

EARNINGS RELEASE



For Immediate Release

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KAR Auction Services, Inc. Reports 2019 Financial Results *KAR Announces Dividend of \$0.19 per Common Share*

Carmel, IN, February 18, 2020 — KAR Auction Services, Inc. (NYSE: KAR), today reported its fourth quarter financial results for the period ended December 31, 2019. For the fourth quarter of 2019, the company reported revenue from continuing operations of \$671.3 million as compared with revenue from continuing operations of \$593.8 million for the fourth quarter of 2018, an increase of 13%. Net income from continuing operations for the fourth quarter of 2019 increased 1% to \$15.3 million, or \$0.12 per diluted share, as compared with net income from continuing operations of \$15.1 million, or \$0.11 per diluted share, in the fourth quarter of 2018. Adjusted EBITDA from continuing operations for the quarter ended December 31, 2019 increased 10% to \$122.0 million, as compared with Adjusted EBITDA from continuing operations of \$110.5 million for the quarter ended December 31, 2018. Operating adjusted net income from continuing operations per diluted share decreased 10% to \$0.19 for the quarter ended December 31, 2019, as compared with operating adjusted net income from continuing operations per diluted share of \$0.21 for the quarter ended December 31, 2018. Included in the company's consolidated results were operating losses from TradeRev of \$19.8 million and \$15.7 million for the three months ended December 31, 2019 and 2018, respectively. In addition, in the fourth quarter of 2019, net income from continuing operations per diluted share and operating adjusted net income from continuing operations per diluted share were negatively impacted by severance payments of \$0.05 per diluted share and the increased tax rate over the prior fourth quarter of \$0.05 per diluted share.

For the year ended December 31, 2019, the company reported revenue from continuing operations of \$2,781.9 million as compared with revenue from continuing operations of \$2,442.8 million for the year ended December 31, 2018, an increase of 14%. Net income from continuing operations for the year ended December 31, 2019 decreased 21% to \$92.4 million, or \$0.70 per diluted share, as compared with net income from continuing operations of \$117.6 million, or \$0.87 per diluted share, for the year ended December 31, 2018. Adjusted EBITDA from continuing operations for the year ended December 31, 2019 increased 1% to \$510.0 million, as compared with Adjusted EBITDA from continuing operations of \$505.2 million for the year ended December 31, 2018. Operating adjusted net income from continuing operations per diluted share decreased 17% to \$1.04 for the year ended December 31, 2019, as compared with operating adjusted net income from continuing operations per diluted share of \$1.26 for the year ended December 31, 2018. Included in the company's consolidated results were operating losses from TradeRev of \$71.5 million and \$53.0 million for the year ended December 31, 2019 and 2018, respectively. In addition, in 2019, net income from continuing operations per diluted share and operating adjusted net income from continuing operations per diluted share were negatively impacted by severance payments of \$0.08 per diluted share and the increased tax rate over the prior year of \$0.06 per diluted share.

2020 Outlook

<i>(in millions, except per share amounts)</i>	Annual Guidance
Net income from continuing operations	\$126.0 - \$139.3
Income tax expense	\$53.0 - \$59.7
Interest expense, net of interest income	\$155.0
Depreciation and amortization	\$194.0
EBITDA	\$528.0 - \$548.0
Adjusted EBITDA addbacks, net	(\$8.0)
Adjusted EBITDA	\$520.0 - \$540.0
Capital expenditures	\$135.0
Cash taxes	\$65.0
Cash interest on corporate debt	\$90.0
Effective tax rate	30%
Net income from continuing operations per share - diluted	\$0.97 - \$1.07
Operating adjusted net income per share	\$1.28 - \$1.38
Weighted average diluted shares	130

Earnings guidance does not contemplate future items such as business development activities, strategic developments (such as restructurings, spin-offs or dispositions of assets or investments), gains/losses associated with step acquisitions, contingent purchase price adjustments, significant expenses related to litigation and changes in applicable laws and regulations (including significant accounting and tax matters). The timing and amounts of these items are highly variable, difficult to predict, and of a potential size that could have a substantial impact on the company's reported results for any given period. Prospective quantification of these items is generally not practicable. Forward-looking non-GAAP guidance excludes amortization expense associated with acquired intangible assets, as well as one-time charges, net of taxes. See reconciliations of the company's guidance on pages 8 and 9.

Dividend Announcement

The company announced a cash dividend today of \$0.19 per share on the company's common stock. The dividend is payable on April 3, 2020, to stockholders of record as of the close of business on March 20, 2020.

Earnings Conference Call Information

KAR will be hosting an earnings conference call and webcast on Wednesday, February 19, 2020 at 8:30 a.m. EST (7:30 a.m. CST). The call will be hosted by KAR's Chief Executive Officer and Chairman of the Board, Jim Hallett, and Executive Vice President and Chief Financial Officer, Eric Loughmiller. The conference call may be accessed by calling 1-844-778-4145 and entering participant passcode 9167894, while the live web cast will be available at the investors section of www.karglobal.com. Supplemental financial information for KAR's fourth quarter 2019 results is available at the investors section of www.karglobal.com.

A replay of the call will be available for two weeks via telephone starting approximately 30 minutes after the completion of the call. The replay may be accessed by calling 1-855-859-2056 and entering passcode 9167894. The archive of the web cast will also be available following the call and will be available at the investors section of www.karglobal.com for a limited time.

About KAR

KAR Auction Services Inc. (NYSE: KAR), known as KAR Global, provides sellers and buyers across the global wholesale used vehicle industry with innovative, technology-driven remarketing solutions. KAR Global's unique end-to-end platform supports whole car, financing, logistics and other ancillary and related services, including the sale of nearly 3.8 million units valued at approximately \$40 billion through our auctions. Our integrated physical, online and mobile marketplaces reduce risk, improve transparency and streamline transactions for customers in more than 80 countries. Headquartered in Carmel, Indiana, KAR Global has approximately 15,000 employees across the United States, Canada, Mexico, U.K. and Europe. For more information go to www.KARglobal.com. For the latest KAR Global news, follow us on Twitter @KARSpeaks.

Forward Looking Statements

Certain statements contained in this release include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and which are subject to certain risks, trends and uncertainties. In particular, statements made that are not historical facts may be forward-looking statements. Words such as "should," "may," "will," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," and similar expressions identify forward-looking statements. Such statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results projected, expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include those matters disclosed in the Company's Securities and Exchange Commission filings. The Company does not undertake any obligation to update any forward-looking statements.

KAR Auction Services, Inc.
Condensed Consolidated Statements of Income
(In millions) (Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Operating revenues				
Auction fees and services revenue	\$ 504.0	\$ 475.3	\$ 2,133.5	\$ 1,985.1
Purchased vehicle sales	79.3	33.2	295.5	116.8
AFC	88.0	85.3	352.9	340.9
Total operating revenues	671.3	593.8	2,781.9	2,442.8
Operating expenses				
Cost of services (exclusive of depreciation and amortization)	394.9	332.3	1,617.1	1,321.5
Selling, general and administrative	164.7	148.7	662.0	608.8
Depreciation and amortization	50.1	42.6	188.7	172.4
Total operating expenses	609.7	523.6	2,467.8	2,102.7
Operating profit	61.6	70.2	314.1	340.1
Interest expense	39.5	52.5	189.5	191.2
Other (income) expense, net	(2.5)	0.8	(7.7)	(3.0)
Loss on extinguishment of debt	—	—	2.2	—
Income from continuing operations before income taxes	24.6	16.9	130.1	151.9
Income taxes	9.3	1.8	37.7	34.3
Income from continuing operations	15.3	15.1	92.4	117.6
Income from discontinued operations, net of income taxes	4.5	52.2	96.1	210.4
Net income	\$ 19.8	\$ 67.3	\$ 188.5	\$ 328.0
Net income per share - basic				
Income from continuing operations	\$ 0.12	\$ 0.11	\$ 0.70	\$ 0.88
Income from discontinued operations	0.03	0.39	0.73	1.56
Net income	\$ 0.15	\$ 0.50	\$ 1.43	\$ 2.44
Net income per share - diluted				
Income from continuing operations	\$ 0.12	\$ 0.11	\$ 0.70	\$ 0.87
Income from discontinued operations	0.03	0.39	0.72	1.55
Net income	\$ 0.15	\$ 0.50	\$ 1.42	\$ 2.42
Dividends declared per common share	\$ 0.19	\$ 0.35	\$ 1.08	\$ 1.40

KAR Auction Services, Inc.
Condensed Consolidated Balance Sheets
(In millions) (Unaudited)

	December 31, 2019	December 31, 2018
Cash and cash equivalents	\$ 507.6	\$ 277.1
Restricted cash	53.3	27.6
Trade receivables, net of allowances	457.5	454.6
Finance receivables, net of allowances	2,100.2	2,000.8
Other current assets	125.9	100.6
Current assets, discontinued operations	—	453.5
Total current assets	3,244.5	3,314.2
Goodwill	1,821.7	1,676.9
Customer relationships, net of accumulated amortization	207.9	227.4
Operating lease right-of-use assets	364.1	—
Intangible and other assets	334.0	303.4
Non-current assets, discontinued operations	—	1,053.3
Property and equipment, net of accumulated depreciation	609.0	631.0
Total assets	\$ 6,581.2	\$ 7,206.2
Current liabilities, excluding obligations collateralized by finance receivables and current maturities of debt	\$ 1,027.7	\$ 952.0
Obligations collateralized by finance receivables	1,461.2	1,445.3
Current maturities of debt	28.8	13.1
Current liabilities, discontinued operations	—	214.4
Total current liabilities	2,517.7	2,624.8
Long-term debt	1,861.3	2,654.3
Operating lease liabilities	358.3	—
Other non-current liabilities	193.7	196.9
Non-current liabilities, discontinued operations	—	266.0
Stockholders' equity	1,650.2	1,464.2
Total liabilities and stockholders' equity	\$ 6,581.2	\$ 7,206.2

KAR Auction Services, Inc.
Condensed Consolidated Statements of Cash Flows
(In millions) (Unaudited)

	Year Ended December 31,	
	2019	2018
Operating activities		
Net income	\$ 188.5	\$ 328.0
Net income from discontinued operations	(96.1)	(210.4)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	188.7	172.4
Provision for credit losses	40.1	36.9
Deferred income taxes	(3.3)	3.0
Amortization of debt issuance costs	12.2	10.6
Stock-based compensation	19.6	19.6
Loss (gain) on disposal of fixed assets	0.2	—
Loss on extinguishment of debt	2.2	—
Other non-cash, net	11.9	(0.4)
Changes in operating assets and liabilities, net of acquisitions:		
Trade receivables and other assets	(3.0)	(49.0)
Accounts payable and accrued expenses	19.8	127.9
Net cash provided by operating activities - continuing operations	380.8	438.6
Net cash provided by operating activities - discontinued operations	161.2	284.3
Investing activities		
Net increase in finance receivables held for investment	(132.7)	(138.6)
Acquisition of businesses (net of cash acquired)	(120.7)	(45.2)
Purchases of property, equipment and computer software	(161.6)	(131.3)
Net cash used by investing activities - continuing operations	(415.0)	(315.1)
Net cash used by investing activities - discontinued operations	(37.4)	(66.1)
Financing activities		
Net decrease in book overdrafts	(4.7)	(20.7)
Net increase in borrowings from lines of credit	19.3	—
Net increase in obligations collateralized by finance receivables	3.8	101.4
Proceeds from long term debt	947.6	—
Payments for debt issuance costs/amendments	(14.1)	(12.5)
Payments on long-term debt	(1,749.0)	(17.0)
Payments on finance leases	(15.9)	(15.4)
Payments of contingent consideration and deferred acquisition costs	(9.4)	(18.1)
Issuance of common stock under stock plans	4.3	15.0
Tax withholding payments for vested RSUs	(10.8)	(10.2)
Repurchase and retirement of common stock	(119.7)	(150.0)
Dividends paid to stockholders	(164.3)	(188.3)
Cash transferred to IAA	(50.9)	—
Net cash used by financing activities - continuing operations	(1,163.8)	(315.8)
Net cash provided by (used by) financing activities - discontinued operations	1,317.6	(4.3)
Effect of exchange rate changes on cash	12.8	(20.4)
Net increase in cash, cash equivalents and restricted cash	256.2	1.2
Cash, cash equivalents and restricted cash at beginning of period	304.7	303.5
Cash, cash equivalents and restricted cash at end of period	\$ 560.9	\$ 304.7
Cash paid for interest, net of proceeds from interest rate caps	\$ 170.0	\$ 180.8
Cash paid for taxes, net of refunds - continuing operations	\$ 37.8	\$ 57.9
Cash paid for taxes, net of refunds - discontinued operations	\$ 41.4	\$ 64.0

KAR Auction Services, Inc. Reconciliation of Non-GAAP Financial Measures

EBITDA, Adjusted EBITDA, operating adjusted net income from continuing operations and operating adjusted net income from continuing operations per share as presented herein are supplemental measures of our performance that are not required by, or presented in accordance with, generally accepted accounting principles in the United States ("GAAP"). They are not measurements of our financial performance under GAAP and should not be considered as substitutes for net income (loss) or any other performance measures derived in accordance with GAAP. Management believes that these measures provide investors additional meaningful methods to evaluate certain aspects of the company's results period over period and for the other reasons set forth below.

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 our 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 our creditors. In addition, management uses EBITDA and Adjusted EBITDA to evaluate our 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 noncompete 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 from continuing operations and operating adjusted net income from continuing operations per share, in the opinion of the company, provide comparability of the company's performance to other companies that may not have incurred these types of non-cash expenses or that report a similar measure. In addition, operating adjusted net income from continuing operations and operating adjusted net income from continuing operations per share may include adjustments for certain other charges.

EBITDA, Adjusted EBITDA, operating adjusted net income from continuing operations and operating adjusted net income from continuing operations 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.

The following table reconciles EBITDA and Adjusted EBITDA to net income for the periods presented:

<i>(in millions), (unaudited)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income	\$ 19.8	\$ 67.3	\$ 188.5	\$ 328.0
Less: Income from discontinued operations	(4.5)	(52.2)	(96.1)	(210.4)
Net income from continuing operations	15.3	15.1	92.4	117.6
Add back:				
Income taxes	9.3	1.8	37.7	34.3
Interest expense, net of interest income	38.3	51.2	186.4	187.3
Depreciation and amortization	50.1	42.6	188.7	172.4
EBITDA	113.0	110.7	505.2	511.6
Non-cash stock-based compensation	5.2	4.5	20.3	20.4
Loss on extinguishment of debt	—	—	2.2	—
Acquisition related costs	1.9	2.1	12.2	7.3
Securitization interest	(13.0)	(14.5)	(54.9)	(51.5)
Loss on asset sales	0.4	0.4	2.1	1.7
Severance	9.6	1.9	15.3	5.7
Foreign currency (gains)/losses	0.3	3.7	(0.7)	3.7
IAA allocated costs	—	1.3	2.3	5.2
Other	4.6	0.4	6.0	1.1
Total addbacks	9.0	(0.2)	4.8	(6.4)
Adjusted EBITDA	\$ 122.0	\$ 110.5	\$ 510.0	\$ 505.2

The following table reconciles operating adjusted net income from continuing operations and operating adjusted net income from continuing operations per diluted share to net income and net income from continuing operations per diluted share for the periods presented:

<i>(in millions, except per share amounts), (unaudited)</i>	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Net income	\$ 19.8	\$ 67.3	\$ 188.5	\$ 328.0
Less: income from discontinued operations	(4.5)	(52.2)	(96.1)	(210.4)
Net income from continuing operations	15.3	15.1	92.4	117.6
Acquired amortization expense	14.4	13.6	58.3	63.2
IAA allocated costs	—	1.3	2.3	5.2
Acceleration of debt issuance costs	—	—	1.8	—
Loss on extinguishment of debt	—	—	2.2	—
Income taxes ⁽¹⁾	(5.4)	(1.6)	(18.7)	(15.5)
Operating adjusted net income from continuing operations	<u>\$ 24.3</u>	<u>\$ 28.4</u>	<u>\$ 138.3</u>	<u>\$ 170.5</u>
Net income from continuing operations per share - diluted	\$ 0.12	\$ 0.11	\$ 0.70	\$ 0.87
Acquired amortization expense	0.11	0.10	0.44	0.46
IAA allocated costs	—	0.01	0.02	0.04
Acceleration of debt issuance costs	—	—	0.01	—
Loss on extinguishment of debt	—	—	0.02	—
Income taxes	(0.04)	(0.01)	(0.15)	(0.11)
Operating adjusted net income from continuing operations per share - diluted	<u>\$ 0.19</u>	<u>\$ 0.21</u>	<u>\$ 1.04</u>	<u>\$ 1.26</u>
Weighted average diluted shares	130.1	134.9	132.9	135.7

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

The following table reconciles EBITDA and Adjusted EBITDA to net income from continuing operations for the 2020 guidance presented:

<i>(in millions), (unaudited)</i>	2020 Outlook	
	Low	High
Net income from continuing operations	\$ 126.0	\$ 139.3
Add back:		
Income tax expense	53.0	59.7
Interest expense, net of interest income	155.0	155.0
Depreciation and amortization	194.0	194.0
EBITDA	528.0	548.0
Total addbacks, net	(8.0)	(8.0)
Adjusted EBITDA	<u>\$ 520.0</u>	<u>\$ 540.0</u>

The following table reconciles operating adjusted net income from continuing operations and operating adjusted net income from continuing operations per diluted share to net income from continuing operations and net income from continuing operations per diluted share for the 2020 guidance presented:

<i>(in millions, except per share amounts), (unaudited)</i>	2020 Outlook	
	Low	High
Net income from continuing operations	\$ 126.0	\$ 139.3
Acquired amortization expense	57.0	57.0
Income taxes	(17.1)	(17.1)
Operating adjusted net income from continuing operations	<u>\$ 165.9</u>	<u>\$ 179.2</u>
Net income from continuing operations per share – diluted	\$ 0.97	\$ 1.07
Acquired amortization expense	0.44	0.44
Income taxes	(0.13)	(0.13)
Operating adjusted net income from continuing operations per share – diluted	<u>\$ 1.28</u>	<u>\$ 1.38</u>
Weighted average diluted shares	130	130