

COPART INC
Form 8-K
February 28, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934
February 27, 2013
Date of Report (date of earliest event reported)

Copart, Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation or
organization)

0-23255
(Commission File Number)

94-2867490
(I.R.S. Employer
Identification Number)

14185 Dallas Parkway, Suite 300

Dallas, Texas 75254
(Address of principal executive offices)
(972) 391-5000

(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communication pursuant to Rule 425 under Section Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b)).
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c)).

INFORMATION INCLUDED IN THIS REPORT

Section 2 Financial Information

Item 2.02

Results of Operations and Financial Condition

The following information is intended to be furnished under Item 2.02 of Form 8-K, Results of Operations and Financial Condition. This information shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this report, regardless of any general incorporation language in the filing.

On February 27, 2013, Copart, Inc. issued a press release announcing its financial results for the second quarter of fiscal year 2013 which ended January 31, 2013. The full text of the press release is furnished herewith as Exhibit 99.1.

Section 9 Financial Statements and Exhibits

Item 9.01

Financial Statements and Exhibits

(d) Exhibits

The following exhibit is furnished herewith:

**Exhibit
Number**

Description

99.1 Press release, dated February 27, 2013 of Copart, Inc. announcing its financial results for the second quarter ended January 31, 2013.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: February 27, 2013

Copart, Inc.

By: /s/ William E. Franklin

William E. Franklin

Senior Vice President of Finance and

Chief Financial Officer

INDEX TO EXHIBITS

Exhibit

Number

Description

99.1

Press release, dated February 27, 2013, of Copart, Inc. announcing its financial results for the second quarter ended January 31, 2013.

Copart, Inc.

For Immediate Release

Copart Reports Second Quarter Financial Results

Dallas, Texas. (February 27, 2013) Copart, Inc. (NASDAQ: CPRT) today reported the results for the quarter ended January 31, 2013, the second quarter of its 2013 fiscal year.

For the three months ended January 31, 2013, revenue, operating income and net income were \$266.2 million, \$62.8 million and \$39.6 million, respectively. These represent an increase in revenue of \$38.3 million, or 16.8%; and decreases in operating income of \$0.8 million, or 1.2%; and in net income of \$1.0 million, or 2.4%, respectively, from the same quarter last year. Fully diluted earnings per share for the three months were \$0.31 compared to \$0.31 last year.

For the six months ended January 31, 2013, revenue, operating income and net income were \$505.1 million, \$137.1 million and \$85.5 million, respectively. These represent increases in revenue of \$51.5 million, or 11.4%; in operating income of \$8.2 million or 6.4%; and in net income of \$3.7 million, or 4.6%, respectively, from the same period last year. Fully diluted earnings per share for the six months ended January 31, 2013 were \$0.66 compared to \$0.62 last year, an increase of 6.5%.

The operating results for the second quarter were adversely affected by abnormal costs incurred as a result of hurricane Sandy. These costs include the additional towing, payroll, equipment, travel, housing and facilities expenses directly related to the operating conditions created by hurricane Sandy. These costs, net of the associated revenues, generated a loss of \$11.9 million during the quarter and had a negative after tax impact on diluted earnings per share in the quarter of \$0.06. We expect these additional costs to continue into future quarters. However, we believe they will be completely offset by auction revenues and, accordingly, no future loss is anticipated.

Included in general and administrative cost for our second quarter are the non-capitalizable costs associated with the implementation of our ERP system and the incremental costs associated with the outsourcing of our network infrastructure and our technical support functions, which together totaled \$1.8 million and which had a negative after tax impact on diluted earnings per share in the quarter of \$0.01. These costs will abate upon completion, which is expected to be some time in our 2014 fiscal year. Also included are the costs associated with our expanded international operations which totaled \$1.4 million and will continue.

On Thursday, February 28, 2013, at 11 a.m. Eastern time, Copart will conduct a conference call to discuss the results for the quarter. The call will be webcast live at <http://w.on24.com/r.htm?e=587593&s=1&k=BC15C71DA1CD41A3F45BD29D977FD5EA>. A replay of the call will be available through March 28, 2013 by calling (888) 203-1112. Use confirmation code #8426731.

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Copart, Inc.

About Copart

Copart, founded in 1982, provides vehicle sellers with a full range of remarketing services to process and sell salvage and clean title vehicles to dealers, dismantlers, rebuilders, exporters and, in some states, to end users. Copart remarkets the vehicles through Internet sales utilizing its patented VB² technology. Copart sells vehicles on behalf of insurance companies, banks, finance companies, fleet operators, dealers, car dealerships and others as well as cars sourced from the general public. The company currently operates 162 facilities; with operations in the United States and Canada (www.copart.com), the United Kingdom (www.copart.co.uk), Brazil (www.copart.com.br), Germany (www.copart.de) and the United Arab Emirates (www.copart.ae). Copart links sellers to more than 750,000 members

in over 140 countries worldwide through our online multi-channel platform. For more information, or to become a member, visit www.copart.com.

Cautionary Note About Forward-Looking Statements

This press release contains forward-looking statements within the meaning of federal securities laws, and these forward-looking statements are subject to substantial risks and uncertainties. These forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those projected or implied by our statements and comments. For a more complete discussion of the risks that could affect our business, please review the Management's Discussion and Analysis and the other risks identified in Copart's latest Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, as filed with the Securities and Exchange Commission. We encourage investors to review these disclosures carefully. We do not undertake to update any forward-looking statement that may be made from time to time on our behalf.

Contact:

Deana Lott, Assistant to the Chief Financial Officer

972-391-5094 or deana.lott@copart.com

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Copart, Inc.**Consolidated Statements of Income**

(in thousands, except per share data)

(Unaudited)

| | Three months ended January 31, | | Six months ended | |
|--|---------------------------------------|-------------|-------------------------|-------------|
| | 2013 | 2012 | January 31, | 2012 |
| | | | 2013 | |
| Service revenues and vehicle sales: | | | | |
| Service revenues | \$ 216,920 | \$ 186,852 | \$ 412,099 | \$ 369,668 |
| Vehicle sales | 49,265 | 41,052 | 92,952 | 83,862 |
| Total service revenues and vehicle sales | \$ 266,185 | \$ 227,904 | \$ 505,051 | \$ 453,530 |
| Operating costs and expenses: | | | | |
| Yard operations | 116,501 | 86,422 | 204,522 | 174,427 |
| Cost of vehicle sales | 42,204 | 33,605 | 78,515 | 67,799 |
| Yard depreciation and amortization | 10,663 | 8,181 | 19,761 | 16,383 |
| Gross margin | 96,817 | 99,696 | 202,253 | 194,921 |
| General and administrative | 30,098 | 23,415 | 57,436 | 49,371 |
| General and administrative depreciation and amortization | 3,949 | 3,971 | 7,690 | 7,864 |
| Impairment of long-lived assets | | 8,771 | | 8,771 |
| Total operating expenses | 203,415 | 164,365 | 367,924 | 324,615 |
| Operating income | 62,770 | 63,539 | 137,127 | 128,915 |

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| | | | | | | | |
|--|-----------|-----------|-----------|-----------|--|--|--|
| Other income (expense): | | | | | | | |
| Interest expense, net | (2,397) | (2,914) | (4,873) | (5,039) | | | |
| Other income | 744 | 1,591 | 451 | 2,155 | | | |
| Total other expense | (1,653) | (1,323) | (4,422) | (2,884) | | | |
| Income before income taxes | 61,117 | 62,216 | 132,705 | 126,031 | | | |
| Income taxes | 21,477 | 21,613 | 47,220 | 44,279 | | | |
| Net income | \$ 39,640 | \$ 40,603 | \$ 85,485 | \$ 81,752 | | | |
| Earnings per share-basic | | | | | | | |
| Basic net income per share | \$ 0.32 | \$ 0.32 | \$ 0.69 | \$ 0.63 | | | |
| Weighted average common shares outstanding | 124,709 | 128,306 | 124,505 | 129,870 | | | |
| Earnings per share-diluted | | | | | | | |
| Diluted net income per share | \$ 0.31 | \$ 0.31 | \$ 0.66 | \$ 0.62 | | | |
| Diluted weighted average common shares outstanding | 129,520 | 131,590 | 128,997 | 132,696 | | | |

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Copart, Inc.

Consolidated Balance Sheets

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(in thousands)

(Unaudited)

| | January 31, | July 31, |
|---|--------------------|-----------------|
| | 2013 | 2012 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 49,510 | \$ 140,112 |
| Accounts receivable, net | 198,805 | 138,966 |
| Inventories and vehicle pooling costs | 31,103 | 24,222 |
| Income taxes receivable | 12,462 | 2,312 |
| Deferred income taxes | 4,207 | 3,600 |
| Prepaid expenses and other assets | 11,633 | 9,155 |
| Assets held for sale | 4,185 | 3,926 |
| Total current assets | 311,905 | 322,293 |
| Property and equipment, net | 657,424 | 587,163 |
| Intangibles, net | 14,925 | 7,985 |
| Goodwill | 210,188 | 196,438 |
| Deferred income taxes | 27,596 | 22,280 |
| Other assets | 31,908 | 18,907 |
| Total assets | \$ 1,253,946 | \$ 1,155,066 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 125,400 | \$ 102,958 |
| Deferred revenue | 5,363 | 5,390 |
| Income taxes payable | 6,083 | 3,082 |
| Current portion of long-term debt and capital lease obligations | 75,177 | 75,170 |
| Other current liabilities | 788 | 785 |
| Total current liabilities | 212,811 | 187,385 |
| Deferred income taxes | 9,153 | 7,186 |
| Income taxes payable | 24,434 | 22,531 |
| Long-term debt and capital lease obligations | 333,068 | 368,950 |
| Other liabilities | 6,977 | 7,897 |
| Total liabilities | 586,443 | 593,949 |
| Commitments and contingencies | | |
| Stockholders equity: | | |

| | | |
|---|--------------|--------------|
| Preferred stock, \$0.0001 par value - 5,000,000 shares authorized; no shares issued and outstanding at January 31, 2013 and July 31, 2012, respectively | | |
| Common stock, \$0.0001 par value - 180,000,000 shares authorized; 125,284,122 and 124,393,700 shares issued and outstanding at January 31, 2013 and July 31, 2012, respectively | 13 | 12 |
| Additional paid in capital | 353,111 | 326,187 |
| Accumulated other comprehensive loss | (32,270) | (38,043) |
| Retained earnings | 346,649 | 272,961 |
| Total stockholders' equity | 667,503 | 561,117 |
| Total liabilities and stockholders' equity | \$ 1,253,946 | \$ 1,155,066 |

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Copart, Inc.

Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

| | Six Months Ended January 31, | |
|--|---|-------------|
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net income | \$ 85,485 | \$ 81,752 |

| | | |
|---|-----------|-----------|
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 27,451 | 24,247 |
| Allowance for doubtful accounts | 184 | (99) |
| Stock-based compensation | 9,920 | 11,028 |
| Excess tax benefits from stock-based compensation | (5,293) | (1,104) |
| Impairment of long-lived assets | | 8,771 |
| Gain on sale of property and equipment | (183) | (963) |
| Deferred income taxes | (6,986) | (9,068) |
| Changes in operating assets and liabilities, net of effects from acquisitions: | | |
| Accounts receivable | (59,165) | (29,549) |
| Vehicle pooling costs and inventories | (6,860) | 766 |
| Prepaid expenses and other current assets | (3,529) | 5,933 |
| Other assets | (7,014) | 247 |
| Accounts | 18,695 | (5,431) |

| | | |
|--|------------|-----------|
| payable and accrued liabilities | | |
| Deferred revenue | (28) | 697 |
| Income taxes receivable | (4,776) | 3,281 |
| Income taxes payable | 4,918 | (12) |
| Other liabilities | 271 | (148) |
| Net cash provided by operating activities | 53,090 | 90,348 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment including acquisitions | (110,554) | (15,055) |
| Proceeds from sale of property and equipment | 1,851 | 761 |
| Investment in escrow | (6,371) | |
| Net cash used in investing activities | (115,074) | (14,294) |
| Cash flows from financing activities: | | |
| Proceeds from the exercise of stock options | 16,358 | 6,335 |
| Proceeds from the issuance of Employee Stock Purchase Plan | 951 | 1,019 |

| | | | |
|--|----|-----------|------------|
| shares | | | |
| Repurchase of common stock | | (14,512) | (135,395) |
| Excess tax benefit from stock-based payment arrangements | | 5,293 | 1,104 |
| Proceeds from issuance of debt | | | 125,000 |
| Debt offering costs | | | (313) |
| Principal payments on long-term debt | | (37,505) | (18,750) |
| Net cash used in financing activities | | (29,415) | (21,000) |
| Effect of foreign currency translation | | 797 | (1,423) |
| Net (decrease) increase in cash and cash equivalents | | (90,602) | 53,631 |
| Cash and cash equivalents at beginning of period | | 140,112 | 74,009 |
| Cash and cash equivalents at end of period | \$ | 49,510 | \$ 127,640 |
| Supplemental disclosure of cash flow information: | | | |
| Interest paid | \$ | 5,220 | \$ 5,221 |
| Income taxes paid | \$ | 55,874 | \$ 50,019 |

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