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KAR Auction Services, Inc. (KAR)

Bank of America Global Automotive Summit

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CORPORATE PARTICIPANTS

James P. Hallett
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John Murphy
Analyst, BofA Securities, Inc.

MANAGEMENT DISCUSSION SECTION

John Murphy
Analyst, BofA Securities, Inc.

Great. [indiscernible] (00:00:04) for joining us again for our next session where we have KAR Global, a leading wholesaler of used vehicles and is at the nexus of the digital remarketing revolution. There are a lot of questions about how the industry of KAR will transform over time. But we're very happy to have Jim Hallett, Chairman and CEO and Eric Loughmiller, Executive VP and CFO.

The elephant in the room is [ph] our rating. We have an underperformer (00:00:30) on the stock. But to be fair the stock [indiscernible] (00:00:34) had tremendous respect for both Jim and Eric who I have known for almost two decades. Our rating is relative [indiscernible] (00:00:40) sell. So, people should understand it's an [indiscernible] (00:00:43), there's always a question of timing in our coverage of the [indiscernible] (00:00:47) value chain. Used car wholesaling is inherently a very good business. So, we look forward to the right timing on the company at the stock as the transformation of the business progresses. As a result, obviously with all of that we have actually a lot of questions today and we really appreciate both Jim and Eric joining us. Thank you so much guys.

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

Thank you, John. It's [ph] got to be with you (00:01:08).

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QUESTION AND ANSWER SECTION

John Murphy
Analyst, BofA Securities, Inc.

Q

So, we had a lot of specific questions but maybe to start, Jim, there's been recent volatility [ph] to your (00:01:17) business. So, I'm just curious as you think about responding to that on the positive and the negative in the short run but maybe more importantly [indiscernible] (00:01:28) structurally over time. [ph] Is this (00:01:32) volatility and your response going to be structural, transitory [ph] or really (00:01:38) how do you think about strategy going forward [indiscernible] (00:01:41) really what's going on between the [indiscernible] (00:01:46).

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

A

Yeah. So, let me maybe back up a just a little bit, John, and say that what's really changed is we looked at our business a few years ago, we decided that we wanted to be a digital company. And then first of all, we want to [ph] stop (00:02:06) running cars. And we want to stop running cars for a couple of reasons. Number one, we want to provide a lot safer environment but then also just the efficiencies and the opportunities, the options that would be available to our dealers, both buyers and sellers, were just so much better in a digital format. And so, we actually started the digital journey, I would say, two, three years back. And then a year ago, the pandemic hit, everybody knows. And about a year ago this week or in the last few weeks, we completely shut down our operations and we shut down for two weeks. And in that two-week period, we transitioned our [ph] auctions (00:02:54), then we reopened 100% digital. And we have not run a single car through an auction block in that period of time.

We're 100% digital and really what we had planned on accomplishing over the course of the next two or three years, we basically accomplished over a period of two or three weeks. So, this was very much accelerated. I guess the silver lining with COVID for us was really the acceleration of the digital – of going 100% digital. So with that, a couple of things happened. We totally transformed our business model. We continued to serve our customers in a digital format.

The other thing that went with that is we permanently reduced our [ph] cost structure (00:03:43) in the entire organization. We went from just a little over 15,000 employees to somewhere under 10,000 employees in the period of a few weeks. So, that's kind of what's changed. And as you think about it currently today temporarily, there's a tremendous amount of shortage of vehicles in the marketplace and we've seen this before. We've seen it during the Great Recession where there was a tightness of supply. And we know that we're going to need to work through the next several quarters and look for this supply to return. I know that you're going to have a lot of questions around some of the segments but maybe I'll just run through those in advance because I think it ties into my conversation here.

First of all, the retail business is very, very strong. People are interested in having a private ownership and owning their own vehicle. I think I've said so many times that people, the second safest place the person feels today is in their own car. People don't want to rely on public transportation. They don't want to rely on ride sharing. They want to have their own car. And we've seen record sales. Right now, we're seeing record conversion rates with a tight supply basically selling everything that we can get our hands on. And especially in our digital format, which we'll talk more about as well, our digital platforms. We've seen a very strong improvement in the dealer-to-dealer business. I'm going to say that we acquired BacklotCars during this period of time. And we can talk a little bit more about the impact the BacklotCars has had. But our dealer-to-dealer business has been very, very strong.

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On the other hand, our commercial business has gotten a little tighter [ph] in terms (00:05:34) of the off-lease vehicles which we have a very strong share of that market. The off-lease vehicles are in the money as we said and they're being – their values are well above the residual values that they can buy them for. So, we're seeing a lot of consumers buying out their leases at the end of term or we see the grounding dealer buying those vehicles because it's such a good deal for them right now rather than buying them at auctions where we're seeing record prices.

So with that, we're also seeing on the repossession side of the business, that has slowed. I think [ph] this has slowed (00:06:13) to a couple of areas I'd point to is, number one, I think the stimulus checks that people have been receiving, have allowed people to continue to make their [ph] KAR (00:06:25) payments. And I also understand and you would understand that there are certain laws that prohibit financial institutions from repossessing somebody's vehicle in a time of crisis. So, repossessions have slowed. They're not coming as fast as we'd like to see them coming. But we do expect in the second half of the year as things moderate, we expect to see that repos will come back.

And then the other segment that we talk a little bit, the small segment [ph] for us (00:06:51) is the rental car business. The rental cars have downsized their fleets. As we know, travel and entertainment, that's pretty much come to a standstill for much of the last year, although we are getting back to some of that. Those fleets are much, much smaller and there's not as much demand for rental cars. And I don't see that business coming back anytime soon. Although it's a small segment, I think it'll be slower coming back.

So, those are the things that I would point to in terms of what's going on in the business and how the business has changed and [ph] why we're so good (00:07:26) on this journey. But we've made the commitment to be 100% digital. We've stayed the course and we have no plans on changing.

John Murphy
Analyst, BofA Securities, Inc.

Q

You're making the announcement that Kelly is going to take over for you as CEO. Both professionally and personally, I really don't want to see you go. I mean, we've enjoyed working with you and I think you understand the business as well if not better than anybody out there. So, I'm just curious as you're making this change at CEO what in the context of the business changing as well, why you think it's necessary to make that change or is it something where you're just at a point in your career where you're taking a little bit of a step back from the business?

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

A

Yeah, John. That's a great question and I appreciate it. One of the things that I was very focused on was my own succession and a couple of years ago having conversations with Peter, Peter made the commitment to move his family to Indianapolis from San Francisco. And as Peter moved here, I was able to allow Peter to take on more and more responsibilities and he was really overseeing a lot of the day-to-day operations of the company. I would tell you that Peter Kelly is the best digital mind that we have in our company. I think many people know Peter was the Co-Founder of OPENLANE which now sells about 1.3 million vehicles a year on that platform. He's got a lot of experience with digital. He's got a lot of experience through building OPENLANE and building that network. And Peter has been very involved along with [ph] others (00:09:08). But Peter has been very involved with the transformational journey, with the commitment that we made to go digital.

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And quite frankly, as we continue through this digital journey, I think Peter has the best skillsets to continue to lead that journey going forward and more experience. And I think it's time that we put Peter in a leadership position. And I made the recommendations to the board that I should take the Executive Chairman's role. I'm planning on staying around for the next few years and I plan on being there to work with Peter. We work closely together. I have tremendous respect for him. Not only is Peter the best digital mind in our company, I think he's probably the best digital mind in our entire industry.

I'll continue to work on strategy with Peter, continue to maintain some of my strong relationships that I've had for the last 20, 25 years with many of our most senior customers, continue to do things like this as long as [indiscernible] (00:10:12) with investor relations, work on some M&A activity and just be around to be a liaison with Peter and the management team and do whatever I can to help the company. And we felt that we're at that point in our journey that we want to make this announcement and put it in place now. So, nothing more than that. And I'm excited that Peter is here. And I'm excited with the road ahead. I've got a little bit more insight into some of the things that [ph] we're – got coming (00:10:51). And it's going to be an exciting and fast ride.

John Murphy
Analyst, BofA Securities, Inc.

Q

That's incredibly helpful, and we appreciate it. Don't want you going anywhere, so hopefully we can still talk to you as that Executive Chairman role for a long time. So, Jim, also on the digital front, it originally appeared that some of the new competitors like [ph] ACV, TradeRev (00:11:15), your in-house online business and you've [ph] got (00:11:22) other channels. But we're really going to be focused more on the dealer-to-dealer and the wholesale side, so [indiscernible] (00:11:27) 5 million units [indiscernible] (00:11:29) the 10 million that you usually do in the physical auctions. But it seems like some of the – the lines are blurring a bit. Can you talk about what we traditionally would think of as 10 million units in the whole car auction site that might be going more online, and the 5 million units that serve dealer-to-dealer vehicles, which seem like the best opportunity for [ph] ACV and TradeRev (00:11:56) originally? And now it seems like – what was that, 10-million-unit market and a 5-million-unit market next to each other may actually be sort of a contiguous 15-million-unit market.

I mean, how do you – I mean – and you uniquely have – and this is where I kind of often give you a hard time [indiscernible] (00:12:12) on Q&A. You have the unique ability to say hey to the dealer, I've got you on the 10 million unit side, I got you on the 5 million side, [indiscernible] (00:12:22) I can do. I mean how do you kind of go after that and use that as competitive advantage, and how much do you think those two markets kind of come – become conjoined or contiguous.

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

A

Yeah. So, John it was interesting and Eric and I have always said that we never dictate to a customer whether you should buy or sell a car. Our job is to provide the best channel, the best platform, and I think the platform buys – assigns – the platform gets the cars, they find the cars and then they find the buyers and it's not one size fits all. And the bottom line is we want every car, we want to go after every car. We weren't particularly focused on the segment that was going to physical auctions or segments that were going online or going to this platform or going to that platform. We were focused on getting as much activity and gaining as much share as we could possibly gain. And therefore we had physical auctions. We had OPENLANE as a strong platform. Now that was primarily selling off-lease cars and it didn't necessarily sell dealer cars. And seven years ago before ACV, I think really came into the marketplace, we identified TradeRev as a Canadian company which was the dealer-to-dealer space and we acquired that company. And then when we saw that we weren't able to migrate TradeRev model into the US like we did in Canada, TradeRev was a Canadian product, then we knew we had to double down and we identified BacklotCars which had a different business model again. Instead of being a timed auction, it was a

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bid-ask marketplace and we can talk about that. And so, we acquired BacklotCars in the last year, in the last seven or eight months.

So, what we had really gone is we really had provided platforms to go after every single car that we can possibly go after. And we know the different platforms will attract different cars. Eric, do you want to add to that?

Eric Loughmiller
Executive Vice President & Chief Financial Officer, KAR Auction Services, Inc.
A

And John, I think you're right to assess the market. The physical auctions are always [ph] exclusive in reporting big digital (00:14:43). You've also got the OPENLANE platform where it's very successful. And so, I'm now convinced that our market shouldn't be even bigger than 15 million units over the next 10 years. So, I think the opportunity continues to grow. And our platforms are distinguished today. I think you'll see less independence of the platform. We need the buyer base, finding the car and building it no matter where it's for sale right, Jim? And [indiscernible] (00:15:13) our buyer base [indiscernible] (00:15:16) and the cars will go to the platform that has the best match to what they need. We can get all the buyers onto that. And I don't think anybody [indiscernible] (00:15:27) will have that capability based upon our suite of platforms.

John Murphy
Analyst, BofA Securities, Inc.
Q

Well, I guess I'll get to another question I've asked you guys on a number of occasions. You have a lot of sub-brands in the company that do a lot of great things, right. The functionality is amazing. But as you go through, go in the market, into the dealers and their heads are probably spinning a bit at the moment, right, because they're selling through new channels and trying to figure out how they maximize their value for the sale of their vehicle on a wholesale side. Is there a way that you, kind of, simplify the process for them and say, here's the entry or where you sell your vehicle and we're going to run it through the cascade or the funnel of opportunities that are going to best maximize your return on that vehicle on a wholesale basis? I mean, it's a challenging thing right now because there are these layers of where the vehicle had shown, right. And I'm just curious if you can find a way to streamline that and really take advantage of this opportunity, maybe the market does actually really expand.

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.
A

Yeah, I think there's no question to that. We have a number of different brands and sometimes I say we confuse ourselves with all of our brands. And we have to have a better way of going to market with these brands and then helping our customers, buyers and sellers who really and truly understand what the value proposition is and how you, kind of, where's the best channel for their cars. And we come up with a, kind of, a new purpose statement.

And it's pretty simple but our job is to make wholesale easy, so our customers can be more successful. And by doing that, by helping our customers be more successful, we've got to help them understand where the value of these different platforms are. And I think that's something that we're working hard to try and clarify for our customers, trying to understand what cars should go to what platform and where they might sell best. And if they don't sell on that platform, where should they go next. And what we're seeing is we're seeing in some cases, they may start a physical option and they may come onto the Backlot platform or the TradeRev platform in Canada.

And more recently, we've even seen a number of cars come off the Backlot platform and go into what we call Simulcast+ platform, which is another platform we haven't talked about where we can sell cars as well. So, it's really helping the customers get more clarity on those platforms.

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Eric Loughmiller
Executive Vice President & Chief Financial Officer, KAR Auction Services, Inc.

A

And Jim, if I could add, one of our strategic priorities is to simplify our business. And it goes to more than the sub-branch, John. We want to simplify it. We want to automate the silos and Jim read the purpose statement. All of that ties into – we watched KAR Global route through its platforms to be the easiest place to get whatever you need no matter what it is. And it'll work in the US, Canada, and Europe right now, in simplifying the business, talks about reducing our cost structure, having less layers, also we have brands, but they probably aren't that important to our end users [indiscernible] (00:19:02), let's quit confusing them, right, Jim?

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

A

Exactly.

John Murphy
Analyst, BofA Securities, Inc.

Q

That's very helpful. And then, when you think about a post-pandemic world, which hopefully we'll get there, sooner rather than later for all of us, do you think that physical auction means we'll be run again? Is that something that some of your customers or actually your buyers and sellers are looking for? Or do you think we're going to stay almost exclusively digital? And I think, Manheim has bought a couple of liens, so that might be a data point to leverage or talk about. But I mean, what is your view on the physical auctions as the world hopefully normalizes?

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

A

So, I'll give you a view on the overall industry and then I'll give you a view on what KAR Global is doing. First of all, I think that there will be dealers that will always continue to want to run a car through a lane. They believe running the car through a lane in front of a bunch of dealers. It was a live auction here that they've been dealing with for the last 25 or 30 years. They continue to believe that that will get them more money and that will continue.

Our major competitor have gone pretty much [indiscernible] (00:20:24) but they continue to run a few physical lanes, in-person lanes to service those [indiscernible] (00:20:32) that still want to be in the lane. In the case of our company, KAR Global, we've made the commitment that we are 100% digital and we have no plans on returning or no plans on opening up lanes. And I think that you've got to pick your direction here and we picked the digital direction and we think that is the way of the future.

I think as many of you take a look around outside of the automotive ecosystem and look at other businesses around us, the world is going digital. And I think it's inevitable at some point in time, this does become 100% digital world.

Eric Loughmiller
Executive Vice President & Chief Financial Officer, KAR Auction Services, Inc.

A

And Jim, let me add because we have a digital that we want it to be digital. It's because to be competitive in the marketplace, you have to have the most efficient process, the lowest cost, we know that. We move a lot of transactions and to do that, we must get the highest value and we think we can accomplish all of those with our

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digital footprint when our competitors may not have all those assets, so they have to choose to compete the way they are capable of competing.

So it's not one's right, one's wrong. It's how can we get − how can we help our customer avoid cost of moving the cars [indiscernible] (00:21:57) things like that. How can we avoid that costs that give us solution that puts more money on the vehicle and less money and that, what we would say ancillary products and services that aren't adding value to the vehicle. Jim, do you want to add to that?

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

A

Yeah. I think there's a couple of things, I'd add John, things that we talked about is, this all gives you so many more options. First of all, we've demonstrated through our data that we're able to achieve higher sales in our data and we've demonstrated that and our customers continue to sell cars [indiscernible] (00:22:29) right. Customers aren't going to continue to sell cars for less money. But here's the other thing, historically, you've had one sale day a week. Thus, Indianapolis has had a Wednesday sale. New Jersey's had a Thursday sale. Boston's had a Friday sale, right. With digital, you can have a sale every day. You can have a sale – you can have a sale on Saturdays and Sundays, if you want.

The other thing you can do, you can sell from multiple locations, multiple days a week. In fact, I can tell you one of the rental car companies and I think you know this. We had a sale for them. We hosted, we sold from 22 different locations all in one sale. Some of those cars were sitting at the airport parking lot, some of them were sitting at the rental car agency, some of them were sitting at car auctions, ADESA auctions and some of them were sitting at our competitors' auctions. So there's so much more. Our reach, a typical physical sale reaches about 250 miles. On an average, our reach on digital is in excess of 500 miles. So you think about the buyer base that we're able to bring to the cars. It's much, much broader.

The other thing I would share with you in the last year, we've signed and registered over 20,000 dealers who had never previously purchased a car in a digital or online format. So I think, obviously, we're very bullish on digital for all the reasons that we mentioned. But it's not just a good outcome for us, it's a good outcome for the buyer, it's a good outcome for the seller, it's a good outcome for our company.

John Murphy
Analyst, BofA Securities, Inc.

Q

And then the next question on asset intensity. Obviously, real estate is still necessary. In some cases, the process vehicles but when you look at your real estate portfolio, you own, I think that the majority of your sites. Some of them are really valuable places [indiscernible] (00:24:41) New Jersey, Framingham, Golden Gate. I mean some of this stuff is pretty good stuff. I mean, you could argue that's outside of maybe that eight plus locations but it's near major city centers. Are those the kinds of sites that need to continue to operate to process the vehicles or can there be a rationalization of that portfolio, obviously that will create potentially real value for the company as you trim that to something that might make more sensible, be a little more efficient.

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

A

So my starting point, John, is I believe that our real estate and our brick-and-mortar among the most critical assets that we own. There's a lot to [indiscernible] (00:25:26) just transacting on buying and selling automobiles. These vehicles, especially, in the urban areas when the dealer has designated these vehicles for wholesale, number one, the dealer wants the vehicle off his lot as soon as possible. So we have to inventory these cars. As

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we inventory them, we have to image these cars. In some cases, we have to provide ancillary services and do reconditioning and we have to do mechanical work, paint and body work and there's a lot of ancillary services that we do. We need the real estate.

Now with that said, as we look across the portfolio of approximately 75 auctions in North America as we look across that portfolio, are there some real estate opportunities that maybe we could [indiscernible] (00:26:18) and maybe we don't need that specific real estate that might be a possibility. But for the most part, I would tell you that the real estate you're talking about, especially in the areas of the big auctions in Framingham, in the Boston area, in New Jersey, right and the Golden Gate, California, that you're talking about. This is real estate that we believe is very critical to our success.

I believe the winner is not a winner take all but I believe that's a winner take most. And I believe the winner take most is the company that has the digital assets as well as these physical assets. And when it comes to that, there is no other company in the industry that has the assets that we have in all those areas. And I believe that we've got real right to win here.

John Murphy
Analyst, BofA Securities, Inc.

Q

That's very helpful. And we're running a little bit low on time here. So I wanted to do, sort of, maybe a fire round here on the channels of vehicles because I think a lot of the near-term trends or the near-term ebbs and flows in the channels of vehicles that are selling into auctions are being conflated with some secular changes and there might be some confusion. So, I mean first, if you think about leasing, I think that was a really important point you made in the beginning where you said the vehicles are in the money. I mean, often these vehicles are not the money. And at some point soon, they're not going to be in the money whether that's in 2 months or 3 months or 6 months or 12 months, we'll see. But I bet pretty soon that will occur. Will that lead to increased flow to auctions and particularly at KAR Global, sometime that reverse its course?

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

A

Yes. We have a very high market share in those off-lease cars. I think I spoke about OPENLANE which is on the private label platform. Our share is very, very high and prices will moderate to the point that you made and when prices moderate and the cars go out of the money and [indiscernible] (00:28:23) residual or unresidual, then, you'll start to see more and more of those auctions. And we think that will play out sometime in late 2021, more likely as we go into 2022.

John Murphy
Analyst, BofA Securities, Inc.

Q

Okay. And then second channel is repo. Obviously, that's almost stalled in a very significant way. What kind of opportunity is – what would that normalize pre-COVID before we had the freeze and where might that go, maybe from an industry perspective and also from a car perspective?

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

A

Yeah. So, Eric, you can [indiscernible] (00:28:57) me here. But I think our volumes were just a little over 2 million pre-COVID. Now, they've jumped back significantly. But we would think that as we get into the end of this year, the ripples will start to return and that, in 2022, things should be back to a more normal pace on repos.

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John Murphy
Analyst, BofA Securities, Inc.

Q

Okay. And then on the rental channel, I mean, obviously, this is somewhat of a call on COVID and business travel. But on rentals being sold into auction, what were relative normalized levels pre-COVID, where did they drop to? And I guess, it's a tough guess to say where they might be bound to, but where were they pre-COVID? Were they at the lows in COVID? And where might you expect them to go?

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

A

Yeah. Rental vehicles is our smallest segment. And a lot of those fleets have right-sized. Those fleets have gotten smaller, as I said earlier. Listen, I believe that the return of travel and the return to business meetings and travel for business meetings, I believe that's a long time coming back. I'm not sure it ever comes back. I'm not sure that we won't be doing a lot more meetings like we're doing right now.

We've done customer meetings, we've done investors meetings, we've done town hall meetings. Nobody is travelling. I've been on an airplane once or twice in the last year. And I think the rental car market and the travel industry has been impacted for a long time and I don't know – listen I'm not sure I got a crystal ball but I don't think it gets back there anytime soon. I think that's much, much further out than repos and off-lease and dealer cars.

John Murphy
Analyst, BofA Securities, Inc.

Q

Yeah, Jim. I hope [indiscernible] (00:30:52)

Eric Loughmiller
Executive Vice President & Chief Financial Officer, KAR Auction Services, Inc.

A

John, pre-pandemic, it was less than 3% of our volume and about 8% of industry volumes. And I'd say those numbers are cut in half right now and probably won't rebound from that to Jim's point for several years.

John Murphy
Analyst, BofA Securities, Inc.

Q

Okay. I hope it rebound, so I can see you guys and you deserve a drink after dealing with me. So, I should buy you a drink, at least a couple of drinks after dealing with me on this kind of stuff but just one last question on the dealer-to-dealer. Obviously that – it seems like it's similar leasing where vehicles are in the money, so some of that stuff is getting quite higher in the funnel at the dealer [indiscernible] (00:31:33) you capture it openly, there might be an opportunity as things normalize as well. What are your thoughts there on that slow vehicles into the auctions?

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.

A

Yeah, John. I think I got you there. I think I understand what you've said and I believe you're correct as prices moderate and things normalize, we just did many off-lease cars but they won't be deemed bought at the grounding dealer or by the consumer and they'll get into the funnel – the top of the funnel and they'll make their way through the funnel and we'll sell a good percentage of vehicles there while we'll also see more of those cars make their way to physical auctions and when they make their way to physical auctions, not only do we get the opportunity to sell those cars, but we get the opportunity to do some pretty extensive reconditioning on these cars, which again is going to drive our revenues.

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Eric Loughmiller
Executive Vice President & Chief Financial Officer, KAR Auction Services, Inc.
A

And then, Jim, the dealer side, we're already seeing a strong tax season here at the end of Q1, John. So problem free, it looks like it's going to get back to more normal sooner because the truth is if they give a high traded value, they want to monetize it quickly and they're all afraid to be holding expensive inventory that they can't sell. We're starting to see signs of improvement in [indiscernible] (00:32:55)

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.
A

Yeah.

John Murphy
Analyst, BofA Securities, Inc.
Q

Got it.

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.
A

And, John, you didn't ask, but I will share with you. We have now fully integrated TradeRev and BacklotCars here in the US. And I would tell you, we're ahead of schedule and we're also ahead of our expectations. That has been a really great transition and we're really pleased with that acquisition of BacklotCars?

John Murphy
Analyst, BofA Securities, Inc.
Q

So maybe to wrap up, I mean it seems like we'll be – hopefully for all of us through the COVID shock, later this year, the main flow of vehicles from different channels for you will ramp up late this year going into next year at the same time as they're getting the business rationalized and streamlined. So there should be – and this is my words, not yours, apparently, sort of, real inflection point late this year into next year on some of the reversal, the pressures that you've seen.

So it seems like there there's real opportunity of a real inflection and turns here in the [indiscernible] (00:34:06) for KAR Global. So that's my words not yours. I'm not going to ask you to give us forward guidance on late 2021 into 2022 but it seems like things are starting to line up in the right way as you get through the year.

James P. Hallett
Chairman & Chief Executive Officer, KAR Auction Services, Inc.
A

I think very much so. I think there's no question – there's no question as we work our way through the first quarter here. As we get closer to the second half of the year, I think things are lining up very well. And I don't want to get ahead of myself but I do believe that we will be in a very good spot, both from a volume standpoint and from an offering standpoint, with all of our offerings as we go into 2022.

John Murphy
Analyst, BofA Securities, Inc.

Well, Jim and Eric, we always appreciate your time. Really look forward to seeing you in person sometime soon, safely for all of us. And once again, we really appreciate the time. And I apologize for the audio difficulties earlier in the call but I think we learned a lot today. So thank you very much for the time.

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James P. Hallett

Chairman & Chief Executive Officer, KAR Auction Services, Inc.

All right. Well, thank you, John. Appreciate your time and appreciate being on.

Eric Loughmiller

Executive Vice President & Chief Financial Officer, KAR Auction Services, Inc.

Thank you, John.

John Murphy

Analyst, BofA Securities, Inc.

Thank you, guys.

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