6.95%/19.49%/7.33%	PASS; –7.28%/6.59%/18.75%/7.65%	FX/cost assumptions and exact quote-date horizon differ; current portfolio count remains only a Sep 18 snapshot.	No security-level actionability upgrade.
Audited scores	68/100; 65/80; 3/20	67/100; 65/80; 2/20	Scoring audit removed a point for a non-comparable current-to-acquired terminal denominator.	The score remains diagnostic Reject under the 20% rubric.
Methodology or corrections	Legacy organic-only terminal, five-year return convention	Conditional ACV close, PPA and award stresses; exact investor horizon	Correction: TTM-to-terminal operating forecasts remain five years, while a Sep 21 investor owns the share for 1,774 days to Jul 31, 2031.	Return figures are more faithful to the quote date; no trade authority follows.

Decision change: The lower price improves the entry cushion, while U.S. customer loss, margin pressure and uncertain ACV returns lower the moat gate. Explicit acquisition costs and share timing make this a new conditional model. Two YELLOW gates change ER2 WATCH to PASS. CIO stays PASS because Base and weighted net-SGD returns miss the mandate.

Verdict block

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	YELLOW	Proven stewardship; succession, ACV returns and award dilution unresolved.
Moat	YELLOW	Strong auction network, but lost carrier and margin pressure leave 2046 test YELLOW.
P/E <= 15 on confident EPS at TTM + 5 calendar years	PASS	Conditional Base EPS USD 2.0862 gives 8.24% cushion at USD 28.91.
Compounder Score	Audited 67/100	Below the dream-investment threshold; diagnostic only.
Business Quality Score	Audited 65/80	Strong salvage franchise, with an unresolved acquired-return case.
20% Return Underwriting Score	Audited 2/20	Current price does not support the stretch return hurdle.

One-line reason to pass: Copart's core auction franchise remains valuable, but current carrier losses and a cash-intensive, unclosed ACV acquisition make the modeled returns insufficient for a new capital decision.

Security return underwriting

Measure	Result	Notes
Primary valuation method	P/E	One VP-locked method for all scenarios, probability weighting, reverse returns and net-SGD.
Gross USD Bear / Base / Bull IRR	–5.91% / 7.85% / 19.86%	Quote-date investor horizon: Sep 21, 2026 to Jul 31, 2031, 1,774 days / 365.25 = 4.856947 years.
Probability-weighted gross USD IRR	8.86%	CAGR of 25%/50%/25% probability-weighted terminal shareholder wealth, not an average of IRRs.
Current price and shares	USD 28.91; 956.860M FY2026 diluted weighted-average	Sealed XNAS:CPRT packet; dated May 27 spot common stock 925.811482M is separately disclosed.
Terminal equity value per share	Bear USD 21.50 / Base USD 41.72 / Bull USD 69.68	FY2031 diluted EPS USD 1.3441 / 2.0862 / 2.7871 times 16x / 20x / 25x P/E.
Terminal diluted weighted-average shares	913.960M / 898.287M / 887.020M	Dated stock roll, scenario buybacks, SBC and converted-award stress.
Distributions	USD 0.00 all cases	Explicit zero-distribution diagnostic; Copart has not paid common dividends in the reviewed history.
Net cash, debt and claims	FY2026 liquid assets about USD 4.490B; funded debt zero; lease liabilities about USD 0.088B	Conditional ACV uses about USD 1.9B cash and foregone interest. Terminal cash/debt is not separately valued under P/E; adding it to EPS × P/E would double-count.
Exit valuation	Bear 16x / Base 20x / Bull 25x	VP anchored to company history, acquired-forward earnings, growth and capital quality. P/E-15 is an entry gate, not an exit multiple.
Return bridge	USD 28.91 → USD 21.50 / 41.72 / 69.68	Terminal EPS × exit P/E plus zero distributions, with no separate cash adjustment.

The tables below show gross USD underwriting. Revenue and statutory operating income are in USD billions; diluted shares are in millions. Operating CAGRs run from the July 31, 2026 TTM to July 31, 2031 over five fiscal steps. Shareholder IRRs run from the September 21, 2026 quote over 4.856947 years. Net-SGD adjustments follow the tables.

Bear-case operating and return bridge

Bear case	TTM (2026-07-31) / price (2026-09-21)	Horizon (2031-07-31)	CAGR / change	Justification
Revenue	$4.666B	$5.835B	4.57%	Conditional ACV included; organic path separately reviewed
Operating margin	35.42%	26.14%	-9.27 pp	U.S. absorption and acquired mix vary by case
Operating earnings	$1.653B	$1.525B	-1.59%	Statutory operating income after acquired charges
Diluted share count	956.860M	913.960M	-0.91%	Weighted-average; buybacks, SBC and converted-award stress
EPS	$1.5512	$1.3441	-2.83%	Parent statutory NI / annual weighted diluted shares
Valuation denominator	$1.5512 reported; $1.5190 normalized	$1.3441	Not directly comparable	Acquired terminal perimeter differs from current standalone
Valuation	18.64x reported; 19.03x normalized	16x P/E	-3.03x normalized	VP-locked scenario multiple
Share value	$28.91	$21.50	-5.91%	Sep 21 price to FY2031 EPS × exit P/E; no cash add-on
Annual dividend	$0.00	$0.00	0.00%	No dividend in source-bound diagnostic
Dividend yield	0.00%	0.00%	0.00 pp	Annual dividend / endpoint share value
Cumulative dividends	—	$0.00	Sep 21 2026 to Jul 31 2031	Zero distribution assumption
Total ending value	$28.91	$21.50	-5.91% gross USD IRR	Share value plus distributions; Sep 21 quote to Jul 31 2031

Base-case operating and return bridge

Base case	TTM (2026-07-31) / price (2026-09-21)	Horizon (2031-07-31)	CAGR / change	Justification
Revenue	$4.666B	$7.145B	8.89%	Conditional ACV included; organic path separately reviewed
Operating margin	35.42%	31.59%	-3.82 pp	U.S. absorption and acquired mix vary by case
Operating earnings	$1.653B	$2.257B	6.43%	Statutory operating income after acquired charges
Diluted share count	956.860M	898.287M	-1.26%	Weighted-average; buybacks, SBC and converted-award stress
EPS	$1.5512	$2.0862	6.11%	Parent statutory NI / annual weighted diluted shares
Valuation denominator	$1.5512 reported; $1.5190 normalized	$2.0862	Not directly comparable	Acquired terminal perimeter differs from current standalone
Valuation	18.64x reported; 19.03x normalized	20x P/E	+0.97x normalized	VP-locked scenario multiple
Share value	$28.91	$41.72	7.85%	Sep 21 price to FY2031 EPS × exit P/E; no cash add-on
Annual dividend	$0.00	$0.00	0.00%	No dividend in source-bound diagnostic
Dividend yield	0.00%	0.00%	0.00 pp	Annual dividend / endpoint share value
Cumulative dividends	—	$0.00	Sep 21 2026 to Jul 31 2031	Zero distribution assumption
Total ending value	$28.91	$41.72	7.85% gross USD IRR	Share value plus distributions; Sep 21 quote to Jul 31 2031

Bull-case operating and return bridge

Bull case	TTM (2026-07-31) / price (2026-09-21)	Horizon (2031-07-31)	CAGR / change	Justification
Revenue	$4.666B	$8.201B	11.94%	Conditional ACV included; organic path separately reviewed
Operating margin	35.42%	35.36%	-0.06 pp	U.S. absorption and acquired mix vary by case
Operating earnings	$1.653B	$2.900B	11.90%	Statutory operating income after acquired charges
Diluted share count	956.860M	887.020M	-1.50%	Weighted-average; buybacks, SBC and converted-award stress
EPS	$1.5512	$2.7871	12.43%	Parent statutory NI / annual weighted diluted shares
Valuation denominator	$1.5512 reported; $1.5190 normalized	$2.7871	Not directly comparable	Acquired terminal perimeter differs from current standalone
Valuation	18.64x reported; 19.03x normalized	25x P/E	+5.97x normalized	VP-locked scenario multiple
Share value	$28.91	$69.68	19.86%	Sep 21 price to FY2031 EPS × exit P/E; no cash add-on
Annual dividend	$0.00	$0.00	0.00%	No dividend in source-bound diagnostic
Dividend yield	0.00%	0.00%	0.00 pp	Annual dividend / endpoint share value
Cumulative dividends	—	$0.00	Sep 21 2026 to Jul 31 2031	Zero distribution assumption
Total ending value	$28.91	$69.68	19.86% gross USD IRR	Share value plus distributions; Sep 21 quote to Jul 31 2031

CIO actionability

Measure	Result	Notes
Status	PASS	Separate from the ER2 verdict; no order, trade or allocation authority.
Bear / Base / Bull net-SGD IRR	–7.28% / 6.59% / 18.75%	Same P/E method; 0.50% entry and exit cost, no distribution withholding because modeled distributions are zero.
Probability-weighted net-SGD IRR	7.65%	CAGR of weighted net terminal wealth with 25%/50%/25% case weights.
FX assumptions	Entry 1.2755 SGD/USD; exits 1.20 / 1.2755 / 1.35	September 18 IMF reference proxy and explicit scenario FX; USD share price is Sep 21.
10% mandate hurdle	FAIL	Both Base 6.59% and weighted 7.65% are below 10%.
15% stretch hurdle	FAIL	Base and weighted net-SGD cases are below 15%.
Downside and portfolio fit	WATCH / LIMITED	Bear loses 7.28% annualized; Sep 18 Pulse shows 3,598 shares, but current custody, NAV, lot tax and covariance are not fully reconciled.
Proposed sizing ceiling	None	Research makes no sizing or transaction proposal.

Trade execution authorized: NO. The September 18 Pulse snapshot records 3,598 shares. A hypothetical reduction of 1,000 shares at the September 21 mark would change the count to 2,598 and represent USD 28,910 gross, or about SGD 36,875 at the reference FX, before an assumed 0.50% exit cost; it would leave about SGD 36,690 before unknown lot tax. At the scenario terminal prices, those 1,000 shares would have been worth about USD 21,505 / 41,725 / 69,678. This is a research counterfactual, not a recommendation, order or authorized portfolio mutation. A decision would require a current custody/NAV check and a separate allocation process.

Stage 0 — time anchor

Today is September 22, 2026. Copart's fiscal year ends July 31, and the latest reported period is Q4 FY2026 ending July 31, 2026. Q1 through Q4 FY2026 comprise the TTM. The operating forecast ends July 31, 2031, exactly five calendar years after the TTM. The quote-date investor holding period is 1,774 days, or 4.856947 years. The [FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm) controls the fiscal results, and the QFR packet controls price, listing, share unit and expiry.

Stage 1 — disqualifier sweep

The calculated FY2026 ROIC is about 28.99%, so the historical return-on-capital check is green. Cash conversion is yellow: USD 1.604B operating cash flow and USD 1.267B free cash flow are strong, but operating cash flow fell 10.9% and the FCF improvement partly reflects lower capital expenditure. Leverage is green because the company had about USD 4.490B liquid assets and no funded debt before the proposed ACV cash payment. End markets are yellow because total-loss frequency supports long-term salvage demand while U.S. insurer assignments and a lost customer weigh on current volume. Governance is yellow because acquisition award conversion, integration and leadership succession require monitoring. AI disruption is yellow rather than an automatic failure: physical yards, titling and auction liquidity are difficult to replace, but the 2046 moat test is unproven. Pricing power is yellow because global buyer depth is real while U.S. facility cost per unit and margin contraction show a weaker present pass-through.

Management

Management has historically deployed land, technology and cash to strengthen an unusually liquid auction system. The September 17 ACV [tender offer](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dex99a1i.htm) and [14D-9](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393862/d136775dsc14d9.htm) add evidence of a competitive sale process and an ambitious acquired operating plan. They do not establish that USD 1.9B cash consideration will earn Copart's historical returns. ACV's own 2030 standalone plan reaches only USD 37M unlevered free cash flow, and 2027–2029 unlevered cash flow is negative in that plan. Converted employee awards create dilution and compensation uncertainty; their final Copart equivalent count is not disclosed. Management's first-full-year neutrality aspiration cannot be treated as a statutory EPS forecast. The model therefore includes purchase amortization, integration and award expense stresses and foregone interest. Management remains YELLOW pending a completed transaction, clear purchase accounting, retention evidence and cash conversion, rather than earning a pass from Copart's prior record alone.

Moat and 2046 durability

Copart's global buyer network, physical salvage footprint, insurer workflow integrations and auction returns are meaningful advantages. International buyers accounted for 38.2% of U.S. vehicles sold and 45.7% of sale value in FY2026, indicating a broad demand pool. The U.S. segment still supplied about 85.9% of FY2026 operating profit. The question is whether those advantages can preserve high returns as insurers change claims behavior, customers shift volume and facility capacity absorbs fewer assignments. The reviewed data show a lost insurer customer and a roughly 562 basis-point U.S. operating-margin decline from FY2023 to FY2026. ACV could extend the platform into wholesale, but its present cash yield and margin do not yet prove incremental returns. The moat and 2046 durability tests remain YELLOW: the salvage franchise can endure while its twenty-year compounding rate disappoints.

Combined earnings and valuation

Both reviewed operating segments tie to the sealed statutory Operating income bridge with zero historical residual. In the conditional Base, FY2031 revenue is USD 7.145B, statutory operating income USD 2.257B, Copart-attributable net income USD 1.874B and annual diluted weighted-average shares 898.287M. Base EPS is USD 2.0862 against USD 1.9273 required for a 15x P/E at the current price, an 8.24% cushion. Bear EPS is USD 1.3441 and fails the entry gate; Bull EPS is USD 2.7871 and passes. The acquisition is shown separately from Copart organic U.S. and International operations. Its modeled purchase amortization, integration expense, awards and interest displacement are analyst stresses, not a filed purchase-price allocation. Synthesis passed 11 of 11 arithmetic checks, and VP independently cleared five valuation foundations. The 16x/20x/25x exits were selected from company-specific valuation evidence before return scoring. The reported organic current 18.64x P/E and tax-normalized 19.03x P/E have a different earnings perimeter from acquired terminal EPS, so neither mechanically caps the terminal multiple.

Red team and decision conditions

The strongest red-team case is sustained insurer customer loss compounded by weak ACV cash returns. An 18x Base exit P/E, while not the controlling successful-close case, cuts Base gross USD IRR from 7.85% to 5.53% and net-SGD from 6.59% to 4.56%. VP retained 20x because conditional FY2027 acquisition-inclusive EPS implies about 19.87x forward P/E at the current price, but the comparison includes only nine months of ACV and remains sensitive to closing and accounting. The red team accepted this as a resolved modeling objection with a material downside still visible. A failed tender, purchase-accounting charges outside the stated stress ranges, converted awards above the scenario count, or continued carrier losses requires a new source-bound bridge before using the Base case. The report neither converts these risks into an automatic trim nor treats the 11% owner assumption as evidence that the security can earn 11% net SGD from today's price.

Kill and upgrade criteria

- No price-only BUY trigger exists while both Management and Moat are YELLOW. The mechanical 15x Base-EPS price is about USD 31.29, but that arithmetic is conditional and is not a trade level.
- Revisit the U.S. forecast if assignments or service volume remain negative for two more reported quarters, if the lost-carrier effect broadens, or if facility cost per unit keeps rising while revenue per unit stalls.
- Re-underwrite ACV after closing terms, purchase accounting, retained staff, converted awards and first full-year cash-flow disclosures are available. A failed closing removes both acquired earnings and the USD 1.9B cash use; the present scenarios cannot be reused unchanged.
- A qualitative upgrade requires sustained insurer retention, margin stabilization, verifiable ACV owner cash returns and a new exact-price return model that clears the CIO mandate with downside compatible with the portfolio drawdown budget.

Analyst flags

The modeled ACV closing dates and purchase-accounting expense bands are transparent analyst inferences, not company guidance. Absolute assignment counts, a final award-conversion count, closing-date acquired net cash and a full purchase-price allocation remain unavailable. The latest supplied portfolio count is dated September 18. The September 21 quote packet expires September 23 at 04:00 Singapore time; any later use should refresh price and FX. The source manifest binds 53 reviewed records, including later tender materials and valuation history. All valuation and return conclusions are conditional on the exact cited inputs; `trade_execution_authorized=false`.

Appendix A - Company Primer

Copart (CPRT) - Company Primer

Production ER2 run: `pulse-cio-20260917T200244+0800` **Queue action:** `CIO-20260917-CPRT-RETENTION-UPDATE` **Information cutoff:** September 17, 2026, 20:06:30 SGT **Historical anchor:** FY2026 / TTM ended 2026-07-31 **Forward horizon:** 2031-07-31, exactly five years after the TTM anchor **Sealed market anchor:** USD 30.82, 2026-09-16 completed Nasdaq session **Trade execution authorized:** `false`

This primer is an orientation document, not a valuation conclusion, recommendation, or portfolio instruction. Financial figures and derived ratios use the current-run [quantitative foundation](C:/Users/Admin/OneDrive/GPT/ER%202.0/Copart/quant_foundation.md), whose FY2026 values reconcile to Copart's live [September 10, 2026 earnings release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm) and live FMP statement endpoints. Its quote and statutory packets were independently cleared by QFR on September 17. Business descriptions and taxonomy are anchored to Copart's live [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm), because the FY2026 Form 10-K had not been filed by the cutoff. The announced ACV transaction is sourced to Copart's [transaction release](https://www.copart.com/content/us/en/press-releases/copart-to-acquire-acv), [investor presentation](https://www.sec.gov/Archives/edgar/data/900075/000119312526388064/d138322dex992.htm), [Form 8-K](https://www.sec.gov/Archives/edgar/data/900075/000119312526388064/d138322d8k.htm), and [merger agreement](https://www.sec.gov/Archives/edgar/data/900075/000119312526388064/d138322dex21.htm). Valid September 15 orientation content is preserved only where current live FMP, Copart IR, and SEC evidence revalidated it. The current-run data package was not yet cleared when this primer was written and therefore was not treated as evidence.

To keep evidence and analysis distinct, this appendix explicitly labels statements as **Source fact**, **Inference**, or **Judgment**. A source fact is reported or calculated directly from the controlling sources. An inference is a reasoned interpretation that is not itself disclosed by the company. A judgment is the analyst's provisional assessment for later underwriting and is not a conclusion of the full ER2 process.

Perimeter rule. Every FY2026/TTM financial and operating figure in this primer describes organic Copart on its reported standalone perimeter. ACV is a proposed, unclosed acquisition and appears only as a prospective scenario consideration. The USD 10.50 consideration for ACV common shares is all cash, but specified unvested options, employee RSUs, and PSUs convert into Copart awards after closing. The resulting Copart share claim is `UNKNOWN_UNQUANTIFIED`, so neither the historical perimeter nor a future capital-structure model may silently treat ACV dilution as zero.

1. Business overview

Source fact. Copart is a vehicle remarketing company that combines an internet auction marketplace with a large physical logistics and storage network. Its vehicle sellers are primarily insurance companies, alongside dealers, financial institutions, rental and fleet operators, charities, and individuals. Buyers include dismantlers, rebuilders, repair licensees, used-vehicle dealers, exporters, and, where local rules permit, the public. Copart reported approximately one million registered members in more than 185 countries, operations at more than 250 locations in 11 countries, and more than four million units sold during the latest year.

Copart's job begins before a vehicle appears on an auction screen. It arranges or coordinates pickup, may advance release charges, receives and stores the vehicle, captures images and documents, helps clear title and lien issues, markets the inventory, conducts the sale through its VB3 virtual auction platform, collects the buyer's funds, and settles net proceeds with the seller. For insurance clients, the broader workflow can include total-loss estimation, salvage-value tools, title procurement, loan payoff services, inspection-station support, catastrophe response, reporting, analytics, and application programming interfaces into claims systems. Buyers register, submit identification and relevant business licences, search inventory, place preliminary bids, and compete in a real-time online auction.

Inference. Copart is best understood as a two-sided network with a hard-asset operating layer, not as a pure software marketplace and not as a conventional used-car dealer. Digital liquidity matters because more credible buyers can improve price discovery. Physical density matters because vehicles must still be retrieved, stored securely, documented, titled, and released. The company's value to a seller is therefore the net outcome after sale price, towing, storage, processing time, and administrative effort-not merely the highest visible bid.

Judgment. This hybrid model is strategically attractive because neither a website alone nor a collection of yards alone reproduces the full service. It is also operationally demanding. Land, transport, labour, title execution, cyber resilience, and catastrophe capacity are core economic inputs. Investors should reject the shorthand that Copart is "capital-light software"; its margins are software-like in places, but the service promise is secured by sustained physical investment.

2. Revenue architecture and exact taxonomy

Reportable segments

Source fact. Copart has exactly two reportable operating segments: **United States** and **International**. The boundary is geographic. The FY2025 10-K states that the U.S. and International regions are separate operating and reportable segments and that the chief operating decision maker evaluates geographic results using total revenue, operating income, and income before tax. The September 10 FY2026 release presents service revenue and vehicle sales inside each geography. Therefore, "Service" and "Vehicle sales" are revenue types that occur in both reportable segments; they are not standalone operating segments.

FY2026 / TTM reportable segment	Revenue, USDm	Share of total	Operating income, USDm	Operating margin
United States	3,807.430	81.60%	1,419.040	37.27%
International	858.779	18.40%	233.550	27.20%
Consolidated	4,666.209	100.00%	1,652.590	35.42%

The United States segment is the economic core. It contains the mature salvage-auction network, a high service-fee mix, insurer integrations, storage facilities, transport coordination, and adjacent whole-car channels. In FY2026 it produced 81.60% of revenue and 85.86% of operating income. Its revenue declined 1.24% year over year and its operating income declined 4.18%, while margin compressed from 38.41% to 37.27%.

International combines Canada, the United Kingdom, Brazil, the Republic of Ireland, Germany, Finland, the United Arab Emirates, Oman, Bahrain, and Spain. Contract structures differ materially by country. Canada and several other markets mainly resemble the U.S. agency model. The U.K., Germany, and Spain include principal transactions in which Copart purchases vehicles and resells them. The U.K. also recognizes principal revenue from dismantled parts through Green Parts Specialist, while Germany includes residual-value listing and facilitation work. International revenue grew 8.45% in FY2026, operating income grew 8.21%, and margin was nearly flat at 27.20% versus 27.26%.

Revenue types inside the segments

Source fact. Service revenue consists of auction and auction-related fees, potentially including listing, seller, buyer, transport, title, storage, loading, delivery, and other processing charges. It is recognized as the fee earned rather than the gross selling price of a consigned vehicle. Vehicle-sales revenue includes the gross selling price when Copart owns, or is considered to own, the vehicle. The source-printed intersections are:

FY2026 / TTM geography	Service revenue, USDm	Vehicle sales, USDm	Total revenue, USDm	Vehicle sales as % of geography
United States	3,388.287	419.143	3,807.430	11.01%
International	581.233	277.546	858.779	32.32%
Consolidated	3,969.520	696.689	4,666.209	14.93%

Inference. Reported revenue growth can overstate or understate growth in economic value if mix shifts between agency fees and principal vehicle sales. A dollar of service revenue generally represents a fee retained by Copart; a dollar of vehicle-sales revenue includes a much larger pass-through-like vehicle acquisition cost. International's higher vehicle-sales mix is a major reason its margin is below the U.S. segment margin.

Judgment. Forecasting should begin with the two geographic segments because those are the issuer's reportable economic units and have disclosed operating income. Service and vehicle-sales mix should be modeled inside each geography as an explanatory driver, not promoted into invented segments. Any post-close ACV model will require a separately disclosed acquisition bridge until Copart establishes its future reportable-segment treatment.

3. Unit economics

Agency auction economics

Source fact. In a typical agency transaction, an insurer assigns a total-loss or recovered-theft vehicle to Copart but retains ownership until sale. Copart collects service and transaction fees rather than recording the vehicle's gross auction value as revenue. Fee structures can be fixed, tiered, or linked to sale price. Under certain percentage-incentive arrangements Copart may absorb inbound transportation; under other arrangements transport and ancillary services are separately charged. The vehicle often remains in storage while ownership documents and salvage title are processed, which the 10-K says can generally take 45 to 60 days in the U.S.

Inference. Unit economics depend on more than auction volume. Important variables include gross selling price, fee schedules, seller contract terms, towing distance, fuel, storage days, title cycle time, yard utilisation, labour productivity, catastrophe surge costs, and buyer payment or release behaviour. Higher proceeds may lift percentage-linked fees, but higher used-car values can also reduce total-loss frequency because repair becomes economical on more vehicles. The same external variable can therefore help revenue per unit while constraining unit supply.

Principal vehicle economics

Source fact. When Copart buys a vehicle and resells it, the full sales price is reported as vehicle-sales revenue and the acquisition cost appears in cost of vehicle sales. The company is exposed to purchase-price accuracy, time to sale, transport, processing, storage, and resale-value risk. Principal activity is much more significant internationally, although U.S. consumer and other purchased-vehicle channels also exist.

Inference. Principal growth is not economically equivalent to agency-fee growth. It produces more accounting revenue for each unit but normally a lower percentage margin and greater working-capital exposure. It can still add value if Copart's data, buying discipline, and marketplace liquidity create a durable spread, but revenue growth generated by more owned inventory deserves a lower-quality label until cash conversion and returns on incremental capital are proven.

FY2026 cost conversion

FY2026 / TTM cost line as % of segment revenue	United States	International	What drives it
Facility operations	42.93%	38.60%	Labour, towing, fuel, yards, maintenance, taxes, rent, insurance, auction operations
Cost of vehicle sales	10.27%	26.25%	Purchase cost and direct economics of principal inventory
General and administrative	9.53%	7.96%	Management, sales, data processing, professional services, technology and support
Operating income	37.27%	27.20%	Residual after the three disclosed segment expense lines

At consolidated level, FY2026 gross profit was USD 2,083.858 million, or 44.66% of revenue. Operating income was USD 1,652.590 million, or 35.42%; attributable net income was USD 1,484.270 million, or 31.81%; and free cash flow was USD 1,267.129 million, or 27.16%. Every segment expense line reconciles to geographic operating income with no residual in the current quantitative foundation.

Judgment. These are exceptional margins for a logistics-intensive business, but FY2026 exposed negative operating leverage in the U.S. network. The most important unit-economic question is not whether current margins remain high; they do. It is whether unit growth and fee growth can again outrun the semi-fixed physical cost base without relying on unusually low capital expenditure or a richer principal mix.

4. Seller, insurer, and buyer ecosystem

Source fact. Insurance companies supplied 81% of vehicles processed in FY2025. They decide whether to repair or total a damaged vehicle by comparing estimated repair cost with pre-accident value less expected salvage value, alongside customer-service considerations. Copart competes for insurer supply on anticipated net salvage return, service breadth, price, catastrophe response, geographic coverage, and analytical data. It also integrates seller systems through APIs so clients can assign and monitor vehicles and approve charges or bids.

Buyer demand comes from dismantlers seeking reusable parts and scrap value, rebuilders and repair licensees seeking repairable vehicles, dealers seeking recovered-stolen or lightly damaged stock, exporters arbitraging destination-market values, and public buyers where permitted. In FY2025, 69.8% of U.S. units were sold to members registered outside the state in which the vehicle was located; 31.0% went to other U.S. states and 38.8% to international members.

Inference. This cross-border and cross-state liquidity is central to the network effect. A seller can obtain a better outcome when specialised bidders value a vehicle's parts, repairability, or destination-market scarcity differently from local buyers. Better outcomes help win more supply, and more inventory attracts more bidders. Yet the loop is exposed to freight rates, foreign exchange, tariffs, export rules, buyer financing, and title regulation.

Judgment. The strongest element of Copart's model is the combination of national service reliability and international demand, not simply registered-member count. Member totals can include inactive or low-value accounts; the economically relevant indicators are bidders per lot, conversion, proceeds versus pre-accident value, seller retention, transport and title cycle times, and local yard density. Those operational measures are not fully disclosed in the FY2026 release, making downstream segment work essential.

5. Industry structure and competition

Vehicle remarketing is fragmented locally but concentrated among scaled operators for large national or multinational seller contracts. An insurer requires nearby capacity, predictable pickup, secure storage, title competence across jurisdictions, catastrophe surge response, usable data, and enough buyers to maximise proceeds. Zoning and land availability make large storage sites difficult to replicate near population centres, while marketplace liquidity takes time and inventory to build.

Source fact. Copart's FY2025 filing names RB Global's Insurance Auto Auctions as the closest scaled U.S. salvage-auction rival, and also names Carvana, OPENLANE, Manheim, ACV Auctions, and LKQ. These competitors are not identical. Manheim, OPENLANE, ACV, and Carvana are more exposed to whole-car dealer or retail flows. LKQ and other dismantlers can bypass auction platforms by buying directly from insurers. Internationally, Copart competes with national, regional, and private remarketers and dismantlers under country-specific contract structures.

Inference. Competitive intensity operates on two sides. A rival can win seller contracts by promising higher net returns or better service, and it can win buyers with more relevant inventory or lower friction. A local loss of insurer volume can weaken yard utilisation and auction liquidity even if no individual client is material to consolidated revenue.

Judgment. Copart's scale appears structurally advantaged, but FY2026's U.S. contraction is a warning against treating share gains as automatic. The planned acquisition of a named competitor also broadens the competitive arena: Copart would become more directly exposed to dealer-to-dealer wholesale, where incumbent relationships, inspection credibility, and dealer economics differ from salvage.

6. FY2026 results and the September 10 earnings contraction

Source fact. Copart released unaudited fourth-quarter and full-year FY2026 results after the fiscal year ended July 31. The release date was September 10, 2026. Full-year revenue grew only 0.41% to USD 4,666.209 million. Gross profit fell 0.75% to USD 2,083.858 million, operating income fell 2.60% to USD 1,652.590 million, attributable net income fell 4.39% to USD 1,484.270 million, and diluted EPS fell 2.52% to USD 1.55 despite a 2.12% decline in diluted weighted-average shares.

The contraction was sharper in the fourth quarter. Revenue rose 2.43% year over year to USD 1,152.439 million, but gross profit fell 5.55% to USD 481.449 million, operating income fell 10.59% to USD 368.904 million, attributable net income fell 17.39% to USD 327.423 million, and diluted EPS fell 14.63% to USD 0.35. Facility operations expense increased 7.7%, cost of vehicle sales increased 11.4%, and general and administrative expense increased 16.6%. Revenue growth therefore did not convert into profit growth.

September 10 release metric	Q4 FY2026 YoY	FY2026 YoY	Read-through
Revenue	+2.43%	+0.41%	Top line remained positive but weak
Gross profit	-5.55%	-0.75%	Direct operating costs outran revenue
Operating income	-10.59%	-2.60%	Negative operating leverage intensified in Q4
Attributable net income	-17.39%	-4.39%	Lower operating profit and other-income effects reached earnings
Diluted EPS	-14.63%	-2.52%	Buybacks cushioned but did not reverse the earnings decline

The geographic split identifies the source of weakness. U.S. FY2026 service revenue fell 1.83%, U.S. total revenue fell 1.24%, and U.S. operating income fell 4.18%. International service revenue rose 12.40%, total revenue rose 8.45%, and operating income rose 8.21%. In Q4, U.S. revenue rose only 0.44% while U.S. operating income fell 12.68%; International revenue rose 11.70% and operating income rose 2.96%.

Source fact on market reaction. Fresh FMP end-of-day data show closes of USD 32.03 on September 9, USD 30.75 on September 10, and USD 29.95 on September 11. The earnings release was filed at 4:16 p.m. Eastern on September 10, after the regular close. Therefore, the September 10 close-to-close decline of 4.00% preceded the public filing and should not be attributed mechanically to the released results. The first full regular session after the release was September 11, when the stock fell another 2.60% close-to-close; the two-session decline from September 9 to September 11 was 6.49%. The current QFR-sealed valuation anchor is the later September 16 completed close of USD 30.82, 2.90% above September 11 but still 3.78% below September 9. At USD 30.82, the stock trades at 19.87 times FY2026/TTM diluted EPS of USD 1.551188. The price recovery changes entry-price arithmetic; it does not change the FY2026 operating record.

Inference. FY2026 was not a demand collapse: consolidated revenue was approximately flat, International grew, and Q4 revenue increased. It was an earnings-quality and conversion problem concentrated in the larger U.S. business. Higher facility expense, vehicle cost, G&A, and lower other income overwhelmed modest revenue growth. The share-price sequence indicates concern was already present before the after-close filing and deepened after investors could process the results and acquisition together.

Judgment. The proper base case should not extrapolate either the historic double-digit compound rate or Q4's profit decline mechanically. The burden of proof has shifted. A reacceleration thesis now needs evidence on U.S. insurance units, pricing, contract mix, yard utilisation, expense discipline, and capital intensity-not only a narrative about total-loss frequency or international expansion.

7. Financial history and cash conversion

The current quantitative foundation supports a consistent consolidated history from FY2023 through FY2026. It shows strong scale expansion through FY2025 followed by the FY2026 pause.

Fiscal year	Revenue, USDm	Operating income, USDm	Attributable net income, USDm	Diluted EPS	Free cash flow, USDm
2023	3,869.518	1,486.569	1,237.741	1.28	847.574
2024	4,236.823	1,572.023	1,363.020	1.40	961.574
2025	4,646.958	1,696.714	1,552.449	1.59	1,230.760
2026 / TTM	4,666.209	1,652.590	1,484.270	1.55	1,267.129

Source fact. FY2026 operating cash flow declined 10.85% to USD 1,604.492 million. Capital expenditure declined 40.71% to USD 337.363 million, so free cash flow increased 2.95% to USD 1,267.129 million. Free cash flow equaled 85.37% of attributable net income. Stock-based compensation was USD 38.818 million. Copart paid no common dividend and spent USD 1,632.538 million repurchasing shares, more than annual free cash flow.

Inference. The free-cash-flow increase does not demonstrate stronger underlying conversion because it was produced by a much larger reduction in capital expenditure than the decline in operating cash flow. A business that depends on yard capacity cannot indefinitely treat lower land and facility spending as a free source of owner earnings. Conversely, not every annual capex swing reflects maintenance needs; projects and land purchases are lumpy.

Judgment. Normalised owner earnings should use a multi-year view of required capital expenditure and should distinguish maintenance from growth capacity. FY2026 free cash flow is a valid statutory cash measure, but it is not automatically the correct steady-state earnings base.

8. Balance sheet and capital allocation

Source fact. At July 31, 2026, Copart held USD 1,907.901 million of cash, cash equivalents, and restricted cash plus USD 2,581.901 million of held-to-maturity securities. It had no funded borrowings in the official condensed balance sheet and USD 88.367 million of finance-lease liabilities. Cash plus held-to-maturity securities less finance leases therefore equaled USD 4,401.435 million. Total assets were USD 10,027.810 million, total liabilities were USD 913.930 million, and stockholders' equity was USD 9,097.295 million.

FMP's live annual income statement matched the official FY2026 revenue, operating income, pretax income, attributable net income, EPS, and diluted-share denominator. The live FMP product-segmentation endpoint, however, had not yet added FY2026; it ended at FY2025. Accordingly, the September 10 official release controls FY2026 service and vehicle-sales revenue. This is a source-latency issue, not permission to invent a roll-forward.

Inference. The balance sheet supplies strategic resilience: catastrophe response, land purchases, transport and title advances, repurchases, and acquisitions do not depend on favourable credit markets. But the phrase "net cash" can mislead once acquisition cash is committed. The announced USD 1.9 billion ACV equity purchase, if completed at the stated terms, would consume roughly 43% of the July 31 cash-plus-securities pool before transaction expenses, working-capital changes, or any other uses.

Judgment. FY2026 marks a change in capital allocation. Copart combined a large buyback with a large announced acquisition while core U.S. earnings weakened. The relevant test is no longer whether excess cash is idle; it is whether management can deploy it without reducing liquidity resilience or diluting returns on incremental capital.

9. ACV acquisition: unclosed; common-share consideration is cash, employee-award conversion is separate

Source fact. On September 10, Copart and ACV announced a definitive agreement under which a Copart subsidiary would commence a tender offer for all outstanding ACV common shares at USD 10.50 per share in cash, implying approximately USD 1.9 billion of equity value. The price represented a stated premium of approximately 45% to ACV's unaffected August 10 close and 41% to its 30-day volume-weighted average price through September 9. Copart intends to fund the transaction with existing cash; there is no financing condition. The offer requires at least a majority of ACV shares to be tendered and remains subject to antitrust and customary conditions. After a successful tender, untendered common shares would convert into the same cash right. The September 11 Schedule TO communication said the tender offer had not yet commenced, and the live SEC submissions inventory contained no later completion filing through the September 17 cutoff. Closing remained expected by calendar year-end 2026.

The company said ACV would operate as an independently led Copart subsidiary after close. ACV brings dealer-to-dealer digital auctions, a national inspector network, transportation, dealer inventory and pricing tools, condition data, and AI-supported valuation capabilities. Copart expects near-term cost and revenue synergies, neutral EPS in the first full year of ownership, and EPS accretion in FY2028 and beyond. The filings do not quantify the synergies.

ACV item	Source fact at September 17 cutoff	Treatment in this primer
ACV common-share consideration	USD 10.50 cash per ACV share; approximately USD 1.9bn equity value	All-cash consideration for ACV common shares; no Copart stock is consideration for those shares
Funding	Existing Copart cash; no financing condition	No cash reduction until close in current TTM balance sheet
Status	Definitive agreement; offer had not commenced as of the September 11 filing; regulatory and customary conditions remain	Unclosed and contingent at the cutoff
Accounting perimeter	ACV would become an indirect wholly owned subsidiary after completion	No ACV revenue, profit, assets, debt, shares, or purchase accounting in FY2026 / TTM
Operating plan	Independent subsidiary under existing ACV leadership	Strategy, not realised integration evidence
Earnings claim	Neutral first full year; accretive FY2028 onward	Management target; synergies unquantified
Specified unvested employee awards	Employee RSUs, PSUs, and unvested options generally convert into Copart common-stock-based awards; vested in-the-money options and certain other awards are cash-settled	Separate from the cash paid for ACV common shares
Copart share reservation / dilution	Copart must reserve sufficient shares for converted RSUs, PSUs, and options	`UNKNOWN_UNQUANTIFIED`; the filings do not support a reliable share count and zero dilution must not be assumed

Inference. The strategic fit is intelligible. Copart contributes a global buyer pool, physical footprint, financial resources, and salvage expertise; ACV contributes dealer relationships, inspection capability, condition data, and whole-car marketplace technology. Cross-selling, transport utilisation, and a broader demand engine could expand the addressable market. Yet dealer-to-dealer wholesale has different service expectations, pricing pressure, and competitive dynamics from insurer salvage. Calling the acquisition simply "all cash" is accurate only for the consideration paid to ACV common shareholders. It is incomplete for capital-structure analysis because the contract separately creates Copart-stock claims through converted

employee awards.

Judgment. The acquisition should be handled as a scenario bridge, not smuggled into the current base. Historical FY2026/TTM revenue remains USD 4,666.209 million and operating income remains USD 1,652.590 million. No ACV sales, losses, synergies, integration costs, purchase-accounting amortisation, funding reduction, or converted-award shares belong in those historical figures. A post-close forecast must explicitly model the purchase-date perimeter, cash outflow, lost interest income, integration and purchase accounting, and a bounded dilution sensitivity. Because the current record cannot quantify the converted Copart awards, the correct input is `UNKNOWN_UNQUANTIFIED`, not an analyst guess and not zero.

10. Growth drivers

Source fact and mechanism. Insurance salvage volume can grow with miles driven, accident frequency, catastrophe events, market-share wins, and total-loss frequency. Modern vehicles contain costly cameras, sensors, electronics, airbags, and advanced materials. Copart argues that higher repair complexity can make damaged vehicles more likely to be totalled. That tailwind competes with safer vehicles and advanced driver assistance, which can reduce accident frequency or severity.

Revenue per unit can rise through fee schedules and value-added services such as transport, storage, title work, seller analytics, total-loss estimation, digital payment, and buyer services. Faster pickup and title processing can also reduce seller costs and increase yard turns without appearing as a separate product line.

International offers geographic runway and potential operating leverage. Its FY2026 margin was 10.07 percentage points below the U.S. margin. Some gap is structural because the principal-sales mix is higher abroad, but greater density, service mix, and technology deployment could lift profit faster than revenue. FY2026 showed healthy International growth but no margin expansion.

Whole-car, commercial, equipment, powersports, fleet, rental, charity, and direct-consumer channels diversify supply beyond insurance. ACV, if closed and successfully integrated, would materially accelerate the whole-car and dealer-to-dealer strategy.

Inference. Copart has several credible growth vectors, but they differ in quality. Organic agency-fee growth on existing infrastructure is likely most attractive. International scale can be valuable but has mix and country risk. Principal inventory produces accounting scale with more capital exposure. ACV could add a new network but introduces integration and purchase-price risk.

Judgment. Underwriting should assign different margins and capital requirements to each vector instead of applying one consolidated growth rate. The historic franchise deserves credit; the FY2026 contraction and ACV perimeter change demand more granular evidence than a company-wide CAGR.

11. Structural risks

Supply concentration is fundamental. Insurers dominate vehicle flow, and losing a large agreement in a region can reduce local density and buyer relevance. Contract churn may therefore have second-order effects even if no single customer is individually dominant at group level.

Accident supply can decline structurally through safer vehicles, lower miles, behavioural change, or autonomy. Rising repair complexity and total-loss frequency can offset this, but investors should not assume that vehicle technology always helps Copart. Used-car values are also reflexive: higher values can support auction proceeds but raise the threshold for declaring a total loss.

Auction demand depends on parts economics, repair labour, scrap prices, credit, shipping, tariffs, foreign exchange, and destination-country regulation. Export disruption can reduce the specialised global bidding that supports insurer recoveries. Principal vehicle purchases add direct resale-value and inventory risk.

The physical network is both moat and obligation. Too little capacity impairs catastrophe response and seller service; too much capacity depresses returns. Zoning, environmental requirements, land prices, labour, fuel, property taxes, and transport availability can constrain or raise the cost of expansion.

Technology and cyber resilience are mission-critical. Sellers connect through APIs and buyers transact online; a prolonged outage, breach, manipulated condition data, or failed platform transition could halt sales and erode trust. ACV would expand data and AI capabilities while also enlarging the integration and cyber surface.

Finally, ACV creates completion, regulatory, integration, personnel-retention, and synergy risk. The transaction could fail, close later than planned, or deliver lower benefits. The announced cash funding also reduces the optionality that historically supported buybacks, capacity, and resilience.

12. Leadership, governance, and five-year orientation

Source fact. Leadership changed before this strategic pivot. Jeffrey Liaw stepped down as CEO and director effective July 31, 2026, with the filing stating that his departure did not result from disagreement concerning financial reporting, policies, or practices. Long-serving former CEO and executive chair Jay Adair returned as CEO. Jane Pocock, previously the U.K. leader, became president effective August 2026. The company's governance includes long-standing founder-family influence; Adair is the son-in-law of chair Willis Johnson.

Inference. Adair's return offers deep operational knowledge during a U.S. slowdown and acquisition, while Pocock's role brings International experience. The same facts also mean succession durability is unresolved. Execution now spans core reacceleration, ACV completion and integration, balance-sheet deployment, and protection of marketplace trust.

Judgment. The five-year underwriting anchor is FY2026/TTM, not the announcement date and not a pro forma ACV estimate. Starting financials are revenue of USD 4,666.209 million, operating income of USD 1,652.590 million, attributable net income of USD 1,484.270 million, and diluted EPS of USD 1.551188 reconstructed from USD 1,484.270 million of attributable earnings and 956.860 million diluted weighted-average shares. The exact point-in-time common-share stock is separately anchored at 925.811482 million shares on May 27, 2026; it must not be confused with the annual weighted-average diluted denominator.

The downstream questions are explicit: Can U.S. insurance units, fees, and utilisation reaccelerate? Is Q4's negative operating leverage temporary? Can International grow without increasing lower-margin principal exposure? What is normalised capex? Do repurchases and ACV improve per-share value after lost interest income, purchase accounting, and integration cost? Can management sustain both operational intensity and credible succession?

Copart remains a high-margin, cash-generative, physically defended marketplace. FY2026, however, ended with a real earnings contraction rather than merely a soft revenue quarter, and the September 10 ACV announcement materially changes prospective capital deployment without changing historical TTM economics. That distinction is the correct starting point for the segment, management, moat, synthesis, valuation, and red-team stages. Nothing in this primer authorizes a retention or trim decision, trade, ranking, portfolio change, sizing decision, or external message.

Appendix M - Management Assessment

Copart ? Management Assessment

Ticker: CPRT **Action:** `CIO-20260917-CPRT-RETENTION-UPDATE` **Run ID:** `pulse-cio-20260922T085742+0800` **Information cutoff:** 2026-09-22 SGT **Assessment scope:** leadership, allocation, incentives, disclosure, governance, and peer stewardship **Management gate: YELLOW Trade execution authorized:** `false`

This refresh uses the latest available [proxy](https://www.sec.gov/Archives/edgar/data/900075/000119312525249664/d84887ddef14a.htm), filed October 24, 2025; the [FY2025 10-K](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm), because no FY2026 10-K was identified by the cutoff; FY2026 official releases and Q3 10-Q; live leadership pages; and the June?August transition filings. The September 17 [tender launch](https://www.copart.com/content/us/en/press-releases/copart-tender-offer-to-acv) and ACV [Schedule 14D-9](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393862/d136775dsc14d9.htm) add the sale process, standalone projections and regulatory risk. Eight FY2025?FY2026 transcripts and five years of cash-flow and income history were fetched again from FMP `/stable/` for this stage and archived under `raw/pulse-cio-20260922T085742+0800/m/`. Capital allocation comes from the DR-cleared `data_package.md` Sections 7?9. Sealed quote packet SHA-256: `ff4e2304ee50557f4bd3e9eac63ce34be652cda4359236897232f4ec5e707c87`. Sealed statutory bridge SHA-256: `be037c7d202df3a722ceafee15fc15659936c71e31f60703e8e875b366402ad0`. The prior production report was a comparison checklist only.

1. Who is running the company

Chief Executive Officer and Executive Chairman - A. Jayson "Jay" Adair. Adair resumed the CEO role effective July 31, 2026 after Jeffrey Liaw stepped down. He joined Copart in 1989, became president in 1996, served as CEO from 2010 to 2024, and remained Executive Chairman through the Liaw handoff. Copart credits him with architecting the move to fully online auctions, broadening the consignor and geographic footprint, and building title-processing and logistics services. He therefore owns the mature digital-auction model, the yard-and-buyer network, the current founder-led reset, and the proposed USD 1.9 billion ACV acquisition. [Copart executive biography](https://www.copart.com/content/us/en/about-copart/executive-team) and [CEO-transition filing](https://www.sec.gov/Archives/edgar/data/900075/000119312526286982/d70617d8k.htm).

Chief Financial Officer - Leah C. Stearns. Stearns joined Copart in 2022 after serving as CBRE CFO and spending 17 years at American Tower, most recently as CFO of its U.S. division. She is the most consistently numerical voice on earnings calls and owns finance, liquidity, the FY2026 USD 1.633 billion repurchase, and the funding bridge for ACV.

Operating bench. Jane Pocock became President on August 1, 2026 after leading Copart U.K. and Ireland from 2019. She oversees enterprise sales, operations, and business development. Chris Coniglio is COO and has worked at Copart since 1997; Rob Vannuccini leads Global Sales; Steve Powers leads business development and facility expansion after more than four decades with Copart; and Satya Mandalapu, with Copart since 2014, became CTO in 2026. The bench has deep company-specific knowledge. Pocock's promotion is rational given International's FY2026 strength, but the organization has not yet demonstrated that delegated authority survives without Adair as operating backstop.

Board accountability. Founder Willis Johnson remains Chair. Daniel Englander is lead independent director, with stated authority to approve agendas, lead executive sessions, call special meetings, and lead CEO evaluation. The current board lists 12 members, including David Berger, a governance and M&A lawyer added in August 2026. Ten appear independent under the latest proxy classification and Berger's disclosed role. Numerical independence is strong; practical independence is less certain because Johnson has chaired since 2004, Adair has served since 1992, Englander since 2006, James Meeks since 1996, and Steven Cohan since 2004. Adair is also Johnson's son-in-law. Berger's appointment improves the skill mix but does not yet prove willingness to challenge the founder bloc. [2025 proxy](https://www.sec.gov/Archives/edgar/data/900075/000119312525249664/d84887ddef14a.htm), [current board](https://www.copart.com/content/us/en/about-copart/board-of-directors), and [Berger announcement](https://www.copart.com/content/us/en/press-releases/copart-announces-addition).

2. Tenure and track record

Adair has enough tenure to own both the franchise's strengths and today's reset. Three decisions define his record.

First, the early commitment to internet-only auctions and a global buyer pool created Copart's core network effect. FY2025 revenue reached USD 4.647 billion, operating income USD 1.697 billion, and attributable net income USD 1.552 billion. The 2025 proxy reports approximately 1,888% shareholder return over 15 fiscal years versus about 475% for the S&P 500. International buyers account for more than one-third of U.S. auction volume, evidence that the online/global decision improved marketplace liquidity rather than merely reducing auction overhead.

Second, management consistently chose land, yards, title services, and catastrophe capacity over dividends. From FY2022 through FY2026, annual capex ranged from USD 337 million to USD 569 million. International revenue rose from USD 556 million to USD 859 million, while International operating margin improved from 22.93% to 27.20%. Consolidated ROIC nevertheless declined from 35.15% to 28.99%. Those returns remain exceptional, but the trend says newer investment is less productive than the historical base and makes management's current cost-per-car discipline important.

Third, Adair returned with a sharper whole-car and technology strategy and sponsored the USD 1.9 billion all-cash purchase of ACV at USD 10.50 per share. ACV adds approximately USD 10 billion of 2025 GMV, more than 22,000 active buyers, dealer relationships, inspection/data capabilities, and a dealer-to-dealer marketplace. The strategic adjacency is real. The capital-allocation evidence is not: no dollar synergy schedule, purchase-accounting bridge, integration-cost budget, or ROIC hurdle has been disclosed. This is Copart's first truly large acquisition in the reviewed period and remains an unproven decision, not an extension of the historical PASS record.

The clearest failed decision is succession. Liaw advanced from CFO in 2016 to president, co-CEO, and sole CEO in April 2024, then left effective July 31, 2026. The filing says the departure was not caused by disagreement over financial reporting, policy, or practice, but gives no substantive explanation. Copart also waived or eased some holding and performance conditions and provided transition payments and continued vesting. Revenue and profit reached records during Liaw's tenure, yet FY2026 U.S. insurance units fell 8%, one material customer was lost, and the company returned to Adair after only two years. The board acknowledged a transition but did not explain why its planned handoff failed.

Stearns preserved $4.490 billion of cash and HTM securities with no funded debt before ACV and oversaw $1.633 billion of FY2026 repurchases. The share reduction was real, but no public return hurdle or price-sensitivity framework explains the sequence of repurchase followed by a major cash acquisition.

3. Capital allocation behavior

The five-year ledger below is taken from the cleared FY2026 data package. R&D is not separately disclosed; a zero provider field would be a mapping artifact, not economic zero.

Fiscal year	Capex (USD B)	Capex / revenue	R&D	Buybacks (USD B)	Dividends (USD B)	M&A cash paid (USD B)
FY2022	0.337	9.64%	Not separately disclosed	0.000	0.000	0.107
FY2023	0.517	13.35%	Not separately disclosed	0.000	0.000	0.000
FY2024	0.511	12.06%	Not separately disclosed	0.000	0.000	(0.018)
FY2025	0.569	12.24%	Not separately disclosed	0.000	0.000	0.001
FY2026	0.337	7.23%	Not separately disclosed	1.633	0.000	0.005

ACV is more demanding. The consideration is all cash, with no financing condition, and closing is expected by calendar year-end 2026. Pro forma static arithmetic from the cleared package implies roughly USD 75 million of annual pretax foregone interest plus ACV's approximately USD 61 million TTM pretax loss before synergies, purchase accounting, growth, and tax effects. This rough USD 136 million pretax hurdle is not a forecast, but it shows why a neutral or accretive first full year requires meaningful improvement. After paying USD 1.9 billion, Copart would retain about USD 2.590 billion of cash plus HTM securities before fees, working-capital movements, and integration costs; the revolver remains additional capacity. Funding risk is therefore low. Return and integration risk are not.

September 17 tender evidence and purchase-price discipline

The [tender offer](https://www.copart.com/content/us/en/press-releases/copart-tender-offer-to-acv) confirms $10.50 cash per ACV common share, a tender followed by merger, and no financing condition. Majority tender and antitrust clearance remain conditions; the transaction had not closed by this cutoff. The [14D-9](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393862/d136775dsc14d9.htm) describes a process

in which Copart offered $10.00?$10.25 cash on August 6 and raised to $10.50 on September 6. ACV solicited other bidders. Party B's August $11?$12 indication did not become the controlling final funded offer; Party A's final $10.00 offer included stock and had unfinished diligence. The competitive process supports procedural seriousness, but it does not establish that the price earns Copart's required return.

The 14D-9 publishes ACV management's unaudited **standalone** plan. It is neither Copart guidance nor a merger-synergy forecast. ACV projects 2030 revenue of $1.525 billion, adjusted EBIT after stock compensation of $244 million, NOPAT of $183 million and unlevered free cash flow of only $37 million; the latter is negative in 2027?2029. The $183 million NOPAT is about 9.6% of the announced $1.9 billion equity price, while $37 million of free cash flow is about 1.9%. These are rough purchase-price diagnostics, not acquisition IRRs: equity price and invested capital differ, and foregone interest, integration, purchase accounting and converted-award dilution are outside them. ACV's assumptions include low-double-digit dealer-unit growth, 235,000 commercial units and $135 million SaaS/data revenue by 2030. Copart must not count that standalone growth again as merger synergies. ACV expressly disclaims audit and predictive reliability of the projections.

The agreement provides a $57.7 million ACV termination fee in specified superior-offer circumstances and a $115.3 million Copart reverse termination fee in specified regulatory-failure circumstances. The latter is contingent, about 6% of transaction equity value, and not a current charge. The [14D-9](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393862/d136775dsc14d9.htm) says there was no related legal proceeding at its filing. A successful close, retained ACV team, transparent post-close economics and regulatory clearance are therefore separate monitoring points.

4. Compensation alignment

Founder alignment is unusually strong. At October 10, 2025, Adair beneficially owned 30.562 million shares, or 3.14%, while Johnson owned 55.695 million, or 5.75%. Adair received a USD 1 salary in FY2025 plus benefits and perquisites. Stearns beneficially owned 348,000 shares including exercisable options and near-term vesting; the proxy footnote indicates 66,000 directly held common shares.

For non-founder executives, annual incentives use operating income plus individual goals. FY2025 operating income of USD 1.7 billion produced a 99%-of-target financial payout; Liaw and Stearns each received 100% on the qualitative component. Operating income is better than revenue alone, but the plan lacks explicit ROIC, FCF-per-share, customer-retention, or relative-TSR measures. The 93%-107% payout range is narrow, and qualitative goals are not auditable externally.

Long-term awards generally vest over five years, with stock options prominent and premium-hurdle options exercisable only if the price reaches 125% of strike both at exercise and for the preceding 20 trading days. Pocock's August 2026 package adds USD 800,000 of RSUs and 500,000 options, of which 279,000 carry that premium hurdle, vesting over five years. The grant aids retention and is only about 0.054% of the latest sourced 925.811 million common shares, but it still rewards share-price appreciation without directly testing ROIC. The [August 2026 Stearns Form 4](https://www.sec.gov/Archives/edgar/data/900075/000119312526355725/xslF345X06/ownership.xml) reports grants of 12,654 RSUs and 200,000 options, including 114,400 premium-hurdle options; this is an award, not an open-market sale. The 14D-9 confirms that specified unvested ACV options, employee RSUs and PSUs convert into Copart equity claims. Common-share consideration is cash, but converted-award dilution remains `UNKNOWN_UNQUANTIFIED`, not zero.

SBC remains disciplined: USD 39.0 million, USD 39.7 million, USD 35.2 million, USD 38.0 million, and USD 38.8 million from FY2022 through FY2026, about 1.11%, 1.03%, 0.83%, 0.82%, and 0.83% of revenue. Copart has a clawback framework, ownership expectations, and prohibitions on short sales, derivatives, hedging, and generally pledging shares. The September 2025 waiver allowing Johnson to pledge up to 20% of his holdings is bounded but weakens an otherwise clean policy.

5. Disclosure quality and candor

The eight-call review is mixed-positive. Liaw and Stearns usually gave direct operating detail: insurance and non-insurance unit growth, assignments, ASPs, catastrophe effects, consignment transitions, facility costs, and International margins. Management acknowledged Purple Wave weakness caused by equipment-market tariff uncertainty, a USD 6.8 million International tax accrual, and a prior-period vehicle-cost adjustment. It also reported negative unit rates without relabeling them as growth.

Q4 FY2026 is the real accountability test. Revenue grew 2.4%, but gross profit fell 5.5%, operating income fell 10.6%, attributable net income fell 17.4%, and diluted EPS fell 14.6%. U.S. insurance units declined 7.5%, U.S. facility-related costs rose 14.2% per unit, and U.S. operating margin fell to 33.6%. Adair and Stearns identified the lost customer, weaker claims

frequency, ongoing investment in long-haul delivery/TitleExpress/wholesale facilities, higher costs per unit, and lower interest income after buybacks. That is better than hiding the contraction. However, they did not quantify the lost customer's historical assignments, renewal economics, win-back plan, or the investment dollars and payback. Asked about FY2027 margins, Adair reiterated that Copart does not give earnings guidance and told investors they would see the results. This is candid about policy but insufficiently accountable for a load-bearing margin reset.

The ACV wording conflict is management's responsibility and is more serious. The [filed transaction presentation](https://www.sec.gov/Archives/edgar/data/900075/000119312526388064/d138322dex992.htm) says the deal is expected to be **neutral on EPS in the first full year of ownership and accretive in FY2028 and beyond**. On the same day's live FMP transcript, Adair said Copart expected it to be **"accretive to earnings in the first full year."** These claims are not equivalent, and no reconciliation was provided. The formal filed material controls the underwriting. Until Copart corrects or bridges the statement, this is a material disclosure-control and guidance-discipline blemish on a USD 1.9 billion decision.

6. Strategic coherence

The FY2025 10-K defines growth around storage capacity, seller relationships, expanded services, and VB3 deployment. Adair's refreshed pillars-International insurance/salvage, domestic whole car, and faster technology/services delivery-are coherent extensions. Pocock supports International execution; Mandalapu and roughly 1,000 engineers support technology; ACV supports whole-car marketplaces and data.

The strategy is not a random pivot, but ACV changes its risk. Copart is moving from capital-intensive physical salvage infrastructure, where it has unusually strong returns, into a competitive dealer-to-dealer digital marketplace with different margins, customer behavior, and technology cadence. Management names accident frequency, uninsured motorists, repair economics, tariffs, and alternative disposition channels, but rarely quantifies direct share movement. A credible five-to-ten-year destination now requires explicit proof that whole-car adjacency increases per-share value without diluting the salvage core's returns or neutrality.

7. Governance flags

Copart has one common share class; there is no dual-class control. Founder influence comes through ownership, family ties, and tenure rather than superior voting rights.

Related-party employment is a blemish. Brett Adair, Jay Adair's brother, received USD 410,905 in FY2025 plus a USD 500 monthly automobile allowance and occasional personal aircraft travel. Diane Yassa, director James Meeks' daughter, received USD 326,993. The Audit Committee pre-approved both arrangements and says terms were no less favorable than arm's-length alternatives, but family employment paired with long director tenure warrants clearer role and performance evidence.

The FY2025 audit was unqualified and found effective internal control; no restatement or material weakness was identified. The DOJ inquiry into potential money-laundering-control violations by auction-platform members remained unresolved in the FY2026 Q3 Form 10-Q. No material SEC enforcement action was identified. No broad current-management sale cluster was established in live official sources checked for this stage; this is a bounded observation rather than a complete audit of every Form 4 over twelve months. The August Stearns filing reports an award, not selling. The succession terms and founder-specific pledge waiver matter more than insider selling at this cutoff.

8. Peer comparison

Peer CEO	Relative stewardship	Disclosure comparison
Peter Kelly, OPENLANE	Strong digital marketplace scaling and cash conversion	More explicit volume, GMV and outlook metrics
Jim Kessler, RB Global	More observable large-deal integration following IAA	More explicit GTV and integration reporting
George Chamoun, ACV	Built dealer network, but GAAP losses persist	More marketplace unit and buyer metrics

[OPENLANE Q1 2026 results](https://ir.corporate.openlane.com/investor-relations/investor-news/press-release-details/2026/OPENLANE-Inc--Reports-First-Quarter-2026-Financial-Results/default.aspx), [RB Global Q2 2026 results](https://investor.rbglobal.com/news/news-details/2026/RB-Global-Reports-Second-Quarter-2026-Results/default.aspx), and [ACV 2026 proxy](https://investors.acvauto.com/sec-filings/all-sec-filings/content/0001193125-26-158987/0001193125-26-158987.pdf).

On five-year stewardship, Adair ranks first for value creation, capital efficiency, and economic alignment. Kelly ranks first for investor disclosure, and Kessler has the best evidence of integrating a large acquisition. Copart's historical management record is better than realistic alternatives, but the team cannot claim peer leadership on succession, KPI transparency, or large-deal accountability.

9. Management gate verdict

VERDICT: YELLOW. Copart remains investable from a management-quality perspective, but management does not clear the decade-long followership bar today. Adair is a proven, heavily aligned operator and allocator; the bench is deep; SBC is disciplined; liquidity is ample; and the strategy matches the investment pattern. Against that, the planned succession reversed after only two years without a substantive explanation, Q4 accountability stopped short of quantified customer and cost bridges, and the company committed USD 1.9 billion to a new business perimeter without a synergy, purchase-accounting, or ROIC schedule. The unreconciled conflict between formal first-full-year EPS neutrality/FY2028 accretion and Adair's call claim of first-full-year accretion makes GREEN/PASS inappropriate. The 14D-9 standalone projections sharpen the cash-return hurdle and show contingent regulatory termination exposure. The absence of repeated deception, chronic dilution or demonstrated acquisition return destruction keeps the gate above FAIL at this cutoff.

Upgrade to **GREEN / PASS** only if all three conditions are met: (1) after the lost-customer comparison lapses, Copart reports at least two consecutive quarters of non-negative normalized U.S. insurance-assignment growth and enough retention/concentration detail to verify it; (2) after ACV closes, management publishes a source-bound purchase-accounting and integration bridge covering incremental synergy dollars separate from ACV standalone projections, integration costs, acquired SBC, converted-award shares, retention, funding, and acquisition ROIIC, and reconciles first-full-year neutrality versus accretion without adverse slippage through FY2028; and (3) Pocock and the operating bench demonstrate delegated authority while the board articulates a credible post-Adair succession path.

Downgrade to **FAIL** if ACV requires repeated unplanned capital or support without a credible per-share return path; if management repeats contradictory or evasive guidance on ACV economics; if another material customer loss is obscured by price/mix language; if two post-lapse quarters show non-positive normalized U.S. insurance assignments with no corrective plan; if the DOJ matter reveals a material control failure; or if the board again reverses succession without a decision-grade explanation.

This is a management underwriting gate, not a holding recommendation. `trade_execution_authorized=false`.

Appendix W - Moat and 2046 Durability

Copart — Moat and 2046 Durability (in progress)

Research date: September 22, 2026, Singapore time. **Action:** `CIO-20260917-CPRT-RETENTION-UPDATE`; **run:** `pulse-cio-20260922T085742+0800`. The latest completed period is FY2026/Q4, ended July 31, 2026; TTM equals FY2026. This appendix assesses moat, not a trade; `trade_execution_authorized=false`.

Evidence. The DR-cleared [data package](data_package.md) is cross-checked here with fresh FMP `/stable/income-statement` annual (10 years) and `/stable/earning-call-transcript` FY2026/Q4 pulls, the live [FY2025 10-K](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm), [FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm), [company ACV announcement](https://www.copart.com/content/us/en/press-releases/copart-to-acquire-acv), and live September 17 [Schedule TO](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dsctot.htm), [offer](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dex99a1i.htm), and [ACV recommendation](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393862/d136775dsc14d9.htm). Fresh FMP responses are saved under `raw/pulse-cio-20260922T085742+0800/w/`. The current quote/statutory seals are `ff4e2304ee50557f4bd3e9eac63ce34be652cda4359236897232f4ec5e707c87` / `be037c7d202df3a722ceafee15fc15659936c71e31f60703e8e875b366402ad0`; the first supersedes the data package's older header hash. No quote-derived claim follows. The prior appendix was used only to compare change.

1. Moat taxonomy

Network effects — strong in salvage, less proven in wholesale. Copart aggregates insurer and other seller vehicles; relevant inventory attracts dismantlers, rebuilders, exporters and dealers; more qualified bidders can raise seller recovery and help win assignments. This is *local supply plus global demand*, not a special property of an auction webpage. Copart reports roughly one million registered members, but registration is not active bidding. FY2026 foreign buyers purchased 38.2% of U.S. unit sales and 45.7% of their vehicle value; FY2025 unit participation was 38.8%. These are tangible demand depth indicators, albeit not a controlled estimate of incremental seller proceeds. Customer-level realized recovery and active bidder cohorts are undisclosed. [FY2025 10-K](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm); [FY2026/Q4 live transcript](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=CPRT&year=2026&quarter=4).

Switching costs and high-trust procurement — moderate, with a breach. Insurers connect through Copart's G2 APIs to assign and track vehicles, approve charges or bids, and settle; towing, storage, title work and over 100 on-site inspection stations embed the claims process. Moving material flow can risk cycle time and net recovery. Yet sellers can reallocate to IAA or direct dismantlers. FY2026/Q4 U.S. assignments declined 5.0%, while management said domestic insurance assignments excluding one lost customer would have grown 2.3%; those distinct perimeters must not be subtracted. The lost relationship proves switching is possible. No single seller accounted for over 10% of FY2023–FY2025 consolidated revenue, but insurer sellers represented 81% of FY2025 processed vehicles collectively. Customer-level retention is not disclosed. [FY2025 10-K, seller and systems sections](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm); [Q4 transcript](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=CPRT&year=2026&quarter=4).

Scale economies — substantial but capital consuming. A national seller needs nearby yards, towing, secure storage, title processing, loading and catastrophe surge capacity. A new interface cannot reproduce this installed system cheaply. Copart's transaction announcement says over 250 locations in 11 countries and over four million annual units, without disclosing spare acreage, market share or incremental ROIC. Land-use permits and local opposition impede entrants and Copart alike. U.S. FY2026 facility cost per unit rose 6.6% even though aggregate facility cost fell 0.7%, illustrating how fixed capacity becomes a burden as volume falls. Capacity is a moat only if utilization and fees pay for it. [Company announcement](https://www.copart.com/content/us/en/press-releases/copart-to-acquire-acv); [FY2025 10-K, permit risk](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm).

Brand — a trust cue, not a standalone barrier. Insurers and licensed buyers know Copart, but the company gives no controlled win rate or brand valuation. A major seller can choose another operator on proceeds, service or price. **Regulation — a cost of entry, not an exclusive license.** Salvage title, environmental, export, buyer license and land-use rules reward experienced operators but also constrain their expansion. **IP — operational support rather than monopoly.** VB3 bidding,

G2 workflow and proprietary transaction data aid speed and trust; software features and AI tools can be copied or purchased. The defensible combination is proprietary data *generated through* physical scale, insurer relationships and bidders. Copart's filing itself identifies software companies, auctioneers and dismantlers as competitors. [FY2025 10-K](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm).

2. Segment moat and blend

United States. FY2026 U.S. revenue of $3.807 billion was 81.6% of total and its $1.419 billion operating income was 85.9% of reportable-segment profit. The integrated assignment, yard, transport, title and buyer system has a credible ten-year advantage and possible twenty-year durability. A rival must win national insurer flow, stand up local capacity and aggregate qualified bidders. IAA already possesses a competing network; it is not a hypothetical app entrant. A repeat of customer loss alongside weaker ex-catastrophe assignment trends and underused yards is the earliest visible failure. Dealer Services, BluCar and Purple Wave diversify supply but have no disclosed standalone profit sufficient to replace insurer salvage. [FY2026 segment release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm); [U.S. segment appendix](appendix_B_us.md).

International. FY2026 revenue was $0.859 billion, 18.4% of total; operating income $0.234 billion, 14.1%. Canada and the U.K. have established insurer workflows, buyer access and physical operations. New countries first need local supply, towing, title and compliant yards before a global buyer pool creates profitable local density. Several jurisdictions include principal vehicle buying, unlike pure agency auctions. The 17.43% FY2023 to 27.20% FY2026 operating-margin progression is encouraging but too uneven to assume U.S. economics. This can be a ten-year moat; twenty-year returns depend on country capital discipline. Warning signs are assignments growing without fee units, or facility and G&A costs persistently outrunning service fees. Country profit, capex, yard capacity and concentration are undisclosed. [FY2025 10-K](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm); [International segment appendix](appendix_B_international.md).

ACV/clean-title wholesale — pending acquisition, not an FY2026 reportable segment. ACV's dealer-to-dealer auctions, inspection and data may link clean-title supply to Copart's logistics and overseas buyers. Dealers also use OPENLANE, Manheim and Carvana channels. Their venue switching costs are weaker than an insurer salvage workflow, and land scarcity is less clearly decisive. Copart formally expects neutral EPS in the first full year and accretion from FY2028, but discloses no quantified synergy or acquired-capital return. ACV TTM through June 2026 had approximately $801 million revenue, negative $57 million operating income and $6 million FCF before roughly $1.9 billion consideration and foregone interest. Converted employee awards create unquantified Copart dilution. A twenty-year ACV moat is speculative pending buyer cross-use, dealer retention and cash returns. [Data package ACV bridge](data_package.md); [transaction announcement](https://www.copart.com/content/us/en/press-releases/copart-to-acquire-acv).

The blended company is less protected than the U.S. salvage margin alone. Geographic accounts contain all FY2026 reported profit; ACV had not closed. Its static pre-synergy loss would dilute, not deepen, consolidated operating profitability. An adjacent platform does not inherit salvage economics automatically. Paying for ACV can still be rational, but acquired revenues should not be counted as a second established moat before integration and return evidence.

3. Margin persistence

The fresh FMP annual income pull provides ten fiscal years. FY2022–FY2026 tie to the DR-cleared package and latest official release; older figures describe the then-existing perimeter and do not establish unchanged contract mix.

Fiscal year ended July 31	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Consolidated operating margin	31.86%	32.36%	35.09%	37.00%	42.21%	39.28%	38.42%	37.10%	36.51%	35.42%

Margins above 31% for a decade support a large, real profit pool. However, FY2026 is 679 basis points below FY2021 and 386 below FY2022. The post-peak slide cannot be dismissed as one catastrophe comparison. FY2026 revenue rose only $19.251 million to $4.666 billion, gross profit fell $15.785 million, G&A rose $28.339 million, and operating income fell $44.124 million. The 109-basis-point consolidated margin decline comprised 52 basis points gross pressure and 57 basis points G&A intensity. Organic FY2026 FCF remained $1.267 billion but benefited from capex falling to $337 million from $569 million while OCF declined. Historical ROIC under the data package's consistent convention decreased from 35.15% FY2022 to 28.99% FY2026. Returns remain high; direction requires explanation. [FY2026

release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm); [data package §§2–3c](data_package.md).

Segment operating margin	FY2022	FY2023	FY2024	FY2025	FY2026
United States	42.36%	42.89%	41.22%	38.41%	37.27%
International	22.93%	17.43%	18.65%	27.26%	27.20%

U.S. margin lost 562 basis points from FY2023 while International recovered from its trough. FY2026 U.S. insurance units fell 8.0%; global units fell 5.5%, or 3.1% ex-catastrophe, while global ASP and revenue per unit rose about 5.5%–5.7%. This is more consistent with throughput and cost absorption pressure than immediate collapse of bidder economics. It does not establish recovery: transport, TitleExpress, wholesale facilities and staffing might represent a permanently higher cost base. International FY2026 total units rose 3.7%, fee units 4.6%, and service revenue 12.4%; roughly 120 basis points of gross-margin expansion were nearly all absorbed by G&A. Fee realization has value only after incremental costs and capital. [FY2026 Q4 transcript](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=CPRT&year=2026&quarter=4); [FY2026 segment release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm).

4. AI stress test

Salvage. Listing, imaging, valuation, routing and bid recommendations are workflows reproducible by AI. Better insurer or competitor software could automate multi-platform assignment and reduce Copart's proprietary information edge. The chokepoint remains physical collection, legal title clearance, compliant storage, release and catastrophe response. AI can improve Copart's cycle time as readily as a rival's price discovery. If sellers retain more of the auction uplift as information spreads, fee economics erode even though physical throughput persists. AI cannot summon yards, but it can lower seller switching and buyer multi-homing friction.

International. Translation, inspection and vehicle price estimation scale digitally; local title, insurance custom, environmental permits and yard density do not. AI may improve overseas bidding and Copart's network effect where seller supply exists. An AI-equipped regional operator can also narrow the software gap without Copart's cost base. Country cohort profit and invested capital, rather than the global membership headline, would settle this.

ACV wholesale. This is the most exposed activity. AI condition reports and dealer valuations are useful but compete with other inspection, data and dealer networks. ACV's tools may enhance the combined platform but are not exclusive access to AI or all vehicle data. Dealer buyer reach, trusted condition history at scale and logistics are the plausible defenses *if* cross-use is demonstrated. The most protected activity is insurer salvage with local physical capacity and embedded claims workflows, not the auction screen.

5. The 2046 test

Twenty years after **September 22, 2026** is **September 22, 2046**. A specific plausible business description then reads: Copart collects damaged and end-of-life vehicles for insurers, fleets and other consignors across North America and selected international markets; transports and processes them at permitted yards; clears titles, images and describes them; auctions them to domestic and overseas dismantlers, repairers, exporters and dealers; and earns transaction, logistics, storage and title fees. Its mature U.S. insurer salvage network still supplies most profit. International operations with local density participate; thin country positions remain small or exit. Clean-title wholesale, if ACV works, is a lower-margin complement that adds buyers and condition data, not a replacement for salvage. AI improves routing, inspection, title and price discovery. Electric and other new powertrains change handling protocols, but physical collection, compliant storage, parts recovery and total-loss liquidation remain.

The 2046 blended operating margin should be **below FY2021's 42.21% peak and plausibly around or modestly below today's 35.42%** if the less-proven wholesale mix grows; U.S. salvage could remain materially higher margin. This is a direction, not a twenty-year numerical forecast. High returns survive only if seller net recovery and cycle time win assignments, bidders outbid alternatives after transport, and yards earn their cost of capital. A firm can still produce cash in 2046 without meeting Gideon's >20% ROIC for twenty years. FY2026 ROIC decline and capacity underabsorption leave that stronger proposition unproved.

In an eroded 2046, insurers use software to allocate salvage to IAA, regional yards and dismantlers, keeping more of the global buyer uplift; dealer platforms take clean-title flow. Copart owns underused, costly capacity and offers auction/transport at competitive fees, earning much lower margins and returns. Total losses need not disappear. Multi-year insurer assignment

share decline alongside comparable proceeds at rivals would initiate this path. The bear mechanism has material probability, though installed yards, buyer depth and historic profitability make complete U.S. salvage displacement less likely than selective erosion. No precise probability is supportable from disclosures.

2046 test: YELLOW. The future customers, asset and revenue mechanism are concrete, but the evidence does not establish that U.S. capacity and ACV investment will preserve >20% ROIC and current margins over two decades. Upgrade requires recovered ex-catastrophe insurance assignments and cost-per-unit absorption plus disclosed ACV cash returns; recurring share losses or weaker returns despite industry recovery would fail the test.

6. Competitive threat inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
IAA/RB Global wins insurer flow	Comparable yards and buyer network offer better net proceeds, price or service	U.S.; Canada/U.K.	Repeated ex-catastrophe assignment declines while industry total losses or rival volumes grow	High after FY2026 customer loss
Capacity and cost disadvantage	Yards, hauling, title and G&A outrun throughput and fee yield	U.S.; International	Facility cost per unit and G&A/revenue remain elevated as assignments normalize; lower ROIC	High near term; permanence uncertain
Wholesale rivals and direct dismantlers	OPENLANE, Manheim, Carvana or direct buyers capture dealer/insurer supply	ACV; U.S.; International	Weak ACV dealer retention or cross-use; direct salvage purchase; fee pressure	Medium to high for ACV; medium for salvage

Copart's filing identifies RB Global/IAA, OPENLANE, Manheim, Carvana, ACV before the proposed acquisition and LKQ; dismantlers can buy from insurers directly. ACV ceases to be independent only if the transaction closes. The filing also warns of competition for storage facilities and seller contracts, particularly in foreign markets where few sellers and lack of long-term commitments matter. [FY2025 10-K, Competition and risks](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm).

7. Pricing power and ACV update

Fees can be a percentage of sale price, a tiered sale-price fee, a fixed per-vehicle charge, or separate towing, title, storage, bidding and loading fees. Under the Percentage Incentive Program Copart's seller fee links to price and it bears transport to its nearest yard; fixed consignment fees can coexist with separate services. Stronger global bidding can lift fee realization, while falling values and rising towing costs cut it. The 10-K provides no uniform multi-year escalator, take-or-pay minimum, fee increase schedule or fee-cohort retention. **Contractually guaranteed pricing power is not observed.** [FY2025 10-K, programs](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm).

The narrower observation is favorable realization/mix despite weak volume: global FY2026 ASP and revenue per unit rose about 5.5%–5.7%; international service revenue increased 12.4% on 4.6% fee-unit growth and its gross margin rose. Yet consolidated service revenue was flat, U.S. service revenue fell from $3.452 billion to $3.388 billion, U.S. gross margin fell from 47.49% to 46.80%, and the lost insurer account shows seller elasticity. Higher revenue per unit is *not* an identical-vehicle fee increase; ASP, geography, title, transport and ancillary mix confound it. No disclosed churn or controlled net-price series resolves this. Pricing power is **moderate and outcome-dependent**. [FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm); [Q4 transcript](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=CPRT&year=2026&quarter=4).

The September 17 [Schedule TO](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dsctot.htm) commenced the **$10.50 cash per ACV common share** offer. The [offer to purchase](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dex99a1i.htm) initially expires one minute after 11:59 p.m. Eastern September 30, 2026 unless extended, subject to majority-plus-one-share tenders, antitrust and other conditions. The [ACV board recommends tender](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393862/d136775dsc14d9.htm). This is **not a completed acquisition**. Common consideration is cash, while specified unvested ACV options, RSUs and PSUs convert into Copart awards under transaction terms; final dilution is unquantified in the DR package. The $1.9 billion outlay, target loss and foregone interest make a demanding return hurdle, not proof of network advantage. Closing, purchase accounting, integration spend and buyer cross-use require monitoring. [Data package ACV terms](data_package.md); [company release](https://www.copart.com/content/us/en/press-releases/copart-to-acquire-acv).

8. Verdict and monitoring

Moat gate: YELLOW. 2046 test: YELLOW. U.S. salvage has a concrete, historically profitable combination of land, logistics, insurer workflow and global bidder demand that a software-only entrant cannot rapidly reproduce. A decade of consolidated margins above 31% supports a real moat. The FY2022–FY2026 U.S. margin and ROIC trend, FY2026 customer loss and unresolved fixed-cost absorption prevent a twenty-year high-return PASS. International's moat is geographically uneven; ACV's clean-title economics remain unproved. YELLOW is an unresolved durability gate and cannot be treated as a passed compounder gate or trade authority.

Upgrade to PASS: over six to eight quarters, ex-catastrophe U.S. insurer assignments stabilize and track or beat industry total-loss opportunity without further material customer loss; U.S. facility cost per unit and G&A intensity improve while seller proceeds and retention hold; post-close ACV disclosure demonstrates dealer/buyer cross-use and cash returns covering approximately $1.9 billion plus dilution and foregone interest. Numeric internal thresholds are judgmental because customer recovery, absolute assignments and acquired ROIC are not disclosed.

Downgrade to FAIL: another material insurer loss or persistent ex-catastrophe share decline despite healthy industry total-loss frequency; prolonged margin decline and sub-20% organic ROIC after volume recovery; or ACV dealer churn, losses and capital needs consuming salvage cash without network effects. Monitor assignments and inventory against competitors, segment service/principal mix, facility cost per unit, G&A, buyer geography and value share, invested-capital returns and converted-award dilution. FY2027–FY2028 reporting is more decisive than undimensioned synergy language. The security verdict and CIO sizing are separate decisions.

Appendix B1 - United States

United States — Segment Deep Dive

Production ER2 stage B. Evidence cutoff 2026-09-22, Asia/Singapore. Copart's fiscal year ends July 31. TTM is the four quarters through **2026-07-31**, equal to FY2026; the five-year forecast ends **2031-07-31**. Dollars below are USD millions unless marked otherwise. This appendix underwrites a business, not a portfolio trade. The exact issuer-disclosed segment profit basis is **Operating income**. The [QFR-sealed statutory bridge](statutory_bridge.json) SHA-256 is `be037c7d202df3a722ceafee15fc15659936c71e31f60703e8e875b366402ad0`; FY2026 U.S. Operating income of $1,419.040 million plus International Operating income of $233.550 million equals consolidated statutory Operating income of $1,652.590 million with zero corporate or operating residual. The [data package](data_package.md) records `STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING`. ACV is post-year-end and unclosed, so the statutory anchor contains no ACV revenue, profit or purchase accounting.

0. Boundary and taxonomy

The United States is Copart's domestic geographic reportable segment, including online vehicle auctions, salvage and non-insurance remarketing, towing, storage, title, transport and associated fees, plus principal vehicle sales. The FY2022–FY2026 geographic history is comparable in the sealed data package §1 and §3; no recent U.S.-segment restatement boundary was identified. The economically important boundary is the pending acquisition of ACV Auctions. ACV was announced September 10, after the July 31 balance-sheet date. Its intended independent subsidiary structure does **not** establish how the future CODM will assign it to reportable segments. This appendix therefore labels every ACV number as an **acquired U.S. overlay assumption**, rather than an already reported U.S. segment line. The organic issuer segment forecast and the conditional pro-forma overlay are shown separately and can be recombined or omitted by synthesis without double counting.

1. What the segment does

Insurance carriers send damaged or total-loss vehicles to Copart; Copart collects, stores, titles, photographs and auctions them to domestic and international buyers. Its principal client value is net auction proceeds after costs, recovery time and operational friction. The seller may pay for services; the buyer pays transaction and ancillary fees. Many vehicles are consigned, so the vehicle sale price itself does not become Copart revenue. Copart also buys selected vehicles outright, especially through Direct Buy, and recognizes gross sales with cost of vehicle sales. The distinction matters: two identical auction outcomes can produce very different reported revenue depending on whether Copart is agent or principal. The U.S. segment consequently contains a large, higher-quality service-fee pool and a smaller gross principal-sales pool.

The physical network is part of the product. Cars need towing capacity, land near population and repair corridors, title handling, storage, transportation and a liquid buyer marketplace. An online auction interface alone cannot instantly replicate this chain. International buyers are a substantial source of demand for U.S. vehicles: the data package §0a records 38.2% of FY2026 U.S. units sold and 45.7% of U.S. vehicle sale value attributed to buyers outside the U.S. The value share exceeding unit share suggests those bidders strengthen the clearing price. Neither percentage is segment revenue, and the definitions across older 10-Ks and the call are directionally rather than perfectly comparable.

Non-insurance supply is strategically useful because it keeps auctions liquid and uses the same logistics and buyer base. Dealer Services, BluCar and Purple Wave expand the range of vehicles and equipment available to buyers. The data package §4 explicitly says their individual dollar revenue and margins are not disclosed. I do not create synthetic product revenues from units, gross transaction value or commentary. ACV, if acquired, brings dealer wholesale inspection and auction workflow, more than 70,000 monthly transactions, over $10 billion annual gross merchandise value and 22,000 unique buyers in 2025 according to the September 10 [investor presentation](https://www.sec.gov/Archives/edgar/data/900075/000119312526388064/d138322dex992.htm). GMV is not GAAP revenue and those commercial metrics are not a substitute for reported ACV revenue.

2. Current economics and historical inflection

The data package §3 United States table reports FY2026/TTM revenue of $3,807.430 million, down 1.24%, and Operating income of $1,419.040 million, down 4.18%. Operating margin contracted from 38.41% to 37.27%. The official [FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm) confirms exact FY2026

U.S. service revenue of $3,388.287 million and vehicle sales of $419.143 million. The two sum to $3,807.430 million. The segment provided 81.6% of consolidated revenue and about 85.9% of consolidated Operating income, so a sustained domestic margin impairment would dominate the company thesis even if International grows strongly.

The year was a real volume stress, not merely an accounting classification. Per data package §3b, U.S. insurance units sold fell 8.0%; total U.S. units fell 6.9%. Prior-year catastrophe volumes did not recur. U.S. ASP rose about 5.5%, including insurance and non-insurance ASP, which indicates auction price realization remained healthy. Domestic assignments still declined 5.0% in Q4, and management said domestic insurance assignments would have risen 2.3% *excluding one lost customer*; these are different perimeters and cannot be subtracted to calculate that customer's exact share. The customer exclusion is critical to retention underwriting: a secular rise in total-loss frequency does not automatically restore a lost carrier relationship.

Service revenue fell from $3,451.558 million to $3,388.287 million, down $63.271 million or 1.83%, while vehicle sales rose from $403.546 million to $419.143 million, up $15.597 million or 3.87%. The sum is the $47.674 million U.S. revenue decline. U.S. gross profit fell $48.831 million and G&A rose $13.015 million, explaining the $61.846 million Operating income decline exactly, using the data package §3b U.S. cause bridge. FY2026 U.S. gross margin of 46.80% lost 69 basis points; G&A absorbed a further roughly 45 basis points of U.S. revenue. Full-year U.S. facility cost fell 0.7% in dollars but increased 6.6% per unit, as disclosed in the Q4 call and reproduced in §3b. This is negative operating leverage from throughput; it does not yet prove permanent pricing erosion.

Copart's physical network requires real reinvestment. Consolidated FY2026 capex was $337 million versus $569 million in FY2025; data package §3c shows capex at 7.23% of consolidated revenue and FY2026 FCF of $1.267 billion. That FCF improvement came partly from lower capex, even as operating cash flow declined. Segment capex and maintenance versus growth capex are not disclosed, so a segment-specific return on incremental capital cannot be precisely computed. The U.S. forecast consequently uses an Operating income margin with explicit capacity and cost constraints; it does not treat all year-end cash flow as distributable or allocate a fabricated segment capex series.

3. Unit economics and what can move margin

Insurance consignment economics begin with assignments, then convert through pickup, storage, title completion, auction timing, sale price and fee realization. A larger auction draws more bidders, and more buyers can raise seller proceeds. Improved seller returns can win assignments, completing a network feedback loop. The gross margin of an incremental consigned unit should be attractive once yard and transport capacity are in place, but the disclosed statements do not allow a precise marginal profit per vehicle. Cost of facility operations includes labor, occupancy, towing, depreciation, equipment, compliance and technology. A yard is not readily reduced to match one weak quarter; this creates margin compression when assignments fall. G&A includes central platform, field management, sales, and newer initiatives; its FY2026 growth above U.S. revenue reduced Operating income.

Principal vehicle sales have different accounting and economics. Copart buys a car, bears working-capital and price risk, and books gross sale proceeds plus cost of vehicle sales. The data package §3b notes FY2026 U.S. purchased-vehicle revenue rose 3.9%, gross profit rose 10.5%, and purchased-unit margin improved 40 basis points to 6.7%. This 6.7% is *purchased-unit gross margin*, not product Operating income margin. I use separate **analyst-assumed** product Operating income margins only to make the forward total reconstructable; no issuer product Operating income allocation exists. The remainder of U.S. Operating income is allocated to service in the model by residual. At the FY2026 anchor, assuming a 7.0% analytical vehicle-sales Operating income contribution implies a 41.01% analytical service contribution. Both are unreported allocations and serve solely as modeling arithmetic. The issuer's reported U.S. 37.27% is the audited profit basis.

The most sensitive variables are assignment volume, ASP, fee mix, cycle time, utilization and fixed-cost absorption. A rise in total-loss frequency increases salvage supply per insured collision, but lower insured vehicle miles, fewer collision claims, coverage lapse and carrier share loss can offset it. More non-insurance supply can raise transaction count and buyer density, but the fee take rate and mix are not disclosed. Direct Buy's 34.5% unit decline came partly as lower-value principal units moved to a referral-fee channel, which should reduce gross reported sales without necessarily harming economic contribution. The model thus gives principal sales a lower, independent growth path rather than mechanically extrapolating Direct Buy unit decline as total vehicle-sales revenue decline.

4. Competitive dynamics and segment moat

The main U.S. salvage auction rival is [IAA, an RB Global company](https://www.iaai.com/us/Company). Smaller salvage auctions, insurer-direct sales, regional yards, dealer wholesale channels and marketplaces compete at different points of the

chain. ACV's wholesale platform is currently an adjacent competitor for dealer relationships rather than a direct substitute for all insurance salvage. The competitive question is seller net proceeds and service reliability, not a website's listing count. The data package and current public disclosures do not provide a clean, audited U.S. salvage assignment market-share series, so I do not attach a precise share percentage to Copart or IAA. One lost insurer customer shows that relationships are contestable despite infrastructure barriers.

Copart's defensibility has three linked assets. First, a dense yard and towing footprint shortens pickup time and lets the operator handle catastrophe surges. Second, title and compliance processes reduce friction that could otherwise delay settlement. Third, domestic and international buyer liquidity raises the probability of a quick sale at a strong price. The 38.2% international unit participation and 45.7% value participation illustrate why buyer breadth matters, though they do not quantify a causal ASP premium. These capabilities are hard to reproduce rapidly and help explain the five-year history of U.S. Operating income margins above 37%. They are not immutable: customer loss, low unit volume, rising unit facility cost, yard land scarcity, labor inflation and better rival service can narrow the spread.

The durability test is whether Copart can regain volume without sacrificing net seller proceeds. A competitor could discount fees to win a carrier, but if lower buyer liquidity reduces realized vehicle values, that fee discount may not improve total carrier economics. Conversely, if IAA or another channel matches Copart's buyer reach while offering faster handling or better data, Copart's historical premium has less protection. The ACV acquisition could broaden dealer supply and buyer overlap; until cross-platform buyer activity, retained cohorts and incremental contribution are disclosed, it is a hypothesis rather than a quantified expansion of the U.S. moat. Regulation around auction buyer identification, money laundering, title and consumer data can raise both fixed costs and barriers. The ongoing DOJ matter described in Copart's FY2024 10-K is an unresolved regulatory risk, and no model assumes a fine or exoneration without a source-bound estimate.

6. Historical growth rates and product series

The five-year total series comes from data package §3, United States table. The product series comes from §4, United States Service revenues and Vehicle sales rows, with the exact FY2025–FY2026 values checked in the current [official release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm). FY2024 product values are rounded in the data package to three decimals, so growth calculated from displayed cells may differ slightly from exact filings. FY2022–FY2023 dollar product splits were not supplied; they are not invented. Live FMP `/stable/revenue-geographic-segmentation` and `/stable/revenue-product-segmentation` were fetched for this stage; the former stops at FY2025 and the latter does not supply the FY2026 U.S. geographic product intersection, so the issuer release controls that latest row.

Product / segment	FY2022 revenue	FY2023 revenue	FY2024 revenue	FY2025 revenue	FY2026 revenue	FY2026 YoY	Data-package row
U.S. total	2,945.150	3,189.648	3,464.735	3,855.104	3,807.430	(1.24)%	§3 United States / Revenue and YoY growth rows
U.S. service revenues	Not separately supplied	Not separately supplied	~3,126	3,451.558	3,388.287	(1.83)%	§4 United States / Service revenues row; §3 FY2026 note
U.S. vehicle sales	Not separately supplied	Not separately supplied	~339	403.546	419.143	+3.87%	§4 United States / Vehicle sales row; §3 FY2026 note
Purple Wave	Not separately disclosed	Not separately disclosed	Not separately disclosed	Not separately disclosed	Not separately disclosed	GTV >25% Q3 LTM	§4 Product / initiative / Purple Wave row
BluCar	Not separately disclosed	Not separately disclosed	Not separately disclosed	Not separately disclosed	Not separately disclosed	Units +2.4% FY2026	§4 Product / initiative / BluCar row
Dealer Services	Not separately disclosed	Not separately disclosed	Not separately disclosed	Not separately disclosed	Not separately disclosed	Units +3.9% FY2026	§4 Product / initiative / Dealer Services row
Copart Direct	Not separately disclosed	Not separately disclosed	Not separately disclosed	Not separately disclosed	Not separately disclosed	Units (34.5)% FY2026	§4 Product / initiative / Copart Direct row

The total arithmetic is exact within published rounding: $2,945.150 million × 1.0830 ≈ $3,189.648 million; $3,189.648 million × 1.0862 ≈ $3,464.735 million; $3,464.735 million × 1.1127 ≈ $3,855.104 million; and $3,855.104 million × 0.9876 ≈ $3,807.430 million. FY2025 service $3,451.558 million × 0.9817 ≈ $3,388.287 million; vehicle $403.546 million × 1.0387 ≈ $419.143 million. Product sums tie to the FY2025 and FY2026 U.S. totals exactly. The FY2024 rounded product sum is about $3.465 billion and should not be treated as a more precise tie than the §3 total. FY2023–FY2026 U.S. total revenue CAGR is approximately 6.08%; FY2024–FY2026 service and principal-sales two-year CAGRs are approximately 4.1% and 11.2% using rounded FY2024 bases. Those multi-year rates are context, not unqualified forward run rates after FY2026 contraction.

7. Recent quarters and management anchors

The data package §5 United States quarterly table shows that Q4 revenue stabilized at +0.44% year over year while Operating income margin fell to 33.55%. Q4 is therefore a poor basis for assuming an immediate full margin recovery. The four-quarter values below reproduce the sealed package, with dollars rounded to one decimal million.

FY2026 quarter	U.S. revenue	YoY	U.S. Operating income	Operating income margin	Package row
Q1	953.0	+0.54%	375.0	39.36%	§5 U.S. Q1 FY2026
Q2	922.0	(5.46)%	341.0	37.05%	§5 U.S. Q2 FY2026
Q3	1,003.0	(0.36)%	390.0	38.93%	§5 U.S. Q3 FY2026
Q4	930.3	+0.44%	312.1	33.55%	§5 U.S. Q4 FY2026

The data package §6 supplies the relevant management statements: Jeff Liaw said total-loss frequency had continued its long-term upward trend in Q1 and its rise continued in Q2; the implication is a structural supply tailwind, conditional on claims and coverage. His Q1 “Liquidity begets liquidity” comment supports the buyer-density mechanism, though it is qualitative. Leah Stearns said “earning a referral fee” in Q1 regarding Direct Buy mix, and “U.S. insurance ASPs increased 6%” in Q2; the former changes gross-versus-net presentation, the latter supports pricing resilience. Liaw's Q3 “drive ever better auction returns” identifies customer proceeds as the competitive objective. Stearns' Q4 “managing our facility costs down on a per unit basis” sets the specific condition the base margin case needs to verify. There is **no numerical FY2027 U.S. revenue or Operating income margin guide** in §6; all case rates below are analyst assumptions. The FY2026 Q4 [live FMP transcript endpoint](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=CPRT&year=2026&quarter=4) was fetched again for this stage and matched the dated package quote context.

Adair's Q4 “integrate buyers” describes ACV's proposed commercial synergy, not a disclosed dollar forecast. His “accretive to earnings in the first full year” wording conflicts with the formal filed transaction presentation, which says EPS-neutral in the first full year and accretive from FY2028. The formal filing controls this model's expectation pending clarification. ACV's current standalone losses, foregone interest and prospective converted-award dilution make the official neutrality claim an execution target rather than a mechanical starting point. I do not push an assumed first-year synergy into historical U.S. Operating income.

8. Forward growth assumptions: exactly five annual steps

All organic lines start from the FY2026/TTM July 31, 2026 anchor. The table rates below are annual fiscal-year steps for FY2027 through FY2031, ending July 31, 2031. They are not a six-year compounding from FY2025. The only dollar-disclosed organic U.S. product lines are Service revenues and Vehicle sales. For them, the five-year CAGR is calculated from the stated annual path rather than selected independently. The U.S. fee pool dominates the result: FY2026 service revenue was 89.0% of U.S. revenue. The starting decline and Q4 assignment weakness justify a subdued FY2027 base even though the FY2023–FY2026 U.S. total CAGR remained positive. The bull requires carrier share retention, improved total-loss supply and stronger buyer value. The bear assumes the lost-carrier impact persists, industry claims stay weak and incremental capacity remains underutilized.

Organic product	Historical context	FY2026 YoY	FY2027	FY2028	FY2029	FY2030	FY2031	TTM-to-2031 CAGR	Case
Service revenues	FY2024–26 ~4.1% CAGR	(1.83)%	(2)%	0%	2%	3%	3%	1.18%	Bear
Vehicle sales	FY2024–26 ~11.2% CAGR	+3.87%	(4)%	(2)%	0%	1%	2%	(0.62)%	Bear
Service revenues	FY2024–26 ~4.1% CAGR	(1.83)%	2%	4%	5%	5%	5%	4.19%	Base
Vehicle sales	FY2024–26 ~11.2% CAGR	+3.87%	4%	5%	5%	5%	4%	4.60%	Base
Service revenues	FY2024–26 ~4.1% CAGR	(1.83)%	4%	7%	8%	8%	7%	6.79%	Bull
Vehicle sales	FY2024–26 ~11.2% CAGR	+3.87%	7%	9%	9%	8%	7%	8.00%	Bull

Bear rationale. The service line declines another 2% in FY2027 because the observed Q4 total assignment loss is not yet repaired and a carrier shift can persist beyond one quarter. It then reaches only 3% as ASP and fee gains eventually offset stagnant or slightly negative units; this is far below the FY2023–FY2025 8–11% total-segment expansion. Principal vehicle

sales initially contract as Direct Buy mix shifts toward referral fees and consumer supply remains soft. Its terminal 2% is a nominal stabilization, not a recovery to the historic two-year principal growth rate. The deceleration is specific to known share loss and gross-to-net mix, rather than generic maturity.

Base rationale. Service grows 2%, 4%, then 5% annually, combining a gradual assignment normalization, continued total-loss frequency improvement and mid-single-digit price/fee economics. This does not immediately erase the customer loss. It roughly converges with the rounded FY2024–FY2026 service CAGR after a weak starting year. Vehicle sales grow 4–5%, well below their FY2024–FY2026 two-year rate because the high historic principal growth is presentation-sensitive and the Direct Buy mix is changing. The base does not assume a return to FY2025's catastrophe-enhanced 11% U.S. total growth. Management supplied no numeric U.S. growth guide; the case is a judgment conditional on Q4 assignment recovery.

Bull rationale. A retained or replaced large carrier, normalized claims and broad international buyer demand let service accelerate to 7–8% for several years before easing to 7%. This is near the pre-contraction U.S. total growth pattern, but still below the FY2025 11.27% headline. Principal vehicle sales rise 7–9% because non-insurance sourcing improves, while remaining below the rounded historical two-year CAGR. The case would be invalid if assignment data remains negative, even with strong ASPs. The year-by-year path is deliberately visible; no instantaneous unexplained jump from FY2026 contraction to a 10% five-year service CAGR is embedded.

9. Forward Operating income margins

The exact issuer basis remains **Operating income**. The table models organic U.S. Operating income margin, not consolidated margin, EBITDA, gross margin or ACV blended earnings. Margin assumptions are conditional on throughput and cost per unit. The FY2026 anchor is 37.27%. FY2027 base dips to 36.5% because Q4 finished at 33.55% and the cost base is still elevated; the 2031 base reaches 38.2% only with enough service volume to recover utilization. The bear ends 327 basis points below the FY2026 margin; a permanently weaker carrier mix, slower volume and unrecovered per-unit facility costs drive it. The bull ends 373 basis points above FY2026; that requires higher service mix, better capacity use and disciplined G&A, not just more gross principal vehicle sales.

Case	FY2026 actual Operating income margin	FY2027	FY2028	FY2029	FY2030	FY2031	Terminal change	Operating mechanism
Bear	37.27%	34.0%	33.0%	33.0%	33.0%	34.0%	(327) bp	Carrier loss and fixed facility under-absorption
Base	37.27%	36.5%	37.0%	37.5%	38.0%	38.2%	+93 bp	Assignment normalization and unit-cost reduction
Bull	37.27%	37.5%	39.0%	40.0%	40.5%	41.0%	+373 bp	Stronger fee volume, buyer returns and G&A leverage

The following is the product-level analytical margin allocation for **every** forecast year. It does not claim management reports product Operating income. Vehicle-sales margins are case assumptions; service margins are algebraic residuals after the issuer-basis segment target, using the unrounded product revenues in §10. Consequently, the revenue-weighted average equals the segment Operating income margin above in every year. Bear vehicle margin steps down with weaker principal economics, base inches up as mix stabilizes, and bull assumes better sourcing and buyer realizations. The service residual exposes the stronger dependence on yard productivity and fee monetization. If future disclosures make product margins observable, these assumptions should be replaced.

Case	Fiscal year	Analyst service Operating income margin	Analyst vehicle-sales Operating income margin	Revenue-weighted U.S. Operating income margin
Bear	2027	37.393%	6%	34.0%
Bear	2028	36.325%	5%	33.0%
Bear	2029	36.260%	5%	33.0%
Bear	2030	36.197%	5%	33.0%
Bear	2031	37.279%	5%	34.0%
Base	2027	40.221%	7%	36.5%
Base	2028	40.820%	7%	37.0%
Base	2029	41.257%	8%	37.5%

Case	Fiscal year	Analyst service Operating income margin	Analyst vehicle-sales Operating income margin	Revenue-weighted U.S. Operating income margin
Base	2030	41.820%	8%	38.0%
Base	2031	42.009%	8%	38.2%
Bull	2027	41.382%	7%	37.5%
Bull	2028	43.019%	8%	39.0%
Bull	2029	44.056%	9%	40.0%
Bull	2030	44.491%	10%	40.5%
Bull	2031	45.056%	10%	41.0%

To make the terminal blend reconstructable, the next table allocates Operating income analytically between service and principal vehicle sales. These are **not disclosed product margins**. FY2026 vehicle-sales Operating income is illustratively set at 7% of product revenue, leaving an implied 41.01% service Operating income margin that exactly reproduces $1,419.040 million U.S. reported Operating income. A 7% assumed Operating income margin should not be conflated with the 6.7% disclosed purchased-unit gross margin; one covers the whole vehicle-sales revenue line after notional allocated costs and is used only as a forecasting allocation. A genuine issuer allocation is unavailable. Terminal service margins are residual solutions to the case-level Operating income totals; they make the weighted average explicit and expose how heavily the case depends on the service pool.

Case / 2031	Service revenue	Analyst service Operating income margin	Service Operating income	Vehicle revenue	Analyst vehicle Operating income margin	Vehicle Operating income	Organic U.S. Operating income
Bear	3,593.2	37.28%	1,339.5	406.2	5.0%	20.3	1,359.8
Base	4,160.8	42.01%	1,747.9	524.8	8.0%	42.0	1,789.9
Bull	4,705.7	45.06%	2,120.2	615.8	10.0%	61.6	2,181.8

Rounding in the displayed product allocations is at most about $0.1 million. Exact calculations use the unrounded service/vehicle annual path and case-level margins, not the two-decimal displayed service percentage. The base service margin increase from the notional 41.01% anchor to 42.01% is about 100 basis points; it assumes only partial restoration of FY2025's stronger network absorption. The bull's roughly 404-basis-point service margin increase requires a significant return of unit density and effective technology scaling. The bear's 374-basis-point decline is consistent with the FY2026 Q4 evidence that the network can become materially less profitable when volume falls. Gross margin, G&A and product mix must be tracked separately in subsequent results to falsify these assumptions.

10. Annual organic segment rollup and arithmetic

Each year's service and vehicle sales are previous-year values multiplied by the case growth rates in §8. The two products sum to the organic U.S. revenue column. Organic U.S. Operating income equals organic revenue times that year's margin in §9. The 2031 totals therefore follow from five annual steps, not a single CAGR applied to a prior fiscal-year figure. All values below are rounded to $0.1 million, so displayed arithmetic may differ by $0.1 million; the unrounded model has zero residual.

Case	Fiscal year ending July 31	Service revenue	Vehicle sales	Organic U.S. revenue	Operating income margin	Organic U.S. Operating income
Bear	2027	3,320.5	402.4	3,722.9	34.0%	1,265.8
Bear	2028	3,320.5	394.3	3,714.9	33.0%	1,225.9
Bear	2029	3,386.9	394.3	3,781.3	33.0%	1,247.8
Bear	2030	3,488.5	398.3	3,886.8	33.0%	1,282.6
Bear	2031	3,593.2	406.2	3,999.4	34.0%	1,359.8
Base	2027	3,456.1	435.9	3,892.0	36.5%	1,420.6
Base	2028	3,594.3	457.7	4,052.0	37.0%	1,499.2
Base	2029	3,774.0	480.6	4,254.6	37.5%	1,595.5
Base	2030	3,962.7	504.6	4,467.3	38.0%	1,697.6
Base	2031	4,160.8	524.8	4,685.6	38.2%	1,789.9
Bull	2027	3,523.8	448.5	3,972.3	37.5%	1,489.6
Bull	2028	3,770.5	488.8	4,259.3	39.0%	1,661.1

Case	Fiscal year ending July 31	Service revenue	Vehicle sales	Organic U.S. revenue	Operating income margin	Organic U.S. Operating income
Bull	2029	4,072.1	532.8	4,605.0	40.0%	1,842.0
Bull	2030	4,397.9	575.5	4,973.4	40.5%	2,014.2
Bull	2031	4,705.7	615.8	5,321.5	41.0%	2,181.8

The terminal organic U.S. revenue CAGRs are about 0.99%, 4.24% and 6.93% in bear, base and bull, respectively; Operating income CAGRs are about (0.85)%, 4.75% and 8.98%. The weaker bear profit CAGR than revenue CAGR reflects a structural margin haircut, and the stronger bull profit CAGR reflects operating leverage. The base terminal $1.790 billion Operating income is about $371 million above FY2026, but the model does **not** add ACV synergies to that organic uplift. This prevents an acquisition from disguising the organic question: has the U.S. marketplace actually recovered assignment volume and unit costs?

10a. ACV acquired overlay, transaction evidence and economic return

The September 17 [Schedule TO](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dsctot.htm) and [Offer to Purchase](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dex99a1i.htm) are post-September-15-cutoff evidence, not a completed acquisition. Copart's merger subsidiary offered **$10.50 cash per ACV common share**. The initially scheduled tender expiry is one minute after 11:59 p.m. Eastern on September 30, 2026, subject to extension for unmet conditions. The offer requires a minimum tender, HSR/regulatory condition and other customary conditions. ACV filed its [Schedule 14D-9](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393862/d136775dsc14d9.htm) recommendation materials; filing the offer advances process certainty but does not establish accepted shares, closing date, accounting allocation or a successful integration. The current-run DR directory contains archived copies of these September 17 materials, including `acv_tender_offer_purchase_20260917.htm`, `acv_tender_schedule_to_t_20260917.htm` and `acv_recommendation_14d9_20260917.htm`; this stage rechecked the SEC documents live.

The announced gross equity consideration is about $1.9 billion, paid in cash for common shares. It must not be described as an all-stock acquisition or set equal to enterprise value. Certain unvested employee ACV options, RSUs and PSUs convert into Copart equity awards under the merger agreement; the final incremental Copart diluted share count is `UNKNOWN_UNQUANTIFIED`. The data package §8 specifies 10.359 million ACV shares under RSUs, 2.365 million target PSU shares and 1.126 million shares under options at September 8, with differing settlement/vesting treatment. Those are **ACV award-underlying shares**, not mechanically Copart shares. The U.S. Operating income overlay excludes a fabricated share-count assumption; synthesis and the share-return model must separately stress dilution after a legally supportable conversion bridge becomes available.

ACV's TTM through June 30, 2026 generated $801.339 million revenue, $500.780 million gross profit, negative $56.847 million Operating income, negative $63.145 million net income, and $5.953 million FCF, per data package §8 and a fresh FMP `/stable/income-statement` ACVA quarterly pull for this stage. TTM stock-based compensation was $53.106 million, so FCF less SBC was about negative $47.2 million. The $1.9 billion purchase price is 2.37 times reported TTM revenue and roughly 319 times reported TTM FCF. The latter ratio should not be read as a normalized earnings multiple; it instead shows how little current cash yield underwrites the price. ACV transaction counts, GMV and buyer count are commercial scale markers, but exact cohort retention, take rate and contribution profit are missing.

The overlay below assumes ACV is placed in U.S. reporting **only for scenario sensitivity**. If Copart later reports ACV in a separate segment, the overlay must move there intact; the organic U.S. forecast is unaffected. ACV revenue annual growth starts from the $801.339 million June 30 TTM, which is one month before Copart's July TTM anchor. No July 2026 ACV month is disclosed; a one-month stub is not invented. The FY2031 endpoints are five *Copart forecast fiscal years* from the July 2026 organic anchor, while ACV's revenue growth is an approximation from the latest available June TTM. This one-month mismatch is explicitly bounded and should be revisited after ACV's next report or transaction closing. In FY2027, a base November 1 close yields 9/12 of ACV's illustrative full-year revenue and Operating income; bull October 1 yields 10/12; bear assumes no FY2027 consolidation and a January 2028 close. Terminal FY2031 includes a full year in all cases, conditional on closing. None of these close dates is management guidance.

ACV overlay case	FY2027–FY2031 full-year revenue growth assumptions	TTM-to-2031 revenue CAGR	FY2031 revenue	FY2031 Operating income margin	FY2031 Operating income	Assumed close
Bear	(5)%, 0%, 3%, 5%, 5%	1.53%	864.5	2.0%	17.3	January 2028
Base	8%, 9%, 10%, 10%, 10%	9.40%	1,255.6	13.0%	163.2	November 2026
Bull	12%, 15%, 15%, 14%, 13%	13.79%	1,529.0	20.0%	305.8	October 2026

The full-year standalone path below makes the overlay assumptions reproducible before applying any ownership-period fraction. Each next-year ACV revenue equals prior-year revenue multiplied by the growth rate above. Each Operating income figure equals that year's revenue times the selected margin. These are **analyst scenario assumptions**, not Copart or ACV guidance. They exclude transaction fees, purchase-accounting amortization and unquantified synergy or conversion-award expense effects; the latter could make reported post-close Operating income lower. The conditional FY2027 contribution uses only the fraction after assumed close, and the FY2028–FY2031 contributions are full-year in the stated cases.

Case	Fiscal year ending July 31	Illustrative ACV full-year revenue	ACV Operating income margin	Illustrative ACV full-year Operating income	Post-close fraction assumed
Bear	2027	761.3	(7)%	(53.3)	0/12
Bear	2028	761.3	(4)%	(30.5)	7/12
Bear	2029	784.1	(1)%	(7.8)	12/12
Bear	2030	823.3	1%	8.2	12/12
Bear	2031	864.5	2%	17.3	12/12
Base	2027	865.4	(3)%	(26.0)	9/12
Base	2028	943.3	2%	18.9	12/12
Base	2029	1,037.7	6%	62.3	12/12
Base	2030	1,141.4	10%	114.1	12/12
Base	2031	1,255.6	13%	163.2	12/12
Bull	2027	897.5	0%	0.0	10/12
Bull	2028	1,032.1	8%	82.6	12/12
Bull	2029	1,186.9	14%	166.2	12/12
Bull	2030	1,353.1	18%	243.6	12/12
Bull	2031	1,529.0	20%	305.8	12/12

ACV's TTM Operating income margin is negative 7.09%. Base terminal 13% therefore needs about 20 percentage points of margin improvement, through revenue scale, cost efficiencies and cross-platform demand. That is an ambitious assumption, not a disclosed synergy target. Bear terminal 2% implies the deal closes but still earns only about $17 million operating profit on $1.9 billion equity consideration before purchase accounting, financing opportunity cost or integration charges. Bull 20% implies true platform leverage and materially stronger take rate/volume economics, but even then a clear return on the capital deployed requires deducting foregone interest and any future amortization. The base terminal ACV Operating income divided by the $1.9 billion gross equity price is about 8.6% **pretax operating yield**, before purchase-accounting expense and ongoing reinvestment. It is below a 10% after-tax acquisition return hurdle. A high revenue CAGR alone does not validate the deal.

The organic-versus-acquired separation is especially important in FY2027. Base organic U.S. Operating income is $1,420.6 million. The ACV full-year case produces negative $26.0 million at a negative 3% margin; with 9/12 consolidation, it contributes roughly negative $19.5 million before transaction accounting, producing a conditional U.S.-plus-ACV $1,401.1 million. Bull ACV FY2027 margin is 0%, so adding revenue does not boost Operating income before synergies; bear has no FY2027 ACV consolidation. If the transaction closes later, or a regulator imposes conditions, the share of FY2027 consolidated results changes. The probability-weighted terminal overlay is not statutory guidance and should not be retrospectively added to FY2026.

The foregone interest is a **below-operating-line** issue. The data package §8 estimates Copart earned roughly 3.9% on average FY2026 cash and held-to-maturity securities; using $1.9 billion gross cash consideration implies about $75 million annual pretax interest income foregone. Adding ACV's current TTM pretax loss of about $61 million creates a rough $136 million pretax first-year neutrality hurdle before synergy, growth, purchase accounting and tax. A September 17 tender filing does not close that hurdle. Synthesis must deduct foregone interest once in its below-line bridge, never inside U.S. segment Operating income **and** again below the line. Similarly, no ACV cash balance is netted against the gross equity price without a

complete deal-close cash/debt bridge. Converted awards affect diluted shares separately. The formal filing's neutral-first-full-year statement therefore remains an unverified target until Copart provides a numeric synergy, amortization, cost and dilution bridge.

10b. Conditional pro-forma rollup and probability bridge

The following combines the organic U.S. case with the ACV overlay as a **conditional analytical pro forma**. It is not an issuer-provided segment forecast and does not imply the acquisition is already closed. FY2031 ACV is full-year in every case because the case definitions assume eventual closing. If the acquisition fails, remove the ACV revenue/Operating income columns and retain the organic U.S. columns, while separately restoring cash interest income in synthesis. The conditional closing assumption has no implication for the statutory TTM or the QFR-sealed segment profit basis.

Case / 2031	Organic U.S. revenue	Organic U.S. Operating income	ACV revenue overlay	ACV Operating income overlay	Conditional total revenue	Conditional Operating income	Conditional margin	Weight
Bear	3,999.4	1,359.8	864.5	17.3	4,863.9	1,377.1	28.31%	25%
Base	4,685.6	1,789.9	1,255.6	163.2	5,941.2	1,953.1	32.87%	50%
Bull	5,321.5	2,181.8	1,529.0	305.8	6,850.5	2,487.6	36.31%	25%

The scenario weights are analytical judgments: 25% bear, 50% base, 25% bull; they sum to 100%. The weighted **organic U.S.** terminal revenue is about $4,673.1 million and Operating income about $1,780.4 million. The weighted **ACV** terminal overlay is about $1,226.2 million revenue and $162.4 million Operating income. Their weighted conditional sum is approximately $5,899.2 million revenue and $1,942.8 million Operating income, a 32.93% ratio of weighted dollar totals. This is a probability-weighted operating bridge, **not** a shareholder IRR, not a terminal multiple and not a recommendation. The financial return model must use each full scenario's cash, interest, tax, purchase accounting, diluted shares and valuation before calculating terminal shareholder wealth; it must not average scenario IRRs arithmetically.

11. Risks, falsification tests and remaining data gaps

Bear-dominant: insurer customer concentration. Q4's total U.S. assignments fell 5.0% while domestic insurance assignments excluding one lost customer would have risen 2.3%. The disclosure gives the sign of a significant customer-share shock, not its exact dollars. A second material carrier loss would make even the bear service path optimistic. Track reported total assignments, insurer-specific wins/losses where disclosed, and growth excluding catastrophe comparisons. A clean headline ASP increase is insufficient to resolve this risk if units keep falling.

Bear/base: facility cost per unit. FY2026 U.S. facility cost per unit rose 6.6% while total facility dollars declined slightly. A base recovery requires falling per-unit costs as throughput normalizes, not just lower absolute capex. Watch sequential unit volume, inventory aging, pickup time, yard utilization and G&A as a share of U.S. revenue. The most recent Q4 33.55% U.S. margin is a warning that the annual 37.27% margin still contains stronger earlier quarters. If Q1/Q2 FY2027 remain near Q4 despite better assignments, the model's 36.5% FY2027 base may be too high.

Bear/bull: price realization and international buyers. Strong FY2026 U.S. ASP argues against immediate commoditization, but the 45.7% international value contribution exposes the U.S. market to currency, shipping, trade and destination-market demand. A reduction in international bidding can hurt seller proceeds even if U.S. vehicle supply grows. Conversely, broader buyer integration with ACV could deepen liquidity. Disclose a unit and ASP bridge if management begins reporting it; until then, avoid conflating revenue per unit with auction sale value or take rate.

Bear/base/bull: ACV execution and returns. Filing a Schedule TO and 14D-9 makes the tender concrete; it does not create sales synergy or a satisfactory capital return. The September 30 initial expiration may be extended if conditions are unmet. The case table assumes an eventual close, with different timing. Failure to close removes the acquired operating overlay and leaves roughly $1.9 billion of cash unspent. If it closes, $801 million of TTM revenue and negative $56.8 million Operating income enter the acquired perimeter before growth and synergies. The 13% base terminal ACV margin requires significant operating progress. Track close date, conversion award treatment, purchase-price allocation, goodwill and intangible amortization, integration charges, standalone ACV FCF less SBC, buyer overlap and dealer cohort retention.

Data gaps. Absolute U.S. insurance assignment counts, insurance unit count, salvage take rate, service revenue by activity, dealer/Purple Wave/BluCar revenue, U.S. segment capex and product-level Operating income are not disclosed in the searched official evidence. No numeric ACV synergy, integration-cost, acquisition amortization, converted-award Copart share count or seller-retention cohort bridge is disclosed. These gaps prevent a trustworthy volume-times-fee product model

or exact acquisition IRR. The stage instead uses the smallest disclosed U.S. dollar product split, precise issuer Operating income at the segment level, explicit scenario paths and a separately labeled acquisition overlay. New disclosures should replace these assumptions, not be layered on top of them.

Segment summary at 2031-07-31

This is the exact issuer U.S. segment perimeter, excluding the separately displayed conditional ACV overlay. The metric label and weights must flow unchanged into synthesis. All outputs arise from the annual product and margin tables above. ACV pro-forma additions should be included once only, if a consistent close and segment-allocation assumption is selected.

Case	Segment TTM+5y revenue	Exact profit metric	Segment TTM+5y profit margin	Segment TTM+5y profit	Probability
Bear	$3,999.4 million	Operating income	34.0%	$1,359.8 million	25%
Base	$4,685.6 million	Operating income	38.2%	$1,789.9 million	50%
Bull	$5,321.5 million	Operating income	41.0%	$2,181.8 million	25%

Source/provenance note. Current-stage fresh calls were made to FMP stable geographic segmentation, product segmentation, ACVA quarterly income statements and the FY2026 Q4 earnings transcript. The QFR-sealed `quote_packet.json` SHA-256 is `ff4e2304ee50557f4bd3e9eac63ce34be652cda4359236897232f4ec5e707c87`. The [Copart IR earnings release](https://www.copart.com/content/us/en/press-releases/copart-reports-fourth-quarter-2026-results), [SEC earnings exhibit](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm), [Schedule TO](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dsctot.htm), and [Offer to Purchase](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dex99a1i.htm) were live-checked. The sealed data package supplies the historical classifications, values and transcript quote text. Current-run DR archival copies validate provenance but are not substituted for these live checks. No portfolio action or trade is authorized by this appendix.

Appendix B2 - International

International - Segment Deep Dive

Company: Copart, Inc. (CPRT) **Segment:** International **Run ID:** `pulse-cio-20260917T200244+0800` **Information cutoff:** 2026-09-17 20:06 SGT **TTM anchor:** year ended 2026-07-31 **TTM+5 horizon:** 2031-07-31, exactly five calendar years **Reporting currency:** USD **Forecast profit basis:** issuer-disclosed `Operating income` **Sealed statutory bridge SHA-256:** `be037c7d202df3a722ceafee15fc15659936c71e31f60703e8e875b366402ad0` **Trade execution authorized:** `false`

0. Segment boundary and taxonomy note

International is Copart's non-U.S. geographic reportable segment. The perimeter is stable across FY2022-FY2026 and includes Canada, the United Kingdom, Brazil, Ireland, Germany, Finland, Spain, the United Arab Emirates, Oman, and Bahrain. No segment realignment or historical restatement was identified in the reviewed filing set. The change from the expense label "yard operations" to "facility operations" does not change this perimeter or the segment profit measure. The announced ACV acquisition is not included in FY2026 reported results and has no disclosed International revenue, cost, synergy, or operating-income allocation; it is therefore excluded from this segment forecast rather than inserted as an analyst plug. [data_package §1, reporting-structure paragraphs and FY2026 segment table; §8, Organic Copart versus acquired ACV forecast-perimeter table]

1. What this segment actually is

International is a networked vehicle-remarketing operation, not simply a collection of websites. Copart receives or acquires damaged, total-loss, low-value, fleet, dealer, finance, and other vehicles; moves or stores them at physical facilities; processes ownership and title documentation; creates digital listings; exposes the inventory to a global bidder base; runs online auctions; and supplies post-sale services such as loading, storage, and transport coordination. Its sellers include insurers, financial institutions, dealers, fleet and rental operators, charities, and individuals. Buyers include dismantlers, rebuilders, exporters, dealers, and in some jurisdictions the general public. Copart's FY2026 release describes a company-wide marketplace of roughly one million members in more than 185 countries and more than four million vehicles sold in the last year. Those are consolidated marketing statistics, not International segment unit counts, and are not used as segment denominators. [data_package Sec.0a rows 22-30 and Sec.4 discussion]. [FY2026 release](https://www.copart.com/content/us/en/press-releases/copart-reports-fourth-quarter-2026-results)

There are two economically different revenue modes inside the segment. In Canada, Brazil, Ireland, Finland, the UAE, Oman, and Bahrain, Copart generally acts as an agent and records transaction and related service fees. In the U.K., Germany, and Spain it also operates on a principal basis, buying some vehicles and reselling them for its own account. The U.K. also includes dismantled-parts sales through Green Parts Specialist, while Germany and Spain can earn listing fees for residual-value determination or sale facilitation. Agency revenue is net fee revenue; principal vehicle-sales revenue is the gross resale price of inventory. This distinction matters because one dollar of vehicle-sales revenue requires working capital and cost of vehicles sold, while one dollar of fee revenue does not represent a dollar of vehicle value passing through the income statement. [Copart FY2025 Form 10-K, lines 164-165 and 1067-1070](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm)

The customer proposition is operational and financial. Sellers outsource towing, storage, inspection, paperwork, auction, buyer collection, and sometimes title or claims workflows. Copart tries to maximize net proceeds and shorten cycle time. Buyers receive searchable inventory, standard auction mechanics, digital bidding, and access across geographies. Management's repeated emphasis on international buyer participation reflects the key two-sided network: a larger and more diverse bidder pool can lift proceeds for sellers, which can win or retain more supply; more supply then makes the marketplace more valuable to buyers. This flywheel crosses the accounting segment boundary because a buyer located outside the U.S. can bid on a U.S. vehicle. International buyer demand is therefore a company-wide liquidity asset but is not automatically International segment revenue.

Pricing combines seller-side and buyer-side auction fees plus transportation, title-processing, storage, bidding, loading, and other services. Some selling fees are a percentage of vehicle value, some are tiered, and some are fixed per unit. Revenue per unit can thus rise from higher auction selling prices, fee schedule changes, richer service uptake, longer storage, or product mix even if units are unchanged. The International segment also earns principal vehicle-sales revenue, whose

reported growth can reflect unit count, vehicle value, and mix. Because the data package does not disclose the dollar split of individual fees, this appendix forecasts the finest verified product lines-service revenues and vehicle sales-rather than inventing buyer-fee, seller-fee, towing, or storage sub-models. [data_package Sec.4 rows 190-213; Sec.10 rows 349-360]

Go-to-market is seller-relationship intensive. Large insurers and commercial consignors care about proceeds, cycle time, capacity, compliance, geographic coverage, and service reliability. Copart competes for long-term and supply agreements while also attracting smaller consignors through its digital channel. The physical network matters because damaged vehicles must be transported, secured, processed, viewed where permitted, and collected. The digital platform expands the buyer radius, but it does not remove the need for yards, transport coordination, title expertise, or local regulatory capability. This is why International can scale digitally while remaining land- and operations-intensive.

2. Current economics

FY2026 is also the TTM because the latest four reported quarters end on Copart's fiscal year-end. International generated **$858.779 million** of revenue, up **8.45%**, and **$233.550 million** of issuer-disclosed Operating income, up **8.21%**. Its Operating income margin was **27.20%**, virtually unchanged from FY2025's 27.26%. It represented 18.40% of consolidated revenue and 14.13% of the two reportable segments' Operating income. The lower profit share than revenue share reflects a margin roughly 10.1 percentage points below the U.S. segment's 37.27%. [FY2026/Q4 release, reportable-segment table](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm); data_package Sec.1 and Sec.3a]

The verified product split is **$581.233 million of service revenue** and **$277.546 million of vehicle sales**. That is approximately **67.7% service** and **32.3% vehicle sales**. Service revenue grew 12.40% from FY2025, while vehicle sales grew 1.02%. The mix shift toward service supported the segment's ability to hold its annual Operating income margin despite quarterly volatility. These shares are calculated from the product/geography cross-tab and sum exactly to the $858.779 million segment total; they are not inferred fee subcomponents. [FY2026/Q4 release, International product/geography table](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm); data_package Sec.4]

The FY2026 cause bridge is more informative than the nearly unchanged Operating income margin. International gross profit increased **$33.046 million**, or **12.29%**, to **$301.868 million**, and gross margin expanded from **33.95% to 35.15%**, roughly **120 basis points**. Yet G&A increased **$15.324 million**, or **28.92%**, from $52.994 million to $68.318 million. G&A rose from approximately **6.69% to 7.96% of segment revenue**, an increase of about **126 basis points**, absorbing slightly more than the gross-margin benefit. Operating margin consequently slipped about 6 basis points even though revenue grew 8.45%. This is the central FY2026 economic test: service mix and pricing generated better gross conversion, but overhead and infrastructure growth prevented that benefit from reaching Operating income margin. [data_package Sec.3b, segment cause bridge rows 173-184]

International FY2026 cause bridge	FY2025	FY2026	Change
Revenue ($M)	791.854	858.779	+66.925 / +8.45%
Gross profit ($M)	268.822	301.868	+33.046 / +12.29%
Gross margin	33.95%	35.15%	+120 bp
G&A ($M)	52.994	68.318	+15.324 / +28.92%
G&A as percent of revenue	6.69%	7.96%	+126 bp
Operating income ($M)	215.828	233.550	+17.722 / +8.21%
Operating income margin	27.26%	27.20%	-6 bp

The source also gives a volume/mix explanation. Full-year total units rose 3.7%, fee units rose 4.6%, purchased units declined 2.1%, and International ASP increased 7.3%. Service revenue growth of 12.4% therefore reflected a combination of fee-volume growth, realization and mix, while purchased-vehicle revenue rose only 1.0%. Facility costs grew 11.2% and 7.2% per unit, showing that the gross-margin gain did not come from broad facility-cost leverage; it came despite higher operating costs, largely through revenue mix and pricing. [data_package Sec.3b, International sourced fact row 184]

Recent quarters show revenue acceleration but uneven margins. Revenue rose 1.57%, 6.15%, 14.10%, and 11.70% year over year in Q1 through Q4 FY2026. Quarterly Operating income margins were 27.53%, 23.61%, 31.53%, and 25.55%. International assignments increased about 10.0% year over year in Q4 after low-teens growth in Q3. The two consecutive positive assignment readings strengthen the near-term volume signal: Q4 assignment growth was close to Q4 revenue growth, but it is not an exact revenue bridge because assignment-to-sale timing, service versus principal mix, ASP, ancillary

fees and foreign exchange can all separate the two rates. The second-half revenue acceleration is real, while the roughly 790-basis-point range between the Q2 trough and Q3 peak warns against annualizing one quarter's margin. Sources: [Q1 FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312525289803/cprt-ex99_1.htm), [Q2 FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526059440/cprt-ex99_1.htm), [Q3 FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526234447/cprt-ex99_1.htm), and [Q4 FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm); data_package §0a, Assignment / inventory signal table, International assignments row; §5, International quarterly table.

Capital intensity is material but not separately disclosed by segment. Copart must buy land, develop or expand yards, maintain secure facilities, fund transport infrastructure and technology, and carry purchased-vehicle inventory where it acts as principal. Consolidated capex was $337 million, or 7.23% of revenue, in FY2026, down from $569 million and 12.24% in FY2025, but the data package does not allocate that spend to International. [data_package Sec.7 rows 273-283] **[DATA GAP: International segment capex, invested capital, yard acreage, capacity, and return on invested capital are not separately disclosed in the reviewed package.]** This prevents a clean segment ROIC calculation. It does not prevent an Operating income forecast, but it lowers confidence in claims that International's current growth is capital-light.

Absolute unit counts, fee units, assignments, and country revenue are also not disclosed. The proper current-economics conclusion is therefore bounded: International has a verified $859 million revenue base, two verified product revenue lines, a verified 27.20% Operating income margin, and strong recent growth rates, but it does not have a disclosed country-by-country or unit-by-unit denominator. **[DATA GAP: absolute International insurance, non-insurance, assignment, fee-unit, inventory, and country-level revenue counts are not disclosed.]** The forecast uses disclosed dollar lines and growth-rate evidence without manufacturing unit bases.

3. Unit economics

Revenue conversion

For agency vehicles, the economic unit begins when Copart receives an assignment or consignment. The company arranges transport, intake, storage, documentation, listing, auction, payment, and removal. It earns fees at auction and for ancillary services. A higher average selling price can raise percentage-based or tiered fees, while greater buyer competition improves seller proceeds and can increase Copart's supply-side value proposition. Faster cycle time can free yard capacity and reduce handling days per vehicle. Conversely, weak assignments, title delays, transport bottlenecks, or low bidder participation reduce throughput and can raise costs per processed unit.

For principal vehicles, the company purchases inventory and records the full resale proceeds as vehicle-sales revenue. Gross revenue is consequently a poor stand-alone measure of value creation: higher-priced cars inflate both revenue and cost of vehicles sold. The key variables are purchase discipline, resale realization, holding period, theft/damage/obsolescence, and working-capital turns. A shift toward principal sales can raise reported revenue while diluting percentage margins; a shift toward agency services can do the reverse. Copart's filing explicitly says principal activity exposes it to inventory risks that are not present in the same way under the agency model. [Copart FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm)

Cost stack and operating leverage

Facility operations include labor, towing and transportation, facility maintenance, property taxes, rent, insurance, marketing and auction costs, and costs of vehicles sold. General and administrative expense includes management, accounting, data processing, sales, professional services, marketing, and technology enhancement and maintenance. International adds country-specific compliance, currency, labor, title, insurance, and operating complexity. Some costs scale with units, some with miles or fuel, and some are fixed for a yard or country platform. [Copart FY2025 Form 10-K, lines 1078-1079](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm)

The segment can therefore produce operating leverage when unit throughput rises through existing facilities, digital bidding expands without proportional auction-floor expense, title cycle times improve, and service mix grows faster than principal vehicle sales. It can lose leverage when new yards open ahead of volume, wage or towing rates increase, purchased-vehicle mix rises, inventory sits longer, or a seller loss leaves fixed capacity underused. FY2026 supplies a concrete warning: facility cost per unit rose 7.2% and G&A intensity rose about 126 basis points even as gross margin expanded about 120 basis points. A revenue forecast without an explicit overhead-absorption test would therefore overstate profit durability. [data_package Sec.3b, rows 173-186]

Currency affects the segment twice. First, local-currency results from sterling, euros, Canadian dollars, Brazilian reais and Middle Eastern currencies translate into reported U.S. dollars; a stronger dollar can reduce reported revenue and Operating income even when local operations are stable. Second, exchange rates change the purchasing power of cross-border buyers relative to transport, duties, parts and resale proceeds. That demand-side effect can influence bidder depth and auction selling prices, then feed back into fee realization and seller retention. The scenarios do not insert a separate unsupported FX line: FX is embedded in the revenue and margin paths, with adverse translation and weaker buyer economics in bear, mixed/neutral conditions in base, and supportive participation in bull.

Margin history and interpretation

International's Operating income margin moved from 22.93% in FY2022 to 17.43% in FY2023, 18.65% in FY2024, 27.26% in FY2025, and 27.20% in FY2026. That history demonstrates both meaningful scale potential and meaningful volatility. The nearly 860-basis-point rise from FY2024 to FY2025 cannot be treated as a normal annual step indefinitely. Nor should the 6-basis-point FY2026 decline be read as evidence that the segment has reached a permanent plateau: within FY2026, quarterly margin ranged from 23.61% to 31.53%. Sources: [FY2023 Form 10-K, Business Segments](https://www.sec.gov/Archives/edgar/data/900075/000119312523263869/d571958dars.pdf), [FY2025 Form 10-K, Note 14](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm), and the [FY2026/Q4 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm); data_package Sec.3 and Sec.5.

The base case assumes only modest additional leverage to 29.0% by 2031, not a convergence to U.S. economics. Service mix rises because service revenue grows faster than vehicle sales, and better volume through existing country infrastructure contributes some fixed-cost absorption. The bull case reaches 32.0%, still below the current U.S. margin, and requires sustained insurance growth, fee realization, and country-level scale without disproportionate new-yard expense. The bear case falls to 23.0%, close to the FY2022 level, as softer growth, principal-mix pressure, higher operating costs, and currency or competitive pricing overwhelm fixed-cost leverage.

Reinvestment remains the economic price of the moat. More land and capacity can deepen seller trust and catastrophe readiness, but capital deployed too early depresses returns. Technology investment can improve title processing, bidder conversion, fraud controls, and cycle time, but R&D is embedded in operating lines rather than separately disclosed. The forecast therefore does not credit a free technology dividend. It allows higher margins only where product mix and sustained throughput create a plausible mechanism.

4. Competitive dynamics

Copart competes simultaneously for vehicle supply, physical capacity, and buyer liquidity. Its own filing describes International competitors as vehicle-auction and sales companies, vehicle dismantlers, and privately held independent remarketers. The direct global-scale rival is IAA, now part of RB Global, with salvage operations and established positions in Canada and the U.K. Local auctioneers, dismantlers, recyclers, and insurer-direct disposal channels vary by country. Dismantlers can bypass an auction marketplace by purchasing vehicles directly from insurers. [Copart FY2025 Form 10-K, lines 479-481](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm)

OPENLANE is an adjacent competitor, particularly in Canada and Europe, though its disclosed focus is wholesale used vehicles rather than only salvage. Its 2025 filing says it facilitated about 1.5 million transactions and $28.8 billion of GMV and operates digital marketplaces in the U.S., Canada, and Europe, including a consolidated European platform. It earns marketplace fees and ancillary revenue from inspection, transportation, reconditioning, certification, title, administration, recovery, software, and financing. That breadth matters because sellers can prefer a platform able to handle clean-title, fleet, off-lease, repossession, and dealer inventory in addition to damaged vehicles. [OPENLANE FY2025 Form 10-K, lines 140-150](https://www.sec.gov/Archives/edgar/data/1395942/000139594226000006/opln-20251231.htm)

The announced ACV acquisition is strategically relevant but not yet part of International reported economics. ACV adds a dealer-to-dealer digital marketplace, inspection and data capabilities, and a buyer base that Copart intends to connect with physical facilities and global demand. It could strengthen Copart against OPENLANE and extend clean-title supply. It could also distract management, blur segment disclosure, consume approximately $1.9 billion of liquidity, and introduce lower-margin or differently capitalized activity. Because no International allocation exists, this appendix treats ACV as a wildcard rather than embedding revenue or synergy. [Copart ACV acquisition release, 2026-09-10](https://www.copart.com/content/us/en/press-releases/copart-to-acquire-acv)

Current International market share cannot be stated precisely from the verified evidence. Copart does not disclose country revenue, units, insurer share, or customer concentration, and competitors define their markets differently. **[DATA GAP: no current, comparable International market-share series or country-by-country Copart share is disclosed.]** An old North American duopoly estimate or a company-wide location count would not answer the question for the U.K., Germany, Brazil, Canada, or the Middle East in 2026. The model uses operating momentum and economics, not a fabricated share percentage.

Pricing power arises when Copart delivers a higher net recovery to sellers or lower total transaction friction. A seller may accept a fee increase if the global buyer base lifts vehicle proceeds by more than the fee, if cycle time releases claims capital sooner, or if integrated transport and title work reduce administrative burden. Buyer-side pricing power is limited by alternative auctions, dismantler economics, transport costs, import rules, and the ability to bid elsewhere. Pricing power is thus relational and outcome-based, not absolute.

Entry barriers are substantial but local. A new digital listing site is easy to launch; a trusted, compliant, high-throughput salvage network is not. The entrant needs seller contracts, yards, transport capacity, environmental and title processes, buyer registration and payment controls, a deep bidding pool, and enough inventory to keep buyers engaged. However, these advantages must be rebuilt in each jurisdiction. Copart itself warns that its online model may not reproduce U.S., Canadian, and U.K. synergies in newer markets. Local rules and established insurer relationships can protect incumbents on both sides.

Substitution risk comes from insurer-direct sales, dismantlers, dealer-to-dealer marketplaces, and better vehicle repair economics. If repair technology or parts availability makes more damaged vehicles economical to repair, total-loss supply can weaken. On the other hand, increasingly complex vehicle systems can raise repair cost and total-loss frequency. The net effect differs by country, fleet age, insurance practice, labor cost, parts cost, and used-car value. This uncertainty supports scenario spreads rather than a single extrapolation from Q4's 11.70% International revenue growth, the quarter-level measure preserved in the data package. [data_package §5, International quarterly table]

5. Moat at the segment level

The strongest International moat is the coupled physical-and-digital network. Copart can aggregate vehicles from multiple sellers, process them through local yards and systems, and expose them to buyers across borders. More buyers can improve auction outcomes; better outcomes help win seller supply; more supply increases buyer engagement. Management's recurring buyer-liquidity framing and the ACV phrase "integrate buyers" illustrate that buyer access creates value beyond a single segment's reported revenue. It is a real network effect, but buyer geography is not a direct measure of International segment units or profit. [data_package Sec.6 rows 258-271]

The second moat layer is operational infrastructure. Salvage vehicles are bulky, irregular, time-sensitive, and administratively complex. Land, towing coverage, security, environmental controls, title expertise, inspection, imaging, storage, loading, and local compliance form a system that is difficult to reproduce quickly. A digital competitor without capacity cannot absorb catastrophe volumes or consistently process damaged inventory. A local yard without broad buyer liquidity cannot maximize seller proceeds. Copart's combination is more defensible than either element alone.

The third layer is embedded seller workflow and trust. Insurance customers care about recovery, speed, compliance, data, and service during normal periods and catastrophes. Switching a material flow can create operational risk even if auction fees are lower elsewhere. Contract duration alone is not the moat; the accumulated performance record and integration into assignments, title, and settlement processes are. The weakness is concentration: losing one large seller can leave fixed yard capacity underutilized, and International customer concentration is not disclosed.

The moat is not uniform across countries. Canada and the U.K. have longer operating histories and resemble Copart's mature model more closely. Germany, Spain, Brazil, Finland, Ireland, and Middle Eastern markets have different insurer roles, principal-versus-agent mixes, regulation, and auction traditions. Copart's 10-K cautions that technology and process deployment may not achieve the same benefits in every acquired or newer market. The segment's 17.43%-31.53% annual/quarterly margin observations reinforce that country mix and maturity matter.

The country runway is consequently a portfolio of different adoption curves rather than a single international penetration statistic. The U.K. and Canada are the most credible anchors for insurer relationships, capacity utilization and buyer density. Germany and Spain offer a broader European runway but also carry principal vehicle activity, so top-line growth can be less valuable than equivalent service growth. Brazil, Ireland, Finland, the UAE, Oman and Bahrain broaden geographic reach and may contribute network liquidity well before they become individually material profit pools. The data package identifies the U.K. and Canada as leading operations but does not provide country revenue, units, margins, insurer share, yards or capex.

The model therefore does not assign country dollar forecasts. [data_package Sec.1 rows 44-50; Sec.10 rows 351-356]

Network economics can cross borders without mapping neatly into the segment accounts. An International member bidding on a U.S. vehicle helps the U.S. auction's price discovery; an established global bidder relationship can also make Copart more attractive to a new insurer in Europe or Canada. Conversely, a new country requires local towing, land, compliance and title capability before its inventory is thick enough to reinforce buyer engagement. The asymmetry is important: digital buyer liquidity can travel quickly, but physical capacity and seller trust scale slowly. Base-case runway assumes mature markets keep compounding and newer markets gradually deepen; bull requires multiple country cohorts to reach efficient density; bear assumes local execution and capital needs prevent the global network from translating into attractive incremental margins.

Over a five- to ten-year horizon, the moat appears durable but execution-dependent. Digital tools alone are reproducible, but the installed network, buyer density, land, relationships, workflow knowledge, and transaction history compound slowly. The most credible evidence of durability would be sustained unit and assignment growth across several countries, stable or rising service mix, and margins remaining in the high twenties while capital returns stay attractive. The moat would weaken if large sellers multi-home more aggressively, buyer liquidity fragments across platforms, principal mix expands without adequate returns, or local competitors match proceeds and service without matching Copart's capital base.

The base case therefore awards a moderate moat: enough to sustain roughly 7% total segment revenue growth and a 29% terminal Operating income margin, but not enough to assume double-digit growth or U.S.-like margins automatically. The bull case requires proof that Q3 low-teens and Q4 approximately 10% assignment growth are the start of broader share gains rather than a two-quarter recovery. The bear case assumes the physical network becomes a fixed-cost burden when growth slows.

6. Historical growth rates

The table uses the three dollar-disclosed fiscal years common to International product lines. "Three-year history CAGR" means the annualized change from FY2024 to FY2026 across two compounding intervals; no fourth observation is implied. Product values are reported dollars, not back-solves. Each numerical cell cites the specific reviewed data-package row.

Product / sub-segment	FY2024 revenue	FY2025 revenue	FY2026 revenue	Three-year history CAGR	Most recent YoY	Specific source / package location
International total	$0.772B [data_package Sec.3 row 95]	$0.792B [data_package Sec.3 row 95]	$0.859B [data_package Sec.3 row 95]	5.46% [calculated from row 95 exact values]	8.45% [data_package Sec.3 row 96]	[FY2025 10-K, Note 14](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm); [FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm)
International service revenues	$0.435B [data_package Sec.4 row 200]	$0.517B [data_package Sec.4 row 200]	$0.581B [data_package Sec.4 row 200]	15.61% [calculated from row 200 exact values]	12.40% [data_package Sec.3b row 184]	[FY2025 10-K, Note 14](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm); [FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm)
International vehicle sales	$0.337B [data_package Sec.4 row 201]	$0.275B [data_package Sec.4 row 201]	$0.278B [data_package Sec.4 row 201]	-9.27% [calculated from row 201 exact values]	1.02% [data_package Sec.3b row 184]	[FY2025 10-K, Note 14](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm); [FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm)

Arithmetic checks. Using the exact source values in USD millions, International total was $772.088 x (1 + 2.560071%) = $791.854, then $791.854 x (1 + 8.451684%) = $858.779. Service was $434.900 x (1 + 18.901817%) = $517.104, then $517.104 x (1 + 12.401567%) = $581.233. Vehicle sales were $337.188 x (1 - 18.517266%) = $274.750, then $274.750 x (1 + 1.017652%) = $277.546. The table rounds the rates only after calculation; every check is exact at the source precision and therefore within the required 2% tolerance. No figure was back-solved, so no estimated-row tie-out is required. Specific filing sources are linked in the table above.

The mix change is economically important. Service grew rapidly across the period while vehicle sales contracted sharply in FY2025 and only stabilized in FY2026. International total growth was much smoother because the two lines moved differently. A forecast that extrapolated the 15.61% service CAGR while ignoring the unusual vehicle-sales decline would be too optimistic; one that extrapolated the -9.27% vehicle-sales CAGR indefinitely would also be structurally harsh. Scenario assumptions below explicitly normalize both paths.

The current operating KPI series provides a second check but cannot be converted into absolute dollars. FY2026 International total units rose 3.7%, fee units rose 4.6%, purchased units declined 2.1%, and ASP increased 7.3%. Management said International assignments increased at a low-teens pace in Q3, and the verified Q4 transcript-derived KPI remained strong at approximately 10.0%. Assignments are useful leading signals because they can precede sold units, but these different denominators are not combined mechanically, and the lack of absolute counts prevents a volume-times-price dollar bridge. [data_package §3b, Sourced fact — International; §0a, Assignment / inventory signal table, International assignments row; §6, International commentary table]

7. Management guidance and forward anchors

Management did not provide a numerical FY2027 International revenue or Operating income guide. The six live-transcript entries preserved in the refreshed data package are therefore directional anchors, not a substitute for forecast assumptions.

- **Q1 FY2026, data_package §6 International commentary table.** Jeff Liaw: **"strong super majority of insurance units sold."** Management was describing pure-sale auction mix. Interpretation: clearing vehicles without reserve friction can support cycle time and buyer engagement, but the precise share is not disclosed and is not converted into forecast dollars.

- **Q2 FY2026, data_package §6 International commentary table.** Leah Stearns: **"global assignment volume declined low single digit."** Assignments are a leading inventory and unit signal, though timing differs between assignment and sale. Interpretation: the weak first half is a reminder that FY2026's stronger exit rate is not a clean full-year run rate.

- **Q3 FY2026, data_package §6 International commentary table.** Leah Stearns: **"Internationally, the story is one of continued momentum."** Interpretation: International merits a separate growth path from the U.S. insurance slowdown, but "momentum" supplies no numerical five-year guide.

- **Q3 FY2026, data_package §6 International commentary table.** Leah Stearns: **"International assignments increased at a low teens pace."** Interpretation: the assignment pipeline supports above-normal near-term service growth; the base case nevertheless decelerates because one quarter does not prove durable low-teens expansion across every country.

- **Q4 FY2026, data_package §0a Assignment / inventory signal table.** The verified transcript-derived KPI shows **International assignments increased approximately 10.0% year over year**. This is a quantified operating anchor rather than a numerical five-year guide. Interpretation: the Q3 pipeline signal persisted into Q4 and supports the base case's 10.0% FY+1 service-growth assumption, but assignment growth cannot be equated one-for-one with revenue because of sale timing, ASP, foreign exchange and principal/agent mix.

- **Q4 FY2026, data_package §6 International commentary table.** Jayson Adair: **"integrate buyers."** The phrase describes ACV's prospective commercial logic. Interpretation: linking dealer supply with Copart's global demand may deepen liquidity, but no International revenue or synergy allocation exists, so the forecast gives it no dollar credit.

- **Q4 FY2026, data_package §6 International commentary table.** Jayson Adair: **"accretive to earnings in the first full year."** The live transcript conflicts with the formal transaction release, which says neutral to Copart EPS in the first full year and accretive in FY2028 and beyond. Interpretation: the formal release controls and ACV remains excluded from this segment model pending reconciliation and segment disclosure. [data_package §6, contrary-evidence paragraph]

[DATA GAP: management supplied no numerical FY+1 International revenue, product growth, margin, capex, country, or synergy guidance.] The absence is handled by explicit scenario assumptions rather than an invented management guide.

8. Forward growth assumptions

The forecast compounds the exact FY2026/TTM product bases for exactly five years to 2031-07-31. Service starts at $0.581233 billion and vehicle sales at $0.277546 billion. International total is always the sum of those lines. The historical CAGR columns use FY2024-FY2026, while latest YoY uses FY2025-FY2026. "Mgmt FY+1 guide" is shown as not quantified because the directional comments above do not constitute numerical guidance. [FY2026/Q4 release, International product/geography table](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm)

Base case

Product	Three-year history CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM->TTM+5y	Justification
Service revenues	15.61%	12.40%	Not quantified	8.50%	Q3 low-teens and Q4 approximately 10% assignment growth support the near-term path; growth decelerates as recovery normalizes and scale rises.
Vehicle sales	-9.27%	1.02%	Not quantified	3.50%	The line stabilizes after FY2025's contraction; principal activity grows below service because inventory risk and lower-quality gross revenue limit expansion.
International total	5.46%	8.45%	Not quantified	6.98%	Bottom-up blend only; service mix rises and produces $1.203B of terminal revenue.

Base service growth slows from 10.0% in year one to 7.0% in year five. This is not a cliff from 12.40% to a single mature rate; it is a staged normalization as the comparison base grows. International revenue acceleration plus low-teens Q3 and approximately 10% Q4 assignment growth support the first two years, while the structural case relies on total-loss frequency, buyer liquidity, and seller adoption. The rate remains below the three-year service CAGR because that history includes a strong mix shift and recovery. Vehicle sales grow 3.0%-4.0% per year, reflecting modest volume/value normalization without crediting a strategic push toward lower-margin principal revenue.

Bull case

Product	Three-year history CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM->TTM+5y	Justification
Service revenues	15.61%	12.40%	Not quantified	10.99%	Roughly 10%-plus Q3/Q4 assignment growth persists across major countries, with seller wins and liquidity sustaining near-double-digit exit growth.
Vehicle sales	-9.27%	1.02%	Not quantified	6.00%	Better non-insurance sourcing and resale execution lift principal volumes while purchase discipline prevents gross-revenue growth from destroying economics.
International total	5.46%	8.45%	Not quantified	9.48%	Bottom-up blend only; sustained share gains create $1.350B of terminal revenue.

The bull case requires more than good industry conditions. Service growth begins at 13.0%, close to the current 12.40% dollar growth, and decelerates gradually to 9.0%. That trajectory demands recurring insurer wins, deeper penetration of newer countries, continued cross-border buyer demand, and capacity that can absorb volumes without impairing cycle time. Vehicle sales accelerate from 5.0% to 7.0%, which assumes disciplined sourcing and demand rather than mere inflation in gross selling values. ACV upside remains excluded, so the bull case is International organic execution, not transaction synergy.

Bear case

Product	Three-year history CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM->TTM+5y	Justification
Service revenues	15.61%	12.40%	Not quantified	3.99%	Q3/Q4 acceleration fades as seller wins reverse, currency weakens buyer economics, and fixed capacity outpaces assignments.

Product	Three-year history CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM->TTM+5y	Justification
Vehicle sales	-9.27%	1.02%	Not quantified	-1.01%	Principal inventory remains volatile; weaker resale values and conservative purchasing keep terminal revenue below TTM.
International total	5.46%	8.45%	Not quantified	2.48%	Bottom-up blend only; low growth produces $0.971B of terminal revenue.

The bear case does not assume collapse. Service still grows because Copart retains meaningful infrastructure and buyer liquidity, but the annual rate declines from 6.0% to 2.0%. Vehicle sales decline for three years, stabilize, and recover only 1.0% in year five. This path is consistent with a business whose marketplace remains viable while country mix, competition, lost sellers, weak used-car economics, or currency limit throughput. It also recognizes that FY2025 already demonstrated a sharp decline in vehicle-sales revenue.

Explicit annual growth cadence

Case	Product	FY+1	FY+2	FY+3	FY+4	FY+5	Geometric five-year CAGR
Bear	Service revenues	6.0%	5.0%	4.0%	3.0%	2.0%	3.99%
Bear	Vehicle sales	-3.0%	-2.0%	-1.0%	0.0%	1.0%	-1.01%
Base	Service revenues	10.0%	9.0%	8.5%	8.0%	7.0%	8.50%
Base	Vehicle sales	3.0%	3.0%	3.5%	4.0%	4.0%	3.50%
Bull	Service revenues	13.0%	12.0%	11.0%	10.0%	9.0%	10.99%
Bull	Vehicle sales	5.0%	5.5%	6.0%	6.5%	7.0%	6.00%

This cadence makes the deceleration test visible. Base service growth falls by about 2.4 percentage points from the latest disclosed FY growth to year one, then steps down gradually. Bull service growth does not decelerate in year one; it assumes that the second-half unit acceleration broadens. Bear service growth falls sharply because it assumes the Q3/Q4 evidence proves temporary. No case mechanically applies the latest quarterly unit rate to revenue.

FY2026's 8.45% total revenue growth is a useful anchor, not the base-case CAGR by fiat. The reported rate combined 12.40% service growth with only 1.02% vehicle-sales growth and benefited from a 7.3% increase in International ASP. Base total growth starts near that result but fades as pricing normalizes and the dollar base increases, producing a 6.98% five-year CAGR. Bull sustains a 9.48% total CAGR only if seller wins and country penetration replace the inevitable normalization in price. Bear reaches 2.48% because volume and fee momentum slow while FX and capital needs impede network conversion. [data_package Sec.3 row 96; Sec.3b row 184]

Scenario condition	Bear	Base	Bull
Country and network runway	Mature markets slow; newer markets remain subscale	U.K./Canada compound; Germany and newer markets deepen gradually	Several country cohorts win sellers and reach efficient buyer density
FX and cross-border buyers	Strong USD and weaker buyer purchasing power	Mixed translation; stable buyer economics	Supportive currencies deepen bidder participation and realization
Capital and facility intensity	Capacity arrives ahead of units; weak absorption	Reinvestment continues; throughput gradually absorbs it	Existing capacity carries strong volume before next build cycle
Product mix	Service still grows but principal volatility weighs	Service rises from 67.7% toward roughly 72.6% of revenue	Service reaches roughly 72.5% with disciplined principal growth
ACV	No International allocation modeled	No International allocation modeled	No International allocation modeled

The service-share outcomes are consequences of the explicit product paths, not independent assumptions: approximately 72.8% in bear, 72.6% in base and 72.5% in bull at FY+5. Similar terminal shares across cases reflect the fact that service outgrows vehicle sales in all three; scenario dispersion comes mainly from the growth and margin realized on that mix. This guards against using an invented product-margin differential to manufacture Operating income.

9. Forward Operating income margin assumptions

The exact metric is **issuer-disclosed Operating income**. No corporate, unallocated, interest, tax, NCI, or ACV adjustment is included here. The sealed bridge has no corporate/unallocated or operating bridge lines; the two segment Operating income amounts sum directly to statutory Operating income. [data_package Sec.3a rows 104-151]

Case	TTM Operating income margin	TTM+5 Operating income margin	Change	Specific mechanism
Bear	27.20%	23.00%	-420 bps	Low throughput leaves facility costs underabsorbed; principal mix, wages, towing, currency, and competitive pricing pressure the segment.
Base	27.20%	29.00%	+180 bps	Service mix rises, existing yards absorb volume, and digital/title cycle-time improvements partly offset labor and facility inflation.
Bull	27.20%	32.00%	+480 bps	Sustained insurance and assignment growth drives fixed-cost leverage, service mix improves, and buyer liquidity supports fee realization.

FY2026 gives an exact starting identity: **35.15% gross margin less 7.96% G&A intensity equals 27.20% Operating income margin**, subject to rounding. The roughly 120-basis-point gross-margin expansion was almost exactly offset by roughly 126 basis points of higher G&A intensity. The scenario decomposition below is an analyst diagnostic that makes the terminal Operating income assumptions falsifiable; only Operating income is the sealed profit metric. It does not assert that Copart guides to or separately reports these terminal gross-margin or G&A percentages. [data_package Sec.3b, segment cause bridge rows 173-184]

Case	FY2026 gross margin	FY+5 gross-margin diagnostic	FY2026 G&A / revenue	FY+5 G&A / revenue diagnostic	FY+5 Operating income margin
Bear	35.15%	33.00%	7.96%	10.00%	23.00%
Base	35.15%	35.80%	7.96%	6.80%	29.00%
Bull	35.15%	37.50%	7.96%	5.50%	32.00%

In bear, weaker service realization and adverse country/principal mix surrender about 215 basis points of gross margin while underabsorbed regional overhead lifts G&A intensity about 204 basis points. In base, service mix and normal fee realization add only about 65 basis points of gross margin, while G&A intensity recedes about 116 basis points as the FY2026 overhead step is spread across a larger revenue base; the combined effect is the modeled 180-basis-point Operating income expansion after rounding. In bull, strong volumes through existing infrastructure and fee mix lift gross margin about 235 basis points, while G&A intensity falls about 246 basis points. The bull therefore requires both good marketplace economics and disciplined overhead, not merely faster revenue.

The base-case absorption hurdle is demanding but observable. From the FY2026 $68.318 million G&A base, a 6.80% terminal ratio on $1.203 billion of revenue implies approximately $81.8 million of terminal G&A-only about 3.7% annual growth. G&A may still rise in dollars, but materially slower than the 6.98% revenue CAGR. Bull's 5.50% ratio on $1.350 billion implies about $74.3 million, just 1.7% annual G&A growth; this is why 32% is genuinely a bull outcome. Bear's 10.00% ratio on $0.971 billion implies about $97.1 million, roughly 7.3% annual growth despite weak revenue. These are mechanical diagnostics, not issuer guidance, and they highlight the cost-control proof the market must see.

Product-level margins are not disclosed. Assigning invented service and vehicle-sales margins would create false precision, so the model applies one segment Operating income margin to the verified product-revenue rollup. **[DATA GAP: service-revenue and vehicle-sales Operating income or gross-margin splits are not separately disclosed.]** The margin path is therefore an explicit segment assumption informed by mix, not a purported issuer product disclosure. The TTM segment margin and profit basis come from the [FY2026/Q4 release, reportable-segment table](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm).

Case	TTM	FY+1	FY+2	FY+3	FY+4	FY+5
Bear Operating income margin	27.20%	27.20%	26.00%	25.00%	24.00%	23.00%
Base Operating income margin	27.20%	27.40%	27.90%	28.40%	28.70%	29.00%
Bull Operating income margin	27.20%	28.00%	29.00%	30.00%	31.00%	32.00%

The bear path holds margin in year one because current revenue momentum temporarily offsets cost pressure, then compresses as growth fades. The base path gains only 20 basis points in year one and 180 basis points cumulatively, avoiding an abrupt extrapolation of Q3's 31.53%. The bull path reaches but does not exceed 32%, slightly above Q3's quarterly peak and still below the U.S. annual margin. The required mechanism is sustained utilization and service mix-not a generic "scale" label.

10. Segment rollup

All revenue figures below are USD billions. The year-one through year-five values are mechanically generated from the annual growth cadence in Section 8 using the exact $0.581233 billion service and $0.277546 billion vehicle-sales bases from the [FY2026/Q4 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm). Product rows sum to the segment total exactly before display rounding. Displayed rows can differ from the displayed total by $0.001 billion because each cell is rounded independently; this is presentation rounding, not a model residual. Displayed TTM product values sum to $0.859 billion, while the exact bases sum to the exact $0.858779 billion reported segment total.

Case	Product	TTM	FY+1	FY+2	FY+3	FY+4	FY+5
Bear	Service revenues	0.581	0.616	0.647	0.673	0.693	0.707
Bear	Vehicle sales	0.278	0.269	0.264	0.261	0.261	0.264
Bear	International total	0.859	0.885	0.911	0.934	0.954	0.971
Base	Service revenues	0.581	0.639	0.697	0.756	0.817	0.874
Base	Vehicle sales	0.278	0.286	0.294	0.305	0.317	0.330
Base	International total	0.859	0.925	0.991	1.061	1.134	1.203
Bull	Service revenues	0.581	0.657	0.736	0.817	0.898	0.979
Bull	Vehicle sales	0.278	0.291	0.307	0.326	0.347	0.371
Bull	International total	0.859	0.948	1.043	1.142	1.245	1.350

The corresponding Operating income rollup uses the exact margin path in Section 9. There are no corporate adjustments inside this table.

Case	Year	Revenue ($B)	Operating income margin	Operating income ($B)	Product-sum residual
Bear	FY+1	0.885	27.20%	0.241	0.000
Bear	FY+2	0.911	26.00%	0.237	0.000
Bear	FY+3	0.934	25.00%	0.233	0.000
Bear	FY+4	0.954	24.00%	0.229	0.000
Bear	FY+5	0.971	23.00%	0.223	0.000
Base	FY+1	0.925	27.40%	0.254	0.000
Base	FY+2	0.991	27.90%	0.277	0.000
Base	FY+3	1.061	28.40%	0.301	0.000
Base	FY+4	1.134	28.70%	0.325	0.000
Base	FY+5	1.203	29.00%	0.349	0.000
Bull	FY+1	0.948	28.00%	0.266	0.000
Bull	FY+2	1.043	29.00%	0.302	0.000
Bull	FY+3	1.142	30.00%	0.343	0.000
Bull	FY+4	1.245	31.00%	0.386	0.000
Bull	FY+5	1.350	32.00%	0.432	0.000

Using exact source bases and unrounded calculations, terminal values are $0.970641 billion revenue and $0.223247 billion Operating income in bear; $1.203411 billion and $0.348989 billion in base; and $1.350392 billion and $0.432125 billion in bull. Every rollup reconciles exactly before display rounding. The implied total revenue CAGRs are 2.48%, 6.98%, and 9.48%, respectively.

The base case grows Operating income at roughly 8.36% annually from $233.550 million to $348.989 million, faster than revenue because margin expands 180 basis points. The bull case grows Operating income about 13.10% annually, requiring both 9.48% revenue growth and 480 basis points of margin expansion. The bear case ends below current Operating income despite positive revenue growth because 420 basis points of compression more than offsets the larger revenue base. This is

the key asymmetry: International's fixed infrastructure can compound profit when utilization improves, but it can also turn slow growth into declining profit.

11. Key risks and wildcards

- **Seller concentration and contract loss - bear.** Exact customer concentration is not disclosed. A large insurer can move assignments, leaving yard and labor costs underabsorbed. The U.S. experience with one lost customer demonstrates the general mechanism even though International exposure is not quantified.

- **Country and taxonomy mix - bear/base.** The U.K., Germany, Canada, Brazil, Europe, and Middle East have different principal/agent models, regulation, insurer behavior, and maturity. Faster growth in a lower-margin principal country can dilute segment margin even when revenue exceeds plan.

- **Foreign exchange and cross-border demand - bear/bull.** Currency affects translation and the economics of international bidding. A favorable rate can deepen buyer participation and auction proceeds; an unfavorable move can shrink buyer purchasing power, especially after transport and import costs.

- **Vehicle-price, scrap, and parts cycles - all cases.** Used-car values, repair costs, parts demand, commodity prices, and damage severity influence total-loss frequency, salvage values, and bidder economics. These variables can move revenue per unit and units in opposite directions.

- **Capacity and land productivity - bear/base.** New yards can protect service quality and catastrophe readiness but require capital before revenue. Without segment capex or yard utilization, investors cannot verify that incremental growth earns Copart-like returns.

- **Operating-cost inflation - bear.** Wage, towing, fuel, rent, property tax, insurance, security, and vehicle-cost inflation can pressure margins. Principal inventory adds theft, damage, obsolescence, and working-capital risk.

- **Technology execution and cyber/regulatory risk - bear/base.** Copart must adapt title, payment, bidder, privacy, and auction systems across jurisdictions. Technology can improve cycle time and conversion, but a failed rollout, outage, fraud event, or privacy issue can impair trust.

- **Competition and insurer-direct channels - bear.** IAA/RB Global, OPENLANE, local auctioneers, dismantlers, and insurer-direct relationships can compete for supply and buyers. A rival need not duplicate Copart globally if it wins a major seller in one country.

- **ACV integration - bull/bear wildcard.** ACV could broaden dealer inventory and buyer liquidity, including international resale. It could also distract leadership, create disclosure noise, and import different margins. No International synergy is modeled; any later allocation must be evidence-based and counted once in consolidated synthesis.

- **Leadership transition - base/bear.** Founder A. Jayson Adair has returned as CEO, and former U.K. chief Jane Pocock became President. International operating experience at the top can help execution, but the transition coincides with a large acquisition and must be judged on seller retention, product cadence, capital discipline, and margin-not biography.

- **Disclosure opacity - all cases.** No country revenue, unit base, customer concentration, product profit, or segment capex is available. The model can be audited at product-revenue and segment Operating income level, but leading indicators remain growth rates rather than complete operational bridges.

- **Margin mean reversion - bear/base.** FY2025-FY2026 margins near 27.2% are well above FY2023-FY2024. If the step-up reflected temporary mix, favorable pricing, or delayed investment, the bear's 23% endpoint becomes plausible. If instead it reflects durable scale, the bull's 32% endpoint becomes attainable.

International segment summary

Case	Segment TTM+5 Revenue	Exact profit metric	Segment TTM+5 Profit Margin	Segment TTM+5 Profit	Probability
Bear	$0.971B	Operating income	23.00%	$0.223B	25%
Base	$1.203B	Operating income	29.00%	$0.349B	55%
Bull	$1.350B	Operating income	32.00%	$0.432B	20%

The base case is deliberately below recent service growth and does not include ACV. It treats International as a durable but heterogeneous network whose upside comes from service mix, seller wins, and fixed-cost absorption, while its downside comes from country mix, principal inventory, capacity, and contract concentration. The September 10 results strengthen the evidence for International momentum—especially 11.70% Q4 revenue growth alongside approximately 10.0% Q4 assignment growth after a low-teens Q3 assignment increase—but do not resolve margin volatility, capital-allocation opacity or disclosure gaps sufficiently to eliminate the bear case.

Appendix S - Synthesis (Combined Earnings Model)

Copart — Synthesis (Combined Earnings Model)

Production refresh: CIO-20260917-CPRT-RETENTION-UPDATE; pulse-cio-20260922T085742+0800. This is security underwriting for an existing position, not a trade instruction. FY+5 means TTM ended 2026-07-31 plus exactly five calendar years to 2031-07-31. All dollar values are USD unless stated, billion in operating tables and million for diluted shares. Scenario assumptions are analyst forecasts, not company guidance. The acquired ACV overlay remains conditional on the tender, antitrust clearance, close and accounting outcome. The standalone organic segment projection never silently absorbs ACV.

1. Anchors and evidence seal

- Today: 2026-09-22 SGT. FY end: July 31. TTM quarters: Q1, Q2, Q3 and Q4 FY2026, four non-overlapping quarters ending 2026-07-31. Latest completed FY: FY2026. Horizon: 2031-07-31, exactly 5.0 calendar years from the TTM end. The September 21 close is the valuation price date, not an extra forecast year.

- QFR packet: XNAS:CPRT common share, raw exchange close USD 28.91 on 2026-09-21, valid to 2026-09-23T04:00:00+08:00. Raw quote SHA-256 `14d2edadb72f7b5044f50524023d12c3b1cdeb0f29e95896f5955cbb25f1c3ad`; packet SHA-256 `ff4e2304ee50557f4bd3e9eac63ce34be652cda4359236897232f4ec5e707c87`. USD reporting and USD quote imply dated 2026-09-21 identity FX 1.000000. FY2026 diluted weighted-average financial denominator 956.860M shares times post-July split factor 1 = 956.860M quote-basis financial shares. Depositary factor 1 times class factor 1 makes one financial share per listed common unit and 956.860M listed-unit equivalents. The official FY2026 release supports the denominator; no intervening split was identified in the sealed FMP split evidence.

- Historical statutory packet SHA-256 `be037c7d202df3a722ceafee15fc15659936c71e31f60703e8e875b366402ad0`; exact common segment profit label **Operating income**. Both FY2026 and TTM sealed bridges validate. The current DR review independently carries `STATUTORY BRIDGE VERIFIED — CLEARED FOR FORECASTING` and `DATA PACKAGE VERIFIED — CLEARED FOR WAVE 2`; the September 15 gate manifest is an archival report manifest and the root will issue a current-run seal. Current `data_package.md` SHA-256 `3ee3e0069bc113553128b037fadbc39df182cf8c7af4f069162c0ba9841a7c0b` is a quote-metadata rebind of the reviewed economic package. No historical financial number changed. This stage used the reviewed package, statutory packet, and reviewed segment appendices for mechanical consolidation; it did not reclassify filings.

2. Segment-level forward assumptions

Issuer segment	Profit metric	TTM revenue B	Bear FY+5 B	Base FY+5 B	Bull FY+5 B	Bear margin	Base margin	Bull margin
United States	Operating income	3.807	3.999	4.686	5.322	34.00%	38.20%	41.00%
International	Operating income	0.859	0.971	1.203	1.350	23.00%	29.00%	32.00%

United States values reproduce `appendix_B_us.md` §§8–10 (SHA-256 `a2274ee10f0b92fbcfe2d5d3769e66265b168ae8fbc360a9cf27a5d2f2785b9e`). International values reproduce `appendix_B_international.md` §§8–10 (SHA-256 `48b8c35a5475c73c8f3a6fb22fab7d5e14122f8c9d71766efd34cf405f2568b6`). The displayed segment total is calculated from each product path at full precision, then rounded. The U.S. appendix §10a has an additional conditional ACV overlay; it is shown in a distinct acquired row below and never relabeled historical issuer segment revenue. Its June 30, 2026 standalone anchor is one month earlier than Copart's July 31 anchor, a disclosed approximation. No fabricated July stub is included.

Conditional acquired perimeter	TTM standalone B (June 2026)	Bear FY+5 B	Base FY+5 B	Bull FY+5 B	Bear margin	Base margin	Bull margin
ACV after assumed close	0.801	0.864	1.256	1.529	2.00%	13.00%	20.00%

ACV's September 17 [Schedule TO-T](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dsctot.htm), [Offer to Purchase](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dex99a1i.htm) and [14D-9](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393862/d136775dsc14d9.htm) are post-package-cutoff evidence. Archived raw bytes reside in `raw/pulse-cio-20260922T085742+0800/dr/`. The initially scheduled tender expiry is September 30, 2026, subject to extension and conditions. The 14D-9 standalone projection of 2030 revenue $1.525B and adjusted EBIT after SBC $244M is a management forecast by ACV, not Copart synergies or statutory operating income; our 2030 base ACV revenue $1.141B and standalone-style OI $114M are lower before incremental Copart deal charges. No uplift is inserted merely to force management's first-full-year EPS neutrality claim.

3. Combined revenue build

Line	Bear	Base	Bull
Sum of organic issuer segments B	4.970	5.889	6.672
Conditional acquired ACV B	0.864	1.256	1.529
Corporate eliminations B	0.000	0.000	0.000
Combined conditional FY+5 revenue B	5.835	7.145	8.201
Organic TTM-to-FY+5 CAGR	1.27%	4.77%	7.41%
Conditional pro forma vs organic TTM implied CAGR	4.57%	8.89%	11.94%

The last CAGR is an analytical size bridge, not like-for-like organic growth: the numerator contains acquired ACV and the TTM denominator excludes it. The first CAGR is comparable to the sealed Copart TTM. The zero corporate-elimination row reproduces the absence of eliminations in the upstream revenue reconciliation; the conditional ACV addition is an explicitly separate transaction perimeter, not a plug. Transaction closing uncertainty cannot be transformed into a historical organic denominator.

4. Combined operating income

Line	Bear	Base	Bull
U.S. organic Operating income B	1.360	1.790	2.182
International Operating income B	0.223	0.349	0.432
Sum issuer segment profit on sealed metric B	1.583	2.139	2.614
Corporate or unallocated adjustments B	0.000	0.000	0.000
Organic statutory Operating income B	1.583	2.139	2.614
Conditional ACV standalone-style Operating income B	0.017	0.163	0.306
Incremental purchase-accounting amortization B	-0.055	-0.035	-0.020
Integration and deal expense B	-0.010	-0.005	0.000
Incremental converted-award expense B	-0.010	-0.005	0.000
Operating bridge adjustments B	0.000	0.000	0.000
Conditional combined statutory Operating income B	1.525	2.257	2.900
Conditional OI margin	26.14%	31.59%	35.36%

The sealed historical corporate/unallocated and operating-adjustment arrays are empty; their organic forecast rows remain zero. ACV is a new conditional consolidation perimeter. The reviewed U.S. appendix §10a gives standalone-style GAAP Operating income before Copart deal-specific charges. We deduct purchase-accounting amortization, integration/deal expense and **incremental** converted-award fair-value or retention expense in three separately modeled rows; the standalone margin already embeds ACV ordinary depreciation, amortization and ordinary SBC, so none is charged twice. The charges are constrained analyst stresses, not a discovered purchase-price allocation. No unsourced merger synergy uplift is added.

Because actual acquired assets, fair values, useful lives and award replacement treatment remain undisclosed, the final statutory result is conditional rather than issuer guidance. Any future reportable-segment allocation moves these rows intact without altering organic U.S. or International forecasts.

Fiscal year	Bear revenue B	Bear charge B	Bear OI B	Base revenue B	Base charge B	Base OI B	Bull revenue B	Bull charge B	Bull OI B
2027	4.608	0.000	1.507	5.466	0.081	1.573	5.668	0.047	1.708
2028	5.070	0.117	1.328	5.987	0.067	1.728	6.335	0.035	2.011
2029	5.499	0.110	1.363	6.353	0.055	1.904	6.934	0.028	2.323
2030	5.664	0.090	1.430	6.742	0.048	2.089	7.572	0.022	2.622
2031	5.835	0.075	1.525	7.145	0.045	2.257	8.201	0.020	2.900

The charge bound is linked to disclosed scale. The $1.9B announced cash equity price supplies a transaction-size anchor, but no accounting allocation has been filed and acquired liabilities could change the allocation base. As an analyst stress, 10–20% of that equity price assigned to amortizing acquired intangibles over about 7–10 years implies roughly $19M–$54M annual amortization; rounded scenario expenses are $20M bull, $35M base and $55M bear in full owned years, prorated by close fraction in a partial year. This **does not assert** that 10–20% is the final accounting allocation or that those lives are issuer guidance. ACV TTM revenue $801.339M anchors a $0–$60M annual integration/deal-expense stress at about 0–7.5% of sales, front-loaded after close. ACV TTM SBC $53.106M anchors the extra converted-award fair-value/retention stress at $0–$25M annually, about 0–47% of existing SBC. ACV's [14D-9](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393862/d136775dsc14d9.htm) defines projected adjusted EBIT as EBITDA **after** ordinary SBC and depreciation/amortization and excludes certain acquisition or restructuring items from its adjusted EBITDA. It is the source for the accounting distinction, not a dollar forecast for the Copart transaction. The source values also appear in `data_package.md` §8; DR raw tender and 14D-9 copies provide provenance. If post-close PPA or integration evidence falls outside these bounds, rerun S before relying on EPS.

Scenario charge B	FY2027	FY2028	FY2029	FY2030	FY2031
Bear	0.000	0.117	0.110	0.090	0.075
Base	0.081	0.067	0.055	0.048	0.045
Bull	0.047	0.035	0.028	0.022	0.020

FY2027 bears no ACV consolidation or deal charges in the bear case, 9/12 acquired revenue and PPA amortization in base after assumed November 2026 close, and 10/12 in bull after assumed October 2026 close. Bear assumes January 2028 closing and 7/12 FY2028 contribution. Base FY2027 standalone-style acquired OI is about negative $19.5M before a further $81.25M incremental purchase/integration/award charge; this produces roughly negative $100.7M attributable acquired operating effect. The charge changes FY2027 statutory EPS materially even though it tapers. Scenario close dates are illustrative, not announced dates. Failure to close removes all acquired rows and all deal charges and restores purchase liquidity and its interest yield.

5. Below-line, net income and listed-unit EPS

Line	Bear	Base	Bull
Conditional statutory Operating income B	1.525	2.257	2.900
Net interest income B	0.080	0.110	0.140
Other income or expense B	-0.010	0.000	0.005
Pretax income B	1.595	2.367	3.045
Effective tax rate	23.00%	21.00%	19.00%
Income tax expense B	-0.367	-0.497	-0.579
Loss attributable to NCI added to parent NI B	0.000	0.004	0.006
Net income attributable to Copart B	1.228	1.874	2.472
Modeled terminal quote-basis diluted financial shares M	913.960	898.287	887.020
USD EPS per quote-basis financial share	1.3441	2.0862	2.7871

Line	Bear	Base	Bull
Financial shares per listed common unit	1.000000	1.000000	1.000000
FX USD quote per USD report	1.000000	1.000000	1.000000
USD EPS per listed common unit	1.3441	2.0862	2.7871

Every case uses `parent NI B × 1000 / terminal FY2031 diluted weighted-average financial shares M × 1 common share per listed unit × 1 USD/USD = USD diluted EPS per listed common unit`. The modeled annual weighted average is different from the July 31 ending common stock, as Section 6 shows. Parent NI includes all three incremental transaction-charge rows from Section 4, below-line interest opportunity cost once, tax and NCI attribution. The NCI line preserves the packet's sign: FY2026 $3.873M loss attributable to outside holders increases income attributable to Copart. The bear assumes zero, base $4M and bull $6M loss attribution; these are small, explicitly separate extrapolations. If NCI changes economics materially or acquired ACV creates a new ownership claim, the model must be rebuilt from disclosure. Tax uses 23%, 21%, 19%, compared with FY2026 reported 19.32%; the higher base allows normalization after an unusually low year. The modest other-income path, negative $10M / zero / positive $5M, is not concealed in interest.

The FY2026 $181.923M net interest anchor came from $4.490B cash plus HTM securities at year-end, near 3.9% observed average yield. Upon an assumed $1.9B cash purchase, simple annual foregone pretax interest is about $75M. Annual paths are Bear $180M/$125M/$100M/$90M/$80M, Base $135M/$100M/$100M/$105M/$110M and Bull $125M/$115M/$120M/$130M/$140M for FY2027–2031. Bear preserves pre-close interest in FY2027; Base/Bull reduce it upon the earlier assumed purchase. Later differences reflect scenario retained cash/rates while buybacks consume capital and operating FCF replenishes it. These are scenario estimates, not a complete cash roll-forward. They embed foregone purchase interest once and do not charge it again to ACV Operating income. Complete ending cash amounts are unavailable, so EV/NOPAT cannot control. The $75M cost is opportunity cost, not funded debt. A no-close sensitivity restores roughly $75M pretax interest, removes acquired OI and all deal charges, and retains no unearned synergy.

Case	FY ending	Statutory OI B	Net interest B	Other B	Pretax B	Tax rate	Parent NCI addition B	Parent NI B	Diluted weighted avg M	USD EPS
Bear	2027	1.507	0.180	-0.010	1.677	23.00%	0.000	1.291	929.453	1.3890
Bear	2028	1.328	0.125	-0.010	1.443	23.00%	0.000	1.111	927.580	1.1977
Bear	2029	1.363	0.100	-0.010	1.453	23.00%	0.000	1.119	924.707	1.2103
Bear	2030	1.430	0.090	-0.010	1.510	23.00%	0.000	1.163	919.333	1.2646
Bear	2031	1.525	0.080	-0.010	1.595	23.00%	0.000	1.228	913.960	1.3441
Base	2027	1.573	0.135	0.000	1.708	21.00%	0.004	1.354	930.295	1.4550
Base	2028	1.728	0.100	0.000	1.828	21.00%	0.004	1.448	922.856	1.5689
Base	2029	1.904	0.100	0.000	2.004	21.00%	0.004	1.587	914.666	1.7353
Base	2030	2.089	0.105	0.000	2.194	21.00%	0.004	1.737	906.477	1.9166
Base	2031	2.257	0.110	0.000	2.367	21.00%	0.004	1.874	898.287	2.0862
Bull	2027	1.708	0.125	0.005	1.838	19.00%	0.006	1.495	927.849	1.6114
Bull	2028	2.011	0.115	0.005	2.131	19.00%	0.006	1.732	917.767	1.8875
Bull	2029	2.323	0.120	0.005	2.448	19.00%	0.006	1.989	907.518	2.1915
Bull	2030	2.622	0.130	0.005	2.757	19.00%	0.006	2.239	897.269	2.4954
Bull	2031	2.900	0.140	0.005	3.045	19.00%	0.006	2.472	887.020	2.7871

The annual table is the complete five-year income and per-share cadence. For every row, pretax = statutory OI + net interest + other; parent NI = pretax × (1 – scenario tax rate) + disclosed-sign NCI extrapolation; diluted EPS = NI × 1000 / that fiscal year's diluted weighted average. Year-one Base and Bull earnings now reflect partial-year ACV acquisition, corresponding purchase amortization, initial integration expense, incremental converted-award expense, cash interest displacement and timed award dilution. The terminal row is the only row used for the P/E-15 gate and subsequent security-return preflight.

5a. Return-method input inventory and capital structure

Line	Bear	Base	Bull
Conditional statutory Operating income B	1.525	2.257	2.900

Line	Bear	Base	Bull
Normalized cash tax diagnostic	23.00%	21.00%	19.00%
Conditional normalized NOPAT B	1.175	1.783	2.349
Terminal cash and HTM securities	Unavailable	Unavailable	Unavailable
Terminal gross funded debt	Unavailable	Unavailable	Unavailable
Terminal lease liability	Unavailable	Unavailable	Unavailable
Terminal preferred equity	Unavailable	Unavailable	Unavailable
Terminal NCI and other senior claims	Unavailable	Unavailable	Unavailable
Separately valued non-operating assets	Unavailable	Unavailable	Unavailable
Terminal diluted listed-equivalent units M	913.960	898.287	887.020

The FY2026 starting asset/claim snapshot is $1.908B cash and restricted cash, $2.582B HTM securities, zero funded debt and $0.088B lease liabilities; no preferred claim is disclosed in the package. The acquired common equity costs approximately $1.9B cash if the tender closes. ACV's June 2026 approximately $37M net cash is not automatically credited without deal-close cash/debt and purchase-accounting terms. No supportable five-year cash, lease, debt, NCI and acquisition settlement roll-forward exists. Therefore these terminal bridge fields are **Unavailable** and EV/NOPAT cannot control. The reconciled statutory diluted EPS permits a P/E return method subject to a subsequent, independently cleared valuation preflight. Under P/E, do not add cash again after `terminal EPS × exit P/E`; interest and purchase cash opportunity cost already flow through EPS. This appendix selects no exit multiple or security return.

6. Diluted share path and capital deployment

Case	FY ending	Opening common M	Shares retired M	Copart SBC issuance M	ACV potential-share stress M	Ending common M	Dilutive overhang proxy M	Weighted ACV awards M	FY diluted weighted avg M
Bear	2027	925.811	6.667	1.293	0.000	920.438	6.329	0.000	929.453
Bear	2028	920.438	6.667	1.293	6.000	915.065	6.329	3.500	927.580
Bear	2029	915.065	6.667	1.293	6.000	909.691	6.329	6.000	924.707
Bear	2030	909.691	6.667	1.293	6.000	904.318	6.329	6.000	919.333
Bear	2031	904.318	6.667	1.293	6.000	898.945	6.329	6.000	913.960
Base	2027	925.811	9.211	1.021	3.000	917.622	6.329	2.250	930.295
Base	2028	917.622	9.211	1.021	3.000	909.433	6.329	3.000	922.856
Base	2029	909.433	9.211	1.021	3.000	901.243	6.329	3.000	914.666
Base	2030	901.243	9.211	1.021	3.000	893.054	6.329	3.000	906.477
Base	2031	893.054	9.211	1.021	3.000	884.864	6.329	3.000	898.287
Bull	2027	925.811	11.111	0.862	1.000	915.563	6.329	0.833	927.849
Bull	2028	915.563	11.111	0.862	1.000	905.314	6.329	1.000	917.767
Bull	2029	905.314	11.111	0.862	1.000	895.065	6.329	1.000	907.518
Bull	2030	895.065	11.111	0.862	1.000	884.816	6.329	1.000	897.269
Bull	2031	884.816	11.111	0.862	1.000	874.567	6.329	1.000	887.020

The QFR packet's 956.860M is **FY2026 historical diluted weighted-average** shares for reported current EPS and is not opening point stock. The latest sourced dated common stock is **925.811482M on May 27, 2026**, from the Q3 10-Q cover (package §7 and quote-packet unit bridge). We carry it as a transparent proxy for FY2027 opening common stock because no exact July 31 stock is available in the reviewed package; June–July repurchases/issuance therefore remain an unmeasured opening-gap risk. FY2026 Q4 diluted weighted-average shares were 932.140M. The numerical difference **6.329M** between that average and the May spot is a mixed timing/dilution **proxy**, not an observed award balance, because the dates and averaging bases differ. We hold it constant across projected years until grant/exercise data permit a proper instrument-level treasury-stock method. This is less precise than audited option schedules, but it keeps spot stock, historical annual EPS denominator and future annual diluted averages distinct.

For each projected fiscal year: `ending common = opening common − buyback shares + Copart SBC-equivalent issuance`; `diluted weighted average = opening common + 0.5 × (SBC issuance −`

`buyback retirement) + ACV potential-share stress × owned-year fraction + 6.328518M overhang proxy`. The 0.5 factor assumes uniform corporate buybacks/issuance during the year; ACV award timing uses the same 9/12, 10/12 or 7/12 ownership fraction as acquired revenue. Converted unvested awards are **potential diluted shares**, not immediately issued basic common stock. We carry the stress as potential dilution each post-close year; actual vesting could migrate a share from potential dilution to issued common and must never count it twice. Cash-settled awards would instead be removed from the share stress and charged to cash/earnings as applicable. FY2031 EPS divides NI by that **FY2031 weighted average**, not July 31 ending stock. Consecutive years carry ending basic common into the next opening row with zero residual. The May 27 opening proxy and Q4 overhang should be refreshed when the FY2026 10-K or an exact July stock date becomes available.

Annual corporate buyback paths $200M/$350M/$500M at assumed execution prices $30/$38/$45 retire 6.667M/9.211M/11.111M common shares per year, below the extraordinary FY2026 $1.633B spending. Their five-year cash totals $1.0B/$1.75B/$2.5B are analyst capital-allocation sensitivities, not announced commitments. The $38.8M FY2026 Copart SBC expense divided by those assumed stock prices yields 1.293M/1.021M/0.862M annual common issuance equivalents; the assumption approximates net issuance and does not duplicate the FY2026 historical EPS denominator. Cash spent on repurchases is reflected in the net-interest path; no separately valued treasury stock is added to P/E equity value. To expose timing, the following table shows both ending common and EPS-denominator shares in every case.

FY2031 denominator bridge M	Bear	Base	Bull
FY2031 opening common	904.318	893.054	884.816
Half-year net corporate share flow	-2.687	-4.095	-5.124
Dilutive overhang proxy	6.329	6.329	6.329
FY2031 diluted weighted average	913.960	898.287	887.020
FY2031 ending common stock	898.945	884.864	874.567

ACV has 10.359M RSU-underlying, 2.365M target PSU-underlying and 1.126M option-underlying **ACV** shares as of September 8 in the merger materials, but conversion, vesting, performance and possible cash settlement prevent a reliable Copart denominator. We apply positive analyst diluted-equivalent stresses of 6M bear from January 2028 close, 3M base from November 2026 close and 1M bull from October 2026 close. These enter the fiscal diluted weighted average for the owned fraction and each later full year, not issued common stock; separate incremental award expenses enter Operating income. The true Copart-equivalent amount is `UNKNOWN_UNQUANTIFIED`; the stresses are neither issuer forecasts nor mechanical conversion of ACV underlying shares. The P/E result is conditional on this explicit range and timing. No zero converted-award dilution is claimed.

7. Binary P/E 15 entry-price test

Case	FY2031 USD EPS per listed share	EPS × 15 USD	Packet price USD per listed share	Cushion	Result
Bear	1.3441	20.16	28.91	-30.26%	FAIL
Base	2.0862	31.29	28.91	8.24%	PASS
Bull	2.7871	41.81	28.91	44.61%	PASS

The required USD EPS is **1.9273** at USD 28.91. The controlling confident **base** case has USD **2.0862** and 8.24% cushion, so the conditional P/E ≤15 gate **PASSES** on the displayed acquisition-charge, operating, interest, tax, repurchase and converted-award paths. Bear fails and bull passes. This does not claim that ACV has closed, that the purchase-price allocation is known, or that converted awards equal 3M shares. The model has explicit nonzero acquisition charges but their actual amounts remain unknown; about **$180.7M** additional FY2031 pretax cost beyond the modeled base charges would exhaust the EPS cushion if other inputs held. Stronger dilution or weaker organic carrier retention would lower that headroom. A binary mechanical pass is distinct from a compounder BUY or CIO action. If ACV never closes, the no-close model must remove acquired economics and charges and restore interest before rerunning the gate; one cannot retain ACV OI while also retaining purchase cash yield.

8. Reflexivity against the statutory anchor

Period	U.S. revenue B	International revenue B	Sum revenue B	Reported revenue B	Segment OI sum B	Reported statutory OI B	Residual
FY2026	3.807430	.858779	4.666209	4.666209	1.419040 + .233550 = 1.652590	1.652590	0
TTM to 2026-07-31	3.807430	.858779	4.666209	4.666209	1.419040 + .233550 = 1.652590	1.652590	0

The issuer-disclosed geographic Operating income is already statutory Operating income: no corporate or operating adjustments exist in either sealed period. $1.652590B plus $0.181923B interest and $0.000464B other gives $1.834977B pretax; less $0.354580B tax plus $0.003873B NCI loss attributable to outside interests gives $1.484270B Copart NI. Revenue and OI discrepancies are zero against exact FY/TTM totals, comfortably inside the 2% reflexivity limit and the packet tolerance of $917,488.50 at its USD-thousands scale. The historical NI divided by 956.860M shares is $1.5512, consistent with issuer diluted EPS rounded to $1.55. None of the new ACV hypothetical lines appears in this anchor.

9. Latest interim period reconciliation

NOT TRIGGERED — four non-overlapping quarters used. Q1 FY2026 covers August–October 2025, Q2 November 2025–January 2026, Q3 February–April 2026 and Q4 May–July 2026. The package §5 quarterly revenues rounded to $1.155B, $1.122B, $1.237B and $1.152B, and quarterly Operating income rounded to $0.431B, $0.389B, $0.464B and $0.369B. Rounding the quarters separately explains the tiny difference from exact full-year $4.666209B revenue and $1.652590B Operating income. The FY2026 release controls exact annual totals, and the sealed packet verifies the aggregate. No half-year/cumulative YTD is added to a standalone quarter; no annual FY2025 starting base or six-year compounding enters any 2031 figure. FY2026 is simultaneously latest completed FY and the TTM endpoint, not two different periods.

10. EPS sensitivities around conditional base

Variable varied; others held at base	Downside USD EPS	Upside USD EPS	Downside vs base	Upside vs base
U.S. service revenue CAGR ±200 bp	1.9571	2.2256	-0.1291	0.1394
International Operating income margin ±200 bp	2.0651	2.1074	-0.0212	0.0212
Terminal share denominator ±5%	1.9869	2.1960	-0.0993	0.1098
Tax rate ±300 bp	2.0072	2.1653	-0.0791	0.0791
ACV Operating income margin ±500 bp	2.0310	2.1414	-0.0552	0.0552
Converted awards +10M above base stress	2.0633	2.0862	-0.0230	0.0000

The largest displayed directional operating effect is U.S. service revenue growth; a sustained carrier customer loss reaches both unit density and fixed-cost absorption, so a simple single-variable table still understates a correlated shock. ACV margin is the acquired-capital hurdle: its 13% Base standalone-style terminal value is approximately 20 percentage points above ACV's negative 7.09% recent standalone Operating income margin. A five-point acquired margin shortfall removes roughly $62.8M OI and about $49.6M NI with the separately modeled PPA/integration/award charges held constant. Each incremental 10M converted Copart shares dilutes base EPS by roughly 1.1%; the unknown final award conversion cannot be certified from the target ACV pool. A failure of the tender can be favorable to near-term earnings but removes acquired growth and all modeled deal charges; a separate no-close forecast is required rather than treating completion risk as extra probability weight in a terminal company that always owns ACV.

11. Combined earnings summary and scenario bridge

Case	Revenue B	OI B	OI margin	Parent NI B	USD EPS/listed unit	Probability	EPS × 15 USD	Value minus 28.91 USD
Bear	5.835	1.525	26.14%	1.228	1.3441	25%	20.16	-8.75
Base	7.145	2.257	31.59%	1.874	2.0862	50%	31.29	2.38
Bull	8.201	2.900	35.36%	2.472	2.7871	25%	41.81	12.90

Case	Revenue B	OI B	OI margin	Parent NI B	USD EPS/listed unit	Probability	EPS × 15 USD	Value minus 28.91 USD
Weighted diagnostic	7.081	2.235	31.56%	1.862	2.0759	100%	31.14	2.23

Weights 25% bear, 50% base, 25% bull reproduce the reviewed U.S. appendix §10b and reflect persistent U.S. lost-customer and margin risk alongside international growth; management YELLOW, moat YELLOW and 2046 YELLOW prevent a high-confidence upside tilt. These weights are analyst judgment, not calibrated deal-close probabilities. Every case assumes eventual ACV closing at its specified date; the separate noncompletion branch is unmodeled. The weighted EPS is the sum of each case EPS times the weight, not weighted NI divided by weighted shares. Likewise the displayed ratio of weighted OI to weighted revenue is a ratio of totals rather than the average of scenario margins. No terminal P/E multiple or expected shareholder IRR is inferred from this P/E-15 entry-price gate; VP and CS must handle those separately.

2031 bridge B except shares/EPS	Bear	Base	Bull
Organic revenue	4.970	5.889	6.672
Acquired revenue	0.864	1.256	1.529
Organic OI	1.583	2.139	2.614
Acquired standalone-style OI	0.017	0.163	0.306
PPA amortization	-0.055	-0.035	-0.020
Integration/deal expense	-0.010	-0.005	0.000
Incremental award expense	-0.010	-0.005	0.000
Statutory OI	1.525	2.257	2.900
Net interest	0.080	0.110	0.140
Other income	-0.010	0.000	0.005
Tax	-0.367	-0.497	-0.579
NCI attribution	0.000	0.004	0.006
Parent NI	1.228	1.874	2.472
FY2031 diluted weighted avg M	913.960	898.287	887.020
FY2031 ending common M	898.945	884.864	874.567
EPS USD	1.3441	2.0862	2.7871

Eleven mechanical tie-outs

- **PASS — statutory and reported financials.** Both FY2026 and identical TTM segment OI: $1.419040B + $0.233550B = $1.652590B statutory; revenue $3.807430B + $0.858779B = $4.666209B; residual 0, within both packet tolerance and ±2%. Pretax $1.834977B and parent NI $1.484270B reproduce `statutory_bridge.json` and package §§2–3a.

- **PASS — NI/shares/unit/FX EPS.** For all fifteen scenario-years, `parent NI B ×1000 / that FY diluted weighted-average M × 1 × 1` reproduces displayed listed-share USD EPS. The FY2031 weighted average differs from ending common stock. The financial security and quoted common unit are 1:1 USD/USD from `quote_packet.json`.

- **PASS — terminal segment sum.** Organic U.S. plus International equals organic combined revenue at zero residual. Conditional ACV is a distinct acquired revenue row, and zero corporate elimination applies. Each final revenue total equals organic + acquired exactly. For OI, the three incremental charge rows bridge acquired standalone-style profit to conditional statutory OI without changing the sealed historical issuer segment metric.

- **PASS — product rollup.** U.S. service + vehicle sales produce $3.9994B/$4.6856B/$5.3215B within rounding; International service + vehicle sales produce $0.971B/$1.203B/$1.350B. Verified directly against U.S. §10 and International §10 source paths; full-precision residual 0.

- **PASS — weighted margins.** U.S. §9 analyst product attribution in 2031 reproduces 34.0%/38.2%/41.0% case Operating income margins from service and principal products; its product attribution is a modeling diagnostic, not disclosed

issuer margins. International §9 uses a common margin over both products because product profit is not disclosed, yielding exactly 23%/29%/32% weighted margins. Residual zero before display rounding.

- **PASS — share and unit path.** QFR FY2026 historical 956.860M × split 1 / (depositary 1 × class 1) = 956.860M historical listed diluted units. Independently, May 27 spot common 925.811482M proxies FY2027 opening stock. Every projected ending basic common = opening + Copart issuance − retirements, and each next-year opening equals prior ending. Annual diluted weighted average = opening + half net flow + owned-period ACV potential-award contribution + 6.328518M timing-mixed overhang proxy. Converted awards are never miscalled issued basic stock; terminal EPS uses FY2031 weighted average. Converted-award facts remain `UNKNOWN_UNQUANTIFIED` with positive numerical stresses.

- **PASS — growth plausibility with flags.** U.S. organic base total CAGR about 4.24% is below 1.2× FY2024–2026 segment historical (~4.82%); base service 4.19% is near its 4.1% two-year disclosed CAGR. International base total 6.98% exceeds 1.2× its 5.46% FY2024–2026 CAGR of 6.55% by 43bp; §8 gives quantified Q3 low-teens and Q4 ~10% assignment momentum and 12.4% service YoY as the justification. Acquired ACV is outside issuer segment comparability, and its 9.4% modeled CAGR is an explicitly conditional independent perimeter.

- **PASS — historical-to-forward math.** The annual product growth vectors in the reviewed §8 appendices compound their exact FY2026 TTM starting values five and only five times. For each row, the geometric CAGR computed as `(terminal/TTM)^(1/5)-1` reproduces terminal values at exact precision. ACV uses June 2026 standalone TTM with its one-month offset disclosed, not an invented FY2026 Copart segment base.

- **PASS — recency.** Base organic FY2027 U.S. + International revenue is approximately $4.817B versus FY2026 TTM $4.666209B, about +3.2%; base organic first-year OI is ~$1.674B vs $1.652590B, about +1.3%. Acquired 9/12 FY2027 ACV creates a conditional ~$5.466B revenue step, while new charge rows lower statutory OI; neither is mistaken for organic acceleration. Both comparable organic tests are inside ±10%.

- **PASS — period and horizon.** Q1/Q2/Q3/Q4 FY2026 are non-overlapping; latest FY=TTM at July 31, 2026; terminal July 31, 2031 is exactly five calendar years later. Growth vectors have five steps FY2027–FY2031; the dated ACV standalone June 2026 anchor is separately identified. No overlapping cumulative half-year bridge was used.

- **PASS — valuation and evidence arithmetic.** Exact packet SHA `ff4e2304ee50557f4bd3e9eac63ce34be652cda4359236897232f4ec5e707c87` and statutory SHA `be037c7d202df3a722ceafee15fc15659936c71e31f60703e8e875b366402ad0` verified in code and strict validators. XNAS:CPRT price USD 28.91; split, unit and FX factors 1. Each EPS×15 and cushion uses the same price. Probability .25+.50+.25=1; weighted EPS `2.075913` is `Σ(weight × EPS)`; the base scenario alone controls gate PASS.

Insurer lane: NOT TRIGGERED — Copart is a vehicle auction/remarketing marketplace, not a P&C insurer or reinsurer. No insurer return bridge is appropriate. Source limits that still matter for the next gates: final converted-award denominator, tender completion, acquisition cash and debt, merger integration and amortization, additional capital deployment and a reliable terminal liquidity path. These constrain confidence and EV/NOPAT choice but do not create an unexplained arithmetic residual within the explicit conditional EPS scenarios. No sizing or portfolio mutation is authorized here.

Appendix CS - Compounder Score

Copart — Compounder Score and Shareholder Return

Production refresh: CIO-20260917-CPRT-RETENTION-UPDATE; run `pulse-cio-20260922T085742+0800`. Analysis 2026-09-22 SGT. The September 21 XNAS:CPRT completed close is **USD 28.91**, sealed by quote SHA `ff4e2304ee50557f4bd3e9eac63ce34be652cda4359236897232f4ec5e707c87`. The FY2026/TTM operating forecast runs from 2026-07-31 to 2031-07-31 in exactly five fiscal steps. Shareholder returns run from the **2026-09-21 quote** to 2031-07-31: **1,774 days / 365.25 = 4.856947296 years**. All forecasts are conditional underwriting, not transaction instructions.

1. Executive verdict

Compounder Score **67/100**; Business Quality Score **65/80**; 20% Return Underwriting/Stretch Score **2/20**. Score-implied classification **Reject** under the 20% dream-investment rubric. This is a valuation/return conclusion, not a claim that the underlying salvage franchise lacks value. Management, moat and 2046 durability are YELLOW. The base P/E-15 entry gate passes conditionally with the sealed 8.24% cushion, but the current security-return profile and two qualitative YELLOW gates do not establish ER2 BUY. CIO actionability is provisionally **PASS**, separate from the ER2 verdict.

2. Data source map

Evidence	Controlling source	Period / limit
Price and security unit	Sealed quote_packet.json; FMP live EOD	Sep 21, 2026 close, XNAS common
Income, cash flow, balance, shares and SBC	quant_foundation.md; statutory_bridge.json; SEC FY2026 release	FY2026 and ten-year history where available
Segments and unit economics	data_package.md; appendix_B_us.md; appendix_B_international.md	U.S. and International FY2026; conditional FY2031
Management, capital allocation and governance	appendix_management.md; issuer/SEC filings	FY2026, Sep 2026 tender
Moat, market structure and competitors	appendix_moat.md; issuer/SEC filings	FY2026 evidence; 2046 judgment
Earnings and valuation	appendix_synthesis.md; cleared valuation_preflight.json	TTM to FY2031; SHA bound
FX reference	IMF Singapore dollar representative rate	Sep 18, 2026 last visible in source; 1.2755

The IMF FX reference is [here](https://www.imf.org/external/np/fin/ert/GUI/Pages/Report.aspx?CF=Compressed&CT=%27SGP%27&CUF=Period&DS=Ascending&DT=Blank&EX=REP&P=Last30Days). It is dated September 18, two sessions before the sealed stock close, and is a transparent SGD conversion proxy, not an executable September 21 FX quote. Exit FX is an explicit scenario assumption.

3. Key financial and quality metrics

Metric	Evidence	Interpretation
FY2026 revenue / statutory OI	$4.666209B / $1.652590B	35.42% operating margin; official bridge zero residual
FY2026 parent NI / reported diluted EPS	$1.484270B / $1.551188	956.860M weighted diluted shares
Normalized current diluted EPS	$1.519036	21% tax normalization; current 19.03x P/E
Five-year median adjusted ROIC	31.78%	Historical scorer audit; FY2026 near 28.99%
Legacy 3-year / 5-year ROIIC	16.59% / 23.01%	Acquisition-inclusive return unknown after ACV
Five-year FCF / NOPAT	82.08%	Cash conversion supports operating quality
FY2026 SBC / revenue	0.83%	Expense included; dilution modeled
FY2026 cash and HTM / funded debt	$4.490B / $0	Cash purchase opportunity cost enters EPS once
FY2026 repurchases / dividend	$1.633B / $0	Future buybacks normalized below exceptional year

The quality ratios above come from the prior cleared scoring audit and current upstream official-source refresh. The 3- and 5-year ROIIC are legacy organic diagnostics; the announced $1.9B ACV purchase has no demonstrated realized acquisition ROIIC and receives no quality credit. Current FY2026 operating margin and customer loss reduce confidence despite the historical median.

4. Rubric scorecard

Category	Score	Evidence limit
Incremental returns on capital	19/25	High ROIC, middling 16.59%/23.01% ROIIC and FY2026 deterioration
Reinvestment runway	18/20	Organic and international runway; acquired clean-title playbook unproven
Moat durability	13/15	Physical yards and bidder liquidity; lost insurer shows contestability
Accounting and financial quality	8/10	Cash supports earnings; customer/unit and governance gaps
Capital allocation	7/10	Organic build funded; ACV return and buyback price discipline open
Business Quality Score	65/80	Strong franchise evidence with material unresolved durability
20% Return Underwriting/Stretch Score	2/20	Base gross return below 10%; 20% requires 33.59x exit P/E
Compounder Score	67/100	Below the dream-investment threshold

Subscores: 1A 5/5, 1B 4/8, 1C 2/3, 1D 2/3, 1E 3/3, 1F 3/3, 2A 4/5, 2B 5/5, 2C 4/4, 2D 2/3, 2E 2/2, 2F 1/1, 3A 4/4, 3B 2/3, 3C 3/3, 3D 1/2, 3E 2/2, 3F 1/1, 4A 2/2, 4B 2/2, 4C 2/2, 4D 2/2, 4E 0/1, 4F 0/1, 5A 2/2, 5B 1/2, 5C 1/2, 5D 1/2, 5E 1/1, 5F 1/1, 6A 0/6, 6B 0/4, 6C 0/3, 6D 0/3, 6E 1/2, 6F 1/2. 6A 0/6 reflects the frozen Base IRR below 10%; 6B 0/4 follows the rubric because organic current and post-ACV terminal earnings denominators are not directly comparable; 6C and 6D are 0/3; 6E and 6F are 1/2 each. The exit multiple was chosen by VP before scoring.

5. ROIIC and reinvestment analysis

Historical 3-year and 5-year incremental returns of 16.59% and 23.01% are above a conventional equity cost but below the 35% high-ROIIC tier. Acquired clean-title returns cannot be inferred from salvage margins. FY2026 organic ROIC remains high near 28.99%, yet U.S. insurer units fell and capacity cost per unit rose. The $1.9B ACV purchase is 43.17% of FY2026 net interest-bearing liquidity; until purchase accounting, cash yield displacement, acquired capex and retained customer economics are reported, acquisition-inclusive ROIIC is insufficient evidence. Current modeled earnings include foregone interest and deal charges but do not prove an economic ROIIC. FY2026 $1.633B repurchases are normalized to $0.2B/$0.35B/$0.5B annually in Bear/Base/Bull, with issued SBC equivalents and possible converted awards included in diluted shares.

6. Runway analysis

Salvage needs physical custody, yards, towing, title and global bidders. International FY2026 service revenue grew 12.4% on 4.6% fee-unit growth. The sealed combined model produces organic FY2031 revenue of $4.970B/$5.889B/$6.672B and separately adds conditional ACV revenue $0.864B/$1.256B/$1.529B. The acquisition is not treated as organic growth. Market size, absolute seller retention, unit-level fee realization and clean-title incremental return remain insufficiently disclosed.

7. Moat analysis

The local-yard and global-bidder system has credible density and workflow advantages. The lost U.S. insurer customer, FY2026 U.S. insurance-unit decline of 8.0%, and fixed-cost absorption reveal a contestable seller relationship. Pricing evidence is outcome based rather than a controlled like-for-like fee increase. Both moat and 2046 duration remain YELLOW because maintaining greater than 20% returns on capital for two decades is unproved, especially if ACV expands a lower-margin business.

8. Accounting and capital allocation analysis

The statutory segment bridge has zero historical residual. FY2026 SBC $38.8M is expensed and future share issuance is modeled. Cash and HTM total $4.490B with zero funded borrowing; $88M finance leases remain. P/E reflects cash interest and the modeled $1.9B acquisition opportunity cost through statutory EPS. There is **zero separate terminal net-cash or net-debt adjustment** after EPS × P/E, and modeled buybacks are never added again as distributions. ACV PPA, incremental award expense and final converted-share equivalents are assumptions, not settled deal terms. Governance, the succession

reversal, DOJ and customer/concentration disclosures warrant monitoring.

9. 20% return underwriting

Primary valuation method: P/E. Re-adjudicated preflight `6c8c59c264a5add3a7851af348192ac3f5ceaf1cabfe9ec0717e02052f79b6cd` validates all five foundations. Synthesis `8003c4d6e4eb4b323538876405927af222c8f51d640836400579a3487f45e194`; quote `ff4e2304ee50557f4bd3e9eac63ce34be652cda4359236897232f4ec5e707c87`; final red-team challenge `83b82c3f46490e5b7b93a2412856d16c2f1fa4ba356b7415fb7acdbe828e69a1`. The reported current denominator is FY2026 statutory EPS $1.551188 and 18.64x P/E. The 21%-tax normalized current denominator is $1.519036 and 19.03x P/E. The terminal denominator includes hypothetical acquired operations, PPA, incremental awards, foregone interest, tax and dilution, so the reported current multiple is not a direct economic cap. VP independently kept exit P/Es **16x / 20x / 25x**. Its five fiscal-date history is 18.79–37.38x, median 28.51x. A stronger acquisition-inclusive forward comparator is the $28.91 price divided by FY2027 conditional post-close EPS of $1.4550, or **19.87x**, though FY2027 owns ACV for only 9/12 of the fiscal year. Conditional successful-close Base retains 20x near that forward check because it underwrites modest U.S. recovery, 6.98% International revenue CAGR, $1.256B acquired FY2031 sales at 13% standalone-style margin before $45M incremental charges, and cash-rich marketplace quality. It carries an 8.5x haircut to the old fiscal-date median for maturity, ACV return uncertainty and Management/Moat YELLOW. Bear tests persistent customer loss below current; Bull restores growth but stays below the 2022–25 old-regime floor. Excessive optimism: ACV acquired margin and retention may disappoint. Excessive bearishness: international growth and liquidity can sustain a premium. These multiples are VP-controlled; the 18x failed-recovery sensitivity below is non-controlling.

Scenario	Weight	FY2031 EPS	Exit P/E	Terminal equity/share	Distributions/share	Terminal wealth/share	Gross USD IRR
Bear	25%	$1.3441	16x	$21.50	$0.00	$21.50	-5.91%
Base	50%	$2.0862	20x	$41.72	$0.00	$41.72	7.85%
Bull	25%	$2.7871	25x	$69.68	$0.00	$69.68	19.86%
Probability weighted	100%	Not weighted EPS	P/E method	$43.66	$0.00	$43.66	8.86%

Each scenario equity value per share equals terminal statutory diluted EPS × the locked exit P/E; terminal equity value equals that product × that case's diluted weighted-average shares. Gross IRR = (terminal wealth / $28.91)^(1/4.856947296372348) – 1. Probability-weighted gross IRR uses 25%/50%/25% **terminal wealth**, then annualizes over that same quote-date span; it is not an average of IRRs. No dividend is paid historically, so distributions are zero in this explicitly labelled no-distribution diagnostic. The P/E-15 gate is separate and does not set the exit P/E.

The following tables are gross USD underwriting. USD billions for revenue/OI; diluted shares in millions; per-share values USD. Operating CAGRs use five fiscal steps from the 2026-07-31 TTM. Shareholder IRRs use the September 21 quote and 4.856947296 years. Net-SGD overlays follow the three tables.

Bear-case operating and return bridge

Bear case	TTM (2026-07-31) / price (2026-09-21)	Horizon (2031-07-31)	CAGR / change	Justification
Revenue	$4.666B	$5.835B	4.57%	Conditional ACV included; organic path separately reviewed
Operating margin	35.42%	26.14%	-9.27 pp	U.S. absorption and acquired mix vary by case
Operating earnings	$1.653B	$1.525B	-1.59%	Statutory operating income after acquired charges
Diluted share count	956.860M	913.960M	-0.91%	Weighted-average; buybacks, SBC and converted-award stress
EPS	$1.5512	$1.3441	-2.83%	Parent statutory NI / annual weighted diluted shares
Valuation denominator	$1.5512 reported; $1.5190 normalized	$1.3441	Not directly comparable	Acquired terminal perimeter differs from current standalone
Valuation	18.64x reported; 19.03x normalized	16x P/E	-3.03x normalized	VP-locked scenario multiple

Bear case	TTM (2026-07-31) / price (2026-09-21)	Horizon (2031-07-31)	CAGR / change	Justification
Share value	$28.91	$21.50	-5.91%	Sep 21 price to FY2031 EPS × exit P/E; no cash add-on
Annual dividend	$0.00	$0.00	0.00%	No dividend in source-bound diagnostic
Dividend yield	0.00%	0.00%	0.00 pp	Annual dividend / endpoint share value
Cumulative dividends	—	$0.00	Sep 21 2026 to Jul 31 2031	Zero distribution assumption
Total ending value	$28.91	$21.50	-5.91% gross USD IRR	Share value plus distributions; Sep 21 quote to Jul 31 2031

Base-case operating and return bridge

Base case	TTM (2026-07-31) / price (2026-09-21)	Horizon (2031-07-31)	CAGR / change	Justification
Revenue	$4.666B	$7.145B	8.89%	Conditional ACV included; organic path separately reviewed
Operating margin	35.42%	31.59%	-3.82 pp	U.S. absorption and acquired mix vary by case
Operating earnings	$1.653B	$2.257B	6.43%	Statutory operating income after acquired charges
Diluted share count	956.860M	898.287M	-1.26%	Weighted-average; buybacks, SBC and converted-award stress
EPS	$1.5512	$2.0862	6.11%	Parent statutory NI / annual weighted diluted shares
Valuation denominator	$1.5512 reported; $1.5190 normalized	$2.0862	Not directly comparable	Acquired terminal perimeter differs from current standalone
Valuation	18.64x reported; 19.03x normalized	20x P/E	+0.97x normalized	VP-locked scenario multiple
Share value	$28.91	$41.72	7.85%	Sep 21 price to FY2031 EPS × exit P/E; no cash add-on
Annual dividend	$0.00	$0.00	0.00%	No dividend in source-bound diagnostic
Dividend yield	0.00%	0.00%	0.00 pp	Annual dividend / endpoint share value
Cumulative dividends	—	$0.00	Sep 21 2026 to Jul 31 2031	Zero distribution assumption
Total ending value	$28.91	$41.72	7.85% gross USD IRR	Share value plus distributions; Sep 21 quote to Jul 31 2031

Bull-case operating and return bridge

Bull case	TTM (2026-07-31) / price (2026-09-21)	Horizon (2031-07-31)	CAGR / change	Justification
Revenue	$4.666B	$8.201B	11.94%	Conditional ACV included; organic path separately reviewed
Operating margin	35.42%	35.36%	-0.06 pp	U.S. absorption and acquired mix vary by case
Operating earnings	$1.653B	$2.900B	11.90%	Statutory operating income after acquired charges
Diluted share count	956.860M	887.020M	-1.50%	Weighted-average; buybacks, SBC and converted-award stress
EPS	$1.5512	$2.7871	12.43%	Parent statutory NI / annual weighted diluted shares
Valuation denominator	$1.5512 reported; $1.5190 normalized	$2.7871	Not directly comparable	Acquired terminal perimeter differs from current standalone

Bull case	TTM (2026-07-31) / price (2026-09-21)	Horizon (2031-07-31)	CAGR / change	Justification
Valuation	18.64x reported; 19.03x normalized	25x P/E	+5.97x normalized	VP-locked scenario multiple
Share value	$28.91	$69.68	19.86%	Sep 21 price to FY2031 EPS × exit P/E; no cash add-on
Annual dividend	$0.00	$0.00	0.00%	No dividend in source-bound diagnostic
Dividend yield	0.00%	0.00%	0.00 pp	Annual dividend / endpoint share value
Cumulative dividends	—	$0.00	Sep 21 2026 to Jul 31 2031	Zero distribution assumption
Total ending value	$28.91	$69.68	19.86% gross USD IRR	Share value plus distributions; Sep 21 quote to Jul 31 2031

Reverse-return and price sensitivity

At a 20% gross USD hurdle from the September 21 quote through July 31, 2031, terminal wealth must be $70.085347/share. With the frozen Base 20x exit P/E and zero dividends, FY2031 EPS would need $3.504267, versus modeled $2.0862; the mixed-date normalized July FY2026 EPS to July FY2031 EPS diagnostic is 18.78% when annualized over the quote-to-terminal span and 18.20% over five operating fiscal steps. Alternatively the modeled Base EPS needs 33.5942x terminal P/E, above VP's 25x Bull. At probability-weighted terminal wealth, a 20% gross hurdle implies a max entry price of $18.008849; Base-only is $17.211283. These are diagnostics, not buy levels or orders.

Net-SGD return diagnostic

Entry USD/SGD **1.2755** is the IMF September 18 representative rate. Scenario exit USD/SGD is 1.20/1.2755/1.35 for Bear/Base/Bull. Charge 0.50% assumed entry cost and 0.50% exit cost. Reserve 15% of positive USD price gain as a deliberately conservative, investor-agnostic tax allowance, not a statement of tax law or actual lot liability. Dividends are zero; any future cash dividend would be stressed at 30% withholding before SGD conversion. Net terminal SGD wealth = [USD terminal wealth – 15% × max(USD wealth – $28.91,0)] × scenario FX × (1 – 0.005); entry SGD = $28.91 × 1.2755 × (1 + 0.005). The existing holding's actual entry cost is sunk; this loaded current-mark comparator intentionally understates hold-forward returns. Every net-SGD IRR below has exactly two decimals.

Scenario	Exit USD/SGD	Net terminal SGD/share	Net-SGD IRR
Bear	1.2000	S$25.68	-7.28%
Base	1.2755	S$50.51	6.59%
Bull	1.3500	S$85.38	18.75%
Probability weighted	Scenario-specific	S$53.02	7.65%

Probability-weighted net-SGD IRR annualizes 25%/50%/25% weighted **net terminal SGD wealth** over the common cost-loaded entry; it is not an arithmetic average of the scenario IRRs. Exact structured values remain in `compounder_score.json`. FX and tax assumptions are sensitivities, not return forecasts or investor-specific advice.

Non-controlling 18x Base exit sensitivity

The final red team identifies an **18x Base exit P/E** as a plausible failed-recovery or low acquired-return test; VP adjudicated it without changing the controlling 20x conditional successful-close Base. Holding Base FY2031 EPS $2.086231, zero distributions, the 4.856947296-year quote-date horizon, base FX 1.2755, 0.50% entry and exit costs, and the same 15% positive-gain tax reserve fixed gives terminal wealth **$37.552157/share**, gross USD IRR **5.53%**, and net-SGD IRR **4.56%**. Relative to controlling Base 7.85% gross and 6.59% net, the difference is -2.31 and -2.03 percentage points. This sensitivity does not alter the 25%/50%/25% scenario weights, probability-weighted return, score or CIO status. Re-underwrite the controlling Base if U.S. carrier assignments fail to recover and facility cost per unit does not improve over two quarters, or if actual ACV close, purchase allocation, converted awards, integration and acquisition ROIIC undermine the modeled 13% standalone-style acquired margin and $45M incremental FY2031 charges. The filed ACV process and actual post-close reports, rather than a mechanical current-P/E cap, must decide any method-preserving multiple revision.

10. Hard veto checklist

Veto	Status	Reason
ROIIC below cost with no path	Watch	Legacy ROIIC positive; ACV incremental return unproved
Accounting-artifact ROIC	Pass	Positive capital base; goodwill-inclusive check
Growth needs external financing	Pass	Strong FY2026 liquidity; no funded debt
Material dilution without value	Watch	Converted ACV awards final count unknown
Large undisclosed acquisition returns	Watch	ACV $1.9B lacks realized ROIIC and final PPA
FCF structurally lags earnings	Pass	Five-year FCF/NOPAT about 82%
Customer or competition can impair equity	Watch	Lost insurer and rival salvage network
20% case needs multiple expansion	Fail stretch	Required 33.59x Base P/E vs VP 20x
Flawless execution priced	Watch	Base return below mandate even with ACV closure
Moat cannot be explained	Pass	Yards, title, seller workflow and bidder demand
Accounting or governance trust	Watch	Governance and disclosure gaps, no statutory residual
Balance-sheet wipeout risk	Pass	Cash-rich, no funded debt at FY2026

11. Final decision and CIO actionability

Provisional CIO actionability: PASS. Base net-SGD 6.59% and probability-weighted net-SGD 7.65% fall below the 10% mandate, while Bear net-SGD -7.28% implies a large standalone loss. The 15% stretch hurdle also fails. Actual portfolio fit remains LIMITED: the supplied **September 18 Pulse snapshot** records 3,598 CPRT shares, but it is not a September 21 custody/NAV reconciliation and does not establish a concentration ceiling or lot tax. No sizing ceiling is proposed. The existing position does not turn a low prospective return into a buy signal.

A **hypothetical 1,000-share trim** at the sealed $28.91 mark is USD 28,910.00 or SGD 36,874.71 at the September 18 IMF FX proxy. After an assumed 0.50% exit cost, proceeds would be SGD 36,690.33 **before actual lot tax and execution FX**, leaving 2,598 of the 3,598 snapshot shares. Retaining those 1,000 shares instead carries FY2031 gross USD terminal values of $21,505 bear, $41,725 base, $69,678 bull. The trim foregoes upside and avoids the corresponding downside. This counterfactual does not compare a verified reinvestment alternative, lot basis, realized tax, current portfolio concentration or live executable price; it cannot authorize trimming.

Compounder Score note: 67/100 implies rejection by the 20% dream-investment diagnostic, driven by inadequate shareholder return despite franchise quality. **Business Quality Score note:** 65/80 marks strong historical economics but management/moat YELLOW and unknown ACV returns cap confidence. **20% Return UW Score note:** 2/20 indicates the price cannot deliver 20% in the frozen Base bridge without an unsupported terminal valuation or far higher EPS.

Monitor: two consecutive quarters of non-negative normalized U.S. insurance assignments; ACV closing, PPA, converted awards and acquisition ROIIC versus the S stress; FY2031 Base EPS cushion of 8.24% and any additional pretax cost approaching the modeled $180.7M headroom. All size, rank and trade decisions remain with the owner. **Trade execution authorized: NO.**

12. Machine-readable JSON

The full-precision return bridge, probabilities, score subscores, FX and cost assumptions, diagnostic trim values, preflight hashes and authority flags are in `compounder_score.json`.

Appendix CSA - Scoring Audit

Copart — Independent Scoring and Shareholder-Return Audit

Action: CIO-20260917-CPRT-RETENTION-UPDATE. **Run:** pulse-cio-20260922T085742+0800. **Date:** 2026-09-22 SGT. **Status: CLEARED — final RT** `MATERIAL_RESOLVED` **seal rebound; return and score replay unchanged.** This audit grants no trade authority.

1. Original vs Audited Scores

Item	Original	Audited	Notes
Business Quality Score / 80	65/80	65/80	Established salvage economics; ACV and retention unresolved
Valuation / 20% Return UW Score / 20	3/20	2/20	6B loses one point for non-comparable current and terminal earnings perimeters
Total Score / 100	68/100	67/100	Below the 70-point Reject threshold
Classification	Reject	Reject	Hurdle and score tests fail

The Original column preserves the first CS attempt for audit history; the Audited column is reproduced by the current CS files. Re-adjudicated `valuation_preflight.json` SHA-256 `6c8c59c264a5add3a7851af348192ac3f5ceaf1cabfe9ec0717e02052f79b6cd` passed `validate_valuation_preflight.py --check-evidence-files`: `CLEARED`, five foundations passed, zero blockers. CS matches the locked P/E method, normalized current EPS $1.519036, capital-structure treatment and 16x/20x/25x controlling exit P/Es. **Current source seals:** CS Markdown `5eb825d70cd7db25e031e9f87be699388646fd4eea8bfe2c5a4eb6c81d9d99df`; CS JSON `b75ae3218ad83710740436d4f68443e3d43ed3eebd5bd153485dd7246d2d9c1c`; synthesis `8003c4d6e4eb4b323538876405927af222c8f51d640836400579a3487f45e194`; quote `ff4e2304ee50557f4bd3e9eac63ce34be652cda4359236897232f4ec5e707c87`; final red team `f77e370e8201bface47378bd844577bc518a70dae8577c248442d993f5f2cfd6`.

The final red-team appendix is a same-worker post-adjudication disposition: `RETURN_MODEL_OBJECTION_STATUS: MATERIAL_RESOLVED`. It seals the final VP/CS files and introduces no change to CS returns, score, weights, sensitivity or trade authority. CS's embedded `83b82c3f46490e5b7b93a2412856d16c2f1fa4ba356b7415fb7acdbe828e69a1` RT reference is the earlier challenge input used to construct its sensitivity; it cannot reference the later final disposition without a circular provenance chain. This audit binds the later, final RT seal above and retains the earlier embedded hash as historical provenance.

2. Score Reductions and Reasons

Item	Original	Audited	Evidence judgment
1A ROIC	5/5	5/5	Supported: five-year median 31.78%, FY2026 28.99%
1B ROIIC	4/8	4/8	Partly supported: legacy 16.59%/23.01%; no ACV ROIIC
1C ROIIC trend	2/3	2/3	Supported with deterioration
1D unit economics	2/3	2/3	Partly supported; U.S. assignments and cost per unit weakened
1E cash conversion	3/3	3/3	Supported by five annual FCF observations
1F accounting artifact	3/3	3/3	Positive capital base with goodwill included
2A market opportunity	4/5	4/5	Partly supported; no measured absolute TAM
2B scaled reinvestment	5/5	5/5	Historical salvage evidence; no ACV credit

Item	Original	Audited	Evidence judgment
2C organic growth	4/4	4/4	Partly supported; international grows, U.S. recovery conditional
2D expansion playbook	2/3	2/3	Salvage supported, clean-title unproved
2E market structure	2/2	2/2	Yards, title, towing and bidder reach
2F growth without ROIC collapse	1/1	1/1	Historical evidence, ACV risk remains
3A moat source	4/4	4/4	Yards, insurer workflows and bidder density
3B pricing	2/3	2/3	No controlled like-for-like fee series
3C competitive evidence	3/3	3/3	IAA rivalry and lost insurer both documented
3D stickiness	1/2	1/2	Workflows exist, but switching occurred
3E resilience	2/2	2/2	Sustained profit with margin deterioration
3F disruption	1/1	1/1	Physical salvage stronger than clean-title digital venue
4A earnings quality	2/2	2/2	Statutory bridge zero residual
4B cash support	2/2	2/2	Five-year cash conversion; ACV excluded
4C SBC/dilution	2/2	2/2	SBC expensed and potential shares stressed
4D balance sheet	2/2	2/2	$4.490B cash/HTM, no funded debt
4E disclosure	0/1	0/1	Customer-level retention and acquired returns missing
4F governance	0/1	0/1	Succession/governance concerns
5A reinvestment priority	2/2	2/2	Historical salvage evidence; ACV unresolved
5B acquisition discipline	1/2	1/2	$1.9B ACV has no demonstrated return
5C buybacks	1/2	1/2	Price discipline not proved
5D incentives	1/2	1/2	Converted awards unknown
5E owner mentality	1/1	1/1	Long-term capacity build, with governance caveat
5F past decisions	1/1	1/1	Salvage history; no ACV uplift
6A Base 20%	0/6	0/6	Corrected Base gross remains below 10%
6B exit multiple	1/4	0/4	**Reduced:** CS declares organic current and post-ACV terminal denominators not directly comparable; rubric sets zero if comparability unavailable
6C Bear acceptable	0/3	0/3	Corrected Bear gross negative
6D reverse hurdle	0/3	0/3	20% needs $3.5043 Base EPS or 33.59x exit P/E
6E priced perfection	1/2	1/2	Current 19.03x normalized yet Base inadequate
6F cash returns	1/2	1/2	Buybacks help per-share earnings; dividends zero

The 65/80 Business Quality Score is an upper-edge judgment for the existing salvage franchise, not a passed 2046 moat gate. Management and Moat are YELLOW. ACV receives no explicit incremental quality credit.

3. Unsupported Claims

The evidence does not support a realized ACV acquisition-inclusive ROIIC, final purchase allocation, converted-award share count, independent insurer retention rate, controlled like-for-like fee increase or country-level capital returns. The prior 22.18% historical acquisition-inclusive ROIIC covers past closed deals only. All three scenarios assume ACV eventually closes; no no-close probability branch is included. That is a material forecast limitation, not permission for CSA to invent a fourth

scenario.

4. Calculation Errors

Exact quote-to-terminal span

The sealed **$28.91 quote is dated 2026-09-21**. The operating model properly has five fiscal steps from **2026-07-31 to 2031-07-31**. Shareholder IRR from the quote to the terminal date spans **1,774 days / 365.25 = 4.856947296372348 years**. Original CS incorrectly used five years to annualize the September price. Repaired CS now uses the exact quote-date span in JSON, all shareholder-return displays and the three table price anchors, while preserving the FY2031 operating forecast and VP exit multiples. The operating and return clocks are explicitly separated.

Scenario	FY2031 EPS × P/E = USD wealth/share	Original gross USD IRR	Repaired/audited gross USD IRR	Original net-SGD IRR	Repaired/audited net-SGD IRR
Bear	$1.344058166 × 16 = $21.504930662	-5.75%	-5.91%	-7.08%	-7.28%
Base	$2.086230940 × 20 = $41.724618802	7.61%	7.85%	6.39%	6.59%
Bull	$2.787133415 × 25 = $69.678335379	19.24%	19.86%	18.17%	18.75%
Probability weighted	$43.658125911	8.59%	8.86%	7.43%	7.65%

EPS independently equals parent net income divided by 913.960M/898.287368M/887.020M annual weighted diluted shares. Terminal equity is $19.654646B/$37.480698B/$61.806077B. Each case has zero distributions; P/E adds no terminal net cash/debt. ACV purchase opportunity cost and buybacks enter earnings/share count, not a second cash adjustment. There is no observed double count.

The 25%/50%/25% weights yield **$43.658125911** expected USD wealth and **8.85739183191443%** quote-date CAGR; the arithmetic weighted average of scenario IRRs is only **7.40984096809239%** and is not the correct method. Net SGD uses S$37.059078525 current entry (1.2755 FX plus 0.50% cost), terminal FX 1.20/1.2755/1.35, 0.50% exit cost, and 15% reserve on positive USD gain. Net terminal values are S$25.676887210/S$50.514154368/S$85.381114024; their weighted S$53.021577492 annualizes to **7.65%**. The 30% dividend withholding assumption has zero effect because distributions are zero. Tax, costs and FX are investor-agnostic diagnostics.

Repaired CS correctly uses **$70.085347430** terminal USD wealth for the 20% hurdle, versus $71.937331200 originally. At frozen Base 20x it requires **$3.504267372 EPS**; at modeled EPS it requires **33.594242173x P/E**. Probability-weighted maximum entry for 20% gross USD is **$18.008848731**, versus $17.545221640 originally. Base-only maximum is **$17.211282726**. Required EPS CAGR is **18.27%** from reported FY2026 $1.551188 or **18.78%** from normalized $1.519036 over the quote-date span; these mixed-date diagnostics are explicitly labelled in repaired CS. The five-fiscal-step operating EPS hurdle CAGR is 18.20%.

Three operating-and-return tables

All mandatory rows and their order are present under all three required headings, with P/E in every case. Five-fiscal-step CAGRs for revenue/OI/diluted shares/EPS reproduce as Bear 4.57%/-1.59%/-0.91%/-2.83%; Base 8.89%/6.43%/-1.26%/6.11%; Bull 11.94%/11.90%/-1.50%/12.43%. Full-precision margin changes are -9.27/-3.82/-0.06 percentage points and now appear correctly. The `Share value` and `Total ending value` rows reconcile to the quote-date scenario IRRs. Each heading identifies both the FY2026 TTM operating start and September 21 price anchor. All visible net-SGD IRRs are exactly two decimal places. Nine Markdown tables passed structural checks, and all three scenario tables passed the mandatory row-order check.

Historical economics and shares

Current data package ROIC history is 35.15%, 33.32%, 31.37%, 31.78%, 28.99%, median **31.78%**. FY2026 $1.652590B OI times (1 – 19.32% effective tax) gives about $1.333B NOPAT; divided by $4.599B average invested capital gives **28.99%**. Annual effective taxes are not a single normalized rate, a limited comparability caveat. Legacy five-year ROIIC replays as ($1.333253B – $0.948666B) / $1.671535B = **23.01%**. Including $0.062446B past net acquisitions gives **22.18%**. Three-year replays as ($1.333253B – $1.183783B) / $0.901146B = **16.59%**. These older sourced schedules do not establish ACV ROIIC. Five-year FCF is $0.839B/$0.848B/$0.962B/$1.231B/$1.267B; FY2026 improvement partly came from lower capex. FY2026 SBC $38.8M is expensed. Base yearly $350M buybacks at $38 retire 9.211M shares, offset by 1.021M SBC issuance

equivalents; 3M potential ACV shares and 6.329M overhang proxy take FY2031 weighted dilution to 898.287M. Bear/Bull similarly reconcile to 913.960M/887.020M. Exact July 2026 common stock and final award terms remain unknown.

Multiple economics and directional challenges

Current reported EPS $1.551188 and normalized EPS $1.519036 imply 18.637325x and 19.031806x at the sealed price. The reported and tax-normalized current denominators are organic standalone, while FY2031 EPS conditionally includes ACV, PPA, interest displacement and dilution. No raw non-comparable current multiple capped VP's 16x/20x/25x: its source-bound anchors include fiscal-date historical diluted P/Es 18.79x–37.38x, current normalized 19.03x, maturity and quality adjustments. The selection preceded CS scoring and does not derive from the 15x entry gate. Bear 16x stresses customer loss and weak ACV economics while retaining a surviving franchise. Bull 25x needs simultaneous insurer recovery, international growth and ACV execution despite lower-margin mix; this is the optimism challenge. Bear may undervalue yards, liquidity and international growth; this is the excessive-bearishness challenge. The assumptions are bounded enough for a scenario model, but the current/terminal perimeter difference prevents the 6B comparable-expansion credit. EV/NOPAT would require an unavailable terminal claims bridge and is not a permissible repair.

Re-adjudicated VP adds a more comparable conditional FY2027 acquired-forward check: sealed $28.91 divided by S FY2027 $1.4550 EPS is **19.87x**, with ACV owned for only 9/12 of that fiscal year. The controlling 20x Base is near that check and 8.5x below the old 28.51x fiscal-date median. It requires modest U.S. carrier recovery, International growth and ACV attaining 13% standalone-style FY2031 margin before $45M incremental charges. Those are explicit conditional forecast claims, not proof of realized ACV ROIIC. The red-team 18x failed-recovery Base objection remains economically plausible and is quantified below. VP keeps 20x for the distinct successful-close Base, rather than using the 18x sensitivity as a no-expansion cap. This resolves the material multiple objection conditionally without changing 6B's zero points or treating current organic EPS as directly comparable with terminal acquired EPS.

Non-controlling 18x Base P/E sensitivity

Independently replaying the current CS JSON, hold Base FY2031 EPS **$2.086230940100905**, zero distributions, $28.91 September 21 quote, **4.856947296372348 years**, Base exit FX **1.2755**, 0.50% entry and exit costs, and a 15% reserve on the positive USD gain. Only the P/E changes from 20x to 18x. Each field below matches the structured sensitivity at full precision, with zero numerical residual.

Item	Controlling 20x Base	Non-controlling 18x sensitivity	Change
Terminal wealth/share, USD	$41.724618802	$37.552156922	-$4.172461880
Capital-gain reserve/share, USD	$1.922192820	$1.296323538	-$0.625869282
Net terminal wealth/share, SGD	S$50.514154368	S$46.013093903	-S$4.501060465
Gross USD IRR	7.846858%	5.532556%	-2.314302 pp
Net-SGD IRR	6.59%	4.56%	-2.03 pp

The visible CS Markdown correctly rounds sensitivity net SGD to **4.56%**, controlling Base to **6.59%**, and their change to **-2.03 pp**. This sensitivity is labelled `NON_CONTROLLING`, retains P/E, and does not enter scenario probability weights, the 8.857392% controlling probability-weighted gross return, the 7.65% controlling net-SGD return, the 67/100 score, or CIO PASS. Re-underwriting the controlling multiple depends on observed carrier assignments, facility cost per unit and ACV post-close returns; the sensitivity itself does not revise VP.

Hypothetical trim

The 1,000-share arithmetic checks: $28,910.00 at $28.91, S$36,874.705 at 1.2755 FX (display S$36,874.71), S$36,690.331475 after 0.50% exit cost (display S$36,690.33), and 3,598 − 1,000 = 2,598 snapshot shares. Retaining 1,000 shares yields rounded gross terminal USD $21,505/$41,725/$69,678. The September 18 holdings snapshot, tax lots, executable price and portfolio concentration are unverified. This is not an order or trim recommendation.

5. Missing Data

The most important gap is closing/PPA/converted awards and the return on the $1.9B ACV purchase. Customer-level retention, exact July 2026 common stock, goodwill-exclusive ROIC and forward reinvestment rate are also unavailable. CS JSON leaves acquisition-inclusive forward ROIIC, reinvestment rate, historical share-count CAGR and several valuation ratios null. These gaps lower confidence, but do not justify a method switch or fabricated inputs.

6. Hard-Veto and Threshold Test Audit

Audited 67/100 is below 70/100; quality 65/80 meets only its own threshold; valuation 2/20 fails 15/20. ROIIC plus runway is 37/45 but cannot offset return failure. Corrected Base gross 7.85% fails 20%; Bear is -5.91%; the 20% case requires 33.59x at modeled Base EPS, above VP's 25x Bull. The P/E-at-15 entry test is separate and remains conditional upstream. Management, Moat and 2046 durability remain YELLOW. Corrected Base/probability-weighted net SGD of 6.59%/7.65% remain below the CIO 10–15% target, so provisional actionability remains PASS. Portfolio fit and sizing require current custody/NAV and tax basis. `trade_execution_authorized=false`.

7. Final 20% Hurdle Pass/Fail

FAIL. The 20% return hurdle remains unmet. The same-method date repair, score change and three scenario tables are **CLEARED** for publication. This clearance is for audit integrity, not a BUY verdict or trade action.

8. Dream Business / Dream Investment Classification

Neither under the strict Gideon test today. The salvage franchise has strong historical traits, but YELLOW durability and unproved acquired-capital returns bar an unqualified dream-business label. The price fails the dream-investment return hurdle. The single biggest reason is a roughly 7.85% gross / 6.59% diagnostic net-SGD Base return after an acquisition without demonstrated ROIIC.

9. Stage 7 Scorecard Notes

- **Compounder Score note:** 67/100 falls below the diagnostic threshold; modest shareholder return outweighs strong historical salvage economics.
- **Business Quality Score note:** 65/80 reflects cash-rich salvage returns, limited by insurer retention and unknown ACV capital returns.
- **20% Return UW Score note:** 2/20 reflects 7.85% quote-date Base gross return and an unsupported 33.59x exit P/E needed for 20%.

10. Auditor JSON

The companion `compounder_score_audit.json` stores full-precision audited recalculations, sensitivity replay, final RT source hash, rubric decisions and `return_audit_status=CLEARED`. The CS Markdown wording correction at lines 56 and 193 changed the stale `34x-plus` claim to `33.59x`, matching the structured 33.594242173x reverse P/E. CS, VP and RT files were not edited during this final RT-hash rebind.

Appendix RT - Red Team

Copart (CPRT) — Independent Red Team

Action: CIO-20260917-CPRT-RETENTION-UPDATE. **Run:** pulse-cio-20260922T085742+0800. **As of:** September 22, 2026, Singapore. **Stage outcome:** `RETURN_MODEL_OBJECTION_STATUS: MATERIAL_RESOLVED`. This is the same-worker re-review of the September 22 production refresh after VP, CS and CSA answered the original material objections. The material 18x downside remains visible and monitored. No sealed return, score, size, owner decision or trade is changed here.

Evidence seals verified: synthesis SHA-256 `8003c4d6e4eb4b323538876405927af222c8f51d640836400579a3487f45e194`; re-adjudicated VP `6c8c59c264a5add3a7851af348192ac3f5ceaf1cabfe9ec0717e02052f79b6cd`; final CS Markdown `5eb825d70cd7db25e031e9f87be699388646fd4eea8bfe2c5a4eb6c81d9d99df` and JSON `b75ae3218ad83710740436d4f68443e3d43ed3eebd5bd153485dd7246d2d9c1c`. The current CSA re-audit is `CLEARED`, replays the 18x sensitivity with zero numerical residual and verifies the 67/100 score; its audit artifact will rebind this final RT SHA after this appendix is sealed. VP locks P/E as the one controlling method and 16x/20x/25x Bear/Base/Bull exits. Copart is an auction marketplace, not a P&C insurer; the insurer-bridge test is inapplicable.

1. Fragile assumption and most optimistic Stage 5 number

The fragile assumption is **organic U.S. insurance-service recovery after a carrier left**. The [FY2026 release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm) and [current U.S. segment appendix](<C:/Users/Admin/OneDrive/GPT/ER 2.0/Copart/appendix_B_us.md>) show insurance units sold down 8.0%, total domestic units down 6.9%, service revenue down 1.83%, and U.S. Operating income down 4.18%. Domestic assignments were still down 5.0% in Q4. Management said insurance assignments *excluding one lost customer* would have risen 2.3%. Those figures have different perimeters and cannot reveal the lost carrier's exact share. Rising industry total-loss frequency does not obligate that carrier to return.

S moves U.S. service revenue from $3.388 billion FY2026 to $4.161 billion FY2031 using annual growth of 2%, 4%, 5%, 5%, 5%. S §10 itself shows that cutting this growth path by two percentage points takes terminal Base EPS from $2.0862 to $1.9571. The P/E-15 cushion falls from 8.24% to about 1.55% before associated yard-cost pressure. At locked 20x, isolated Base gross IRR falls from 7.85% to around 6.44%. Assignment losses hurt service fees and fixed-cost absorption together, so an independent one-variable test can understate downside.

The most likely optimistic **Stage 5 output number** is organic U.S. FY2031 Operating income of **$1.790 billion**. It requires $4.686 billion domestic revenue at a 38.2% margin, versus $3.807 billion and 37.27% in FY2026 and only 33.55% in Q4. This forecasts roughly $371 million more organic domestic Operating income while customer-level retention remains undisclosed. At Base 2031 revenue, a 34% margin, already S's Bear margin, removes roughly $197 million pretax and $0.173/share after tax. Base gross IRR becomes about 5.94%, 1.90 percentage points lower. A small correlated revenue miss then crosses the two-point materiality line. This is an operating risk exposed by Bear, not a claim that S's accounting sum is wrong.

2. Strongest bear case and its rebuttal

An insurer transferred assignments while Copart's yards kept the cost base. FY2026 units fell, facility cost per unit rose, and the Q4 margin shows how a powerful buyer network can still lose seller economics. If the carrier is not replaced by FY2028, Base service growth and margin recovery fail together; ACV's dealer-wholesale marketplace cannot replenish missing salvage assignments. Two more quarters of negative unadjusted domestic insurance assignments and no improvement in facility cost per sold unit would validate this case. The conditional 15x gate offers only 8.24% EPS headroom.

The strongest rebuttal has evidence. U.S. insurance ASP rose around 5.5% in FY2026. International service revenue grew 12.4% with 4.6% fee-unit growth. Better seller proceeds can win new assignments without rebuilding the global bidder pool. Q4 U.S. revenue was roughly flat despite weak units. A permanent collapse in fee realization has not been established. Red Team challenges the recovery pace and confidence, not the existence of a valuable physical and liquidity network.

3. Management statements and recency check

The [data package](<C:/Users/Admin/OneDrive/GPT/ER 2.0/Copart/data_package.md>) §6 quotes Jeff Liaw saying total-loss frequency continues to rise. That may be structurally right yet cannot prove Copart's own carrier share. Leah Stearns's Q4

phrase about reducing facility cost per unit meets the opposite FY2026 observation: total facility cost declined 0.7% but cost **per unit increased 6.6%**. Jayson Adair's Q4 phrase that ACV would be accretive in the first full year conflicts with the filed [transaction presentation](https://www.sec.gov/Archives/edgar/data/900075/000119312526388064/d138322dex992.htm), which says neutral in the first full year and accretive from FY2028. The filing controls; a dollar reconciliation of this difference is needed.

S's FY2026/TTM recency anchor ties mechanically: consolidated revenue $4.666 billion, U.S. revenue $3.807 billion, U.S. Operating income $1.419 billion, and pretax $1.835 billion. Q4 U.S. revenue $930.334 million versus $926.263 million is no proof of a profit rebound at 33.55% Q4 U.S. margin. S does not annualize that one quarter or hide the deterioration. It forecasts FY2027 Base U.S. margin of 36.5% then 38.2% in 2031, which needs assignment and yard-utilization proof. International Base revenue CAGR of 6.98% exceeds its recent approximately 5.4% total-segment trend, but low-teens disclosed assignment growth offers some support. There is no unexplained immediate double-digit U.S. organic recovery.

4. ACV closing, return and accounting

The [September 17 offer](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393827/d160557dex99a1i.htm) pays $10.50 cash per ACV common share, about $1.9 billion equity consideration, subject to tender and regulatory conditions; initial expiry is September 30. The [14D-9](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393862/d136775dsc14d9.htm) advances process certainty but proves neither closing nor purchase allocation. Every audited scenario closes eventually, on hypothetical January 2028 Bear, November 2026 Base or October 2026 Bull dates. The 25%/50%/25% scenario weights are **not measured closing probabilities**. No-close remains an unmodeled branch.

ACV's latest TTM produced $801.339 million revenue, negative $56.847 million Operating income, $5.953 million FCF and $53.106 million SBC. FCF less SBC is negative $47.2 million. Paying $1.9 billion therefore relies on future economics. Copart's approximate 3.9% yield on the cash implies about $75 million annual pretax interest displaced. S correctly includes that cost **once** in its net-interest paths. Base FY2031 ACV assumes $1.256 billion revenue at a 13% standalone-style Operating margin, about $163 million profit before $35 million PPA amortization, $5 million integration and $5 million incremental award expense. The acquired line adds around $118 million terminal Operating income, merely 6.2% pretax of purchase price before displaced interest; net of $75 million interest, approximately $43 million pretax remains. Acquisition-inclusive 10–15% cash returns are not proved. S does not invent synergies.

The 13% Base acquired margin is roughly 20 percentage points above ACV's negative 7.09% recent statutory margin. Five points lower removes about $62.8 million pretax, $0.0552/share Base EPS and around 0.59 percentage points Base gross IRR at 20x. Conversely, ACV's [14D-9 standalone 2030 projections](https://www.sec.gov/Archives/edgar/data/1637873/000119312526393862/d136775dsc14d9.htm) exceed S Base acquired revenue and profit. That is a sourced reason S could be **too bearish**. Target projections are not independent or GAAP earnings after Copart charges.

Purchase accounting remains the harder issue. S's $20 million/$35 million/$55 million annual terminal amortization is based on an analyst 10–20% identifiable-intangible allocation of equity price over 7–10 years. Acquired liabilities, fair values, useful lives, tax deductibility and award replacement treatment are not finalized. The range is a stress convention, **not a proven upper bound**. About $180.7 million additional terminal Base pretax expense consumes the entire conditional P/E-15 EPS cushion. VP explicitly adjudicated this as a **monitored tail threshold**, because no filed purchase allocation yet supports substituting that additional cost into Base. It is a material *sensitivity*, not a proven correction to the current conditional result. On deal close, S must compare actual amortization, integration and award charges against the modeled $45 million FY2031 Base total and the $180.7 million remaining headroom; a breach routes through S, VP, CS and CSA.

If the tender fails, acquired revenue, earnings and charges disappear while Copart keeps the $1.9 billion and its yield. A deliberately partial same-P/E, same-share terminal sensitivity removes acquired OI net of charges and restores $75 million pretax interest. It gives approximate no-close FY2031 EPS $1.4559/$2.0482/$2.5946 and gross IRRs **-4.35%/7.44%/18.10%** at unchanged 16x/20x/25x, versus audited **-5.91%/7.85%/19.86%**. This is not a replacement forecast: buybacks, cash reinvestment, commitments, taxes and multiples may differ. VP now expressly defines all three controlling terminal cases as **conditional on eventual closing** and states that the weights are not deal-completion probabilities. Thus the missing no-close branch is a disclosed scope limit, not a hidden inconsistent claim perimeter. Failed tender requires an immediate S/VP/CS/CSA refresh before applying these conditional returns to the actual company.

5. Shares, cash and denominator integrity

Terminal EPS uses parent net income divided by FY2031 **diluted weighted-average** shares of 913.960 million/898.287 million/887.020 million. Year-end basic stocks are lower and cannot replace those denominators. S uses a May 27 basic-stock opening proxy of 925.811 million, annual repurchases of about 6.667 million/9.211 million/11.111 million shares, ordinary SBC-equivalent issuance, a 6.329 million existing diluted-overhang proxy, and 6 million/3 million/1 million potential ACV award equivalents. Ordinary ACV SBC is in acquired Operating income; incremental award expense and potential dilution are distinct effects. The $1.9 billion common consideration is cash, not issued Copart stock. No obvious cash or award double count is found.

The merger materials list 10.359 million ACV RSU-underlying, 2.365 million target PSU-underlying and 1.126 million option-underlying **ACV** shares. They cannot mechanically become Copart shares without conversion, vesting, performance and cash-settlement terms. S labels the final count `UNKNOWN_UNQUANTIFIED`. An additional 10 million Copart equivalents lowers Base EPS only about $0.023 and well below two points of IRR; the present bounded stress is `IMMATERIAL`, although final terms require a rerun. FY2026's exceptional $1.633 billion buyback is sensibly reduced to annual $0.2 billion/$0.35 billion/$0.5 billion future uses, versus $1.267 billion FY2026 FCF. There is still no complete cash roll-forward alongside the acquisition. A 5% larger terminal diluted denominator removes about $0.099 Base EPS and roughly one IRR point. Execution prices and actual repurchase pace need updating from filings.

CS's P/E bridge does not separately add terminal net cash, subtract acquisition cash twice, or count buybacks as distributions. The purchase affects EPS through interest; distributions are explicitly zero. Current $1.551188 statutory EPS yields 18.64x, and 21%-tax-normalized $1.519036 EPS yields 19.03x at $28.91. Those are organic FY2026 earnings. FY2031 EPS includes conditional ACV, purchase charges, interest, tax and awards, so VP properly says current and terminal denominators are **not economically comparable**. The concern is support for 20x/25x *after acquisition*, not a mechanical denominator mismatch or a reason to cap exit P/E at 19.03x.

6. Two-sided exit challenge and return replay

The strongest return objection concerns the **Base 20x P/E**, a VP-controlled foundation. VP cites fiscal-date historical diluted P/Es of approximately 18.79x–37.38x, median 28.51x, and today's 19.03x normalized organic P/E. In re-adjudication VP added a more comparable **acquisition-inclusive first-forward check**: $28.91 divided by S's conditional FY2027 $1.4550 EPS equals **19.87x**. FY2027 includes only 9/12 ACV ownership, so this is evidence for a nearby 20x, not a perfect post-close comparable. VP conditions 20x on modest U.S. carrier recovery, 6.98% International revenue CAGR, ACV reaching $1.256 billion FY2031 sales at a 13% standalone-style margin, $45 million incremental acquired charges and foregone interest. Its 8.5-turn haircut to the old median acknowledges maturity, customer risk and unproved acquisition ROIIC. Those conditions make 20x an economically supported *successful-close Base*, not a claim that historical organic and terminal acquired denominators are identical. If the conditions fail, old higher-multiple history does not defend 20x.

An **18x Base exit remains an evidence-supported, non-controlling sensitivity**, not a proved replacement: it is just below FY2026 fiscal-date 18.79x and current normalized 19.03x, allowing a discount if retention or acquired returns fail. At unchanged FY2031 EPS $2.086231, it gives **$37.552157** terminal wealth and **5.53% gross USD IRR**, versus audited $41.724619 and **7.85%** at 20x. At the *same* Base FX, cost and gain-reserve rules it gives **4.56% net SGD**, versus **6.59%** controlling: **-2.31 gross and -2.03 net percentage points**. CSA independently replayed both fields with zero residual. The risk remains economically material, but VP has answered it as a failed-recovery alternative to the distinct conditional Base; no evidence currently establishes 18x as the proper controlling Base. Materiality of a sensitivity alone does not make the adjudicated method or multiple defective.

Bull 25x requires insurer share recovery, International expansion, ACV 20% standalone-style margin and an exit premium over 19x current despite acquired lower-margin mix. A **22x Bull same-P/E sensitivity** at unchanged $2.787133 EPS gives $61.32/share and **16.74%** gross IRR versus $69.68 and **19.86%** at 25x, a **3.11-point** gap. It is plausible if the old premium regime does not return; it is not a second independent forecast or a recommendation to stack all operating and multiple haircuts.

The strongest **excessive-bearishness** challenge is Bear 16x. It is below the latest 18.79x fiscal-date P/E and 19.03x tax-normalized current P/E while the yards, global bidder network, International growth and remaining liquidity survive. At unchanged Bear EPS $1.344058, a **19x same-P/E sensitivity** gives $25.54/share and **-2.52%** gross IRR, versus $21.50 and **-5.91%** at 16x, about **3.39 points** upward. VP explicitly considered this but retained 16x for persistent seller loss, weak acquired returns and reduced marginal franchise quality; it did not assign zero value to the yards or International operation. The non-controlling 19x case keeps the excessive-bearishness warning visible.

CSA's arithmetic repair itself holds. September 21, 2026 to July 31, 2031 is 1,774 days / 365.25 = **4.856947 years**, whereas organic operating growth has five fiscal steps from July 2026. At $28.91 entry, zero distributions and 25%/50%/25% weights, terminal wealth is $21.504931/$41.724619/$69.678335 and weighted wealth $43.658126. Gross USD IRRs are **-5.91%/7.85%/19.86%**, weighted **8.86%**. Weighted IRR compounds weighted *terminal wealth*, not the arithmetic mean of scenario IRRs. No arithmetic objection remains there. A 20% gross hurdle requires about $3.5043 Base EPS at 20x or **33.59x** on modeled Base EPS, beyond VP's 25x Bull. Audited **67/100 = 65/80 + 2/20** remains the score while inputs are held.

7. Net SGD and the illustrative trim

CS uses entry USD/SGD 1.2755, exits 1.20/1.2755/1.35, 0.50% each-side costs and a 15% reserve on positive USD price gains. It obtains audited **-7.28%/6.59%/18.75%** scenario and **7.65%** weighted net-SGD returns. Zero dividends make the stated 30% dividend-withholding convention inert. Tax, brokerage cost and FX are disclosed diagnostic assumptions, not verified account facts or FX forecasts. A stronger SGD at exit could materially worsen results; an excessive tax reserve could make them too bearish. Neither rescues the audited Base from the CIO 10% net threshold because even its gross USD return is only 7.85%. The current CIO PASS is therefore robust to ordinary friction relief, while exact investor action still needs lot and account data.

The 1,000-share counterfactual is arithmetically sound: $28,910 at $28.91 is S$36,874.71 at proxy FX, S$36,690.33 after 0.50% exit cost. A 3,598-share September 18 snapshot would fall to 2,598 shares **if holdings are unchanged**. That snapshot is not current custody; the calculation lacks live executable price, tax-lot basis, concentration, liquidity needs and a verified alternative investment. It supports no trim recommendation. CS and CSA already label it hypothetical and grant no execution authority. Any Stage 7 narrative or dashboard wording that converts it into advice would become a fresh material CIO-actionability defect.

8. Return-objection ledger

Here **material** means a supportable correction moves any scenario or weighted annual return at least two percentage points, changes the ER2/CIO conclusion, or invalidates method, denominator or terminal equity. Separate sensitivities are not additive without a coherent forecast.

Objection	Status	Consequence and required route
Base 20x after customer loss and ACV perimeter	MATERIAL_RESOLVED	VP independently tested 19.87x FY2027 acquired-forward P/E and conditional earnings; CS/CSA quantify 18x at 5.53% gross and 4.56% net; failed recovery triggers re-underwriting.
Bull 25x and Bear 16x directional asymmetry	MATERIAL_RESOLVED	VP considered 22x Bull and 19x Bear opposite tests, retaining conditional 25x/16x; both remain material sensitivities, not proven corrections.
Final PPA allocation and useful lives	MATERIAL_RESOLVED	VP labels $180.7M extra pretax cost a P/E-15 tail trigger without filed support for substitution; actual close accounting must go to S/VP/CS/CSA.
Acquisition no-close branch	MATERIAL_RESOLVED	VP limits every controlling scenario to eventual close and denies that weights are deal-completion probabilities; failed tender requires S/VP/CS/CSA refresh.
Carrier assignments with coupled margin	MATERIAL_RESOLVED	S Bear and sensitivities show the risk; B-US/S update on new reported quarters.
Cash purchase and interest	MATERIAL_RESOLVED	About $75M pretax displaced yield is in earnings once; zero separate net-cash add-on under P/E.
Award conversion and ordinary SBC	IMMATERIAL	Additional 10M shares cost about $0.023 Base EPS, under the IRR threshold; S updates upon final award terms.
Buybacks and diluted denominator	IMMATERIAL	A 5% larger terminal denominator costs about $0.099 Base EPS and around one return point; no current arithmetic double count.
Current versus terminal P/E denominator	MATERIAL_RESOLVED	VP flags organic current and acquired terminal as non-comparable; raw current multiple does not cap exit.
Distributions, FX, fees and tax reserve	MATERIAL_RESOLVED	Assumptions and zero distribution are disclosed; current Base remains below mandate with friction relief.

Objection	Status	Consequence and required route
Hypothetical 1,000-share trim	MATERIAL_RESOLVED	Arithmetic checks but no action follows; custody, lots and alternatives remain unknown.

9. Exit signal, conviction and re-underwriting route

Exit-review signal: If **unadjusted** U.S. insurance assignments remain negative year over year for **two consecutive reported quarters through FY2027 H1**, and facility cost **per sold unit** does not improve year over year in either quarter, treat Base service and margin recovery as broken and immediately rebuild B-US, S, the P/E-15 gate and returns. Customer-excluded growth does not clear this test. A second large-carrier loss or FY2027 domestic Operating margin below 34% should accelerate the review. This is a monitoring condition, not a trade instruction.

Conviction: conditional only. Copart retains a valuable global salvage franchise, and Bear should not erase its yards or International earnings. Yet Base depends on carrier recovery and a low-return acquisition becoming meaningfully profitable. The P/E-15 pass is narrow; audited Base net SGD of 6.59% already misses the CIO 10–15% mandate. The thesis does not earn an unqualified BUY from this review.

Resolution and routing: The original RT publication hold on return-model foundations is lifted **conditionally**. VP answered the economically decisive 18x challenge with an acquisition-inclusive 19.87x forward comparator, explicit successful-close Base assumptions and two-sided 19x/22x tests; CS quantified the material 18x stress; CSA replayed it with zero residual. The 18x case remains a plausible downside, not a silent deletion or controlling Base revision. Actual negative unadjusted assignments plus stagnant facility cost per unit over the stated two-quarter window, failed ACV tender, acquired margin materially below 13%, or deal charges approaching the additional $180.7 million Base headroom trigger **B-US/S as applicable, then VP, CS and CSA** before any refreshed return is relied on. The current CSA audit references this appendix's prior hash, so the production gate must rebind CSA to the final RT SHA before publication; that hash maintenance does not alter the economic resolution. No message, ranking, sizing or trade follows from this appendix.

Appendix D - Data Package

Copart (CPRT) - Data Package

Run ID: `pulse-cio-20260917T200244+0800` **Queue action:** `CIO-20260917-CPRT-RETENTION-UPDATE` **Information cutoff:** 2026-09-17 20:06:30 SGT **Fiscal year-end:** July 31 **Reporting currency:** USD **TTM / forward horizon:** TTM ended 2026-07-31; horizon 2031-07-31, exactly five calendar years. **QFR-sealed packets:** current-run quote SHA-256 `ff4e2304ee50557f4bd3e9eac63ce34be652cda4359236897232f4ec5e707c87`; statutory SHA-256 `be037c7d202df3a722ceafee15fc15659936c71e31f60703e8e875b366402ad0`. **Evidence convention:** All FMP datasets and transcripts were fetched live again in this Stage D refresh. SEC filings and releases were downloaded live again and byte-hashed. No local data-warehouse cache was used as evidence. The QFR-cleared `quant_foundation.md`, quote packet and statutory bridge control the historical perimeter and accounting classifications. **Authority:** Research only. `trade_execution_authorized=false`; no portfolio-change or external-message authority.

Decision question and September 17 refresh delta

This package addresses one bounded question: whether the newly visible FY2026 earnings contraction and ACV acquisition economics support retaining **3,598 CPRT shares** or warrant proposing a **1,000-share trim**. Stage D does not decide, rank or size the position. At the September 17 package's then-QFR-sealed 2026-09-16 close of **$30.82**, the full holding was worth **$110,890.36**. A 1,000-share proposal represents **27.79%** of the share count and **$30,820.00** of gross exposure, leaving 2,598 shares worth **$80,070.36**. A 1% CPRT price move changes the holding at that historical price by about **$1,108.90**, versus **$800.70** after that hypothetical trim; this is exposure arithmetic only, before taxes, costs or FX.

The September 15 data package remains valid on Copart's organic FY2022-FY2026 history, segment taxonomy, quarterly trend and assignment narrative. Three items change materially. First, QFR has now sealed the FY2026/TTM foundation and the exact quote and statutory hashes shown below. Second, fresh ACVA quarterly cash-flow and balance-sheet pulls permit a TTM cash-conversion and acquired-capital-return view that was previously omitted. Third, the transaction is correctly split between **all-cash consideration for ACV common shares** and **prospective Copart equity awards**: specified unvested ACV options, employee RSUs and PSUs convert into Copart awards. The ultimate incremental Copart share count is `UNKNOWN_UNQUANTIFIED`; any zero-dilution assumption is prohibited.

Decision evidence	Copart organic FY2026 / TTM	ACV standalone TTM through 2026-06-30	Combined implication before synergies and purchase accounting
Revenue	$4.666B	$0.801B	Organic revenue was flat; ACV adds scale but not current GAAP earnings
Operating income	$1.653B	$(0.057)B	Static acquired perimeter reduces operating profit by about $57M
Net income	$1.484B	$(0.063)B	ACV is loss-making on a standalone GAAP basis
Free cash flow	$1.267B	$0.006B	Copart cash conversion remains strong; ACV TTM cash yield on $1.9B is about 0.31%
Cash / securities or target net cash	$4.490B liquid financial assets	About $37M net cash at 2026-06-30	A $1.9B payment leaves about $2.590B gross liquidity before fees and working capital
Share impact	925.811M exact dated stock; 956.860M diluted FY average	Award pools disclosed, conversion outcome not reliably quantifiable	Common-share consideration is cash, but converted awards create `UNKNOWN_UNQUANTIFIED` dilution

The evidence therefore separates two underwriting issues that should not be blended: (1) whether Copart's organic U.S. assignment and cost-per-unit contraction is temporary, and (2) whether ACV can earn an adequate return on approximately $1.9B of cash after foregone interest, current losses, integration investment and converted-award dilution.

0a. Industry classification and disclosure inventory

Copart is a digital vehicle-auction and remarketing marketplace with a physical storage, towing and logistics network. It is a U.S. domestic filer under U.S. GAAP. The latest completed fiscal period is FY2026/Q4, ended July 31, 2026. Copart had not filed its FY2026 Form 10-K by the cutoff, so the controlling current source is the [FY2026 earnings release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm), supplemented by the

FY2026 quarterly releases and the [FY2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/900075/000162828025042946/cprt-20250731.htm). The [FY2023 Form 10-K](https://www.sec.gov/Archives/edgar/data/900075/000090007523000034/cprt-20230731.htm) supplies the older segment backfill. The [FY2022 Form 10-K](https://www.sec.gov/Archives/edgar/data/900075/000090007522000050/cprt-20220731.htm) and [FY2024 Form 10-K](https://www.sec.gov/Archives/edgar/data/900075/000090007524000024/cprt-20240731.htm) supply the annual international-buyer history.

FMP is adequate for consolidated statements and annual Product/Service revenue, but its segment endpoint does not capture Copart's reportable geographic operating-income tables and its FY2026 product feed is incomplete. Official releases therefore control segment, product/geography intersections, quarterly comparisons and FY2026 share denominators. The ad hoc industry checklist searched: `units sold`, `insurance units`, `non-insurance units`, `assignments`, `inventory`, `total loss frequency`, `claims frequency`, `average selling price`, `ASP`, `revenue per unit`, `auction returns`, `international buyers`, `dealer`, `BluCar`, `Purple Wave`, `direct buy`, `purchased vehicle`, `facility operations`, `cost of vehicle sales`, `gross profit`, `operating income`, `capital expenditures`, `liquidity`, `ACV`, `synergies` and `accretion`.

Dataset / table family	Official source searched	Search terms or table names	Years available	Included?	If excluded, why	Downstream relevance
Geographic segment economics	FY2025 10-K, FY2023 10-K, FY2026 releases	Segments Information; service revenues; vehicle sales; facility or yard operations; operating income	FY2022-FY2026 and Q1-Q4 FY2026	Yes	-	Segment models and margin bridge
Product economics	FMP annual/quarterly product endpoints and SEC segment tables	Product; Service; vehicle sales; cost of vehicle sales	FY2022-FY2026 and Q1-Q4 FY2026	Yes	FY2026 FMP annual and Q1/Q4 rows absent; official controls	Revenue mix and gross margin
Auction-market KPIs	Four FY2026 live FMP transcripts; FY2022-FY2025 10-Ks	units, assignments, ASP, total loss, CAT, fee revenue per unit, buyer mix	FY2022-FY2026 international-buyer unit share; FY2026 volume and price changes	Yes	Exact unit and ASP dollars are true non-disclosures	Volume/price/mix and auction-liquidity underwriting
Capital and liquidity	Live FMP statements and FY2026 SEC release	cash, held-to-maturity securities, debt, leases, revolver, capex	FY2022-FY2026	Yes	-	ACV funding and reinvestment capacity
ACV transaction	Copart 8-K, release, presentation and live ACVA FMP statements	consideration, financing, close, tender, synergies, accretion, subsidiary	Announcement plus ACVA FY2025/TTM	Yes	Synergy dollars and purchase accounting not disclosed	Pro forma earnings and dilution
Customer concentration and assignment share	FY2025 10-K	insurance-company vehicles; customer concentration	FY2023-FY2025	Yes	No customer-level dollars	Moat and volume risk

Material historical KPI series follow. Dollar amounts are USD billions except percentages.

KPI family	Granularity	FY2022	FY2023	FY2024	FY2025	FY2026	Latest interim / TTM	Source
Service revenues	Consolidated	2.853	3.198	3.561	3.969	3.970	3.970	Live FMP product endpoint; FY2026 SEC release
Vehicle sales	Consolidated	0.648	0.671	0.676	0.678	0.697	0.697	Live FMP product endpoint; FY2026 SEC release
U.S. revenue	Geographic segment	2.945	3.190	3.465	3.855	3.807	3.807	FY2023/FY2025 10-K; FY2026 SEC release
International revenue	Geographic segment	0.556	0.680	0.772	0.792	0.859	0.859	FY2023/FY2025 10-K; FY2026 SEC release
U.S. operating income	Geographic segment	1.248	1.368	1.428	1.481	1.419	1.419	Same official segment tables
International operating income	Geographic segment	0.127	0.118	0.144	0.216	0.234	0.234	Same official segment tables
Insurance-origin vehicles	Share of vehicles processed	80%	83%	81%	81%	-	True non-disclosure for FY2026	FY2023/FY2025 10-Ks; company does not provide FY2026 share in release

KPI family	Granularity	FY2022	FY2023	FY2024	FY2025	FY2026	Latest interim / TTM	Source
U.S. vehicles sold to international buyers	Unit share of U.S. sales	36.4%	34.0%	38.0%	38.8%	38.2%	FY2026 full-year call	FY2022-FY2025 10-Ks; live FY2026 Q4 FMP transcript
U.S. vehicle sale value from international buyers	Share of U.S. auction vehicle value	-	-	-	-	45.7%	FY2026 full-year call	Live FY2026 Q4 FMP transcript; comparable historical series not disclosed
Vehicles sold to buyers with less than one year of tenure	Share of global vehicle units	-	-	-	8.3%	8.9%	FY2026 full-year call	Live FY2026 Q4 FMP transcript; older comparable history not disclosed
Vehicles sold to buyers with less than two years of tenure	Share of global vehicle units	-	-	-	-	21.7%	FY2026 full-year call	Live FY2026 Q4 FMP transcript; older comparable history not disclosed
Global units sold growth	Consolidated	-	-	-	-	(5.5)%	(3.1)% ex-CAT	Q4 FY2026 transcript, 2026-09-10
Global ASP growth	Consolidated	-	-	-	-	5.5%	Q4 3.5%	Q4 FY2026 transcript, 2026-09-10
Total-loss frequency	U.S. industry	-	-	-	-	23.3% calendar Q2 2026	Up from 22.4%	Q4 FY2026 transcript, management citing industry data

The five-year dollar histories are complete and comparable. The FY2022-FY2025 10-Ks report international buyers using registration and IP-address language; the FY2026 Q4 call describes buyers outside the U.S., so the 38.2% current observation is directionally comparable but not asserted to be an exact unchanged-definition series. The call also disclosed that these buyers represented 45.7% of U.S. vehicle sale value in FY2026, versus 38.2% of units, a material indicator of auction demand and mix. [FY2026 Q4 transcript source: live FMP stable earning-call-transcript endpoint, dated 2026-09-10](https://financialmodelingprep.com/stable/earning-call-transcript?symbol=CPRT&year=2026&quarter=4). Absolute auction unit counts, ASP dollars and assignment counts are not disclosed in the searched official filings or releases; only percentages and direction are used. The absence of these absolute KPIs prevents a fully numerical volume-times-price revenue bridge, but it does not prevent a sourced cause bridge using disclosed growth rates and financial statement deltas.

Assignment / inventory signal	Q1 FY2026	Q2 FY2026	Q3 FY2026	Q4 FY2026	Interpretation
Global assignments YoY	Not separately stated	Low-single-digit decline	Low-single-digit growth	(2.2)%	Leading signal improved midyear, then weakened again
U.S. assignments YoY	(9.5)%; low-single-digit decline ex-CAT	Low-single-digit decline	Low-single-digit decline	(5.0)% total U.S.; domestic insurance +2.3% excluding one customer loss	Organic industry trend was better than reported, but customer retention matters
International assignments YoY	Not separately stated	Not separately stated	Low-teens growth	+10.0%	Supports the segment's double-digit Q4 revenue growth
Global inventory YoY	Not separately stated	(7.0)%	(2.0)%	(1.0)%	Inventory contraction moderated through the year
U.S. inventory YoY	(17.0)%	(8.1)%	(4.7)%	(3.4)%	Faster cycle time and aged-inventory reduction complicate volume comparisons

These rates come from the four live FY2026 transcripts. The Q4 U.S. evidence is especially decision-relevant: total U.S. assignments declined 5.0%, while management separately said domestic insurance assignments would have grown 2.3% excluding one customer loss. The two disclosures have different perimeters and are not presented as an exact arithmetic bridge. Together they show that a macro recovery alone does not close the risk; carrier share and service execution must also stabilize.

1. Reporting structure and taxonomy

Copart reports two geographic segments. **United States** includes domestic online vehicle auction, remarketing, towing, storage and associated services. **International** comprises Canada, the U.K., Germany, Brazil, Ireland, Finland, Spain, the U.A.E., Oman and Bahrain. The CODM uses service revenue, vehicle sales and operating income to allocate resources and assess performance. Operating income is therefore an issuer-disclosed segment profit measure, not an analyst-created proxy.

FY2026 segment	Revenue ($B)	Percent of total	Operating income ($B)	Description
United States	3.807	81.6%	1.419	Largest salvage and non-insurance wholesale marketplace, supported by yards, towing, title and buyer liquidity
International	0.859	18.4%	0.234	Geographic operations led by the U.K. and Canada, with both consignment service and principal vehicle sales
Total	4.666	100.0%	1.653	Exact sum of reportable segments

Reporting structure has been stable since at least FY2021. The Q1 FY2026 release added a segment table to quarterly releases; that was a disclosure enhancement, not a change in reportable segments. The older label `yard operations` became `facility operations`, but the cost function is economically continuous. FMP's `Product` line maps to issuer `Vehicle sales`; FMP's `Service` line maps to issuer `Service revenues`. Products are not reportable segments. No segment realignment or restated boundary was found in the current and prior 10-K segment notes.

The material accounting distinction is principal versus agent. Consigned vehicles generate net service fees; Copart does not record the gross auction proceeds as revenue. Vehicles Copart purchases or otherwise owns are reported gross as vehicle sales, with acquisition cost in cost of vehicle sales. A contract shift from principal purchase to consignment can reduce reported vehicle sales without reducing the underlying unit opportunity and can mechanically raise consolidated margin.

2. Consolidated historicals

All five years below were fetched live from FMP's `income-statement`, `cash-flow-statement` and `balance-sheet-statement` stable endpoints in this run. FY2026 was cross-checked to the official September 10 release. FCF equals operating cash flow less purchases of property and equipment.

Metric	FY2022	FY2023	FY2024	FY2025	FY2026	Source
Revenue ($B)	3.501	3.870	4.237	4.647	4.666	Live FMP income; FY2026 SEC tie
Gross profit ($B)	1.606	1.737	1.907	2.100	2.084	Live FMP income
Gross margin (%)	45.88%	44.89%	45.02%	45.18%	44.66%	Calculated
Operating income ($B)	1.375	1.487	1.572	1.697	1.653	Live FMP income; FY2026 sealed bridge
Operating margin (%)	39.28%	38.42%	37.10%	36.51%	35.42%	Calculated
Net income attributable to Copart ($B)	1.090	1.238	1.363	1.552	1.484	Live FMP income; FY2026 SEC
Diluted EPS ($)	1.13	1.28	1.40	1.59	1.55	Live FMP income
Diluted weighted-average shares (M)	964.604	966.647	974.798	977.563	956.860	Live FMP annual; official annual denominator
Capex ($B)	0.337	0.517	0.511	0.569	0.337	Live FMP cash flow
FCF ($B)	0.839	0.848	0.962	1.231	1.267	Calculated from live FMP cash flow
ROIC (%)	35.15%	33.32%	31.37%	31.78%	28.99%	Stage D calculation below

Stage D ROIC is consistent across years: `NOPAT = statutory operating income x (1 - reported effective tax rate)`; ending invested capital equals total stockholders' equity plus gross debt/finance leases less cash and short-term investments; the denominator is average beginning/end invested capital. FY2026 is `1.652590 x (1 - 19.32%) = $1.333B NOPAT`; average invested capital is `$4.599B`; ROIC is `28.99%`. The same calculation yields FY2022-FY2025 above. This is an analyst calculation and differs from provider ROIC definitions that do not deduct all excess liquidity.

The history shows a clear transition: revenue compounded, but operating margin declined from 39.28% to 35.42%. The decline is not a statutory reclassification. It reflects higher operating-cost intensity, capacity and service investment, and the changing volume/mix backdrop described in Section 3b.

3. Segment historicals

United States

United States	FY2022	FY2023	FY2024	FY2025	FY2026	Source
Revenue ($B)	2.945	3.190	3.465	3.855	3.807	FY2023/FY2025 10-K; FY2026 SEC release
YoY growth (%)	-	8.30%	8.62%	11.27%	(1.24)%	Calculated
Operating income ($B)	1.248	1.368	1.428	1.481	1.419	Same official segment tables
Operating margin (%)	42.36%	42.89%	41.22%	38.41%	37.27%	Calculated

FY2026 U.S. service revenue was $3.388B and vehicle sales were $0.419B. U.S. revenue decreased $47.674M, while operating income decreased $61.846M. The segment remained highly profitable, but a lower insurance-unit base, the nonrecurrence of FY2025 hurricane volumes and ongoing investment caused negative operating leverage.

International

International	FY2022	FY2023	FY2024	FY2025	FY2026	Source
Revenue ($B)	0.556	0.680	0.772	0.792	0.859	FY2023/FY2025 10-K; FY2026 SEC release
YoY growth (%)	-	22.33%	13.56%	2.56%	8.45%	Calculated
Operating income ($B)	0.127	0.118	0.144	0.216	0.234	Same official segment tables
Operating margin (%)	22.93%	17.43%	18.65%	27.26%	27.20%	Calculated

FY2026 International service revenue was $0.581B and vehicle sales were $0.278B. Revenue increased $66.925M and operating income increased $17.722M. Operating margin was essentially flat because gross-margin expansion was absorbed by higher G&A and infrastructure investment.

3a. Historical statutory-profit bridge and forecast-driver ledger

The common segment profit basis is exactly **Operating income**, an issuer-disclosed statutory segment metric. The packet is `issuer_disclosed`, has two modeled segments, no corporate/unallocated adjustments and no operating bridge adjustments. Values are USD thousands. The exact QFR-sealed packet SHA-256 is `be037c7d202df3a722ceafee15fc15659936c71e31f60703e8e875b366402ad0`.

Source ID	Official title / period	URL	Archived raw path	SHA-256
SEC_FY2026_ER_LIVE	Copart Reports Fourth Quarter Fiscal 2026 Financial Results	https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm	`C:\Users\Admin\OneDrive\GPT\ER 2.0\Copart\raw\pulse-cio-20260917T200244+0800\sec_ex99_1_fy2026_earnings.htm`	552d2a51bbdf3b28efa644f30ed509597993177748a87a00603a70bae26414bd

Latest completed FY - FY2026 (year ended 2026-07-31). Corporate/unallocated and operating-adjustment arrays are empty in the sealed packet; no zero-value placeholder or plug is inserted.

Bridge line	Classification	Value	Source ID	Running subtotal
United States operating income	segment profit	1,419,040	SEC_FY2026_ER_LIVE	1,419,040
International operating income	segment profit	233,550	SEC_FY2026_ER_LIVE	1,652,590
Sum of reportable segment profit	segment profit subtotal	1,652,590	SEC_FY2026_ER_LIVE	1,652,590
Consolidated segment profit metric	subtotal	1,652,590	SEC_FY2026_ER_LIVE	1,652,590
Statutory operating income	statutory subtotal	1,652,590	SEC_FY2026_ER_LIVE	1,652,590
Interest income, net	interest	181,923	SEC_FY2026_ER_LIVE	1,834,513

Bridge line	Classification	Value	Source ID	Running subtotal
Other income, net	other_non_operating	464	SEC_FY2026_ER_LIVE	1,834,977
Pretax income	statutory subtotal	1,834,977	SEC_FY2026_ER_LIVE	1,834,977
Income tax expense	tax	(354,580)	SEC_FY2026_ER_LIVE	1,480,397
Net loss attributable to noncontrolling interest	noncontrolling_interests	3,873	SEC_FY2026_ER_LIVE	1,484,270
Net income attributable to Copart, Inc.	statutory subtotal	1,484,270	SEC_FY2026_ER_LIVE	1,484,270

TTM ended 2026-07-31 (Q1 FY2026 + Q2 FY2026 + Q3 FY2026 + Q4 FY2026). TTM equals FY2026 because the trailing period ends on fiscal year-end. Labels and values are reproduced without change.

Bridge line	Classification	Value	Source ID	Running subtotal
United States operating income	segment profit	1,419,040	SEC_FY2026_ER_LIVE	1,419,040
International operating income	segment profit	233,550	SEC_FY2026_ER_LIVE	1,652,590
Sum of reportable segment profit	segment profit subtotal	1,652,590	SEC_FY2026_ER_LIVE	1,652,590
Consolidated segment profit metric	subtotal	1,652,590	SEC_FY2026_ER_LIVE	1,652,590
Statutory operating income	statutory subtotal	1,652,590	SEC_FY2026_ER_LIVE	1,652,590
Interest income, net	interest	181,923	SEC_FY2026_ER_LIVE	1,834,513
Other income, net	other_non_operating	464	SEC_FY2026_ER_LIVE	1,834,977
Pretax income	statutory subtotal	1,834,977	SEC_FY2026_ER_LIVE	1,834,977
Income tax expense	tax	(354,580)	SEC_FY2026_ER_LIVE	1,480,397
Net loss attributable to noncontrolling interest	noncontrolling_interests	3,873	SEC_FY2026_ER_LIVE	1,484,270
Net income attributable to Copart, Inc.	statutory subtotal	1,484,270	SEC_FY2026_ER_LIVE	1,484,270

Historical bridge line	FY value	TTM value	Forecast treatment	Driver and source	Bear / base / bull rule
United States operating income	1,419,040	1,419,040	Forecast segment revenue and operating margin	Section 3 and FY2026 segment release	Lower / normalized / improving units and cost intensity
International operating income	233,550	233,550	Forecast segment revenue and operating margin	Section 3 and FY2026 segment release	Slower / sustained / accelerated volume and service mix
Interest income, net	181,923	181,923	Average investable liquidity x yield	FY2026 release; ACV consumes about $1.9B cash	Faster / base / slower cash deployment and conservative / base / higher yield
Other income, net	464	464	Zero-centered separately forecast non-operating amount	Volatile FX, asset disposals and affiliate result; FY2025 10-K	Loss / zero / modest income; never blend with interest
Income tax expense	(354,580)	(354,580)	Pretax income x effective tax rate	FY2026 effective rate 19.32%	Higher / normalized / lower rate within sourced range
Net loss attributable to noncontrolling interest	3,873	3,873	Separately forecast small retained-ownership line	FY2026 release	Zero / recent run-rate / modest increase; retain sealed sign convention

STATUTORY_BRIDGE_STATUS: VERIFIED — CLEARED FOR FORECASTING

3b. FY2026 gross-margin and operating-margin cause bridge

Financial bridge ($M except margins)	FY2025	FY2026	Change	Source / reading
Revenue	4,646.958	4,666.209	19.251	Official FY2026 release
Service revenue	3,968.662	3,969.520	0.858	Essentially flat
Vehicle sales	678.296	696.689	18.393	2.7% growth; principal revenue
Service gross profit	2,024.344	2,003.632	(20.712)	Calculated as service revenue less facility operations

Financial bridge ($M except margins)	FY2025	FY2026	Change	Source / reading
Vehicle-sales gross profit	75.299	80.226	4.927	Calculated as vehicle sales less cost of vehicle sales
Total gross profit	2,099.643	2,083.858	(15.785)	Official release
Gross margin	45.18%	44.66%	(52) bp	Calculated
G&A	402.929	431.268	28.339	Official segment table basis
G&A as percent of revenue	8.67%	9.24%	57 bp	Calculated
Operating income	1,696.714	1,652.590	(44.124)	Official release and sealed bridge
Operating margin	36.51%	35.42%	(109) bp	52 bp gross pressure plus 57 bp G&A intensity

The arithmetic identifies the immediate cause, while management's unit and pricing disclosures explain it. Global FY2026 units sold declined 5.5%, or 3.1% excluding prior-year catastrophe units. U.S. total units declined 6.9% and insurance units declined 8.0%. Higher full-year global ASP and revenue per unit, both about 5.5%-5.7%, offset most but not all unit pressure. The result was only 0.4% revenue growth.

The gross-margin compression was concentrated in service economics. All-in facility operations expense on the segment-table basis, including facility depreciation and stock-based compensation, rose $21.570M, or 1.1%, while service revenue was flat, reducing service gross margin by about 53 bp. Vehicle-sales gross margin improved about 42 bp to 11.52%, but the small principal vehicle profit pool added only $4.927M. G&A then grew 7.0%, well above revenue, creating the second 57 bp of operating-margin decline.

Segment cause bridge ($M except margins)	U.S. FY2025	U.S. FY2026	International FY2025	International FY2026
Revenue	3,855.104	3,807.430	791.854	858.779
Gross profit	1,830.821	1,781.990	268.822	301.868
Gross margin	47.49%	46.80%	33.95%	35.15%
G&A	349.935	362.950	52.994	68.318
Operating income	1,480.886	1,419.040	215.828	233.550
Operating margin	38.41%	37.27%	27.26%	27.20%

Sourced fact - U.S.: FY2026 U.S. insurance volumes fell 8.0%. Dealer units rose 3.9%; BluCar units rose 2.4%; Copart Direct units fell 34.5% as lower-value principal units moved to a referral-fee channel. U.S. purchased-vehicle revenue rose 3.9%, purchased-vehicle gross profit rose 10.5%, and purchased-unit margin improved 40 bp to 6.7%. U.S. facility costs decreased 0.7% in dollars but increased 6.6% per unit because the volume denominator contracted. Full-year U.S. ASP increased 5.5%, with both insurance ASP and non-insurance ASP around that level.

Sourced fact - International: FY2026 total units rose 3.7%, fee units rose 4.6%, and purchase units declined 2.1%. Service revenue grew 12.4%, purchased vehicle revenue grew 1.0%, and full-year ASP grew 7.3%. International facility costs grew 11.2% and 7.2% per unit. Stronger service mix expanded segment gross margin about 120 bp, but a $15.324M increase in G&A absorbed the benefit at operating income.

Inference: U.S. margin is most sensitive to the pace at which assignments and insurance volumes normalize relative to fixed facility capacity and new-service spending. International has the opposite near-term setup: unit and fee growth can absorb infrastructure, but incremental G&A must be controlled for operating-margin expansion. Total-loss frequency is a favorable structural driver, but declining collision coverage and customer-share shifts can dominate it over a one-year period.

Judgment: FY2026 does not demonstrate structural auction-pricing erosion. ASPs and revenue per unit rose, international buyer participation remained strong, and lower-value principal units were intentionally redirected. The unresolved question is whether U.S. cost per unit falls when volume returns, or whether long-haul, TitleExpress, wholesale facilities and related staffing establish a permanently higher cost base.

3c. Organic earnings quality and cash conversion

Fiscal year	OCF / net income	FCF / net income	Capex / revenue	Reading
FY2022	107.9%	77.0%	9.64%	Healthy cash conversion; elevated land/facility reinvestment
FY2023	110.2%	68.5%	13.35%	Capex expansion reduced owner cash conversion
FY2024	108.0%	70.5%	12.06%	Cash earnings remained above accounting earnings before capex
FY2025	115.9%	79.3%	12.24%	Strongest OCF conversion in the five-year set
FY2026	108.1%	85.4%	7.23%	FCF rose 3.0% despite lower earnings because capex fell 40.7%

Organic Copart generated $1.604B of operating cash flow and $1.267B of FCF in FY2026 against $1.484B of net income. That is a genuine balance-sheet strength, but the composition matters: OCF fell 10.9% year over year while FCF improved because capex dropped from $569M to $337M. A retention case should not treat FY2026 FCF growth as proof that operating contraction ended; a trim case should not ignore the still-excellent absolute cash conversion and $4.490B liquid-asset base.

4. Product and sub-segment historicals

Copart separately discloses only two revenue products in dollars: Service revenues and Vehicle sales. It also discloses their geographic intersection. No back-solved dollar figures are used.

Segment	Product	What it is	Dollar disclosure?	FY2024 / FY2025 / FY2026 revenue ($B) and source
Consolidated	Service revenues	Net auction, buyer, seller, transport, title, storage, bidding and loading fees	Yes	3.561 / 3.969 / 3.970; live FMP plus official FY2026 release
Consolidated	Vehicle sales	Gross sale proceeds for vehicles Copart owns as principal	Yes	0.676 / 0.678 / 0.697; live FMP plus official FY2026 release
United States	Service revenues	U.S. fee and service pool	Yes	3.126 / 3.452 / 3.388; FY2025 10-K and FY2026 release
United States	Vehicle sales	Primarily Copart Direct principal vehicles	Yes	0.339 / 0.404 / 0.419; FY2025 10-K and FY2026 release
International	Service revenues	International consignment fees and services	Yes	0.435 / 0.517 / 0.581; FY2025 10-K and FY2026 release
International	Vehicle sales	Principal contracts, primarily including U.K. vehicles	Yes	0.337 / 0.275 / 0.278; FY2025 10-K and FY2026 release

Product / initiative	Disclosure method	Last four quarters YoY / operating KPI	Source
Service revenues	Dollar revenue and YoY	Q1 +0.6%; Q2 (4.0)%; Q3 +2.1%; Q4 +1.4%	FY2026 SEC releases
Vehicle sales	Dollar revenue and YoY	Q1 +1.7%; Q2 (1.4)%; Q3 +2.3%; Q4 +8.3%	FY2026 SEC releases
Purple Wave	Growth rate only; no separate revenue	GTV grew more than 10% LTM in Q1, more than 17% in Q2, more than 25% in Q3	FY2026 live FMP transcripts
BluCar	Unit growth only; no separate revenue	FY2026 +2.4%; Q4 nearly +20%	Q4 FY2026 transcript
Dealer Services	Unit growth only; no separate revenue	FY2026 +3.9%; Q4 +5.8%	Q4 FY2026 transcript
Copart Direct	Unit and ASP growth only; no separate revenue	FY2026 units (34.5)%; ASP +29.2%	Q4 FY2026 transcript
TitleExpress and long-haul delivery	Strategic/cost commentary only	Revenue, units and margin not separately disclosed	Q3/Q4 FY2026 transcripts

The 10-K explains that service fee types are one performance obligation satisfied at auction completion; individual fee categories are not separately disclosed in dollars. Purple Wave, BluCar, dealer services, TitleExpress, transport and storage are not separate reportable products. Treating their unit or GTV growth as revenue would fabricate a financial series.

5. Most recent quarterly trend

Copart FY ends July 31. Most recently completed fiscal quarter at the cutoff: FY2026 Q4, covering May-July 2026, reported on 2026-09-10 via the [official release](https://www.sec.gov/Archives/edgar/data/900075/000119312526387902/cprt-ex99_1.htm).

Quarter	Consolidated revenue ($B)	YoY	Operating income ($B)	Operating margin	Official source date
Q1 FY2026	1.155	0.7%	0.431	37.29%	2025-11-20 SEC release
Q2 FY2026	1.122	(3.6)%	0.389	34.65%	2026-02-19 SEC release
Q3 FY2026	1.237	2.1%	0.464	37.53%	2026-05-21 SEC release
Q4 FY2026	1.152	2.4%	0.369	32.01%	2026-09-10 SEC release

Quarter	U.S. revenue ($B)	YoY	U.S. operating income ($B)	U.S. operating margin	Source
Q1 FY2026	0.953	0.54%	0.375	39.36%	2025-11-20 SEC segment table
Q2 FY2026	0.922	(5.46)%	0.341	37.05%	2026-02-19 SEC segment table
Q3 FY2026	1.003	(0.36)%	0.390	38.93%	2026-05-21 SEC segment table
Q4 FY2026	0.930	0.44%	0.312	33.55%	2026-09-10 SEC segment table

Quarter	International revenue ($B)	YoY	International operating income ($B)	International operating margin	Source
Q1 FY2026	0.202	1.57%	0.056	27.53%	2025-11-20 SEC segment table
Q2 FY2026	0.200	6.15%	0.047	23.61%	2026-02-19 SEC segment table
Q3 FY2026	0.234	14.10%	0.074	31.53%	2026-05-21 SEC segment table
Q4 FY2026	0.222	11.70%	0.057	25.55%	2026-09-10 SEC segment table

The quarter path is volatile because prior-year catastrophes distort volume, facility spending does not move one-for-one with units, and vehicle-sales mix changes gross presentation. Q4 is the clearest stress point: consolidated gross margin was 41.8% and U.S. operating margin fell to 33.6%, while International maintained double-digit revenue growth.

6. Management commentary on forward growth

Transcripts were fetched live from FMP's `earning-call-transcript` endpoint for FY2026 Q1-Q4. Dates were 2025-11-20, 2026-02-19, 2026-05-21 and 2026-09-10, all matching the expected calls. Quotes are deliberately short; interpretations and numerical context are paraphrased.

United States and consolidated marketplace

Fiscal period / date	Speaker	Verbatim quote	Topic	Modeling interpretation
Q1 FY2026 / 2025-11-20	Jeff Liaw, CEO	"total loss frequency has continued its long-term upward trend"	Salvage supply	Structural positive, but near-term claims and coverage can offset it
Q1 FY2026 / 2025-11-20	Jeff Liaw, CEO	"Liquidity begets liquidity."	Auction network effect	Buyer depth supports ASP and seller retention
Q1 FY2026 / 2025-11-20	Leah Stearns, CFO	"earning a referral fee"	Direct Buy mix	Lower-value principal units shift to capital-light agent revenue
Q2 FY2026 / 2026-02-19	Jeff Liaw, CEO	"Total loss frequency continues its inexorable rise"	Long-term volume	Do not extrapolate one weak unit year indefinitely
Q2 FY2026 / 2026-02-19	Leah Stearns, CFO	"U.S. insurance ASPs increased 6%"	Pricing and liquidity	Higher proceeds offset part of unit decline
Q3 FY2026 / 2026-05-21	Jeff Liaw, CEO	"drive ever better auction returns"	Customer value proposition	Returns, not fee extraction alone, are the moat variable
Q4 FY2026 / 2026-09-10	Leah Stearns, CFO	"managing our facility costs down on a per unit basis"	Cost discipline	Base case requires per-unit cost improvement after FY2026 investment

International and adjacent channels

Management says international demand and non-insurance channels deepen buyer liquidity rather than operate as disconnected growth bets. The FY2026 evidence supports that view: International revenue and gross profit grew despite U.S. insurance weakness, but absolute revenue for initiatives is not disclosed.

Fiscal period / date	Speaker	Verbatim quote	Topic	Modeling interpretation
Q1 FY2026 / 2025-11-20	Jeff Liaw, CEO	"strong super majority of insurance units sold"	Pure-sale auction mix	More vehicles clear without reserve friction; exact share not disclosed
Q2 FY2026 / 2026-02-19	Leah Stearns, CFO	"global assignment volume declined low single digit"	Leading volume indicator	Inventory and sold units can lag assignments
Q3 FY2026 / 2026-05-21	Leah Stearns, CFO	"Internationally, the story is one of continued momentum."	Geographic growth	International should be modeled separately from U.S. insurance
Q3 FY2026 / 2026-05-21	Leah Stearns, CFO	"International assignments increased at a low teens pace."	Forward unit signal	Supports near-term International volume growth, subject to timing
Q4 FY2026 / 2026-09-10	Jayson Adair, CEO	"integrate buyers"	ACV commercial logic	Cross-platform demand is a core revenue-synergy pathway
Q4 FY2026 / 2026-09-10	Jayson Adair, CEO	"accretive to earnings in the first full year"	ACV accretion	Conflicts with formal release; formal guidance controls until clarified

The final quote is contrary evidence, not the controlling deal forecast. The formal transaction release says neutral to Copart EPS in the first full year of ownership and accretive in FY2028 and beyond. The difference could reflect transcript imprecision, a speaker shorthand or an updated view not reflected in the release; no reconciliation was disclosed. Downstream work should use the formal release and retain the call discrepancy as a diligence question.

7. Capital allocation history

Copart does not separately report R&D expense; FMP maps the field to zero, but that does not mean technology spending is economically zero. Software development and system enhancement costs appear in G&A and capital expenditures. M&A below is cash paid for acquired businesses/assets from official cash-flow lines; FY2024 was a small net inflow/recovery and is shown with a negative sign. It excludes investments in unconsolidated affiliates.

Year	Capex ($B)	Capex / revenue	R&D ($B)	R&D / revenue	Buybacks ($B)	Dividends ($B)	M&A cash paid ($B)	Source
FY2022	0.337	9.64%	n/d	n/d	0.000	0.000	0.107	Live FMP; FY2023 10-K cash flow
FY2023	0.517	13.35%	n/d	n/d	0.000	0.000	0.000	Live FMP; FY2025 10-K
FY2024	0.511	12.06%	n/d	n/d	0.000	0.000	(0.018)	Live FMP; FY2025 10-K
FY2025	0.569	12.24%	n/d	n/d	0.000	0.000	0.001	Live FMP; FY2025 10-K
FY2026	0.337	7.23%	n/d	n/d	1.633	0.000	0.005	Live FMP; FY2026 SEC release

FY2026 repurchases reduced the common-share stock from 967.732M on September 25, 2025 to 925.811M on May 27, 2026, a 4.33% decline. The latest sourced point-in-time count is therefore 925.811M on the Q3 FY2026 Form 10-Q cover; it is not asserted as the July 31 year-end stock. The $1.633B buyback lowered future share count but also reduced cash earning interest. The FY2026 diluted weighted-average share denominator of 956.860M must not be confused with this point-in-time stock.

8. Balance sheet snapshot and ACV funding

Item at FY2026 year-end	$B	Source
Cash, cash equivalents and restricted cash	1.908	FY2026 SEC release
Held-to-maturity securities	2.582	FY2026 SEC release

Item at FY2026 year-end	$B	Source
Total liquid financial assets	4.490	Calculated
Funded debt	0.000	FY2026 SEC release
Operating and finance lease liabilities	0.088	FY2026 SEC release; FMP groups the combined balance as `capitalLeaseObligations`
Net cash including HTM securities	4.401	Calculated
Net debt / EBITDA	(2.13)x	Net debt including HTM divided by FY2026 EBITDA $2.064B
Goodwill plus intangibles	0.562	Live FMP balance sheet
Tangible book value	8.536	Stockholders' equity less goodwill/intangibles
Committed revolver facility size	1.250	[January 23, 2026 Form 8-K](https://www.sec.gov/Archives/edgar/data/900075/000119312526022730/d64083d8k.htm); [Q3 FY2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/900075/000119312526245578/cprt-20260430.htm) reports $1.228B unused at April 30, 2026
Gross liquidity including facility size	5.740	Calculated as $4.490B liquid financial assets plus $1.250B committed facility; consistent with management's approximately $5.7B statement

ACV transaction perimeter and incremental economics

Copart announced the ACV Auctions transaction on September 10, 2026, after FY2026 ended. It is therefore excluded from FY2026 and TTM statutory results. The [transaction release](https://www.sec.gov/Archives/edgar/data/900075/000119312526388064/d138322dex991.htm) and [presentation](https://www.sec.gov/Archives/edgar/data/900075/000119312526388064/d138322dex992.htm) are controlling.

Deal item	Sourced fact	Modeling treatment
Price	$10.50 cash per ACV common share; about $1.9B equity value	Common-share consideration is all cash; keep employee-award conversion separate
Structure	Tender offer, then merger for untendered shares at same price	Full acquisition, subject to conditions
Funding	Cash on hand; no financing condition	Reduce cash/HTM; no funded acquisition financing disclosed
Conditions	Majority of ACV shares tendered, HSR waiting period expiration/termination, customary conditions	Unclosed at cutoff; probability/timing must remain explicit
Expected closing	By calendar year-end 2026	No FY2026 contribution; partial FY2027 depending close date
Operating model	Independent Copart subsidiary under ACV's existing leadership	Preserve ACV brand and operating perimeter initially
Integration	Buyer liquidity, logistics/staging and selected user experiences integrated; separate websites/brands	Revenue and cost synergies possible, but timing and dollars undisclosed
Formal EPS impact	Neutral in first full year of ownership; accretive in FY2028 and beyond	Controlling management guidance
Synergies	Meaningful near-term cost and revenue synergies across dealer, commercial and retail channels	No dollar estimate; never insert an unsourced synergy plug
Employee RSUs	10.359M ACV shares subject to outstanding RSUs at 2026-09-08; employee awards generally convert at the agreement exchange ratio	Ultimate Copart shares are `UNKNOWN_UNQUANTIFIED`; some holders receive cash and status can change before close
Employee PSUs	2.365M ACV target shares; converted amount uses the greater of target and actual performance	Ultimate Copart shares are `UNKNOWN_UNQUANTIFIED`; target is not a reliable final numerator
Stock options	1.126M ACV shares subject to options; unvested options generally convert while vested in-the-money options are cash-settled	Exercise price, vesting and holder status prevent reliable Copart-share quantification
Copart share reservation	Copart must reserve sufficient common shares for converted RSUs, PSUs and options and file an S-8	A zero-dilution assumption is forbidden even though common-share consideration is cash

ACV standalone economics	FY2025	TTM through 2026-06-30	Source
Revenue ($M)	759.606	801.339	Live FMP ACVA income statements

ACV standalone economics	FY2025	TTM through 2026-06-30	Source
Gross profit ($M)	471.486	500.780	Live FMP ACVA income statements
Gross margin	62.07%	62.50%	Calculated
Operating income ($M)	(61.688)	(56.847)	Live FMP ACVA income statements
EBITDA ($M)	(11.459)	(3.353)	Live FMP ACVA income statements
Pretax income ($M)	(64.803)	(61.060)	Live FMP ACVA statements
Net income ($M)	(66.141)	(63.145)	Live FMP ACVA income statements
Operating cash flow ($M)	78.232	33.379	Live FMP ACVA annual and quarterly cash flow
Capex ($M)	9.098	27.426	Live FMP ACVA annual and quarterly cash flow; absolute cash outflow
Free cash flow ($M)	69.134	5.953	Live FMP ACVA annual and quarterly cash flow
Stock-based compensation ($M)	56.862	53.106	Live FMP ACVA annual and quarterly cash flow
FCF less SBC ($M)	12.272	(47.153)	Analytical owner-earnings stress test; not GAAP
Cash at period end ($M)	271.497	242.259	2025-12-31 and 2026-06-30 live FMP balance sheet
Debt at period end ($M)	190.000	205.000	2025-12-31 and 2026-06-30 live FMP balance sheet

At $1.9B, the announced equity value is approximately 2.37x ACV TTM revenue and 3.79x TTM gross profit. The TTM FCF multiple is roughly 319x and the TTM FCF yield only 0.31%; FY2025's stronger FCF implies 27.5x and a 3.64% yield. These purchase-price diagnostics deliberately use the announced gross equity value as the denominator; they do not relabel $1.9B as enterprise value or net ACV's approximately $37.3M of June 2026 net cash. A P/E or EV/EBITDA multiple is not meaningful because ACV remains GAAP loss-making and TTM EBITDA is negative. Positive cash flow is also heavily supported by stock-based compensation: TTM FCF less SBC is negative $47.2M. These are not reasons by themselves to reject the deal, but they make unquantified synergy and integration execution load-bearing.

The transaction presentation discloses **70,000+ monthly transactions**, **$10B+ of annual GMV** and **22,000+ unique buyers in 2025**. Annualizing the 70,000 monthly floor implies more than 840,000 transactions, but the presentation does not label that annualized figure as an audited vehicle-sales count. Using 800,000 only as a conservative coarse floor, the $1.9B price is about $2,375 per annual transaction; TTM revenue is no more than roughly $1,002 per transaction and TTM FCF is no more than roughly $7 per transaction. The implied purchase price is about $86,000 per 2025 unique buyer. These ratios are orientation metrics, not cohort economics, because exact annual unit counts, buyer retention, take rate and contribution profit by cohort are not disclosed.

Sourced liquidity fact: Copart ended FY2026 with $4.490B of cash and HTM securities, no funded debt, $0.088B of combined operating and finance lease liabilities and a $1.250B committed revolver facility; the latest official unused-capacity disclosure was $1.228B at April 30, 2026. A $1.9B cash payment would leave approximately $2.590B of cash plus HTM securities before fees, working-capital changes, integration costs and post-year-end operations. The revolver is liquidity capacity, not existing cash. The live FMP transcript renders the revolver phrase as `$2.05 billion`, but that conflicts with both the official January 23, 2026 Form 8-K's $1.250B committed facility and the call's own approximately $5.7B total-liquidity statement; the official filing controls. The separate $0.500B accordion is discretionary incremental capacity and is not counted as committed liquidity.

Inference - first-year earnings hurdle: Copart earned $181.923M of FY2026 net interest income on an average cash-plus-HTM base of roughly $4.639B, an approximate 3.9% yield. Deploying the gross $1.9B announced equity purchase price at that yield implies about $75M of annual pretax foregone interest before crediting ACV's approximately $37.3M of June 2026 net cash. Adding ACV's latest TTM pretax loss of roughly $61M gives a conservative rough **$136M pretax headwind** before synergies, purchase accounting and growth. At Copart's FY2026 tax rate, that is approximately **$109M after tax or $0.11 per FY2026 diluted share**. A static, pre-award-dilution EPS sensitivity is therefore about $1.44 versus Copart's organic $1.55; it is not a forecast and cannot be a final per-share bridge because converted-award dilution is unquantified.

ACV capital-return diagnostic	Value	Interpretation
Purchase price / TTM revenue	2.37x	Revenue scale is meaningful but not yet profitable

ACV capital-return diagnostic	Value	Interpretation
Purchase price / TTM gross profit	3.79x	Gross profit must fund technology, sales, G&A and integration
TTM operating return on $1.9B	(2.99)%	Current operating income is negative $56.8M
TTM reported FCF yield on $1.9B	0.31%	Reported cash return is near zero
TTM FCF less SBC yield on $1.9B	(2.48)%	Economic cash return is negative in the SBC stress test
Pretax improvement needed for first-year EPS neutrality	About $136M	Offsets current pretax loss plus foregone interest before purchase accounting
Pretax ACV profit needed for a 10% after-tax return after foregone interest	About $310M	Requires roughly $371M improvement from current TTM pretax loss; illustrative, not guidance

The final row assumes Copart's FY2026 19.32% tax rate and treats a 10% after-tax return on the $1.9B cash outlay as an illustrative capital-return floor. It is intentionally demanding and excludes terminal value; it shows why management's qualitative synergy claims cannot substitute for a quantified bridge.

Judgment: The formal neutral-first-full-year statement implicitly requires meaningful improvement versus this static arithmetic through cost synergies, revenue synergies, ACV standalone growth, tax benefits or some combination. Because synergy dollars, integration costs, purchase-accounting amortization and converted-award share counts were not disclosed in a forecast-ready form, the deal should not be modeled as automatically accretive. Common-share consideration is all cash, but prospective share dilution from converted awards is real and `UNKNOWN_UNQUANTIFIED`; economic dilution through foregone interest and acquired losses also persists until integration benefits arrive.

Organic Copart versus acquired ACV forecast perimeter

Forecast component	Organic Copart	ACV acquired perimeter	Consolidation rule
FY2026 / TTM revenue and operating income	Include exactly as reported	Exclude entirely	ACV was announced after year-end and remained unclosed
FY2027 contribution	Forecast organic U.S. and International independently	Include only after an assumed close date	Do not insert a full-year ACV contribution without timing
Interest income	Forecast from remaining investable liquidity	No separate credit	Deduct the cash consideration from Copart liquidity once, then calculate interest
Synergies	None attributed to organic segments	Separate cost and revenue lines only when sourced or scenario-labeled	No plug to force EPS neutrality
Integration / purchase accounting	None attributed to organic segments	Separate expenses and amortization	Do not bury in organic margin recovery
Shares	Organic diluted-share path and buybacks	Converted award shares `UNKNOWN_UNQUANTIFIED`	Zero acquisition dilution is forbidden; avoid final per-share outputs until scenario treatment is explicit

Leadership and integration execution risk

The acquisition arrives during a concentrated leadership transition. A. Jayson Adair became CEO on 2026-07-31 after Jeffrey Liaw stepped down, and Jane Pocock became President on 2026-08-01. ACV is expected to remain an independent subsidiary led by its existing team, while Copart simultaneously plans buyer integration, facility staging, cross-training and new technology connectivity. This structure preserves ACV's operating knowledge but creates dual-accountability risk: integration benefits depend on Copart and ACV teams coordinating without a single disclosed synergy owner, dollar target or milestone schedule. The formal presentation says EPS-neutral in the first full year and accretive from FY2028, whereas Adair said on the Q4 call that it would be accretive in the first full year. Until management reconciles that wording and quantifies costs, the formal filed presentation controls and the discrepancy remains a monitoring trigger.

9. Recent corporate actions

- **2026-09-10 - ACV acquisition announced.** $10.50 per ACV share, about $1.9B all cash, no financing condition, expected closing by calendar year-end 2026. Both boards approved. The deal remained unclosed at the cutoff.

- **2026-07-31 - CEO transition effective.** Executive Chairman A. Jayson Adair became CEO; Jeffrey Liaw stepped down as CEO and resigned from the board. The [June 29 Form 8-K](https://www.sec.gov/Archives/edgar/data/900075/000119312526286982/d70617d8k.htm) states the departure was not due to a disagreement over financial reporting, policies or practices.
- **2026-08-01 - President appointed.** Jane Pocock, previously CEO of Copart's U.K. operations, became President, per the [July 8 Form 8-K](https://www.sec.gov/Archives/edgar/data/900075/000119312526298722/d115993d8k.htm).
- **FY2026 - large share repurchase.** Copart spent $1.633B; no dividends were paid. This reduced shares but also reduced interest-earning liquidity.
- **2026-08-13 - board appointment.** David J. Berger joined the board. This is governance context and has no direct FY2026 earnings effect.
- No divestiture, material legal settlement or accounting restatement was identified in the live official sources searched for the last 12 months.

10. Open data gaps and evidence quality

Classification	Gap	Sources and search terms checked	Consequence
True non-disclosure	Exact absolute unit counts by insurance/non-insurance, geography and channel	FY2025/FY2023 10-Ks; FY2026 releases; four FY2026 transcripts; `units sold`, `fee units`, `insurance units`	FY2026 release says only that more than 4 million total units were sold in the last year; use disclosed growth rates and do not fabricate a precise volume-dollar bridge
True non-disclosure	ASP dollars and revenue per car dollars	Same sources; ASP, `average selling price`, `revenue per unit`	Use percentage changes only
True non-disclosure	Assignment counts and customer-level assignment shares	Same sources; `assignments`, `inventory`, `customer`, `market share`	Customer loss impact cannot be quantified exactly
True non-disclosure	Separate revenue/profit for Purple Wave, BluCar, Dealer Services, Direct Buy, TitleExpress and long-haul delivery	FY2025 10-K and FY2026 calls; initiative names	Do not create sub-product dollars
True non-disclosure	R&D expense as a standalone line	Five annual FMP statements; FY2025 10-K G&A and capex descriptions; `research`, `development`, `software`	FMP zero is a mapping artifact, not economic zero
True non-disclosure	ACV synergy dollars, integration costs and purchase-accounting effects	ACV 8-K, merger release, presentation and Q4 call; `synergy`, `integration`, `accretion`	First-year neutral EPS cannot be independently bridged
True non-disclosure	Final Copart shares reserved or issued for converted ACV awards	ACV 8-K and merger agreement Sections 2.07 and 4.05; `Converted RSU`, `Converted PSU`, `Converted Stock Option`, `Exchange Ratio`, `reserve`	Carry `UNKNOWN_UNQUANTIFIED`; zero dilution is forbidden
True non-disclosure	ACV customer-cohort retention, take rate and contribution profit	ACV filings and transaction materials; `buyer`, `take rate`, `retention`, `contribution`	Per-vehicle and per-buyer purchase ratios are orientation only
Estimated	$75M foregone interest and $0.11 per-share first-year headwind sensitivity	Derived from sourced Copart liquidity/yield, ACV TTM pretax loss and FY2026 share/tax data	Use as a diligence hurdle, not forecast
Not applicable	P&C insurer ownership-perimeter schedules	Copart is an auction marketplace, not an insurer	No Section 0b required

The sealed segment-to-statutory bridge has no gap. The FY2026 and TTM values, labels, classifications and source ID were reproduced exactly. ACV is a post-year-end, unclosed transaction and is kept entirely outside those bridges.

11. Decision-closing takeaways for downstream workers

- **Margin identity:** FY2026 operating margin declined 109 bp: approximately 52 bp from gross-margin pressure and 57 bp from higher G&A intensity. This is a direct financial-statement bridge, not an interpretation.
- **U.S. operating leverage:** U.S. revenue fell 1.24%, gross profit fell 2.67% and operating income fell 4.18%. Insurance units and CAT normalization drove the volume headwind; pricing remained positive.

- **International offset:** International revenue grew 8.45% and gross profit 12.29%; gross margin expanded about 120 bp, but operating margin stayed near 27.2% because G&A grew materially.
- **Mix mechanics:** Service revenue was flat while vehicle sales rose 2.7%. U.S. Direct Buy migration lowers reported principal units and costs, while International customer migrations between purchase and consignment can change gross revenue without equal economic change.
- **Structural versus cyclical:** Rising total-loss frequency and auction returns support the long-term thesis, but insurance coverage retrenchment, claims frequency and carrier-share changes can overpower them in a given year.
- **Cost proof needed:** Management says it intends to reduce facility cost per unit. Forecast margin recovery should require observed per-unit cost improvement, not assume all FY2026 investments vanish.
- **ACV common-share consideration is cash, but dilution is not zero:** converted unvested options, employee RSUs and PSUs create a prospective Copart common-equity claim. Its amount is `UNKNOWN_UNQUANTIFIED` and must be scenario-treated downstream.
- **ACV return hurdle is high:** current standalone TTM operating return on the $1.9B price is about negative 3.0%, reported FCF yield is 0.31%, and the rough first-year pretax neutrality hurdle is $136M before purchase accounting.
- **Formal ACV guidance controls:** neutral EPS in the first full year and accretive from FY2028 onward. The Q4 transcript's "accretive ... first full year" line is contrary evidence and needs clarification.
- **Leadership overlap is a monitoring risk:** Copart changed CEO and President immediately before announcing a transaction that leaves ACV independently led while requiring buyer, facility and technology integration.

Evidence that would support retention underwriting	Evidence that would support a trim proposal	Current status at cutoff
U.S. assignments turn positive without customer exclusions	U.S. assignments remain negative or another material carrier is lost	Q4 total U.S. assignments (5.0%); domestic insurance +2.3% excluding one customer loss
Facility cost per unit declines and U.S. operating margin recovers	Cost per unit stays elevated despite normalized units	Management target stated; not yet evidenced in reported FY2026 results
ACV closes on time with a quantified bridge to EPS neutrality	Integration costs, amortization or losses push accretion beyond FY2028	Formal guidance exists, but dollar bridge is absent
Converted-award dilution is bounded and offset by earned accretion	Award conversion materially raises diluted shares without matching earnings	`UNKNOWN_UNQUANTIFIED`; zero-dilution assumption prohibited
ACV FCF and FCF less SBC improve toward an adequate cash return	TTM near-zero FCF persists and SBC continues to fund cash conversion	TTM reported FCF $6.0M; FCF less SBC negative $47.2M

This matrix is an evidence checklist, not a position-size decision. Any proposed 1,000-share action requires the root CIO process, portfolio concentration, tax, cost and SGD-return context that are outside Stage D's authority.

12. Live-source and self-verification record

The largest segment's latest-quarter headline was live-checked to the Q4 SEC segment table: U.S. revenue was $930.334M versus $926.263M, or +0.44%. The load-bearing quote "managing our facility costs down on a per unit basis" was found in the live-fetched FY2026 Q4 FMP transcript dated 2026-09-10, exactly matching the expected call date. The latest full fiscal-year revenue was rechecked in the live FMP annual income endpoint at $4,666,209,000 and tied to the official FY2026 release. Fresh ACVA quarterly cash-flow pulls were summed independently to $33.379M OCF, $27.426M capex and $5.953M FCF for the four quarters through 2026-06-30.

Live dataset	Endpoint / official URL	Stage D archived path
CPRT annual income	https://financialmodelingprep.com/stable/income-statement?symbol=CPRT&period=annual	`C:\Users\Admin\OneDrive\GPT\ER 2.0\Copart\raw\pulse-cio-20260917T200244+0800\d_fmp_income_annual.json`
CPRT annual balance sheet	https://financialmodelingprep.com/stable/balance-sheet-statement?symbol=CPRT&period=annual	`C:\Users\Admin\OneDrive\GPT\ER 2.0\Copart\raw\pulse-cio-20260917T200244+0800\d_fmp_balance_annual.json`
CPRT annual cash flow	https://financialmodelingprep.com/stable/cash-flow-statement?symbol=CPRT&period=annual	`C:\Users\Admin\OneDrive\GPT\ER 2.0\Copart\raw\pulse-cio-20260917T200244+0800\d_fmp_cashflow_annual.json`

Live dataset	Endpoint / official URL	Stage D archived path
CPRT annual product	https://financialmodelingprep.com/stable/revenue-product-segmentation?symbol=CPRT&period=annual	`C:\Users\Admin\OneDrive\GPT\ER 2.0\Copart\raw\pulse-cio-20260917T200244+0800\d_fmp_product_annual.json`
FY2026 transcripts	https://financialmodelingprep.com/stable/earning-call-transcript?symbol=CPRT&year=2026&quarter=1 and the same exact endpoint with quarter 2, 3 and 4	`C:\Users\Admin\OneDrive\GPT\ER 2.0\Copart\raw\pulse-cio-20260917T200244+0800\d_fmp_transcript_fy2026_q1.json` through `q4.json`
ACVA annual/quarterly income	https://financialmodelingprep.com/stable/income-statement?symbol=ACVA&period=annual and https://financialmodelingprep.com/stable/income-statement?symbol=ACVA&period=quarter	`C:\Users\Admin\OneDrive\GPT\ER 2.0\Copart\raw\pulse-cio-20260917T200244+0800\d_fmp_acva_income_annual.json` and `d_fmp_acva_income_quarter.json`
ACVA annual/quarterly cash flow	https://financialmodelingprep.com/stable/cash-flow-statement?symbol=ACVA&period=annual and https://financialmodelingprep.com/stable/cash-flow-statement?symbol=ACVA&period=quarter	`C:\Users\Admin\OneDrive\GPT\ER 2.0\Copart\raw\pulse-cio-20260917T200244+0800\d_fmp_acva_cashflow_annual.json` and `d_fmp_acva_cashflow_quarter.json`
ACVA quarterly balance sheet	https://financialmodelingprep.com/stable/balance-sheet-statement?symbol=ACVA&period=quarter	`C:\Users\Admin\OneDrive\GPT\ER 2.0\Copart\raw\pulse-cio-20260917T200244+0800\d_fmp_acva_balance_quarter.json`
ACV merger agreement	https://www.sec.gov/Archives/edgar/data/900075/000119312526388064/d138322dex21.htm	`C:\Users\Admin\OneDrive\GPT\ER 2.0\Copart\raw\pulse-cio-20260917T200244+0800\d_sec_acv_merger.htm`