

COPART INC

Form 10-Q

February 25, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended January 31, 2016

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to

Commission file number: 000-23255

COPART, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

94-2867490

(IRS Employer Identification No.)

14185 Dallas Parkway, Suite 300, Dallas, Texas 75254

(Address of principal executive offices, including zip code)

(972) 391-5000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

As of February 24, 2016, 112,000,958 shares of the registrant's common stock were outstanding.

Copart, Inc.	
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January 31, 2016	
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Copart, Inc.  
Consolidated Balance Sheets  
(Unaudited)

(In thousands, except share amounts)	January 31, 2016	July 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 141,416	\$456,012
Marketable securities	17,465	—
Accounts receivable, net	281,227	215,696
Vehicle pooling costs	29,694	24,949
Inventories	9,458	8,613
Income taxes receivable	7,734	6,092
Deferred income taxes	685	3,396
Prepaid expenses and other assets	19,179	19,824
Total current assets	506,858	734,582
Property and equipment, net	744,224	700,402
Intangibles, net	14,408	17,857
Goodwill	264,128	271,850
Deferred income taxes	31,432	28,840
Other assets	43,314	46,421
Total assets	\$ 1,604,364	\$ 1,799,952
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	147,839	147,452
Deferred revenue	5,478	3,724
Income taxes payable	12,629	8,279
Current portion of long-term debt, revolving loan facility, and capital lease obligations	99,171	53,671
Total current liabilities	265,117	213,126
Deferred income taxes	4,868	5,322
Income taxes payable	23,696	21,157
Long-term debt and capital lease obligations, net of discount	576,501	592,135
Other liabilities	2,782	3,748
Total liabilities	872,964	835,488
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: \$0.0001 par value - 5,000,000 shares authorized; none issued	—	—
Common stock: \$0.0001 par value - 400,000,000 shares authorized; 111,999,458 and 120,156,340 shares issued and outstanding, respectively.	11	12
Additional paid-in capital	394,002	407,808
Accumulated other comprehensive loss	(103,071	) (68,793
Retained earnings	440,458	625,437
Total stockholders' equity	731,400	964,464
Total liabilities and stockholders' equity	\$ 1,604,364	\$ 1,799,952

The accompanying notes are an integral part of these consolidated financial statements.



Copart, Inc.  
Consolidated Statements of Income  
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended January		Six Months Ended January	
	31, 2016	2015	31, 2016	2015
Service revenues and vehicle sales:				
Service revenues	\$260,417	\$238,508	\$511,384	\$485,128
Vehicle sales	39,289	37,750	77,160	81,516
Total service revenues and vehicle sales	299,706	276,258	588,544	566,644
Operating expenses:				
Yard operations	140,965	129,273	276,874	260,278
Cost of vehicle sales	34,127	32,118	66,195	69,191
General and administrative	32,529	34,399	67,144	74,306
Total operating expenses	207,621	195,790	410,213	403,775
Operating income	92,085	80,468	178,331	162,869
Other (expense) income:				
Interest expense	(5,570	) (4,688	) (11,294	) (6,598
Interest income	602	183	813	322
Other income, net	4,435	4,141	5,462	5,734
Total other expenses	(533	) (364	) (5,019	) (542
Income before income taxes	91,552	80,104	173,312	162,327
Income taxes	32,589	27,911	61,936	57,519
Net income	\$58,963	\$52,193	\$111,376	\$104,808
Basic net income per common share	\$0.50	\$0.41	\$0.94	\$0.83
Weighted average common shares outstanding	117,306	126,300	118,731	126,258
Diluted net income per common share	\$0.48	\$0.40	\$0.90	\$0.80
Diluted weighted average common shares outstanding	122,908	131,872	124,240	131,694

The accompanying notes are an integral part of these consolidated financial statements.

Copart, Inc.  
 Consolidated Statements of Comprehensive Income  
 (Unaudited)

(In thousands)	Three Months Ended January 31,		Six Months Ended January 31,	
	2016	2015	2016	2015
Comprehensive income, net of tax:				
Net income	\$58,963	\$52,193	\$111,376	\$104,808
Other comprehensive income:				
Unrealized gain on interest rate swaps, net (a)	163	545	603	949
Reclassification adjustment of interest rate swaps, net (b)	(101	) (294	) (320	) (606
Unrealized loss on available-for-sale securities, net (c)	(4,146	) —	(3,651	) —
Foreign currency translation adjustments	(24,247	) (22,840	) (30,910	) (46,808
Total comprehensive income	\$30,632	\$29,604	\$77,098	\$58,343

(a) Net of tax effect of \$(151) and \$(299) for the three months ended January 31, 2016 and 2015, respectively. Net of tax effect of \$(342) and \$(526) for the six months ended January 31, 2016 and 2015, respectively.

(b) Net of tax effect of \$56 and \$157 for the three months ended January 31, 2016 and 2015, respectively. Net of tax effect of \$178 and \$332 for the six months ended January 31, 2016 and 2015, respectively.

(c) Net of tax effect of \$(282) for the three months ended January 31, 2016. Net of tax effect of \$(3) for the six months ended January 31, 2016.

The accompanying notes are an integral part of these consolidated financial statements.

Copart, Inc.  
Consolidated Statements of Cash Flows  
(Unaudited)

(In thousands)	Six Months Ended January	
	31, 2016	2015
Cash flows from operating activities:		
Net income	\$ 111,376	\$ 104,808
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,294	25,367
Allowance for doubtful accounts	1,270	(242 )
Equity in losses of unconsolidated affiliates	483	—
Stock-based payment compensation	10,800	8,870
Excess tax benefit from stock-based payment compensation	(241 )	(534 )
Gain on sale of property and equipment	(106 )	(457 )
Deferred income taxes	(106 )	(2,317 )
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(68,683 )	(40,908 )
Vehicle pooling costs	(5,139 )	(2,125 )
Inventories	(1,310 )	(1,226 )
Prepaid expenses and other current assets	(216 )	1,747
Other assets	448	5,368
Accounts payable and accrued liabilities	3,702	(4,173 )
Deferred revenue	1,810	351
Income taxes receivable	(1,410 )	(4,938 )
Income taxes payable	7,897	103
Other liabilities	(789 )	(811 )
Net cash provided by operating activities	83,080	88,883
Cash flows from investing activities:		
Purchases of property and equipment	(77,763 )	(39,459 )
Proceeds from sale of property and equipment	296	525
Proceeds from sale of assets held for sale	100	217
Purchases of marketable securities	(21,119 )	—
Net cash used in investing activities	(98,486 )	(38,717 )