

Copart, Inc. (CPRT)

\$74.99 (As of 04/10/20)

Price Target (6-12 Months): **\$79.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/31/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

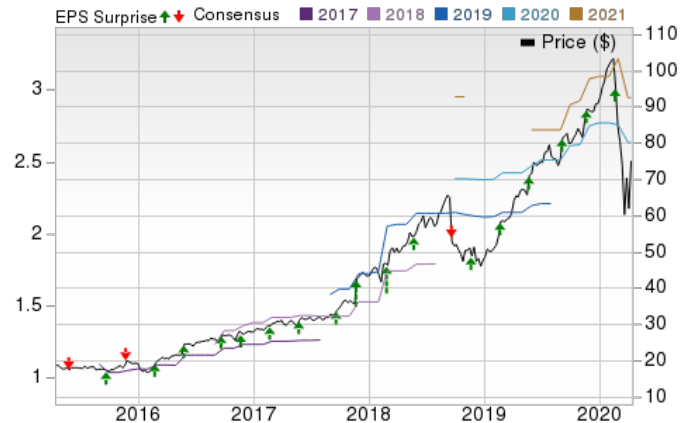
Growth: B

Momentum: C

Summary

Copart's active presence across U.S. and international markets is aiding worldwide sales volumes. High activity levels in the United States and expansion efforts in Canadian and European markets are expected to boost the company's prospects. Increased demand for its vehicle remarketing services and the higher average selling prices from the international online bidders are buoying the firm's profits and revenues. However, increased investments to support growth initiatives, including expansion of the business in international markets and the United States, are hampering its bottom line. Improving safety features in vehicles will also likely have a negative impact on its future earnings. Hence, the investors are recommended to wait for a better point.

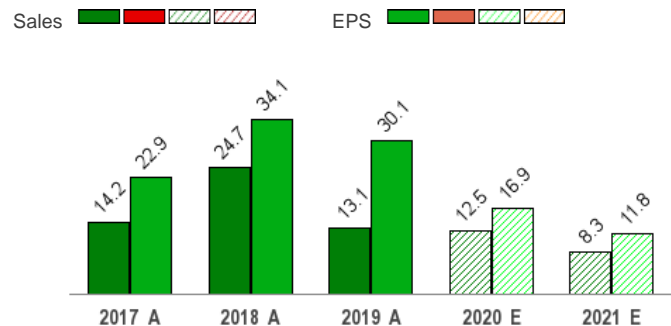
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$104.88 - \$55.69
20 Day Average Volume (sh)	2,843,344
Market Cap	\$17.5 B
YTD Price Change	-17.5%
Beta	1.09
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Auction and Valuation Services
Zacks Industry Rank	Top 16% (41 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.0%
Last Sales Surprise	0.5%
EPS F1 Est- 4 week change	-4.5%
Expected Report Date	05/27/2020
Earnings ESP	-13.6%
P/E TTM	29.3
P/E F1	28.5
PEG F1	1.4
P/S TTM	7.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	567 E	609 E	671 E	631 E	2,487 E
2020	554 A	575 A	615 E	552 E	2,297 E
2019	461 A	485 A	553 A	543 A	2,042 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.65 E	\$0.70 E	\$0.84 E	\$0.74 E	\$2.94 E
2020	\$0.65 A	\$0.65 A	\$0.72 E	\$0.59 E	\$2.63 E
2019	\$0.47 A	\$0.52 A	\$0.66 A	\$0.60 A	\$2.25 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/10/2020. The reports text is as of 04/13/2020.

Overview

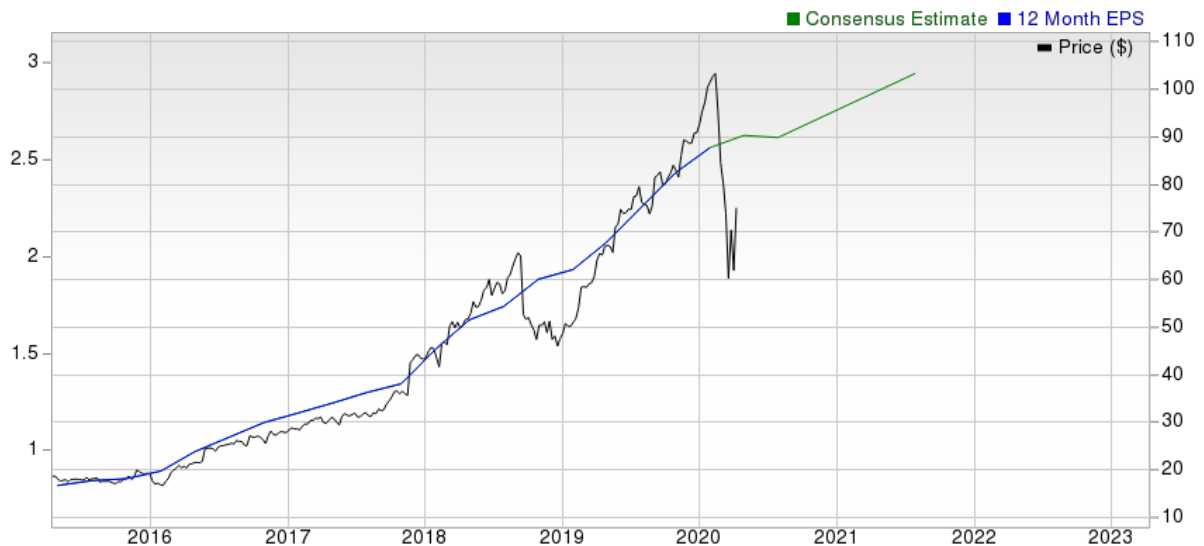
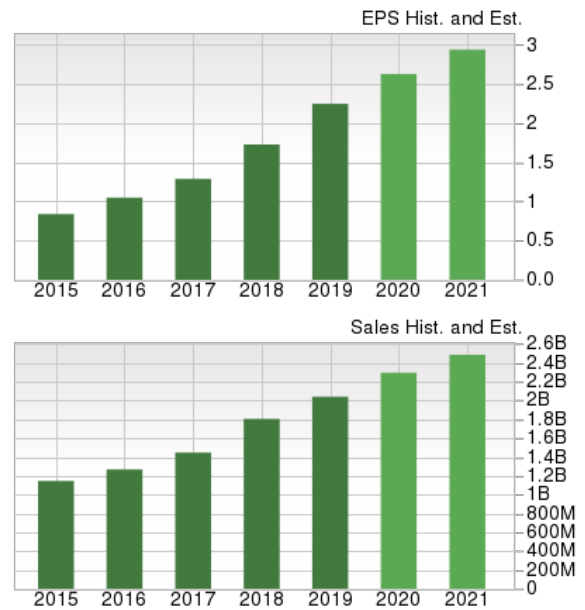
Based in Dallas, TX, Copart, Inc. was founded in 1982. The company provides online auction and a wide range of remarketing services to process and sell salvage and clean title vehicles. This is done mainly over the Internet, through its Virtual Bidding Third Generation (VB3) Internet auction-style sales technology.

Sellers are primarily insurance companies, banks and financial institutions, charities, car dealerships, fleet operators, and vehicle rental companies. Buyers include licensed vehicle dismantlers, rebuilders, repair licensees, used vehicle dealers and exporters, along with the general public.

Copart's services include online supplier access, salvage estimation services, end-of-life vehicle processing, virtual insured exchange, transportation services, vehicle inspection stations, on-demand reporting, DMV processing and flexible vehicle processing programs, among others.

In the United States, Canada, Brazil, the Republic of Ireland, Finland, the U.A.E., Oman, Bahrain, and Spain, Copart sells vehicles primarily as an agent and earns revenue from sales transaction fees paid by vehicle suppliers and vehicle buyers, as well as the associated fees for services, such as towing and storage. In the United Kingdom and Germany, it operates on a principal basis, purchasing the salvage vehicle from insurance companies and reselling it to buyers. It also serves as an agent in the United Kingdom. In Germany and Spain, Copart generates revenue from sales listing fees for listing vehicles for insurance companies.

Copart acquires and develops hubs in new as well as existing regions as an expansion strategy. It believes that acquisitions and facility opening will strengthen its footprint across the United States, the U.K., Brazil, the Republic of Ireland, Germany, Finland, the U.A.E., Oman, Bahrain, and Spain.



Reasons To Buy:

- ▲ Copart is expanding its network of facilities to manage the inflating volume of vehicles. The company's active presence across U.S. and international markets is aiding worldwide sales volumes. High activity levels in the United States and expansion efforts in Canadian and European markets are expected to boost the company's prospects further. Expanding footprint will aid Copart in a fast pickup across the country, leading to improved growth in a competitive marketplace.
- ▲ To meet the ever-increasing demand from car buyers and sellers, Copart has been doubling down on storage capacity expansion. Along with that, an increased demand for its vehicle remarketing services and the higher average selling prices from the international online bidders are buoying the firm's profits and revenues. Notably, the revenues have witnessed a CAGR of 15.5% from 2015-2019.
- ▲ In addition to opening hubs and expanding its network of facilities, the company's strategic acquisitions are likely to drive revenues. Copart's 2019 buyout of Kentucky-based online auctioning platform, Vincent Auto Solutions, has strengthened its footprint in western Kentucky. In 2018, with an aim to expand its presence throughout Europe, it acquired AVK, a leading Finland-based salvage auto auction company. In 2017, it acquired that supported its expansion in the areas of Atlanta, Cincinnati, Dallas, Philadelphia and San Diego. Further, the company has a good track record in profitably integrating acquisitions to their benefit.

High activity levels in the United States and expansion efforts in Canadian and European markets are expected to boost the company's prospects further.

Reasons To Sell:

- ▼ Increased investments to support growth initiatives, including expansion of the business in international markets and the United States, are hampering Copart's bottom line. Further, the company is still struggling with increased labor and temporary storage costs. In 2019, the company's operating expenses rose to \$1.32 billion from the year-ago figure of \$1.22 billion.
- ▼ Copart's presence in various international markets makes it vulnerable to foreign currency fluctuations and country-specific policy threats. In fact, during 2019, the company's year-over-year revenue growth was partly offset by strength of the U.S. dollar in comparison with the pound and the Brazilian real.
- ▼ Improving safety features in vehicles will likely have a negative impact on Copart's future earnings. As safety features improve, the accident rate and hence, the supply of salvage vehicles is expected to reduce. Moreover, the rapid progress in the development of driverless cars is a looming threat in the long run. In the medium term, the increasing addition of driver-assist features to vehicles is expected to lower accident rates. This could affect Copart's inventory levels, which in turn, will hamper revenue growth.

Increased expenses due to business expansion and costs associated with hurricanes are concerns before Copart. Moreover, improving safety features in vehicles may impact revenue growth.

Last Earnings Report

Copart Q2 Earnings In-Line with Estimates, Sales Top

Copart reported second-quarter fiscal 2020 adjusted earnings per share of 65 cents, meeting the Zacks Consensus Estimate. The figure also came in higher than the year-ago number of 52 cents. Rising service revenues across markets served by the company and expanding network of facilities aided the results. Service revenues came in at \$510.03 million, outpacing the consensus estimate of \$500 million.

Total revenues came in at \$575.1 million, surpassing the Zacks Consensus Estimate of \$572 million. The top line also came in 18.6% higher than the year-ago figure of \$484.9 million. While service revenues accounted for nearly 88.7% of total revenues, vehicle sales totaled \$65.1 million during the quarter, down from the year-ago level of \$68.09 million.

Gross profit was up 24.8% year over year to \$259.9 million. Total operating expenses rose to \$365.2 million from the \$320.1 million incurred in the prior-year period. Operating income increased to \$209.9 million from the \$164.7 million reported in the previous year.

Copart had cash and cash equivalents of \$93 million as of Jan 31, 2019. Long-term debt, revolving loan facility and capital-lease obligations were \$399.8 million. Its debt-to-capital ratio stands at 16.3%. During the reported quarter, the firm generated net cash flow of \$356.9 million from operations compared with the year-ago period's \$215.2 million.

Quarter Ending 01/2020

Report Date	Feb 19, 2020
Sales Surprise	0.53%
EPS Surprise	0.00%
Quarterly EPS	0.65
Annual EPS (TTM)	2.56

Valuation

Copart's shares are down 17.5% in the year-to-date period and up 15% over the trailing 12-month period. Stocks in the Zacks Auction and Valuation Services industry and the Zacks Business Services sector are down 16% and 14.5%, in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 14.8% and down 8.6%, respectively.

The S&P 500 index is down 13.4% in the year-to-date period and down 4.3% in the past year.

The stock is currently trading at 24.36X forward 12-month earnings, which compares to 25.9X for the Zacks sub-industry, 23.19X for the Zacks sector and 18.16X for the S&P 500 index.

Over the past five years, the stock has traded as high as 35.46X and as low as 16.56X, with a 5-year median of 22.53X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$79 price target reflects 25.65X forward 12-month earnings per share.

The table below shows summary valuation data for CPRT:

Valuation Multiples - CPRT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.36	25.9	23.19	18.16
	5-Year High	35.46	32.43	25.13	19.34
	5-Year Low	16.56	18.42	18.67	15.19
	5-Year Median	22.53	24.38	20.52	17.45
EV/EBITDA TTM	Current	23.01	18.71	10.6	10.23
	5-Year High	32.66	24.6	13.4	12.87
	5-Year Low	10.39	10.49	8.52	8.27
	5-Year Median	18.91	17.46	10.4	10.78
P/S F12M	Current	7.03	5.03	3.45	3.08
	5-Year High	9.83	6.38	3.94	3.44
	5-Year Low	3.25	3.31	3.05	2.54
	5-Year Median	4.96	4.26	3.56	3.01

As of 04/09/2020

Industry Analysis Zacks Industry Rank: Top 16% (41 out of 253)



Top Peers

Asbury Automotive Group, Inc. (ABG)	Neutral
AutoNation, Inc. (AN)	Neutral
Cooper Tire & Rubber Company (CTB)	Neutral
The Goodyear Tire & Rubber Company (GT)	Neutral
KAR Auction Services, Inc (KAR)	Neutral
LKQ Corporation (LKQ)	Neutral
CarMax, Inc. (KMX)	Underperform
Sonic Automotive, Inc. (SAH)	Underperform

Industry Comparison Industry: Auction And Valuation Services				Industry Peers		
	CPRT Neutral	X Industry	S&P 500	ABG Neutral	KAR Neutral	LKQ Neutral
VGM Score	D	-	-	C	D	C
Market Cap	17.53 B	2.39 B	19.66 B	1.17 B	1.80 B	6.92 B
# of Analysts	7	6	13	4	8	9
Dividend Yield	0.00%	0.46%	2.18%	0.00%	5.46%	0.00%
Value Score	D	-	-	B	A	B
Cash/Price	0.01	0.23	0.06	0.00	0.46	0.10
EV/EBITDA	22.11	10.76	11.72	5.35	6.64	9.04
PEG Ratio	1.36	3.99	2.04	0.39	1.07	0.63
Price/Book (P/B)	8.25	3.08	2.66	1.81	1.09	1.37
Price/Cash Flow (P/CF)	27.66	18.74	10.44	4.83	5.29	6.57
P/E (F1)	27.24	28.50	17.51	7.30	12.96	9.48
Price/Sales (P/S)	7.88	2.01	2.12	0.16	0.57	0.55
Earnings Yield	3.51%	2.92%	5.65%	13.69%	7.75%	10.56%
Debt/Equity	0.23	0.46	0.70	1.48	1.35	0.96
Cash Flow (\$/share)	2.71	2.40	7.01	12.52	2.63	3.43
Growth Score	B	-	-	C	F	C
Hist. EPS Growth (3-5 yrs)	28.41%	28.41%	10.92%	15.22%	8.42%	13.80%
Proj. EPS Growth (F1/F0)	16.95%	14.60%	-1.14%	-12.55%	3.37%	0.24%
Curr. Cash Flow Growth	25.44%	24.70%	5.93%	6.74%	-41.97%	6.66%
Hist. Cash Flow Growth (3-5 yrs)	19.27%	19.27%	8.55%	7.11%	-4.24%	15.32%
Current Ratio	2.13	1.75	1.24	1.29	1.29	2.15
Debt/Capital	18.48%	29.68%	42.36%	59.76%	57.36%	49.01%
Net Margin	32.95%	11.91%	11.64%	2.56%	6.00%	4.33%
Return on Equity	32.56%	24.22%	16.74%	31.64%	12.57%	14.95%
Sales/Assets	0.82	0.70	0.54	2.52	0.45	0.99
Proj. Sales Growth (F1/F0)	12.49%	3.10%	0.45%	-9.75%	-11.54%	-2.52%
Momentum Score	C	-	-	F	F	D
Daily Price Chg	4.18%	4.18%	2.48%	11.21%	3.34%	2.41%
1 Week Price Chg	-12.09%	3.77%	-4.40%	-24.14%	-19.49%	-18.77%
4 Week Price Chg	8.92%	8.92%	11.26%	2.95%	-16.59%	-5.44%
12 Week Price Chg	-22.86%	-19.46%	-20.02%	-41.04%	-37.42%	-35.16%
52 Week Price Chg	15.56%	9.82%	-11.31%	-17.33%	-73.44%	-25.86%
20 Day Average Volume	2,843,344	177,244	3,931,994	406,774	2,787,378	3,886,000
(F1) EPS Est 1 week change	0.00%	0.00%	-0.12%	-14.23%	0.00%	0.00%
(F1) EPS Est 4 week change	-4.46%	-5.25%	-5.78%	-29.02%	-18.72%	-5.82%
(F1) EPS Est 12 week change	-4.95%	-5.49%	-7.64%	-29.32%	-24.50%	-7.02%
(Q1) EPS Est Mthly Chg	-3.98%	-3.98%	-10.13%	-75.25%	-41.18%	-10.13%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	B
Momentum Score	C
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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