Mentoring at Scale

Copart + Berkshire

A Hypothetical Acquisition Analysis

The end-of-life link in the

Berkshire Automotive Ecosystem

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The case in five bullets, for the 20-minute reader

Item	The Institute's read
1. Intrinsic value gap	Copart sum-of-the-parts intrinsic value ~$38B central case against a $27.8B equity market cap (2026-07-02 close) — a $10B gap driven primarily by real-estate market-vs.-book uplift and the two-sided-network-effect moat the multiple frame does not price. Not deep mispricing on multiples; meaningful mispricing on intrinsic value.
2. Peer-median position	Copart trades at ~12.6x EV/EBITDA against a peer-set median of ~13.5x (RB Global 14x, ACV 20x, Cox / Manheim proxy 10x, Waste Management 14.5x). Copart is ~1x-turn below the direct-comp median. A modest, not deep, discount.
3. Succession window + duopoly scarcity	Willis Johnson (founder, 1982) is 79. Jay Adair (Johnson's son-in-law, CEO 2010–2022 and again from 2026) runs operations. Stock at a multi-year low. But the key point is structural, not timing: the opportunity to acquire one of only two players in a genuine network-effect duopoly is a rare event Berkshire waits decades for. The Moody's / S&P analog is exact — Berkshire has held Moody's since 2000 precisely because owning one half of a rated-debt duopoly is unrecreatable, and S&P was never available at any strategic price. The Coca-Cola / Pepsi analog is even sharper — Berkshire has held KO since 1988 because owning one half of the global soft-drink duopoly is likewise unrecreatable, and Pepsi has never been for sale. IAA is now inside RB Global. Copart is the only realistic path Berkshire will ever have to own half of the salvage-auction duopoly. The window is time-limited on the family side and structurally rare on the industry side.
4. Named recommended scenario	Scenario B — 1.15× current market cap, approximately $32B enterprise value, a modest premium. Implied unlevered 10-year IRR ~8.5–9.5% (below Berkshire's 10% opportunity cost); the deal clears only on strategic optionality, moat compounding beyond the modeled two drivers, or BRK-specific below-market cost of capital for this asset class.
5. Counter-arguments acknowledged	Two objections named and answered on the record in Section 8. (a) The Buffett auction-avoidance rule — correctly read: Buffett's aversion is to banker-run competitive M&A processes (the winner's curse), not to companies whose operating model is running auctions. A negotiated Willis Johnson handshake is fully consistent with Buffett's discipline. (b) The alternative-use-of-capital question — could $30B better fund extending BHA + building a #3 salvage footprint? — answered: Berkshire has ~$350B in cash and does not face this as binary. Both paths belong on the docket. Copart belongs first because the window is closing.

The one-line verdict. Copart is not deeply mispriced against multiples, but Berkshire is one of maybe three global capital allocators who could pay the fair price a founder in his eighties would accept and still justify the hold. The transaction thesis is Willis Johnson's decision, not the market's.

Sum-of-the-parts intrinsic value — owner earnings, real estate, and cash

This section presents Copart's valuation in two frames: the intrinsic-value stack (owner earnings, real estate at market, and net cash) that Buffett-tradition acquirers underwrite, and the industry-standard EV/EBITDA and peer-multiple frame that every credit committee, ratings analyst, and public-equity investor will run alongside it. Buffett leans on owner earnings and asset value because the moat compounds off the gap, but Berkshire's deal team, the Board, and ratings analysts will see the multiples too — and so will our reader. Both frames are here. Before we walk the acquirer thesis — the BNSF / Precision Castparts precedent, the GEICO integration pillar, the international consolidation runway — the practitioner has to answer the standalone question in the same voice this Institute uses for every case: *in absolute dollars, what is Copart worth today, and where does the current market capitalization sit against that number?*

Copart is a fortress-balance-sheet compounder with zero long-term debt, roughly $4.8B of cash and Treasuries on the balance sheet, and 200+ owned auction yards carried at historical cost far below current market value. The valuation is read in two frames: the intrinsic-value stack (owner earnings, real estate at market, net cash) that a Buffett-tradition acquirer underwrites, and the industry-standard EV/EBITDA and peer-multiple frame that every credit committee, ratings analyst, LBO shop, and CFO will run alongside it. Table 1 walks the multiple build-up, Table 2 walks the peer comparables; Table 3 that follows walks the intrinsic stack. Both matter. Buffett leans on owner earnings; the Board, ratings analysts, and every practitioner reader will see the multiples too — and so will our reader. The Institute publishes both.

Table 1 — Copart valuation multiples build-up ($ billions)

Line item	Value
Equity market cap (2026-07-02 close)	27.78
Plus: total debt	0.00
Less: cash + Treasuries	(4.79)
Enterprise value (EV)	22.99
FY2025 operating income	1.70
Plus: D&A (approx.)	0.14
FY2025 EBITDA	1.83
Copart EV/EBITDA (TTM)	~12.6x
Copart TTM P/E	18.6x

Table 2 — Comparable-set EV/EBITDA benchmarks

Company	Ticker	Category	EV/EBITDA	Institute note
Copart, Inc.	CPRT	Salvage-auction platform	~12.6x	Subject company
Ritchie Bros. / RB Global	RBA	Salvage & commercial-vehicle auction	~13–15x	Direct comp; acquired IAA March 2023
ACV Auctions	ACVA	Digital wholesale-vehicle auction	~18–22x	High-growth digital pure-play
Manheim / Cox Automotive	private	Wholesale-vehicle auction (proxy)	~9–11x	Private; proxy from Cox reported EBITDA
Waste Management	WM	Route-density specialty services	~14–15x	Structural comp for network-density businesses
Peer-set median (ex-Copart)	—	—	~13.5x	Median = arithmetic median of the four listed comp midpoints (RB Global 14x, ACV 20x, Cox proxy 10x, Waste Mgmt 14.5x); Copart at ~12.6x trades ~1x-turn below median

What Tables 1A and 1B say in one paragraph. On the multiple frame, Copart trades at ~12.6x EV/EBITDA against a peer-set median of ~14x — a modest ~1x-turn discount to the direct salvage-auction and route-density comparables, and well below the digital-auction (ACV) tier. That is not deep mispricing. On the intrinsic-value frame walked in Table 7 that follows, the sum-of-the-parts lands ~$38B against a $27.8B equity market cap — a $10B gap driven mostly by real-estate market-vs.-book uplift and the moat that the multiple frame does not price. Both frames matter, and Berkshire-tradition acquirers underwrite the intrinsic stack while ratings analysts and

the M&A committee run the multiple. Reconciling the two is the practitioner's job.

Table 3 — Copart sum-of-the-parts intrinsic value (in billions, illustrative)

Line item	Low	Central	High
Owner earnings, capitalized	$27.0	$30.0	$33.0
Real estate, market value	4.5	5.25	6.0
Cash + Treasuries	4.8	4.8	4.8
Memo: less RE depreciation	(1.5)	(2.0)	(2.5)
SOTP intrinsic value	~$34.8	~$38.1	~$41.3
Memo: Market cap (2026-07-02)	$27.8	~$29.0	~$32.0
Memo: Enterprise value	$23.0	~$24.2	~$27.2
Gap vs. market cap	~+$7.0	~+$9.1	~+$9.3

The direct dollar answer to "is Copart undervalued?" On the standalone intrinsic-value math, Copart's sum-of-the-parts is approximately **$38 billion** at the central case — against a current market capitalization of ~$27.8–$32 billion depending on where in the recent trading range you anchor. That is roughly a $7–$10 billion gap between intrinsic value and market price, which sounds like a large mispricing until you notice that most of it is the real-estate market-value uplift Berkshire is the specific buyer able to monetize, and the balance is a moderate discount the public equity has priced since the 2022 de-rating of quality compounders. **Copart is modestly undervalued in absolute dollars — on the order of $7–$10 billion — but it is not deeply mispriced.** The Berkshire thesis for Copart is *not* a valuation-arbitrage thesis. It is a synergy thesis: Berkshire ownership adds roughly $245M per year of value creation (GEICO integration and international consolidation at Berkshire capital cost) that no other buyer could capture. Capitalized at a Berkshire discount rate over a two-plus-decade moat, that synergy stream is what justifies paying full or slightly-premium price today. This is the BNSF 2010 archetype — a wonderful business, at a fair price, held for the compounding runway.

Why we do not lead with multiples. A P/E of 18.6× against a peer median of 19× is a fine cross-check for a sell-side note. It is not how Buffett values a business, and it is not how this Institute values one either. The Berkshire Read on capital deployment reasons in absolute dollars of owner earnings, absolute dollars of asset value, and absolute dollars of moat durability. That is the standard the rest of this case reasons against.

Where Copart sits in the broader Berkshire auto ecosystem. Copart is one node in a lifecycle Berkshire already partly owns — Berkshire Hathaway Automotive (new-vehicle retail, acquired 2015) and GEICO (insurance) are the anchors. This case stands on its own; the broader lifecycle framing is a topic the Institute will develop separately once the companion Hertz and CarMax cases complete review.

Owner earnings, walked from the 10-K

Copart's FY2025 owner earnings walk directly from the filed income statement and cash-flow statement using Buffett's standard definition — net income plus D&A less maintenance capex less working-capital investment. Table 4 shows the walk and the sensitivity of the going-concern value to the capitalization multiple applied to it.

Table 4 — Copart FY2025 owner earnings walk and going-concern capitalization

Line item	Source / basis	Amount
Net income	10-K p. 55	$1,548M
Plus: Depreciation & amortization	10-K p. 66	+135
Less: Maintenance capex	~27% of ~$550M gross capex; 10-K cash-flow statement p. 57	(150)
Less: Working-capital investment	Receivables grew slower than revenue	(25)
Owner earnings (Buffett definition)	Net income + D&A – maint. capex – ΔWC	~$1,508M
Capitalized at 18×	Conservative	~$27B
Capitalized at 20× (central case)	Wide moat, 22% ROIC, ~10% revenue growth, zero net debt	~$30B
Capitalized at 22×	Toward wonderful-business premium	~$33B

The owner-earnings walk lands at roughly $1.5B per year on the current-scale business. At the 20× central-case capitalization — appropriate for a wide-moat, 22%-ROIC, zero-net-debt compounder growing at ~10% — the going-concern component is worth ~$30 billion. This is the top line of the Table 3 SOTP.

The 200+ owned auction yards, at real market value

Copart’s balance sheet carries land at $2.39B and buildings-and-improvements at $1.68B (10-K Note 4, p. 66), for a total property-and-equipment book value of $3.60B at fiscal-2025 close. That is *historical cost*. The economic value is materially higher for one specific structural reason: environmental permitting for new salvage yards near major US metropolitan areas is prohibitive today — state Clean Water Act, Clean Air Act, and local zoning rules combine to make greenfield salvage-yard development a five-to-ten-year regulatory process with no guaranteed outcome. Copart’s 200+ US yards are grandfathered incumbents on parcels frequently 40–100 acres each, often in industrial corridors that have since been surrounded by residential development. Practitioner-conservative estimate: the replacement value or arms-length market value of the yard footprint is roughly **$4.5–6.0 billion** — roughly 1.5–2.0× the historical-cost carrying value — before any premium for the network effect of the geographic footprint.

The fortress cash and Treasury position

Cash + restricted cash of $2.78B plus held-to-maturity Treasuries of $2.01B (10-K p. 54) equal **~$4.79 billion** of liquid, marked-to-market financial assets at face. There is zero long-term debt against this. In a sum-of-the-parts sense, this piece adds dollar-for-dollar to intrinsic value. It is the piece that separates Copart from every other target in this scale of business — there is no capital-structure fix to make because there is no capital-structure problem.

Market snapshot, financial profile, and operating footprint

Section 2 is the reader’s numerical anchor. Every dollar figure that follows is normalized to the July 2, 2026 close and to the FY2025 10-K (fiscal year ended July 31, 2025). Table 5 pulls the market-quote lines from Yahoo Finance. Tables 6–10 pull the operating profile from the 10-K, each line carrying a page cite.

Table 5 — Copart, Inc. (NASDAQ: CPRT) — market snapshot at publication

Line item	Value
Closing price	$30.01 (+4.24%)
Market capitalization	$27.78B
P/E ratio (TTM)	18.64
EPS (TTM)	$1.61
52-week range	$27.85 – $50.11
1-year target estimate (analyst consensus)	$41.20
Implied analyst upside from current	+37.3%
Q2 FY26 revenue	$1.24B
Q2 revenue growth YoY	+13.4%
Leadership: CEO transition (announced)	Jay Adair returning as CEO
Founder-family control	Willis Johnson family — meaningful ownership and board influence

Where the price is right now — and why it matters. Copart closed at $30.01 on 2026-07-02, near the low end of its 52-week range of $27.85–$50.11 and materially below the $46-plus levels the stock traded at through the first half of the fiscal year. The market cap of $27.8B is near a multi-year low on this quality-compounder franchise. Over the trailing five years, the stock has spent the substantial majority of the period above $35, and the $27.85 low set in this recent draw-down is at the low end of the five-year distribution. A Buffett-tradition acquirer reads that specifically as an opportunity: the market has re-priced Copart alongside the broader 2025–2026 de-rating of high-multiple quality compounders, not because anything meaningful changed at the operating business. That is exactly the setup that produced See's Candies in 1972 (a fair price for a wonderful business during a broad market malaise), Nebraska Furniture Mart in 1983 (a family founder looking to solidify a legacy), and Van Tuyl in 2015 (a founder looking for a permanent home for the operating platform). Willis Johnson, at 79, watching the stock trade at a multi-year low, is exactly the seller Berkshire has historically been able to reach on a handshake at a specific dollar amount.

Table 6 — Consolidated P&L trend, FY2023 – FY2025 ($M)

Line item	FY2023	FY2024	FY2025	FY25 growth
Service revenues	3,198.1	3,561.0	3,968.7	+11.4%
Vehicle sales	671.4	675.8	678.3	+0.4%
Total revenues	3,869.5	4,236.8	4,647.0	+9.7%
Total operating expenses	(2,383.0)	(2,664.8)	(2,950.2)	+10.7%
Operating income	1,486.6	1,572.0	1,696.7	+7.9%
Operating margin	38.4%	37.1%	36.5%	(60) bps
Interest income, net	65.9	145.7	178.9	+22.8%
Net income	1,237.7	1,362.3	1,548.4	+13.7%
Diluted EPS ($ per share)	1.28	1.40	1.59	+13.6%

What Table 6 says in one paragraph. Revenues compounded from $3.87B (FY2023) to $4.65B (FY2025) — a +9.7% CAGR that accelerated to +11.4% on the service-revenue line. Service revenues (auction fees) are now 85% of the mix. Operating income grew from $1.49B to $1.70B (+7.9% CAGR); operating margin compressed modestly from 38.4% to 36.5%, largely because of hurricane-related CAT costs of $56M in FY2025 tied to Hurricanes Helene and Milton (10-K p. 35) that will not repeat in normalized years. Net income compounded at +13.7%, faster than revenue, because Treasury-bill interest income on the cash pile grew from $65.9M in FY2023 to $178.9M in FY2025 — a fortress-balance-sheet dividend most operators do not have.

Table 7 — Fortress balance sheet, zero long-term debt ($M)

Line item	July 31, 2024	July 31, 2025
Cash + restricted cash	1,514.1	2,780.5
Investment in held-to-maturity Treasuries	1,908.0	2,008.5
Total cash + Treasuries	3,422.2	4,789.1
Land	2,027.6	2,394.6
Buildings and improvements	1,482.9	1,684.2
Property and equipment, net	3,175.8	3,598.1
Total assets	8,427.8	10,090.9
Long-term debt (revolver)	—	—
Total stockholders’ equity	7,524.0	9,187.0

Table 8 — Copart nine-quarter operating cash flow, uses, and net cash after uses ($M; approximate from 10-Q filings)

Quarter	Operating cash flow	Capex	Free cash flow	Share repurchases	Acquisitions (net of cash)	Net cash after uses
Q3 FY24 (Apr 2024)	410	(120)	290	—	(15)	+275
Q4 FY24 (Jul 2024)	440	(140)	300	—	(25)	+275
Q1 FY25 (Oct 2024)	450	(135)	315	—	(20)	+295
Q2 FY25 (Jan 2025)	470	(155)	315	—	(35)	+280
Q3 FY25 (Apr 2025)	460	(130)	330	—	(30)	+300
Q4 FY25 (Jul 2025)	480	(148)	332	—	(40)	+292
Q1 FY26 (Oct 2025)	495	(145)	350	—	(45)	+305
Q2 FY26 (Jan 2026)	510	(160)	350	—	(50)	+300
Q3 FY26 (Apr 2026)	530	(170)	360	(1,400)	(60)	(1,100)
9-quarter total	~4,245	~(1,303)	~2,942	~(1,400)	~(320)	~+1,222

What Table 8 says in one paragraph. Copart generates approximately $1.2–1.4B of free cash flow per year (~$300–360M per quarter), all internally funded and requiring no external capital. Prior to Q3 FY26, cash and Treasuries accumulated on the balance sheet quarter after quarter — the "fortress" grew every 90 days. In Q3 FY26, the company deployed $1.4B on share repurchases (38.0M shares at approximately $37 average), returning capital to shareholders for the first time at meaningful scale. Two practitioner reads: (1) management is signaling that at $37 the stock is undervalued relative to intrinsic value, which is the same read a Berkshire-tradition acquirer would arrive at independently; (2) even with the buyback, the company retained ~$4.8B of cash + Treasuries on the balance sheet, so the buyback did not compromise the fortress. Both reads support the acquisition thesis: the operating business is over-generating cash relative to its reinvestment needs, and even management thinks the equity is mispriced. Small acquisitions (~$40M/quarter run rate) are the primary reinvestment channel; capex sits at ~30% of operating cash flow and follows a stable pattern.

What Table 7 says in one paragraph. Copart carries zero drawn balance under its $1.25B Revolving Loan Facility (10-K Note 9, p. 71). The company's consolidated total net leverage ratio at fiscal 2025 close was *negative* 2.35 turns — meaning net cash exceeded EBITDA by 2.35× (10-K p. 72). Owned land alone is carried at $2.39B of historical cost — replacement value is materially higher because environmental permitting on new salvage yards is prohibitive. Berkshire is not buying an operator with a broken balance sheet at a fixed price; Berkshire is buying a fully valued compounder whose real-estate collateral floor is nearly a quarter of the market cap by itself.

Table 9 — Segment and geographic profile, FY2025 ($M)

Segment metric	United States	International	Total
Service revenues	3,451.6	517.1	3,968.7
Vehicle sales	403.5	274.8	678.3
Total revenues	3,855.1	791.9	4,647.0
Operating income	1,480.9	215.8	1,696.7
Operating margin	38.4%	27.3%	36.5%
Total assets	8,834.1	1,256.8	10,090.9
Capital expenditures (incl. acquisitions)	491.0	79.2	570.2

What Table 9 says in one paragraph. International is 17% of Copart's revenue but only 13% of operating income — because international margins run 27.3% vs. 38.4% in the US. This is the specific gap the international-consolidation driver in Section 6 is designed to close: as

Berkshire-funded acquisitions integrate acquired international yards into Copart's VB3 platform and drive international margin toward the US benchmark, the mix-shift alone lifts consolidated operating income. International revenue grew +18.9% on services vs. +10.4% in the US — the growth is already there; capital is the constraint.

Table 10 — Operating footprint and workforce (as of July 31, 2025)

Metric	Value
Total operating facilities globally	281
United States (every state)	Owned or leased
International (10 countries)	80+ yards internationally
Corporate headquarters	Dallas, Texas
Total employees (full & part-time)	~11,600
Insurance-seller mix	81% (FY2025)
Registered members (buyer base)	~1 million globally
Customer concentration (any single customer)	< 10% of consolidated revenues
Shares outstanding (4/30/26)	925.8M
Q3 FY2026 buyback (Feb-Apr 2026)	$1.4B / 38.0M shares

What Table 10 says in one paragraph. Copart operates **281 facilities globally** as of July 31, 2025 — every US state, seven Canadian provinces, and physical footprint across the UK, Brazil, Germany, Spain, Finland, Ireland, UAE, Oman, and Bahrain. **81% of vehicles processed in FY2025 came from insurance company sellers**, and **no single customer accounted for more than 10% of consolidated revenues**. That is the risk-diversification anchor that supports the moat: Copart does not depend on any one carrier, but every major carrier depends on Copart.

Why this is a classic Buffett qualitative business

The moat comes before the pro-forma because the pro-forma only compounds if the moat holds. Copart's moat is one of the cleaner illustrations of the network-effects-plus-scale-real-estate archetype in the US industrial economy.

Network effects between salvage sellers and buyers

Copart runs an online auction platform. On the seller side sit the insurance carriers, dealers, wholesalers, banks, rental fleets, and government agencies that have title to a totaled or retired

vehicle they need to convert to cash. On the buyer side sit dismantlers (who part out the vehicle), exporters (who ship it to markets where the residual value is higher than the US wholesale price), rebuilders (who repair it and re-title it), and small dealers. A platform of this shape is a two-sided market with textbook network effects: more sellers attract more buyers, more buyers attract higher bids, higher bids attract more sellers, and the loop reinforces. Every additional carrier that integrates its total-loss workflow into Copart's platform deepens the seller side. Every additional international buyer that adopts Copart's bid platform deepens the buyer side.

Massive owned real-estate footprint — unreplicable at cost

The second layer of the moat is the physical one. Copart owns or leases 200+ auction yards across the United States, plus additional yards in the UK, Germany, Ireland, Spain, the UAE, Bahrain, Brazil, and other markets. Each yard is a purpose-built industrial site: acres of parking, drainage engineering for leaking fluids, environmental permitting for storing damaged vehicles, and access to heavy transport. In many markets, the environmental and zoning constraints on building a new salvage yard are so restrictive that a would-be competitor cannot buy the land at any reasonable price. That is the specific pattern Buffett has described as a "moat that widens over time."

High seller-side switching costs

Insurance carriers do not integrate lightly with a salvage-auction platform. Total-loss workflow integration touches claims-handling systems, title-transfer systems, salvage-recovery reporting, and financial reconciliation. A carrier that has integrated its total-loss pipeline with Copart's API has effectively made a five-to-ten-year commitment. Switching to a competitor is not a matter of changing suppliers; it is a matter of rebuilding integrations across enterprise systems. This is the same lock-in dynamic that has protected Fiserv, FIS, and Jack Henry in bank-core processing, or Verisk in insurance data.

Duopoly-adjacent market position with IAA / RB Global

Copart's primary US competitor is IAA (Insurance Auto Auctions), acquired by Ritchie Bros. Auctioneers (RB Global) in March 2023. Together, Copart and IAA / RB Global process the substantial majority of insurance-carrier total-loss volume in the United States. Copart is the market share leader on most measurements. A two-player market with high switching costs on the seller side, deep network effects on the buyer side, and irreplaceable real estate is the profile of a durable-return business. **The structural analogy is Moody's and S&P in credit ratings** — a regulated-by-usage duopoly where the two firms process the vast majority of the world's rated debt, switching costs on the issuer side are high, network effects on the investor side are deeper still, and pricing power compounds with volume. Buffett has held Moody's since Berkshire's spin from Dun & Bradstreet in 2000 and has repeatedly cited the duopoly moat as the reason. The

Copart / IAA structure at the salvage-auction node rhymes with the Moody's / S&P structure at the credit-rating node: two players, high seller switching costs, deep buyer network effects, irreplaceable real assets (Copart's land, Moody's data archive), and pricing power that grows with volume. That is the specific configuration Berkshire has repeatedly paid up for. **And this is the key point that separates the Copart opportunity from every other acquisition on Berkshire's docket:** the opportunity to acquire one of only two players in a genuine two-sided-network-effect duopoly is a rare event. Berkshire waited from 2000 (when Moody's spun from Dun & Bradstreet) to the present to build its Moody's position; it never had the opportunity to acquire S&P outright, because S&P is inside McGraw Hill / S&P Global and not for sale at any price a rational strategic would pay. **The Coca-Cola / Pepsi parallel is even sharper** — Berkshire has held Coca-Cola since 1988 specifically because owning one half of the two-player global soft-drink duopoly is unrecreatable; Pepsi has never been for sale, and no amount of capital could build a #3 that catches either. Two-player markets protected by decades of compounding customer relationships, distribution scale, and switching costs produce the specific returns Berkshire has paid up for over four decades. In the salvage-auction category, IAA is now inside RB Global (public, unlikely to be a Berkshire seller at scale). **Copart is the only realistic path Berkshire will ever have to own half of the salvage-auction duopoly.** That is not a "Berkshire could do this deal" situation. That is a "Berkshire may never get another shot at owning half of this specific duopoly" situation. The scarcity of the opportunity, not the current quarter's multiple, is the specific practitioner argument for engaging now.

Could Berkshire build a competitor instead? The rollup path vs. the acquisition path

A serious practitioner reader asks this question directly: if Berkshire is going to pay a $30-plus billion price, why not roll up a #3 competitor from the fragmented base of regional salvage yards for a fraction of that? The answer determines whether this transaction is genuinely Berkshire-shaped or whether the case is arguing past a cheaper alternative.

What a rollup would look like. Regional US salvage-auction yards trade in the private market at roughly $20–40M each at 5–7x EBITDA. Berkshire could theoretically acquire ~100 sites for $2–4B of raw acquisition cost, spend another $500M–$1B on IT integration and platform build-out, and construct a national #3 footprint over 5–7 years. Total invested capital in that path: roughly $5–8B. End-state market position: ~10–12% national salvage-auction share, well behind Copart (~40%) and IAA / RB Global (~30%).

Why the rollup path does not close the moat gap. Three structural reasons rule out a legitimate #1 or #2 challenger, and this is exactly where the Copart / IAA duopoly rhymes with the Coca-Cola moat rather than with a merely large incumbent.

First, the **insurance-carrier IT integrations** were built one carrier at a time over more than three decades. State Farm, Progressive, Allstate, GEICO, and USAA each have proprietary claims-management systems that talk to Copart's VB3 platform through custom-negotiated APIs. Those integrations are not for sale, not licensable, and cannot be recreated on any capital budget in less than a decade of one-carrier-at-a-time relationship work. That is the KO shelf-space-and-bottler dynamic applied to the salvage-auction node: the moat lives in the connective tissue, not in the visible asset.

Second, the **real-estate arbitrage is one-directional and closing**. Copart bought its 200+ yards over 40 years at land prices now 3–5x below current market. IAA did the same. Any rollup builds at 2026 prices — a $30M salvage-yard acquisition today buys 40 acres of industrial-zoned land next to a highway, and the same acreage cost Copart $6–8M in 1995. You cannot buy your way back to Copart's cost basis on real estate. That is a permanent structural advantage only entrenched operators enjoy, and it is the specific reason a #3 challenger can never match #1 economics.

Third, the **two-sided-network-effect gravity** is a step function, not a linear buildup. Copart has approximately 750,000 registered buyers globally. A rollup starts with the buyers of the acquired yards — perhaps 50,000 collectively, most of whom already buy from Copart. The buyers do not migrate to a #3 platform because there is less inventory; the inventory does not migrate to a #3 platform because there are fewer buyers. That is the classic two-sided-network problem, and it is exactly why nobody has built a legitimate challenger in the four decades Copart has operated.

Where the KO analog holds tightly. No amount of money recreates 40 years of insurance-carrier IT integration, 40 years of land-cost arbitrage, and the two-sided liquidity gravity that pulls both sellers and buyers to the top-two platforms. This is precisely the specific structural protection Buffett has always paid up for, and it is the reason the acquisition path is genuinely Berkshire-shaped rather than a make-versus-buy toss-up.

Where the KO analog is imperfect, and the case should say so. Cox / Manheim exists as a theoretical spoiler — Cox already operates ~70 wholesale-vehicle auction sites with 500,000+ dealer buyers, and if Cox's private-family ownership ever changed and the new owners pivoted into salvage seriously, they would start from a position no rollup could match. Regulatory intervention (a future DOJ consent decree requiring open-carrier IT integration) is a low-probability but non-zero tail risk. A digital-native disruptor could theoretically emerge, though ACV Auctions' success in wholesale has not been repeated in salvage over a decade of trying. All three tail risks are real and belong in the case.

The practitioner conclusion. Berkshire could build a $5–8B #3 competitor over 5–7 years to capture ~10% market share. Berkshire can also pay $30–35B and own the #1 position on day one with 40% share and the full moat. The rollup path has a defensible IRR in isolation, but the acquisition path buys a materially better strategic position at close and captures the network-effect gravity Berkshire can never construct on its own. That is the same answer Buffett has given about

Coca-Cola for 40 years: *I could build a soft-drink competitor if I had to, but I would rather buy the one that already exists.*

International expansion — the compounding runway

Copart's international footprint is the piece of the story most public-market investors under-weight. In the US, Copart is roughly at maturity — the network is built, the carriers are integrated, and the growth rate reflects the underlying growth in vehicles, insurance claim frequency, and total-loss economics. Internationally, Copart is at an earlier stage: it is consolidating fragmented regional salvage markets, integrating national carriers one at a time, and building the same network-plus-real-estate flywheel it built in the US. The runway is measured in decades.

The moat in one line. Two-sided network effects, seller-side switching costs measured in years, and 200+ owned salvage yards on land that cannot be reproduced at cost. Copart is not a "fixable" business. It is a business Buffett would recognize from the first page of the annual report.

Why Copart is the specific configuration Berkshire has repeatedly paid up for

Copart was founded by Willis Johnson in 1982 (10-K p. 3) and has been publicly traded since March 17, 1994 under the NASDAQ symbol CPRT. The Johnson family retains a meaningful ownership position and continues to influence board composition and strategic direction. For most acquirers this is a friction point. For Berkshire it is closer to a preference. Buffett has a decades-long track record of buying founder-family businesses at prices that reward the family for creating the durability of the business, and then leaving the operating model alone. The pattern is not incidental to Berkshire's acquisition record — it *is* Berkshire's acquisition record. **The succession-in-progress detail.** Willis Johnson is 79. The returning CEO Jay Adair is his son-in-law, married to one of Johnson's daughters, and has run Copart operationally since 2010 (CEO 2010–2022 and again from 2026). This is the exact configuration Berkshire has repeatedly paid up for: a founder-family business with meaningful continued ownership, operating leadership already in family-adjacent hands, and an aging founder evaluating what happens next. The Van Tuyl (Larry Van Tuyl continued to lead BHA post-acquisition), Nebraska Furniture Mart (Blumkin family remained in operational control), and Clayton Homes (Kevin Clayton, the founder's son, remained CEO for two decades) precedents all sit in this specific place — modern-scale, operating-family-continuity acquisitions, not the small-and-tiny See's transaction from a different era. Willis Johnson may be looking for the same "good home for a life's work at a fair price" that those founders found.

Table 11 — Berkshire's track record with family-controlled businesses

Acquisition (year)	Founding family	Terms Berkshire preserved
Pilot Flying J (2017)	Haslam family (Jim Haslam, founder)	Multi-year staged acquisition negotiated with the Haslam family. Truck-stop operating model preserved. Family remained involved in leadership through the staged control transfer.
Van Tuyl / BHA (2015)	Van Tuyl family (Larry Van Tuyl)	Family operating model retained. Larry Van Tuyl remained Executive Chairman under Berkshire ownership; the store-level operating incentives, dealership-partner equity structure, and Van Tuyl name conventions were preserved. Renamed to Berkshire Hathaway Automotive; day-to-day operating model unchanged.
Marmon Group (2008)	Pritzker family (Jay & Robert Pritzker)	Bought over a multi-year purchase in accordance with a family estate plan the Pritzkers had negotiated. Berkshire honored the schedule to the year. Operating conglomerate structure preserved.
Iscar / IMC (2006)	Wertheimer family (Stef Wertheimer, founder, Israel)	Eitan Wertheimer (son) remained chairman; management structure preserved; Israel headquarters kept. Berkshire's largest single non-US operating acquisition to date at the time.
Clayton Homes (2003)	Clayton family (Jim Clayton, founder)	Kevin Clayton, the founder's son, remained CEO through the acquisition and for two decades after. Berkshire preserved the manufactured-housing and Clayton-financing operating model in full.
Helzberg Diamonds (1995)	Helzberg family (Barnett Helzberg, third-generation)	Chain-jewelry operating model preserved; family exit was clean and unhurried. Barnett Helzberg has publicly described the Buffett acquisition experience as the model for family-business succession.
Borsheims Fine Jewelry (1989)	Friedman family (Ike Friedman)	Bought at Ike Friedman's handshake price; family stayed in operating role. Berkshire preserved the single-store Omaha operating model without expansion pressure.
Nebraska Furniture Mart (1983)	Blumkin family (Rose "Mrs. B" Blumkin, founder)	Family remained in operating control. Rose Blumkin worked at NFM into her 100s. Ron and Irv Blumkin ran the business into the 2010s. Family still holds executive positions today.

Acquisition (year)	Founding family	Terms Berkshire preserved
See's Candies (1972)	See family — sold by Charles See's heirs	Operating team left in place. Chuck Huggins ran the business through 2006 (34 years post-acquisition). Berkshire never rebranded, restructured, or moved headquarters. The See's box, ribbon, and store format are unchanged fifty years later.

The through-line. Berkshire's decentralized culture preserves what family founders built while contributing capital-allocation discipline and access to Berkshire's balance sheet. Berkshire is the specific counterparty that pays a fair price without restructuring the business afterward — the founder-family sees the check, the operating team keeps the seats, and the compounding runway is funded. Every family in Table 11 elected Berkshire as counterparty over private equity, strategic acquirers, or continued public-market ownership specifically because Berkshire was willing to leave the business alone.

The specific implication for Copart. The Willis Johnson family situation at Copart is exactly the pattern Berkshire has repeatedly found attractive. Copart is founder-controlled but publicly traded, professionally run, with a durable operating model, and led at the top by executives (Jay Adair returning as CEO in the 2026 announced transition) who have been in the business for decades. If the Johnson family decides the business belongs in Berkshire's decentralized culture rather than in operational upheaval — a possible activist campaign, a private-equity buyout that restructures the compensation and capex model, or continued public-market rerating cycles — Berkshire is the natural counterparty. The family gets a fair price. Jay Adair stays. The 200+ yard footprint stays. The insurance-carrier integrations stay. What changes is that Berkshire capital replaces public equity as the funder of the international consolidation runway.

Where the existing customer relationship becomes a captive relationship

GEICO is already one of the largest sellers of total-loss vehicles into Copart's auction platform today. Every time GEICO pays out a claim on a totaled vehicle, the salvage title flows into Copart's network and clears through Copart's buyer base (dismantlers, exporters, rebuilders). Copart earns seller-side fees, buyer-side fees, and various ancillary revenues on that transaction. Berkshire, through GEICO, is a large customer of Copart's services today. A Berkshire acquisition makes that entire loop captive to Berkshire's own P&L — the fees GEICO pays to Copart today become internal transfer pricing, and Berkshire captures the margin currently earned by Copart's public shareholders.

Table 12 — GEICO total-loss volume estimate

Line item	Value
GEICO US vehicles covered	~27M
Claim frequency (industry avg)	~6%
Total claims per year (illustrative)	~1.62M
Total-loss share (industry avg)	~23%
GEICO total-loss vehicles/yr	~372K
Share to Copart platform	~65%
GEICO vehicles through Copart/yr	~242K

Table 13 — Copart fee capture per vehicle (illustrative)

Line item	Value
Seller-side fees	~$350
Buyer-side fees	~$750
Ancillary	~$150
Aggregate fee capture / vehicle	~$1,250
Operating margin on fees	~35%
Op income / vehicle	~$438

Table 14 — Vertical-integration margin uplift under Berkshire ownership

Line item	Value
GEICO vehicles through Copart/yr	~242K
Op income / vehicle	~$438
Op income attributable to GEICO	~$106M
BRK internal-transfer margin	~$106M
Integrated-workflow efficiency lift	~$25–$40M
Total GEICO value / yr	~$130–$145M

Framing note on the GEICO pillar. This is not a synergy that requires operating change. It is a transfer of margin from Copart's public shareholders to Berkshire. Under Berkshire ownership, every dollar GEICO pays to Copart in seller / buyer fees is captured internally. This is the cleanest, most defensible piece of the case. The exact magnitude is a function of Copart's carrier-share disclosure (which is aggregated), but the direction and the order of magnitude are not in doubt.

How Berkshire handles intercompany transactions — the arms-length precedent

The natural question a Board member, ratings analyst, or antitrust reviewer raises when reading the GEICO integration pillar is whether the arrangement amounts to related-party self-dealing. Berkshire's answer for four decades has been the same: subsidiaries transact with each other at arms-length, priced at market, and disclosed in the 10-K when material. The examples below are the practitioner reference for how this discipline actually operates today.

Table 15 — Berkshire precedent: intercompany relationships handled at arms-length

Subsidiary pair	Nature of the transaction	How BRK handles it
BNSF Railway ↔ BRK Energy (BHE)	Coal-hauling contracts for BHE utility subsidiaries (PacifiCorp, MidAmerican, NV Energy). BNSF hauls a meaningful share of BHE's coal to generation plants.	Rates negotiated at arms-length and disclosed as related-party in the 10-K. BHE uses barge, truck, or a competing rail carrier when cheaper; BNSF hauls for third-party utility customers that compete with BHE. Neither side is forced to feed the other.
GEICO ↔ BRK Automotive (BHA, ex-Van Tuyl)	Dealership point-of-sale auto insurance. Every car BHA sells needs a policy that day, and GEICO writes personal auto.	BHA offers GEICO as one option, not the exclusive one. Dealers are not compensated to steer customers to GEICO, and buyers routinely leave BHA lots insured with State Farm, Progressive, or Allstate. Buffett has publicly cited this at annual meetings as the model for cross-subsidiary discipline.
GEICO ↔ BRK Reinsurance Group (BHRG)	Intercompany catastrophe-layer reinsurance. GEICO cedes portions of its cat-exposed book to BHRG under standard reinsurance treaties.	Rates set at market and audited annually. GEICO is separately capitalized as a state-regulated insurer, and insurance-department regulators police the arms-length pricing directly. Disclosed in the 10-K and in GEICO's statutory filings.
Marmon Union Tank Car ↔ BNSF Railway	UTLX rail-tank cars operate over BNSF track for third-party lessees.	Standard trackage-rights and haulage pricing. UTLX competes for tank-car business against GATX and other independent lessors; BNSF hauls for whichever lessor's customer books the cargo.
BRK HomeServices (BHHS) ↔ GEICO	Home-purchase transactions frequently trigger new homeowners and auto policies.	HomeServices agents may suggest GEICO but are not required to. Buyers close on homes insured through whichever carrier they choose. No preferred-provider mandate.

What Table 15 says in one paragraph. Berkshire's decentralized culture and its arms-length discipline on intercompany transactions are not incidental — they are load-bearing. Each of the pairs above involves a natural commercial overlap that Berkshire could theoretically force into captive volume, and in each case Berkshire deliberately does not. The GEICO/Copart relationship under a hypothetical Berkshire acquisition would run under exactly the same discipline: GEICO is already one of Copart's largest sellers today, at market-priced volume, and would continue on the same terms post-transaction. The acquisition captures the operating margin on flow that is already happening — it does not force new flow, distort competitive pricing, or compromise either

subsidiary's independent commercial judgment. That is the actual Berkshire model.

GEICO integration and international consolidation

The Copart pro-forma below walks a stabilized-year P&L view with three named drivers layered on top of the Copart FY2025 baseline. The three Berkshire-specific drivers are estimated separately and shown as additive lines. Every driver number is RECONSTRUCTION-tagged; the baseline revenue and operating margin figures are Copart's own filed FY2025 results.

Driver 1 — GEICO Integration Margin Capture. From Section 5: approximately 242K GEICO vehicles through Copart/yr annually, at ~$438 of Copart operating income per vehicle, yields ~$106M of operating income currently attributable to GEICO volume. Adding modest efficiency lift from integrated claim / auction workflow brings the driver to a central case of **~$135M per year**.

Driver 2 — International Consolidation at Berkshire capital cost. Copart's international footprint (UK, Germany, Ireland, Spain, Middle East, Brazil, and other markets) is the compounding runway. Under Berkshire ownership, capital is available on demand at Berkshire spreads. Assume Berkshire funds an incremental $500M of international salvage-yard acquisitions per year for five years, at target returns of 15% on invested capital. At mature run-rate, incremental operating income from Berkshire-funded international acquisitions is **~$110M per year** by Year 3 and continues to compound.

Table 16 — Berkshire pro-forma model, Copart Year 2 stabilized ($M)

Line item	Baseline FY2025	Driver 1 GEICO integration	Driver 2 International consolidation	Year 2 combined (BRK-owned)
Total revenues	4,647	—	+220	4,867
Total operating expenses	(2,950)	(25)	(110)	(3,085)
GEICO integration margin	—	+160	—	+160
Operating income (BRK view)	1,697	+135	+110	1,942
Value creation vs. baseline	—	+135	+110	+245

What Table 16 says in one number. Copart's standalone operating income of ~$1.7B per year becomes a Berkshire-consolidated ~$1.9B per year in Year 2 — roughly +$245M of annual value creation, or about a 14% lift on the operating line. Both drivers compound. Driver 1 (GEICO

integration) starts on day one; Driver 2 (international consolidation at Berkshire capital cost) ramps over 3–5 years and continues compounding for two decades. On a $27.8B market cap these numbers do not, by themselves, justify a large premium. The Copart case only works if the compounding runway from Driver 2 extends for two decades or more. Which is exactly the horizon Berkshire underwrites at.

Acquisition price scenarios and payback math

Given Copart at $30.01 and the analyst one-year target of $41.20, plus Buffett’s historical willingness to pay a “wonderful business at a fair price” premium, Section 7 walks four illustrative acquisition scenarios. The table shows the implied premium, the implied P/E multiple, and the payback period against pro-forma free cash flow with all two drivers landed.

Table 17 — Illustrative Berkshire acquisition price scenarios

Scenario	Price / share	EV (approx.)	Premium to 7/2/26 close	Implied P/E on $1.61 TTM EPS	Payback vs. pro-forma FCF
A — 1.00× at market	$30.01	$27.8B	0%	18.6×	~19 years
B — 1.15× modest premium	$34.51	$32.0B	+15%	21.4×	~21 years
C — 1.30× toward PT	$39.01	$36.1B	+30%	24.2×	~24 years
D — 1.40× wonderful-business premium	$42.01	$38.9B	+40%	26.1×	~26 years

The Institute's recommended scenario. Scenario B (1.15× current market cap, or approximately $32B enterprise value, at approximately a modest premium to the 2026-07-02 close) is the specific price at which the deal math works given the two-driver value stack, the BNSF / Precision Castparts asset-heavy compounder precedent (which is the right structural analog for a large, real-estate-anchored, network-effect duopoly), and Willis Johnson's likely willingness to reach a handshake at a fair price near a multi-year stock low. On our estimated $250M/yr central-case value creation from the two drivers (GEICO integration ~$135M + international consolidation ~$110M) against a $32B purchase price, the implied unlevered **10-year IRR is approximately 8.5–9.5%**, and the BNSF 2010 / GEICO 1976-style payback horizon at the central case runs ~24 years. That IRR is below Berkshire's stated 10% opportunity cost for large acquisitions, so this deal only clears if the reader believes (a) the moat compounds meaningfully beyond the modeled two drivers, (b) Berkshire's cost of capital is materially below 10% for this specific asset class, or (c) the strategic value of adding the end-of-life node to the Berkshire Automotive Ecosystem justifies a

below-hurdle return. Scenarios A and B pass on strategic grounds. C and D require premium-payer reasoning that is harder to defend. The Institute's view is that Scenario B is the specific price where the case can be publicly recommended without invoking premium-payer reasoning.

Reading Table 17. Payback periods measured in decades are exactly what a Berkshire acquisition of a fortress-quality compounder looks like, and it is not disqualifying. BNSF (2010, ~$44B) had a nominal payback of roughly 20 years on its 2010 free-cash-flow run-rate, and became one of the best large-scale acquisitions in the history of American capital allocation because BNSF's owner earnings compounded through the freight-rail cycle for the next fifteen years. Precision Castparts (2016, ~$37B) is a similar-scale, asset-heavy, moat-compounder precedent at similar deal size. The Copart case at Scenario C (30% premium, $36B enterprise value) is structurally the same argument. The question is not whether the payback happens in ten years; it is whether the moat holds for forty.

How Scenario C compares to Berkshire’s largest historical acquisitions. BNSF (2009) closed at ~$44B enterprise value. Precision Castparts (2016) closed at ~$37B. At Scenario C ($36B EV), a Berkshire acquisition of Copart would rank as one of the three largest in Berkshire’s history — larger than every acquisition Berkshire has done since Precision Castparts. That is the frame for the price. It is not a small check.

This is a range, not a price target. Nothing in Table 17 should be read as a valuation of CPRT as a public equity. The scenarios are illustrations of what a Berkshire acquirer could pay in a hypothetical transaction under stated assumptions. The public equity trades on its own facts, its own risks, and its own capital-market dynamics. This paper does not opine on the stock.

Why Berkshire might pass — and what would have to be true for the deal to hold

Every honest case study names the reasons not to do the deal. There are four for Copart, and they deserve straight answers.

Insurance-industry counterparties may object to GEICO owning their salvage channel. This is the sharpest single objection in the case, and it deserves careful treatment. Today, State Farm, Allstate, Progressive, USAA, and dozens of other US carriers use Copart to auction their total-loss vehicles. If Berkshire acquires Copart, GEICO — a direct competitor of every one of those carriers — becomes the ultimate owner of the auction platform that clears their salvage titles. Even under the most rigorous internal-firewall regime, the appearance of conflict is real: State Farm’s adjusters would be sending confidential total-loss valuation data to a platform owned by their largest single competitor. The rational response for any carrier is to explore Copart-substitute options — IAA / RB Global, regional auctions, direct-to-dismantler channels — and the more that substitution happens, the more the non-GEICO seller base erodes. This risk is asymmetric: GEICO cannot

make up for lost non-GEICO volume by internal GEICO volume alone, and Copart's platform value depends on liquidity of the buyer side, which depends on volume of the seller side. Berkshire underwriting the deal has to model an explicit range of non-GEICO seller-share loss and would demand contractual protections (multi-year seller-side minimum-volume commitments from the top four non-GEICO carriers) as a closing condition.

Table 18 — Non-GEICO carrier defection bear-case sensitivity

Non-GEICO erosion (annual)	Lost Copart operating income	Net vs. Driver 1 gain
Base — 0% erosion	—	+$135M / yr
Mild — 5% erosion	($95M)	+$40M / yr
Central — 10% erosion	($190M)	($55M) / yr — net negative
Severe — 20% erosion	($380M)	($245M) / yr
Worst — State Farm exit	($290M)	($155M) / yr

Founder-family control raises the possibility they simply do not want to sell. Berkshire has never in its modern history hostile-bid a founder-family business, and it has never won a target that did not want to be acquired. The Johnson family retains meaningful ownership and board influence. If the family is not a willing seller at the price Berkshire will pay, no deal happens. This is not a reason Berkshire would pass on the underwriting math; it is a reason the transaction may simply not be available.

Copart's international footprint adds operational complexity Berkshire generally avoids. Copart operates in the UK, Germany, Ireland, Spain, the UAE, Bahrain, Brazil, and other markets. Each jurisdiction has its own environmental permitting regime, its own insurance-industry structure, and its own labor practice. Berkshire has historically preferred businesses with domestic or single-jurisdiction footprints. Iscar / IMC is the closest counter-example (multi-national metal-cutting tools business). Under Berkshire ownership, the international consolidation runway is one of the drivers of the case, but it is also a source of ongoing operational complexity Berkshire generally does not seek out. Whether Berkshire absorbs that complexity depends on the practitioner judgment about whether the compounding return justifies the operating attention.

Why Berkshire might specifically pass — the Buffett auction-avoidance objection (correctly understood)

Buffett's auction aversion is about the acquisition process, not the acquisition target. Buffett has stated on the record at multiple annual meetings that Berkshire does not participate in competitive M&A auction processes — the banker-run sale processes where multiple bidders compete against each other and the winner tends to overpay (the winner's curse). This is a discipline about *how* Berkshire buys, not about *what industry* Berkshire buys in. There is no Buffett rule against buying companies whose operating model happens to be running auctions; Sotheby's or Christie's were never off the table because they auction paintings, they were off the table (to the extent they ever came up) for their own separate business-quality reasons.

The distinction matters for Copart. When a reader hears "auction" and reflexively invokes the Buffett rule, they are conflating two different things: *auction as an operating business model* (Copart, IAA, Manheim, Ritchie Bros., Sotheby's) and *auction as a transaction process* (a banker-run competitive M&A sale). Buffett's stated aversion is to the second, not the first. Copart-the-operating-business is a real-estate-anchored, insurance-carrier-driven, network-effect duopoly whose unit economics compound off the moat — not a thin transactional take-rate on someone else's scarce inventory. That business-quality reading is favorable. Nothing in Buffett's stated discipline argues against owning it.

Applied to this case, the correctly-understood Buffett auction rule actually strengthens the Institute's recommended path. The case does not contemplate Berkshire participating in a banker-run auction for Copart. It contemplates the exact opposite: a negotiated deal between Berkshire and Willis Johnson at a fair price, on a handshake, without competitive bidding. That is the Van Tuyl 2015 pattern, the Clayton Homes 2003 pattern, the Nebraska Furniture Mart 1983 pattern, the See's 1972 pattern — the entire Berkshire acquisition record is negotiated founder-family deals rather than banker-run competitive processes. If Copart ever becomes a banker-run competitive sale, Buffett's discipline would take Berkshire out of the process. If Copart becomes a Willis Johnson conversation over a handshake, Buffett's discipline is fully consistent with paying full and fair price. The correctly-read Buffett auction rule is not an argument for Berkshire to pass on Copart. It is an argument for *how* Berkshire would engage with Copart if Willis Johnson chose to have the conversation.

A less-careful reader will still hear "Copart is an auction company" and reach for the Buffett rule without walking the distinction. The Institute's job is to walk the distinction on their behalf. Once walked, the objection dissolves.

Why Berkshire might specifically pass — the alternative-use-of-capital objection

The second-strongest reason a Board member reads this case and pushes back: at $30B, this is a large single-asset swing. Berkshire spent approximately $4B on Van Tuyl in 2015 to establish Berkshire Hathaway Automotive. Ten years later, the case argues Berkshire should spend roughly

eight times that on Copart. A serious M&A committee will ask whether the same $30B is better spent extending BHA and building a #3 salvage-auction footprint separately.

The alternative deployment. Split the $30B: ~$10B into ~150 additional franchise dealership acquisitions at current cycle-trough private-market prices (BHA expands from 78 to approximately 230 stores, becoming a first- or second-largest US dealer group); ~$6–8B building a #3 salvage-auction platform (~100 yards + IT + platform, ~10–12% market share); and ~$12–14B remaining for other opportunities. The BHA-extension side of the trade captures dealer families selling at cycle-trough prices under EV-transition capex pressure and generational transition. The #3 salvage side, per the rollup analysis in Section 4, gets Berkshire a defensible but sub-scale market position.

Why the alternative has real merit. Four reasons. First, BHA is a proven Berkshire playbook — Van Tuyl has been operationally successful for a decade, so extending it is lower-execution-risk than integrating a new $30B public-company acquisition. Second, cycle-trough entry: dealer valuations are compressed on higher interest rates and OBBBA loan-deduction changes, exactly the environment Berkshire has historically deployed capital into. Third, diversification: three moderate positions across the automotive lifecycle (new-vehicle retail, insurance, end-of-life salvage) is a more resilient thesis than $30B concentrated in a single asset. Fourth, execution risk on Copart is real — the Willis Johnson / Jay Adair operating team has run the business for four decades and Berkshire's decentralized culture depends on continuity; if the family-operating team steps back post-acquisition, the operating asset degrades faster than the moat is priced.

Why the alternative loses, in the Institute's view. Three reasons. First, #1 economics versus #3 economics are structurally different. Copart's ROE runs 25%+ because of the two-sided network effect; a #3 salvage platform runs 12–15% ROE. Berkshire has historically paid up for #1 positions specifically (BNSF, Precision Castparts, GEICO) because #1 economics compound differently. Second, the once-in-a-decade window is time-limited. Willis Johnson is 79 and the stock is at a multi-year low — those two conditions may not persist. Dealer rollup is available every year; Copart may not be. Third, the moat is genuinely unreplicable — the rollup analysis in Section 4 showed that no capital budget builds a #1 competitor. Buying the incumbent is the only path to the network-effect gravity.

The honest answer to a Board member. Berkshire does not face this as a binary choice. With approximately $350B of cash and Treasuries on the balance sheet, Berkshire has room to do both — acquire Copart at the current window AND continue extending BHA through smaller ongoing acquisitions. The Copart deal is not "instead of" the dealer roll-up; it is "in addition to." A Board member asking the question deserves to see that arithmetic. On the strict marginal-return-on-capital comparison, the dealer-rollup path may deliver a slightly better cash-on-cash return; but on the strategic-optionality and moat-quality comparison, the Copart acquisition captures a specific asset Berkshire cannot construct at any capital budget, and the marginal $30B does not preclude the

marginal $10B or $20B of ongoing BHA extension. Both paths belong on the docket. This case argues that the Copart path belongs there first because the window is closing.

The counterargument in one line. The single most serious risk is not price and it is not moat; it is that GEICO's ownership of the salvage channel is exactly the sort of vertical arrangement that competing carriers will act to unwind, and the platform value Berkshire is paying for depends on the non-GEICO carriers staying put. Contractual seller-side minimum-volume commitments from the top four non-GEICO carriers, negotiated in parallel with the acquisition agreement, are the specific structural response Berkshire would demand.

Sourcing. Figures tagged **VERIFIED** (10-K / SEC filing cite), **REPORTED** (public consensus, press), or **RECONSTRUCTION** (Institute practitioner estimate). Full page-level cites and formula derivations live in the Copart_Berkshire_Model.xlsx workbook — *Sources* and *Assumptions* tabs.

Educational reference. Not tax, legal, or investment advice. Consult qualified professionals for advice on specific situations.