

First Quarter 2019 Earnings Slides

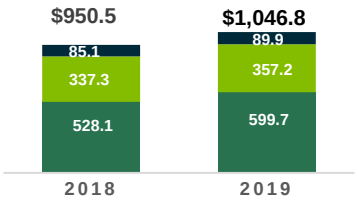
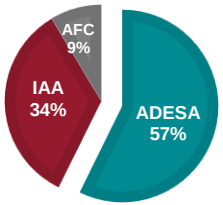
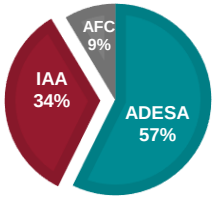
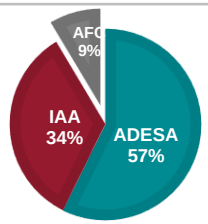
May 7, 2019

Forward-Looking Statements

This presentation includes forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward looking statements are subject to certain risks, trends, and uncertainties that could cause actual results to differ materially from those projected, expressed or implied by such forward-looking statements. Many of these risk factors are outside of the company's control, and as such, they involve risks which are not currently known to the company that could cause actual results to differ materially from forecasted results. Factors that could cause or contribute to such differences include those matters disclosed in the company's Securities and Exchange Commission filings. The forward-looking statements in this document are made as of the date hereof and the company does not undertake to update its forward-looking statements.

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Q1 Highlights

	Revenues	Highlights	Fundamentals
KAR		• Revenue growth +10% • Operating Adjusted EPS -15% • Adjusted EBITDA +1%	• Diversified and complementary business services model
ADESA		• Revenue +14% • Total volume growth +8% • Physical auction RPU +$55 • Adjusted EBITDA -7%	• Off-lease supply driving volume growth • Revenue per unit growth largely due to ancillary services growth • Adjusted EBITDA decline due to continued TradeRev rollout. TradeRev volumes increased over 40% Q1 2019 (31,000) vs Q1 2018 (22,000)
IAA		• Revenue +6% • Volume growth +1% • North American inventory +10% • Adjusted EBITDA +8% • Incremental operating profit margin 49%	• Total Loss 19.2% Q1 2019 vs. 18.8% Q1 2018 (CCC) • Scrap pricing -11% (American Recycler, Q1 2019 vs. Q1 2018) • Miles driven +0.8% (FHWA, YTD through February 2019 vs. 2018)
AFC		• Revenue +6% • Revenue per LTU +7% • Provision for credit losses as a percent of managed receivables 1.6% • Adjusted EBITDA +3%	• Conservative portfolio management • Increasing gross revenue per loan transaction due to higher average loan balances

2019 Outlook

	ANNUAL GUIDANCE		
	2019 Low	2019 High	2018
Net income	**$330.0**	**$355.5**	**$328.0**
Add back:			
Income tax expense	$122.0	$131.5	$107.7
Interest expense, net of interest income	$220.0	$220.0	$188.1
Depreciation and amortization	$281.0	$281.0	$269.9
EBITDA	$953.0	$988.0	$893.7
Total Adjusted EBITDA addbacks, net	($18.0)	($18.0)	$0.2
Adjusted EBITDA	**$935.0**	**$970.0**	**$893.9**
Effective tax rate	27%	27%	25%
Net income per share – diluted	$2.46	$2.65	$2.42
Capital expenditures	$200.0	$200.0	$198.0
Cash taxes	$135.0	$135.0	$109.8
Cash interest on corporate debt	$139.0	$139.0	$129.0
Operating adjusted net income per share - diluted	**$2.90**	**$3.09**	**$2.96**
Weighted average diluted shares	134	134	136

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Separation of IAA Salvage Auction Business Unit Update

Next Steps

- Issue Spinco debt
- Equity roadshow and when-issued trading
- Effective with SEC
- Distribution

Capital Structure

- Maintain BB-/B1 corporate credit rating
- 3.5x Net debt / Adjusted EBITDA
- Targeted debt structure
  - ~$1.3B total debt and ~$225M undrawn revolver
    - Combination of Term B Loan and Senior Secured Notes

Expenses

- $9.5M of shared services expenses incurred by KAR Corporate segment on behalf of IAA Spinco Inc. in 2018
- An estimated $5.5M of additional operating costs expected for Spinco

2018 IAA Spinco Operating Metrics

$1.3B Revenue	190+ Locations
$284M Operating Profit	~3,600 Employees
~40% Market Share North American	~2.5M Vehicles Sold

KAR Q1 2019 Highlights

($ in millions, except per share amounts)

KAR	Q1 2019	Q1 2018	Highlights*
Total operating revenues	$1,046.8	$950.5	$31.8M acquisitions
Gross profit**	$434.5	$415.5	
% of revenue	41.5%	43.7%	
SG&A	$207.6	$187.4	TradeRev +$8.0M, $4.6M acquired SG&A
EBITDA	$228.3	$228.0	
Adjusted EBITDA	$230.8	$229.4	
Net Income	$77.8	$90.0	Higher interest expense
Net income per share - diluted	$0.58	$0.66	
Operating adjusted net income per share - diluted	$0.70	$0.82	
Weighted average diluted shares	133.8	135.8	
Dividends declared per common share	$0.35	$0.35	
Effective tax rate	26.5%	22.7%	
Capital expenditures	$54.0	$38.7	

* For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-Q, both for the three months ended March 31, 2019.

** Exclusive of depreciation and amortization

ADESA Q1 2019 Highlights

($ in millions, except RPU)

ADESA	Q1 2019	Q1 2018	Highlights*
Revenue	$599.7	$528.1	$31.8M acquisitions
Gross profit**	$229.0	$222.1	
% of revenue	38.2%	42.1%	Increased purchased vehicles from COTW and ADESA Assurance reduced margins ~2%
SG&A	$126.6	$108.8	TradeRev +$8.0M, $4.6M of acquired SG&A
EBITDA	$100.8	$109.0	
Adjusted EBITDA	$110.8	$119.1	
% of revenue	18.5%	22.6%	
Vehicles sold	945,000	878,000	12% increase in institutional volume
Physical vehicles sold in North America	555,000	557,000	
Online only volume in North America	367,000	309,000	19% growth (Includes TradeRev volume of 31,000 in Q1 2019 and 22,000 in Q1 2018)
Vehicles sold in Europe	23,000	12,000	
Dealer consignment mix % (physical only)	38%	41%	Continued off-lease increase displaced dealer consignment
Total online volume %	57%	52%	Includes physical auction sales to online buyers
Physical RPU	$875	$820	Excludes purchased vehicles
Online only RPU	$144	$117	Excludes purchased vehicles

* For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-Q, both for the three months ended March 31, 2019.
** Exclusive of depreciation and amortization

IAA Q1 2019 Highlights

($ in millions)

IAA	Q1 2019	Q1 2018	Highlights*
Revenue	$357.2	$337.3	+5% RPU growth
Gross profit**	$138.8	$130.6	
% of revenue	38.9%	38.7%	Excluding HBC 39.3% in Q1 2019 and 39.2% in Q1 2018
SG&A	$31.3	$30.5	
EBITDA	$106.8	$100.1	
Adjusted EBITDA	$109.6	$101.7	8% increase
% of revenue	30.7%	30.2%	
Vehicles sold	649,000	643,000	+1% volume
Inventory growth (N.A.)	10%	4%	
% Purchased contract vehicles	4%	4%	

* For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-Q, both for the three months ended March 31, 2019.

** Exclusive of depreciation and amortization

AFC Q1 2019 Highlights

($ in millions, except for revenue per loan transaction)

AFC	Q1 2019	Q1 2018	Highlights*
Interest and fee income	$86.9	$81.9	
Other revenue	$2.8	$2.9	
Provision for credit losses	($8.2)	($7.7)	
Other service revenue	$8.4	$8.0	PWI revenue
Total AFC revenue	$89.9	$85.1	+7% revenue per LTU
Gross profit**	$66.7	$62.8	
% of revenue	74.2%	73.8%	
SG&A	$7.2	$8.0	Decrease in compensation expense, including incentive-based compensation
EBITDA	$59.4	$54.8	
Adjusted EBITDA	$45.1	$43.9	3% increase
Loan transactions	461,000	464,000	
Revenue per loan transaction***	$177	$166	
Provision for credit losses % of finance receivables	1.6%	1.6%	
Managed receivables	$1,989.1	$1,933.2	Increasing vehicle values
Obligations collateralized by finance receivables	$1,360.6	$1,354.2	

* For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-Q, both for the three months ended March 31, 2019.
** Exclusive of depreciation and amortization
*** Excludes "Other service revenue"

HISTORICAL DATA

ADESA Metrics - Annual

	2018	2017	2016	2015	2014
Revenue[2]	**$2,101.9**	$1,937.5	$1,765.3	$1,427.8	$1,271.0
Total Volume	**3,472**	3,180	2,885	2,465	2,198
Online Only Volume	**1,304**	938	743	592	495
Total Online Volume %[3]	**54%**	46%	42%	40%	38%
Physical Conversion % (N.A.)	**61.6%**	60.4%	58.0%	58.3%	58.2%
Dealer Consignment Mix % (Physical)	**42%**	45%	48%	50%	51%
Physical RPU[1]	**$844**	$775	$753	$701	$685
Online Only RPU[1]	**$121**	$113	$110	$102	$104
Gross Margin[2]	**41.4%**	42.0%	41.3%	41.4%	41.3%

[1] Excluding Acquired Vehicles
[2] Includes purchased vehicles
[3] Includes LiveBlock and DealerBlock volume

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ADESA Metrics - Quarter

	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Revenue[2]	$599.7	$508.5	$527.0	$538.3	$528.1	$473.2	$477.1	$489.2	$498.0
Total Volume	945	811	876	907	878	744	788	830	818
Online Only Volume	367	306	343	346	309	237	241	245	215
Total Online Volume %[3]	57%	54%	54%	54%	52%	49%	46%	46%	44%
Physical Conversion % (N.A.)	63.8%	58.5%	62.9%	62.4%	62.6%	57.3%	61.3%	61.1%	61.8%
Dealer Consignment Mix % (Physical)	38%	40%	44%	43%	41%	44%	47%	46%	44%
Physical RPU[1]	$875	$868	$850	$839	$820	$822	$781	$748	$755
Online Only RPU[1]	$144	$122	$126	$118	$117	$122	$112	$105	$111
Gross Margin[2]	38.2%	39.1%	41.6%	42.9%	42.1%	40.5%	42.9%	43.0%	41.6%

[1] Excluding Acquired Vehicles
[2] Includes purchased vehicles
[3] Includes LiveBlock and DealerBlock volume

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IAA Metrics - Annual

	2018	2017	2016	2015	2014
Revenue	$1,326.8	$1,219.2	$1,098.0	$994.4	$895.9
Total Volume	2,480	2,369	2,184	1,970	1,732
Inventory Growth (North America)	1%	3%	25%	14%	20%
Purchased Vehicle Mix %	4%	5%	7%	7%	6%
Gross Profit	$505.6	$441.1	$390.0	$360.8	$340.2
Gross Margin (IAA)	38.1%	36.2%	35.5%	36.3%	38.0%
Gross Margin (North America)	38.6%	36.9%	36.7%	37.0%	38.0%

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IAA Metrics - Quarter

	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Revenue	$357.2	$335.2	$321.1	$333.2	$337.3	$335.4	$287.7	$298.7	$297.4
Total Volume	649	617	597	623	643	635	562	580	592
Inventory Growth (North America)	10%	1%	-9%	2%	4%	3%	12%	9%	17%
Purchased Vehicle Mix %	4%	4%	4%	4%	4%	4%	5%	5%	5%
Gross Profit	$138.8	$124.3	$118.6	$132.1	$130.6	$112.7	$102.9	$117.2	$108.3
Gross Margin (IAA)	38.9%	37.1%	36.9%	39.6%	38.7%	33.6%	35.8%	39.2%	36.4%
Gross Margin (North America)	39.3%	37.5%	37.4%	40.2%	39.2%	33.9%	36.3%	40.2%	37.4%

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IAA Q1 2019 Gross Profit

($ in millions)

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	IAA	HBC	Total	IAA	HBC	Total
Revenue	$349.0	$8.2	$357.2	$327.6	$9.7	$337.3
Cost of Services**	$211.9	$6.5	$218.4	$199.1	$7.6	$206.7
Gross Profit**	$137.1	$1.7	$138.8	$128.5	$2.1	$130.6
% of Revenue	*39.3%*	*20.7%*	*38.9%*	*39.2%*	*21.6%*	*38.7%*

* For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-Q, both for the three months ended March 31, 2019.

** Exclusive of depreciation and amortization

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AFC Metrics - Annual

	2018	2017	2016	2015	2014
Revenue	$340.9	$301.3	$286.8	$268.4	$250.1
Loan Transaction Units (LTU)	1,760	1,688	1,718	1,607	1,445
Revenue per Loan Transaction, Excluding "Other Service Revenue"	$175	$159	$148	$150	$155
Ending Managed Finance Receivables	$2,014.8	$1,912.6	$1,792.2	$1,641.0	$1,371.1
Ending Obligations Collateralized by Finance Receivables	$1,445.3	$1,358.1	$1,280.3	$1,189.0	$859.3
% Vehicles Purchased at Auction	83%	85%	83%	84%	84%
Active Dealers	12,300	12,400	12,200	11,300	10,100
Vehicles per active dealer	15	15	15	16	16
Average Credit Line	$270,000	$250,000	$260,000	$230,000	$219,000
Avg Value Outstanding per Vehicle	$10,200	$9,900	$9,500	$9,100	$8,630

AFC Metrics - Quarter

	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Revenue	$89.9	$85.3	$85.4	$85.1	$85.1	$81.8	$78.2	$70.1	$71.2
Loan Transaction Units (LTU)	461	428	433	435	464	414	402	416	456
Revenue per Loan Transaction, Excluding "Other Service Revenue"	$177	$180	$177	$177	$166	$178	$174	$148	$138
Ending Managed Finance Receivables	$1,989.1	$2,014.8	$1,979.7	$1,958.6	$1,933.2	$1,912.6	$1,809.2	$1,736.5	$1,760.7
Ending Obligations Collateralized by Finance Receivables	$1,360.6	$1,445.3	$1,366.3	$1,358.0	$1,354.2	$1,358.1	$1,259.3	$1,224.9	$1,241.8

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AFC Provision for Credit Losses - Annual

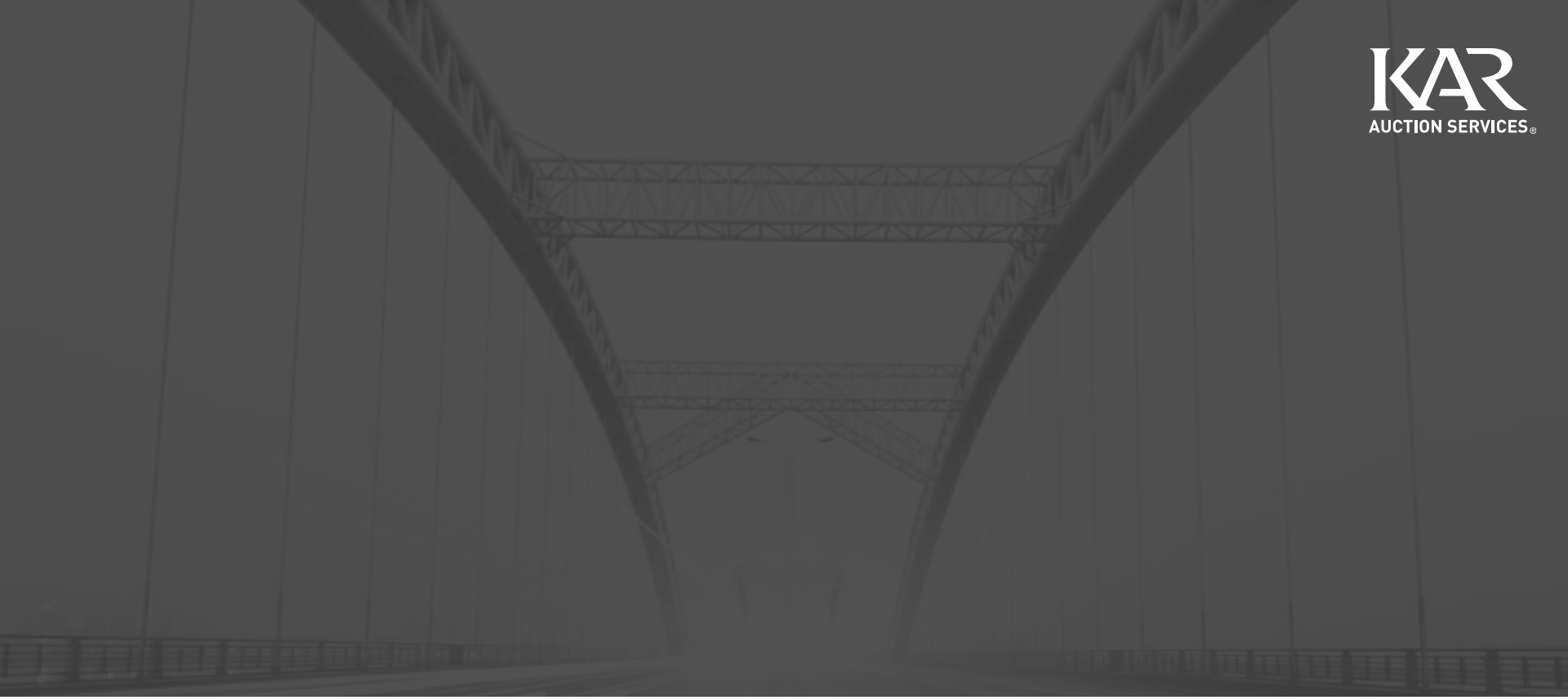
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Ending Managed Receivables	$2,014.8	$1,912.6	$1,792.2	$1,641.0	$1,371.1	$1,107.6	$1,004.2	$883.2	$771.6	$613.0	$506.6	$847.9
Average Managed Receivables	$1,959.8	$1,802.2	$1,732.5	$1,474.9	$1,208.4	$1,051.4	$925.8	$798.8	$688.6	$516.4	$744.4	$835.3
Provision for Credit Losses	$32.9	$33.9	$30.7	$16.0	$12.3	$9.6	$7.2	$6.1	$11.2	$17.1	$44.7	$25.0
% of Managed Receivables	1.7%	1.9%	1.8%	1.1%	1.0%	0.9%	0.8%	0.8%	1.6%	3.3%	6.0%	3.0%

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AFC Provision for Credit Losses - Quarterly

	1Q19	4Q18	3Q18	2Q18	1Q18	4Q17	3Q17	2Q17	1Q17
Ending Managed Receivables	$1,989.1	$2,014.8	$1,979.7	$1,958.6	$1,933.2	$1,912.6	$1,809.2	$1,736.5	$1,760.7
Average Managed Receivables	$2,002.0	$1,997.3	$1,969.2	$1,945.9	$1,922.9	$1,860.9	$1,772.9	$1,748.6	$1,776.5
Provision for Credit Losses	$8.2	$10.8	$7.3	$7.1	$7.7	$6.4	$5.0	$11.4	$11.1
% of Managed Receivables	1.6%	2.2%	1.5%	1.5%	1.6%	1.4%	1.1%	2.6%	2.5%

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APPENDIX

Non-GAAP Financial Measures

EBITDA is defined as net income (loss), plus interest expense net of interest income, income tax provision (benefit), depreciation and amortization. Adjusted EBITDA is EBITDA adjusted for the items of income and expense and expected incremental revenue and cost savings as described in the company's senior secured credit agreement covenant calculations. Management believes that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA is appropriate to provide additional information to investors about one of the principal measures of performance used by the company's creditors. In addition, management uses EBITDA and Adjusted EBITDA to evaluate the company's performance.

Depreciation expense for property and equipment and amortization expense of capitalized internally developed software costs relate to ongoing capital expenditures; however, amortization expense associated with acquired intangible assets, such as customer relationships, software, tradenames and non-compete agreements are not representative of ongoing capital expenditures, but have a continuing effect on our reported results. Non-GAAP financial measures of operating adjusted net income and operating adjusted net income per share, in the opinion of the company, provide comparability to other companies that may not have incurred these types of non-cash expenses or that report a similar measure. In addition, net income and net income per share have been adjusted for certain other charges, as seen in the following reconciliation.

EBITDA, Adjusted EBITDA, operating adjusted net income and operating adjusted net income per share have limitations as analytical tools, and should not be considered in isolation, or as a substitute for analysis of the results as reported under GAAP. These measures may not be comparable to similarly titled measures reported by other companies.

Q1 2019 Adjusted EBITDA Reconciliation

($ in millions)

	Three Months ended March 31, 2019				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$42.4**	**$56.4**	**$30.5**	**($51.5)**	**$77.8**
Add back:					
Income taxes	15.9	19.2	10.8	(17.8)	28.1
Interest expense, net of interest income	0.4	-	16.9	39.0	56.3
Depreciation and amortization	35.0	21.8	2.4	6.9	66.1
Intercompany interest	7.1	9.4	(1.2)	(15.3)	-
EBITDA	**$100.8**	**$106.8**	**$59.4**	**($38.7)**	**$228.3**
Intercompany charges	3.2	0.6	-	(3.8)	-
Non-cash stock-based compensation	2.4	1.1	0.5	3.7	7.7
Acquisition related costs	1.6	-	-	2.3	3.9
Securitization interest	-	-	(14.8)	-	(14.8)
Severance	2.7	0.2	-	1.0	3.9
IAA separation costs	-	-	-	0.8	0.8
Foreign currency gains/losses	(0.6)	0.1	-	-	(0.5)
Other	0.7	0.8	-	-	1.5
Total Addbacks	10.0	2.8	(14.3)	4.0	2.5
Adjusted EBITDA	**$110.8**	**$109.6**	**$45.1**	**($34.7)**	**$230.8**
Revenue	$599.7	$357.2	$89.9	–	$1,046.8
Adjusted EBITDA % margin	18.5%	30.7%	50.2%		22.0%

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Q1 2018 Adjusted EBITDA Reconciliation

($ in millions)

	Three Months ended March 31, 2018				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$54.2**	**$50.3**	**$25.7**	**($40.2)**	**$90.0**
Add back:					
Income taxes	15.5	16.3	8.4	(13.8)	26.4
Interest expense, net of interest income	0.4	-	13.4	27.5	41.3
Depreciation and amortization	31.2	24.1	7.8	7.2	70.3
Intercompany interest	7.7	9.4	(0.5)	(16.6)	-
EBITDA	**$109.0**	**$100.1**	**$54.8**	**($35.9)**	**$228.0**
Intercompany charges	4.4	-	-	(4.4)	-
Non-cash stock-based compensation	2.1	1.0	0.5	3.1	6.7
Acquisition related costs	1.4	-	-	0.8	2.2
Securitization interest	-	-	(11.4)	-	(11.4)
Severance	1.5	-	-	-	1.5
IAA separation costs	-	-	-	1.1	1.1
Other	0.7	0.6	-	-	1.3
Total Addbacks	10.1	1.6	(10.9)	0.6	1.4
Adjusted EBITDA	**$119.1**	**$101.7**	**$43.9**	**($35.3)**	**$229.4**
Revenue	$528.1	$337.3	$85.1	–	$950.5
Adjusted EBITDA % margin	22.6%	30.2%	51.6%		24.1%

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Operating Adjusted Net Income per Share Reconciliation

($ in millions, except per share amounts), (unaudited)

	Three Months ended March 31,	
	2019	2018
Net income	**$77.8**	**$90.0**
Acquired amortization expense	21.2	26.9
IAA separation costs	0.8	1.1
Income taxes [1]	(5.8)	(6.3)
Operating adjusted net income	**$94.0**	**$111.7**
Net income per share − diluted	$0.58	$0.66
Acquired amortization expense	0.16	0.20
IAA separation costs	0.00	0.01
Income taxes	(0.04)	(0.05)
Operating adjusted net income per share − diluted	**$0.70**	**$0.82**
Weighted average diluted shares	133.8	135.8

(1) The effective tax rate at the end of each period presented was used to determine the amount of income tax benefit on the adjustments to net income.

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Q1 2019 ADESA Incremental Operating Profit Margin Analysis

Incremental Operating Profit %

($ in millions)

	REPORTED	IMPACT OF ACQUISITIONS	ADESA EXCLUDING ACQUISITIONS
Q1 2019			
Revenue	$599.7	$31.8	$567.9
Operating Profit	$67.4	($0.9)	$68.3
Operating Profit %	11.2%	(-2.8%)	12.0%
Q1 2018			
Revenue	$528.1		
Operating Profit	$82.1		
Operating Profit %	15.5%		
Q1 2019 Reported Growth			
Reported Revenue Growth	$71.6		
Reported Operating Profit Growth	($14.7)		
Incremental Operating Margin	(20.5%)		
Q1 2019 Excluding Acquisitions			
Revenue Growth	$39.8		
Operating Profit Growth	($13.8)		
Incremental Operating Margin	**-34.7%**		

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Q1 2019 IAA Incremental Operating Profit Margin Analysis

Incremental Operating Profit %
($ in millions)

	REPORTED
Q1 2019	
Revenue	$357.2
Operating Profit	$85.7
Operating Profit %	24.0%
Q1 2018	
Revenue	$337.3
Operating Profit	$76.0
Operating Profit %	22.5%
Q1 2019 Reported Growth	
Reported Revenue Growth	$19.9
Reported Operating Profit Growth	$9.7
Incremental Operating Margin	**48.7%**

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