



## FEATURED OPTIONS RADAR REPORT



### Leading Online Vehicle Auction Provider Draws Bulls into Earnings, Hurricane Tailwinds

**Ticker/Price:** CPRT (\$144)

#### Analysis:

**Copart (CPRT)** trading 10X average calls for the second straight day with buyers active in the November \$155 calls 1000X and the October \$150 calls 500X, the two most notable lines. CPRT had buyers of 1000 November \$150 calls yesterday and still with bullish open interest in the September \$145 and \$150 calls from earlier this year. Shares are sitting just below new highs at \$149, a strong name since the March 2020 lows, and recently found support at the rising 55-EMA. A move higher targets \$162.50. The \$33.8B company trades 36.45X earnings, 13.7X sales, and 37X cash. CPRT provides online auctions and vehicle remarketing services in the US and abroad as well as salvage services, end-of-life vehicle processing, and title processing. The company has leading scale and engagement with buyers worldwide which gives them exposure to some strong longer-term trends in the industry. CPRT expects to benefit into 2022 as we see more driving activity which will drive claims closer to pre-pandemic levels while the longer-term trends favor more salvage cases as the cost of repairing vehicles rises given the higher mix of tech components. CPRT is coming off of a strong quarter in May with strong inventories, ASP growth, and overall demand, especially around used vehicles given the current supply/demand dynamic in autos. CPRT could have a potential catalyst with Hurricane Ida likely creating a surplus of salvage and other end-of-life car situations as they saw in 2020 after Hurricane Sally hit Alabama and others in the last decade including Hurricane Sandy. Analysts have an average target for shares of \$127.50 with a Street High \$145. Truist positive earlier this year positive on the company's dominant market share position, its high margin profile, and its low debt level with significant cash on hand, adding that Copart offers a long-term high-quality return profile. Stephens with an Overweight rating earlier this year and positive note on their market opportunity. The firm argues that the global salvage TAM can be more than three times larger than the current U.S. market over time. Hedge fund ownership fell 5% last quarter, Suvretta Capital buyers of 828K shares. CPRT reports earnings next week.

#### Hawk Vision:



**Hawk's Perspective:** CPRT has a weak history with earnings but a high-quality name that has given very few nice risk/reward entries over the last two years and would be a nice dip buy on weakness with the Oct/Nov call positioning

**Confidence Ranking:** \$\$