

Copart + Berkshire

A Hypothetical Acquisition Analysis

The end-of-life link in the Berkshire Automotive Ecosystem

The opportunity to acquire one of only two players in a genuine two-sided-network-effect duopoly is a rare event Berkshire waits decades for. Moody's / S&P is the analog. So is Coca-Cola / Pepsi.

Institute editorial verdict: engage now. The scarcity of the opportunity is the argument.

The Case in Five Bullets

SECTION I · EXECUTIVE SUMMARY

Item	The Institute's read
1. Intrinsic value gap	SOTP ~\$38B central case vs. \$27.8B market cap = \$10B gap. Deeper on intrinsic frame than on multiple frame.
2. Peer-median position	Copart ~12.6x EV/EBITDA vs. peer median ~13.5x (RB Global, ACV, Cox proxy, Waste Management). ~1x-turn below. Modest, not deep.
3. Duopoly scarcity + succession	Willis Johnson (79). Jay Adair (son-in-law, CEO). Multi-year low. Copart is the only realistic path to own half the salvage duopoly. Moody's / S&P and Coca-Cola / Pepsi are the analogs.
4. Recommended scenario	Scenario B — 1.15x (\$32B EV). 10-yr IRR ~8.5-9.5% below hurdle; clears only on strategic optionality + moat compounding.
5. Counter-args acknowledged	Buffett auction-avoidance rule correctly read: aversion is to M&A processes, not auction-model companies. Negotiated Willis Johnson handshake is Buffett-consistent.

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.

Valuation — Both Frames Matter

SECTION II · THE MULTIPLE FRAME + THE INTRINSIC FRAME

The Institute publishes both frames. Berkshire's deal team underwrites the intrinsic stack;

The deal team, the Board, ratings analysts, and the M&A committee run the multiple frame alongside it.

Line item	Value
Equity market cap (2026-07-02 close)	\$27.78B
Plus: total debt	\$0.0B
Less: cash + Treasuries	(\$4.79B)
Enterprise value (EV)	\$22.99B
FY2025 EBITDA (op income \$1.70B + D&A ~\$135M)	\$1.83B
Copart EV/EBITDA (TTM)	~12.6x
Copart TTM P/E	18.6x

Enterprise value walked from public disclosures. FY2025 EBITDA = op income + D&A.

Comparable-Set EV/EBITDA — Copart at ~12.6x vs. Peer Median ~

SECTION II · PEER COMPARABLES

Company	Ticker	Category	EV/EBITDA	Note
Copart, Inc.	CPRT	Salvage-auction platform	~12.6x	Subject company
Ritchie Bros. / RB Global	RBA	Salvage & commercial auction	~13-15x	Direct comp; acquired IAA 2023
ACV Auctions	ACVA	Digital wholesale auction	~18-22x	High-growth digital pure-play
Manheim / Cox Automotive	private	Wholesale auction (proxy)	~9-11x	Private; proxy from Cox parent
Waste Management	WM	Route-density benchmark	~14-15x	Structural network-density comp
Peer-set median (ex-Copart)	—	—	~13.5x	Copart ~1x-turn below median

Rollins pulled from the peer set. Not a direct or structural comparable to a real-estate-anchored auction platform. Peer median = arithmetic median of the four listed comp midpoints.

Sum-of-the-Parts Intrinsic Value — ~\$10B Gap vs. Market Cap

SECTION II · THE INTRINSIC FRAME

Line item	Low	Central	High
Owner earnings, capitalized	\$27.0B	\$30.0B	\$33.0B
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	~\$34.8B	~\$38.1B	~\$41.3B
Memo: Market cap (2026-07-02)	\$27.8B	~\$29.0B	~\$32.0B
Gap vs. market cap	~+\$7.0B	~+\$9.1B	~+\$9.3B

SOTP gap driven primarily by real-estate market-vs.-book uplift and the two-sided-network-effect moat the multiple frame does not price. Reconciling the two frames is the practitioner's job.

Nine-Quarter Operating Cash Flow — The Fortress in Motion

SECTION III · CASH FLOW PATTERN

Quarter	Op CF	Capex	FCF	Repurchases	Acquisitions	Net after uses
Q3 FY24	410	(120)	290	—	(15)	+275
Q4 FY24	440	(140)	300	—	(25)	+275
Q1 FY25	450	(135)	315	—	(20)	+295
Q2 FY25	470	(155)	315	—	(35)	+280
Q3 FY25	460	(130)	330	—	(30)	+300
Q4 FY25	480	(148)	332	—	(40)	+292
Q1 FY26	495	(145)	350	—	(45)	+305
Q2 FY26	510	(160)	350	—	(50)	+300
Q3 FY26	530	(170)	360	(1,400)	(60)	(1,100)
9-Q total	~4,245	~(1,303)	~2,942	~(1,400)	~(320)	~+1,222

\$1.4B Q3 FY26 buyback (~38M shares at ~\$37). Management signaling equity mispricing.

The Duopoly Scarcity Argument — Moody's, Coca-Cola, and Copart

SECTION IV · THE STRUCTURAL MOAT

The opportunity to acquire one of only two players in a genuine network-effect duopoly is a rare event. Berkshire waits decades for these. Three parallels:

- Moody's / S&P — BRK has held Moody's since 2000; S&P is inside McGraw Hill / S&P Global, not for sale at any strategic price.
- Coca-Cola / Pepsi — BRK has held KO since 1988; Pepsi has never been for sale, and no capital budget builds a #3 that catches either.
- Copart / IAA — IAA now inside RB Global (public, unlikely BRK seller). Copart is the only realistic path to own half the salvage-auction duopoly.

The scarcity of the opportunity, not the current quarter's multiple, is the specific practitioner argument for engaging now.

Could Berkshire Build Instead? — The KO Answer

SECTION IV · THE MOAT IS UNRECREATABLE

Path	Cost	End-state position	Timeline
Rollup ~100 regional yards + IT + platform	~\$5-8B	~10-12% mkt share (#3)	5-7 yrs
Buy Copart at \$30-35B	~\$30-35B	~40% mkt share (#1) + full moat	Immediate

Three structural reasons the rollup does not close the moat gap:

1. Insurance-carrier IT integrations — built 1 carrier at a time over 30+ years.
State Farm, Progressive, Allstate, GEICO, USAA. Not licensable. Not for sale.
2. One-directional real-estate arbitrage — Copart bought 200+ yards over 40 years
at land prices 3-5x below current market. Rollup builds at 2026 prices.
3. Two-sided network gravity — 750K registered buyers. Step function, not linear.

Same answer Buffett has given on KO for 40 years: I could build a competitor, but I'd rather buy the one that exists.

Berkshire's Family-Controlled Record — Reverse Chronological

SECTION V · WHY COPART FITS

Acquisition (year)	Founding family	Terms Berkshire preserved
Pilot Flying J (2017)	Haslam family	Multi-year staged. Family retained leadership.
Van Tuyl / BHA (2015)	Van Tuyl family (Larry)	Family operating model retained through BHA.
Marmon Group (2008)	Pritzker family	Multi-year purchase. Family-conglomerate preserved.
Iskar / IMC (2006)	Wertheimer family	Family remained in leadership.
Clayton Homes (2003)	Clayton family	Kevin Clayton (founder's son) remained CEO 2 decades.
Helzberg Diamonds (1995)	Helzberg family	Chain model preserved; family exit clean.
Borsheims (1989)	Friedman family	Handshake price. Family stayed in operating role.
Nebraska Furniture Mart (1983)	Blumkin family	Family remained in operating control.
See's Candies (1972)	See family heirs	Chuck Huggins ran business through 2006 (34 yrs).

The Willis Johnson Family Situation

SECTION V · THE SPECIFIC OPPORTUNITY

Willis Johnson

- Founder, 1982. Copart still holds his last name (COPART = COPart of America).
- Age 79. Family retains meaningful ownership and board influence.

Jay Adair

- Willis Johnson's son-in-law. Married one of Johnson's daughters.
- CEO 2010-2022. Stepped away. Now returning as CEO from 2026.
- Operational continuity is in family-adjacent hands.

This is the exact configuration Berkshire has repeatedly paid up for: founder-family business with continued ownership, operating leadership in family-adjacent hands, aging founder evaluating what happens next. Van Tuyl / BHA (2015), Clayton (2003), NFM (1983) precedent.

The See's Candies transaction is NOT the right structural analog — small, asset-light, decades ago. The BNSF (2010, ~\$44B) and Precision Castparts (2016, ~\$37B) precedents are the correct match.

Two-Driver Pro Forma — Year 2 Stabilized (\$M)

SECTION VI · VALUE CREATION

Line item	Baseline FY2025	Driver 1 GEICO integration	Driver 2 International consolidation	Year 2 combined (BRK-ops)
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

GEICO integration + international consolidation ≈ +\$245M/yr central-case value creation.

Standalone op income ~\$1.7B becomes BRK-consolidated ~\$1.9B — a ~14% lift on the operating line.

At recommended Scenario B (\$32B EV), implied unlevered 10-year IRR ~8.5-9.5%.

Acquisition Price Scenarios — Recommended: Scenario B

SECTION VII · THE PRICE QUESTION

Scenario	Price/sh	EV (approx.)	Premium to 7/2/26 close	Implied P/E on TTM
A — 1.00x at market	\$30.01	\$27.8B	0%	18.6x
B — 1.15x modest premium	\$34.51	\$32.0B	+15%	21.4x
C — 1.30x toward PT	\$39.01	\$36.1B	+30%	24.2x
D — 1.40x wonderful-business	\$42.01	\$38.9B	+40%	26.1x

The Institute's recommendation: Scenario B (1.15x, ~\$32B EV).

The scenario at which the deal math works given the two-driver stack, the BNSF / PCC asset-heavy compounder precedent, and Willis Johnson's likely willingness to reach a handshake at a fair price near a multi-year stock low.

Counter-Argument 1 — The Auction Objection, Correctly Read

SECTION VIII · HONEST OBJECTIONS

The objection (correctly read): Buffett avoids banker-run competitive M&A auctions, not to companies whose operating model happens to run auctions.

The Institute's answer: the case contemplates a negotiated Willis Johnson handshake,

- Real-estate-anchored (200+ owned yards) — not asset-light.
- Recurring insurance-carrier-driven volume — not one-off transactional inventory.
- Network-effect duopoly with IAA / RB Global — not fragmented broker market.
- Structural closer to Manheim or a specialty industrial-services roll-up.

Buffett's aversion is to the acquisition process, not the acquisition target.

The actual business economics do not.

But a reader who does not walk that distinction has every reason to invoke the Buffett rule and pass.

Counter-Argument 2 — Alternative Use of \$30B

SECTION VIII · IS COPART THE BEST DEPLOYMENT?

The objection: BRK spent \$4B on Van Tuyl in 2015. Why \$30B on Copart now?

The alternative: extend BHA ~\$10B + build #3 salvage ~\$6-8B + keep ~\$12-14B for other opportunities.

Why the alternative has merit:

- BHA is a proven Berkshire playbook. Dealer valuations at cycle trough.
- Diversification across the automotive lifecycle. Lower single-asset concentration.

Why the alternative loses:

- #1 economics (25%+ ROE) ≠ #3 economics (12-15% ROE).
- Once-in-a-decade window is time-limited (Willis Johnson at 79).
- Moat is genuinely unreplicable at any capital budget.

The honest answer: Berkshire has ~\$350B and does not face this as a binary choice.

Both paths belong on the docket. Copart belongs first because the window is closing.

The Institute's Editorial Position

SECTION IX · CONCLUSION

The transaction thesis is Willis Johnson's decision, not the market's.

The one-line reading:

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 scarcity of the opportunity — not the current quarter's multiple — is the argument.

This is the BNSF 2010 archetype: a wonderful business, at a fair price, held for the compounding runway.

Sources & Disclaimers

SECTION X · APPENDIX

Primary sources:

- Copart, Inc. Form 10-K FY2025 (period ended July 31, 2025).
- Copart, Inc. Form 10-Q Q3 FY2026 (period ended April 30, 2026).
- Yahoo Finance quote — CPRT, 2026-07-02 close.
- Berkshire Hathaway annual reports; Buffett shareholder letters.
- NAIC 2024/2025 private-passenger auto insurance data.

Disclosures:

- Hypothetical practitioner case study. Not a rumor. Not investment advice.
- Institute owns BRK.B personally; does not advise on Copart or Berkshire.
- Every figure tagged VERIFIED / REPORTED / RECONSTRUCTION in the model workbook.

See also:

- Hertz + Berkshire (capital-structure fix acquisition).
- CarMax + Berkshire (used-vehicle-retail successor to Van Tuyl).
- Comcast Separation Case (SOTP-driven separation as return mechanic).