

“Fix a Wreck, Reap a Small Fortune”

By Gene G. Marshall

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You might think that auto wrecks and stolen cars are hardly the stuff that would excite Wall Street. But then there's **Insurance Auto Auctions**. Shares of the only publicly traded company in that business have rocketed from 14 in October to 24 on January 26.

Insurance Auto salvages totally wrecked cars or stolen vehicles that have been damaged. Some of Insurance Auto's partners are major insurance companies, such as Allstate and State Farm Insurance, which sell their insured but damaged cars to Insurance Auto at a fixed contract price. Insurance Auto repairs and refurbishes the cars and then sells them to auto dealers at auctions around the country. The result: fast sales and hefty profits.

“The company's growth has been meteoric, with revenue growth of 30% compounded annually since 1987, and per-share earnings growth of more than 40%,” says analyst Joseph Jolson of Montgomery Securities in San Francisco. He expects earnings of 80¢ to 85¢ a share this year, up sharply from last year's estimated 60¢ and 1991's 35¢. Jolson says that despite its fast rise, the stock is likely to climb some more because of strong earnings growth ahead. He thinks the stock's price will be in the 30's sometime this year.

Insurance Auto's share of the salvage-and-auction business is concentrated in a few states. The company has 20% of the California market, 50% of Oregon's, 60% of Arizona's, and 65% of Hawaii's. Analyst David O'Neill of William Blair & Co. thinks that over the next five years, Insurance Auto will emerge as the leading national provider of salvage services to major insurers.

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Note: Insurance Auto Auctions, Inc. was acquired by Equivest Partners, Inc. (the predecessor name of Fairmont Capital, Inc.) in January 1991 and taken public in November 1992. Michael Gibbons co-founded Equivest/Fairmont.