


# Q4 2020 & Annual Earnings Slides

February 16, 2021

# 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 based on management's current expectations, are not guarantees of future performance and 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 uncertainties regarding the impact of the COVID-19 virus on our business and the economy generally, and those other 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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# Fourth Quarter Summary

- Financial Performance – Year-to-Date
  - Consolidated revenue of $2,187.7M, vehicles sold of 3.1M
  - Adjusted EBITDA of $375.3M
  - Operating adjusted EPS of $0.51
- Operations
  - 100% of transactions online
  - Completed BacklotCars acquisition
  - Permanently reduced operating expenses
- Balance Sheet
  - Cash in excess of $750M
  - Net Senior Secured leverage of 0.7x
  - Total net debt of 3.25x
  - $325M undrawn revolver

# 2021 Guidance

| (in millions, except per share amounts) | ANNUAL GUIDANCE 2021 | 2020 |
|---|---|---|
| **Net income from continuing operations** | **$90** | **$0.5** |
| Add back: | | |
| Income tax expense | $38 | $4.9 |
| Interest expense, net of interest income | $125 | $127.3 |
| Depreciation and amortization | $205 | $191.3 |
| EBITDA | $458 | $324.0 |
| Total Adjusted EBITDA addbacks, net | $17 | $51.3 |
| **Adjusted EBITDA** | **$475** | **$375.3** |
| Effective tax rate | 30% | 90.7% |
| Net income from continuing operations per share – diluted * | $0.30 | ($0.16) |
| Weighted average diluted shares * | 131 | 129.3 |
| **Operating adjusted net income from continuing operations per share - diluted** | **$0.87** | **$0.51** |
| Weighted average diluted shares – including assumed conversion of preferred shares | 165 | 147.0 |
| Capital expenditures | $125 | $101.4 |
| Cash taxes | $65 | $16.6 |
| Cash interest on corporate debt | $74 | $81.7 |

* The company used the two-class method of calculating net income from continuing operations per diluted share. Under the two-class method, net income from continuing operations is reduced by dividends and undistributed earnings to the holders of the Series A Preferred Stock, and the weighted average diluted shares do not assume conversion of the preferred shares to common shares.

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# December 31, 2020 Leverage
***(US$ in millions)***

| | Balance | Maturity |
|---|---|---|
| Term Loan B-6 (Adjusted LIBOR + 2.25%) | $938 | 2026 |
| Revolving Credit Facility (Adjusted LIBOR + 1.75%) | - | 2024 |
| Senior Notes (Fixed 5.125%) | 950 | 2025 |
| Finance Leases & Other | 31 | |
| Total | 1,919 | |
| Less: Available Cash* | (700) | |
| Net Debt | $1,219 | |

| | |
|---|---|
| **Senior Secured Net Leverage Ratio** | **0.7** |
| **Total Net Debt Ratio** | **3.25** |

Corporate Credit Ratings: S&P B, Moodys B2

* As defined in the Credit Agreement

# Fourth Quarter & Year-to-Date Results

# KAR 2020 Highlights

($ in millions, except per share amounts)

| KAR | Q4 2020 | Q4 2019 | | YTD 2020 | YTD 2019 |
|---|---|---|---|---|---|
| **Total operating revenues** | $529.6 | $671.3 | | $2,187.7 | $2,781.9 |
| **Gross profit**** | $204.2 | $276.4 | | $902.9 | $1,164.8 |
| ***% of revenue*** | 38.6% | 41.2% | | 41.3% | 41.9% |
| **SG&A** | $139.7 | $164.7 | | $545.4 | $662.0 |
| **EBITDA** | $60.4 | $113.0 | | $324.0 | $505.2 |
| **Adjusted EBITDA** | $67.5 | $122.0 | | $375.3 | $510.0 |
| **Net income (loss) from continuing operations** | ($17.1) | $15.3 | | $0.5 | $92.4 |
| **Net income (loss) from continuing operations per share – diluted** | ($0.21) | $0.12 | | ($0.16) | $0.70 |
| **Weighted average diluted shares** | 129.6 | 130.1 | | 129.3 | 132.9 |
| **Operating adjusted net income (loss) from continuing operations per share – diluted** | ($0.01) | $0.19 | | $0.51 | $1.04 |
| **Weighted average diluted shares – including assumed conversion of preferred shares** | 161.8 | N/A | | 147.0 | N/A |
| **Dividends declared per common share** | $-- | $0.19 | | $0.19 | $1.08 |
| **Effective tax rate** | 16.6% | 37.8% | | 90.7% | 29.0% |
| **Capital expenditures** | | | | $101.4 | $161.6 |

* For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-K, both for the period ended December 31, 2020.

** Exclusive of depreciation and amortization

# ADESA 2020 Highlights

($ in millions, except RPU)

| ADESA | Q4 2020 | Q4 2019 | | YTD 2020 | YTD 2019 |
|---|---|---|---|---|---|
| **Auction fees** | $207.0 | $261.0 | | $887.7 | $1,115.3 |
| **Service revenue** | $173.5 | $243.0 | | $737.4 | $1,018.2 |
| **Purchased vehicle sales** | $83.7 | $79.3 | | $295.0 | $295.5 |
| **Total ADESA Revenue** | $464.2 | $583.3 | | $1,920.1 | $2,429.0 |
| **Gross profit**** | $155.8 | $212.4 | | $714.4 | $908.3 |
| *% of revenue* | 33.6% | 36.4% | | 37.2% | 37.4% |
| *% of revenue, excluding purchased vehicles* | 40.9% | 42.1% | | 44.0% | 42.6% |
| **SG&A** | $130.6 | $154.9 | | $508.8 | $621.1 |
| **EBITDA** | $21.1 | $58.8 | | $172.1 | $289.7 |
| **Adjusted EBITDA** | $33.5 | $79.4 | | $247.6 | $344.9 |
| *% of revenue* | *7.2%* | 13.6% | | 12.9% | 14.2% |
| | | | | | |
| **On-premise vehicles sold** | 328,000 | 502,000 | | 1,511,000 | 2,137,000 |
| **Off-premise vehicles sold** | 353,000 | 385,000 | | 1,551,000 | 1,647,000 |
| **Total vehicles sold** | 681,000 | 887,000 | | 3,062,000 | 3,784,000 |
| **Auction fees per vehicle sold** | $304 | $294 | | $290 | $295 |
| **Gross profit per vehicle sold** | $229 | $239 | | $233 | $240 |
| **Dealer consignment mix** | 31% | 28% | | 26% | 28% |
| **Commercial mix** | 69% | 72% | | 74% | 72% |

* For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-K, both for the period ended December 31, 2020.
** Exclusive of depreciation and amortization

# AFC 2020 Highlights

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

| AFC | Q4 2020 | Q4 2019 | | YTD 2020 | YTD 2019 |
|---|---|---|---|---|---|
| **Interest and fee income** | $61.4 | $86.0 | | $266.1 | $342.1 |
| **Other revenue** | $1.9 | $2.8 | | $8.7 | $10.9 |
| **Provision for credit losses** | ($2.7) | ($9.8) | | ($38.6) | ($35.3) |
| **Warranty contract revenue** | $4.8 | $9.0 | | $31.4 | $35.2 |
| **Total AFC revenue** | $65.4 | $88.0 | | $267.6 | $352.9 |
| **Gross profit**** | $48.4 | $64.0 | | $188.5 | $256.5 |
| *% of revenue* | *74.0%* | 72.7% | | 70.4% | 72.7% |
| | | | | | |
| **SG&A** | $9.1 | $9.8 | | $36.6 | $40.9 |
| **EBITDA** | $39.3 | $54.2 | | $151.9 | $215.5 |
| **Adjusted EBITDA** | $34.0 | $42.6 | | $127.7 | $165.1 |
| | | | | | |
| **Loan transactions** | 327,000 | 443,000 | | 1,519,000 | 1,783,000 |
| **Revenue per loan transaction***** | $186 | $178 | | $156 | $178 |
| **Provision for credit losses % of finance receivables** | 0.6% | 1.9% | | 2.1% | 1.7% |
| | | | | | |
| **Managed receivables** | $1,911.0 | $2,115.2 | | $1,911.0 | $2,115.2 |
| **Obligations collateralized by finance receivables** | $1,261.2 | $1,461.2 | | $1,261.2 | $1,461.2 |

* For a more complete explanation of these changes, see the MD&A in the company's supplemental financial information and Form 10-K, both for the period ended December 31, 2020.
** Exclusive of depreciation and amortization
*** Excludes "Warranty contract revenue"

# HISTORICAL DATA

# ADESA Statements of Income (Loss) – 2020 & 2019

| | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | YTD 2020 |
|---|---|---|---|---|---|
| **Operating revenues** | **$ 567.0** | **$ 362.2** | **$ 526.7** | **$ 464.2** | **$ 1,920.1** |
| Operating expenses | | | | | |
| Cost of services (exclusive of depreciation & amortization) | 370.7 | 217.2 | 309.4 | 308.4 | 1,205.7 |
| Selling, general, and administrative | 152.4 | 103.7 | 122.1 | 130.6 | 508.8 |
| Depreciation and amortization | 44.4 | 43.3 | 43.4 | 47.7 | 178.8 |
| Goodwill and other intangibles impairment | - | 29.8 | - | - | 29.8 |
| Total operating expenses | 567.5 | 394.0 | 474.9 | 486.7 | 1,923.1 |
| **Operating profit (loss)** | **(0.5)** | **(31.8)** | **51.8** | **(22.5)** | **(3.0)** |
| Interest expense | 24.4 | 21.7 | 22.0 | 21.7 | 89.8 |
| Other (income) expense, net | (1.9) | 1.3 | (1.1) | 3.9 | 2.2 |
| Intercompany | 0.8 | 0.2 | - | 0.1 | 1.1 |
| Income (loss) before income taxes | (23.8) | (55.0) | 30.9 | (48.2) | (96.1) |
| Income taxes | (5.2) | (9.5) | 7.4 | (9.7) | (17.0) |
| **Net income (loss)** | **$ (18.6)** | **$ (45.5)** | **$ 23.5** | **$ (38.5)** | **$ (79.1)** |

| | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | YTD 2019 |
|---|---|---|---|---|---|
| **Operating revenues** | **$ 599.7** | **$ 632.4** | **$ 613.6** | **$ 583.3** | **$ 2,429.0** |
| Operating expenses | | | | | |
| Cost of services (exclusive of depreciation & amortization) | 370.7 | 392.9 | 386.2 | 370.9 | 1,520.7 |
| Selling, general, and administrative | 163.7 | 153.0 | 149.5 | 154.9 | 621.1 |
| Depreciation and amortization | 41.2 | 44.6 | 43.1 | 46.6 | 175.5 |
| Total operating expenses | 575.6 | 590.5 | 578.8 | 572.4 | 2,317.3 |
| **Operating profit** | **24.1** | **41.9** | **34.8** | **10.9** | **111.7** |
| Interest expense | 39.5 | 39.4 | 22.2 | 24.4 | 125.5 |
| Other (income) expense, net | (2.0) | (1.0) | (1.9) | (2.4) | (7.3) |
| Loss on extinguishment of debt | - | - | 2.2 | - | 2.2 |
| Intercompany | 1.2 | 1.6 | 1.3 | 0.9 | 5.0 |
| Income (loss) before income taxes | (14.6) | 1.9 | 11.0 | (12.0) | (13.7) |
| Income taxes | (3.2) | (1.6) | 4.1 | 0.6 | (0.1) |
| **Net income (loss)** | **$ (11.4)** | **$ 3.5** | **$ 6.9** | **$ (12.6)** | **$ (13.6)** |

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# ADESA Revenue

| | 2020 | 4Q20 | 3Q20 | 2Q20 | 1Q20 | 2019 | 4Q19 | 3Q19 | 2Q19 | 1Q19 |
|---|---|---|---|---|---|---|---|---|---|---|
| Auction Fees | $887.7 | $207.0 | $247.6 | $177.8 | $255.3 | $1,115.3 | $261.0 | $276.0 | $294.5 | $283.8 |
| Service Revenue | $737.4 | $173.5 | $192.9 | $134.8 | $236.2 | $1,018.2 | $243.0 | $258.5 | $258.6 | $258.1 |
| Purchased Vehicle Sales | $295.0 | $83.7 | $86.2 | $49.6 | $75.5 | $295.5 | $79.3 | $79.1 | $79.3 | $57.8 |
| Total ADESA Revenue | $1,920.1 | $464.2 | $526.7 | $362.2 | $567.0 | $2,429.0 | $583.3 | $613.6 | $632.4 | $599.7 |
| Gross Profit | $714.4 | $155.8 | $217.3 | $145.0 | $196.3 | $908.3 | $212.4 | $227.4 | $239.5 | $229.0 |
| Gross Profit % | 37.2% | 33.6% | 41.3% | 40.0% | 34.6% | 37.4% | 36.4% | 37.1% | 37.9% | 38.2% |
| Gross Profit %, Net of Purchased Vehicle Sales | 44.0% | 40.9% | 49.3% | 46.4% | 39.9% | 42.6% | 42.1% | 42.5% | 43.3% | 42.3% |

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# ADESA Metrics - Annual

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Revenue[1] | $1,920.1 | $2,429.0 | $2,101.9 | $1,937.5 | $1,765.3 |
| On-premise vehicles sold | 1,511 | 2,137 | 2,124 | 2,189 | 2,112 |
| Off-premise vehicles sold | 1,551 | 1,647 | 1,348 | 991 | 773 |
| Total vehicles sold | 3,062 | 3,784 | 3,472 | 3,180 | 2,885 |
| Auction fees per vehicle sold | $290 | $295 | $302 | $311 | $303 |
| Gross profit per vehicle sold | $233 | $240 | $251 | $256 | $253 |
| Gross profit percentage[1] | 37.2% | 37.4% | 41.4% | 42.0% | 41.3% |
| Gross profit percentage, excluding purchased vehicles | 44.0% | 42.6% | 43.9% | 43.8% | 42.8% |
| Dealer consignment mix | 26% | 28% | 30% | 33% | 36% |
| Commercial mix | 74% | 72% | 70% | 67% | 64% |

[1] Includes purchased vehicle sales

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# ADESA Metrics - Quarter

| | 4Q20 | 3Q20 | 2Q20 | 1Q20 | 4Q19 | 3Q19 | 2Q19 | 1Q19 |
|---|---|---|---|---|---|---|---|---|
| Revenue[1] | $464.2 | $526.7 | $362.2 | $567.0 | $583.3 | $613.6 | $632.4 | $599.7 |
| On-premise vehicles sold | 328 | 403 | 312 | 468 | 502 | 527 | 553 | 555 |
| Off-premise vehicles sold | 353 | 468 | 336 | 394 | 385 | 431 | 441 | 390 |
| Total vehicles sold | 681 | 871 | 648 | 862 | 887 | 958 | 994 | 945 |
| Auction fees per vehicle sold | $304 | $284 | $274 | $296 | $294 | $288 | $296 | $300 |
| Gross profit per vehicle sold | $229 | $249 | $224 | $228 | $239 | $237 | $241 | $242 |
| Gross profit percentage[1] | 33.6% | 41.3% | 40.0% | 34.6% | 36.4% | 37.1% | 37.9% | 38.2% |
| Gross profit percentage, excluding purchased vehicles | 40.9% | 49.3% | 46.4% | 39.9% | 42.1% | 42.5% | 43.3% | 42.3% |
| Dealer consignment mix | 31% | 26% | 21% | 26% | 28% | 30% | 28% | 26% |
| Commercial mix | 69% | 74% | 79% | 74% | 72% | 70% | 72% | 74% |

[1] Includes purchased vehicle sales

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# AFC Statements of Income – 2020 & 2019

| | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | YTD 2020 |
|---|---|---|---|---|---|
| **Operating revenues** | **$ 78.5** | **$ 56.8** | **$ 66.9** | **$ 65.4** | **$ 267.6** |
| Operating expenses | | | | | |
| Cost of services (exclusive of depreciation & amortization) | 23.9 | 17.9 | 20.3 | 17.0 | 79.1 |
| Selling, general, and administrative | 10.0 | 8.6 | 8.9 | 9.1 | 36.6 |
| Depreciation and amortization | 3.3 | 3.2 | 3.1 | 2.9 | 12.5 |
| Total operating expenses | 37.2 | 29.7 | 32.3 | 29.0 | 128.2 |
| **Operating profit** | **41.3** | **27.1** | **34.6** | **36.4** | **139.4** |
| Interest expense | 13.6 | 9.2 | 7.5 | 8.8 | 39.1 |
| Other (income) expense, net | (0.1) | - | - | - | (0.1) |
| Intercompany | (0.8) | (0.2) | - | (0.1) | (1.1) |
| Income before income taxes | 28.6 | 18.1 | 27.1 | 27.7 | 101.5 |
| Income taxes | 7.2 | 4.9 | 3.5 | 6.3 | 21.9 |
| **Net income** | **$ 21.4** | **$ 13.2** | **$ 23.6** | **$ 21.4** | **$ 79.6** |

| | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | YTD 2020 |
|---|---|---|---|---|---|
| **Operating revenues** | **$ 89.9** | **$ 86.7** | **$ 88.3** | **$ 88.0** | **$ 352.9** |
| Operating expenses | | | | | |
| Cost of services (exclusive of depreciation & amortization) | 23.2 | 24.5 | 24.7 | 24.0 | 96.4 |
| Selling, general, and administrative | 11.5 | 10.2 | 9.4 | 9.8 | 40.9 |
| Depreciation and amortization | 3.1 | 3.3 | 3.3 | 3.5 | 13.2 |
| Total operating expenses | 37.8 | 38.0 | 37.4 | 37.3 | 150.5 |
| **Operating profit** | **52.1** | **48.7** | **50.9** | **50.7** | **202.4** |
| Interest expense | 17.0 | 16.2 | 15.7 | 15.1 | 64.0 |
| Other (income) expense, net | (0.1) | (0.1) | (0.1) | (0.1) | (0.4) |
| Intercompany | (1.2) | (1.6) | (1.3) | (0.9) | (5.0) |
| Income before income taxes | 36.4 | 34.2 | 36.6 | 36.6 | 143.8 |
| Income taxes | 9.7 | 10.3 | 9.1 | 8.7 | 37.8 |
| **Net income** | **$ 26.7** | **$ 23.9** | **$ 27.5** | **$ 27.9** | **$ 106.0** |

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# AFC Metrics - Annual

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Revenue | $267.6 | $352.9 | $340.9 | $301.3 | $286.8 |
| Loan Transaction Units (LTU) | 1,519 | 1,783 | 1,760 | 1,688 | 1,718 |
| Revenue per Loan Transaction, Excluding “Warranty Contract Revenue” | $156 | $178 | $175 | $159 | $148 |
| Ending Managed Finance Receivables | $1,911.0 | $2,115.2 | $2,014.8 | $1,912.6 | $1,792.2 |
| Ending Obligations Collateralized by Finance Receivables | $1,261.2 | $1,461.2 | $1,445.3 | $1,358.1 | $1,280.3 |
| % Vehicles Purchased at Any Auction | 87% | 84% | 83% | 85% | 83% |
| Active Dealers | 10,900 | 12,900 | 12,300 | 12,400 | 12,200 |
| Vehicles per Active Dealer | 15 | 16 | 15 | 15 | 15 |
| Average Credit Line | $290,000 | $270,000 | $270,000 | $250,000 | $260,000 |
| Avg Value Outstanding per Vehicle | $11,800 | $10,000 | $10,200 | $9,900 | $9,500 |

# AFC Metrics - Quarter

| | 4Q20 | 3Q20 | 2Q20 | 1Q20 | 4Q19 | 3Q19 | 2Q19 | 1Q19 |
|---|---|---|---|---|---|---|---|---|
| Revenue | $65.4 | $66.9 | $56.8 | $78.5 | $88.0 | $88.3 | $86.7 | $89.9 |
| Loan Transaction Units (LTU) | 327 | 324 | 420 | 448 | 443 | 442 | 437 | 461 |
| Revenue per Loan Transaction, Excluding “Warranty Contract Revenue” | $186 | $179 | $115 | $155 | $178 | $180 | $178 | $177 |
| Ending Managed Finance Receivables | $1,911.0 | $1,744.8 | $1,548.3 | $1,954.8 | $2,115.2 | $2,110.4 | $2,070.1 | $1,989.1 |
| Ending Obligations Collateralized by Finance Receivables | $1,261.2 | $1,101.0 | $735.9 | $1,349.9 | $1,461.2 | $1,428.4 | $1,422.3 | $1,360.6 |

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# AFC Provision for Credit Losses - Annual

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ending Managed Receivables | $1,911.0 | $2,115.2 | $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 | $1,854.8 | $2,059.9 | $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 | $38.6 | $35.3 | $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 | 2.1% | 1.7% | 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

| | 4Q20 | 3Q20 | 2Q20 | 1Q20 | 4Q19 | 3Q19 | 2Q19 | 1Q19 |
|---|---|---|---|---|---|---|---|---|
| Ending Managed Receivables | $1,911.0 | $1,744.8 | $1,548.3 | $1,954.8 | $2,115.2 | $2,110.4 | $2,070.1 | $1,989.1 |
| Average Managed Receivables | $1,827.9 | $1,646.6 | $1,751.6 | $2,035.0 | $2,112.8 | $2,090.3 | $2,029.6 | $2,002.0 |
| Provision for Credit Losses | $2.7 | $-- | $19.0 | $16.9 | $9.8 | $8.9 | $8.4 | $8.2 |
| % of Managed Receivables | 0.6% | 0.0% | 4.3% | 3.3% | 1.9% | 1.7% | 1.7% | 1.6% |

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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 (loss) from continuing operations and operating adjusted net income (loss) from continuing operations 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 (loss) and net income (loss) per share have been adjusted for certain other charges, as seen in the following reconciliation.

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

# Q1 2020 Adjusted EBITDA Reconciliation

($ in millions)

| | Three Months ended March 31, 2020 | | |
|---|---|---|---|
| | **ADESA** | **AFC** | **Consolidated** |
| **Net income (loss) from continuing operations** | **($18.6)** | **$21.4** | **$2.8** |
| **Add back:** | | | |
| Income taxes | (5.2) | 7.2 | 2.0 |
| Interest expense, net of interest income | 23.7 | 13.5 | 37.2 |
| Depreciation and amortization | 44.4 | 3.3 | 47.7 |
| Intercompany interest | 0.8 | (0.8) | - |
| **EBITDA** | **$45.1** | **$44.6** | **$89.7** |
| Non-cash stock-based compensation | 4.6 | 0.7 | 5.3 |
| Acquisition related costs | 1.4 | - | 1.4 |
| Securitization interest | - | (11.4) | (11.4) |
| Loss on asset sales | 0.5 | - | 0.5 |
| Severance | 1.8 | - | 1.8 |
| Foreign currency (gains)/losses | 0.4 | - | 0.4 |
| Other | 0.8 | 0.1 | 0.9 |
| Total Addbacks | 9.5 | (10.6) | (1.1) |
| **Adjusted EBITDA** | **$54.6** | **$34.0** | **$88.6** |
| Revenue | $567.0 | $78.5 | $645.5 |
| Adjusted EBITDA % margin | 9.6% | 43.3% | 13.7% |

KAR AUCTION SERVICES SM

# Q2 2020 Adjusted EBITDA Reconciliation

($ in millions)

| | Three Months ended June 30, 2020 | | |
|---|---|---|---|
| | **ADESA** | **AFC** | **Consolidated** |
| **Net income (loss) from continuing operations** | **($45.5)** | **$13.2** | **($32.3)** |
| **Add back:** | | | |
| Income taxes | (9.5) | 4.9 | (4.6) |
| Interest expense, net of interest income | 21.4 | 9.2 | 30.6 |
| Depreciation and amortization | 43.3 | 3.2 | 46.5 |
| Intercompany interest | 0.2 | (0.2) | - |
| **EBITDA** | **$9.9** | **$30.3** | **$40.2** |
| Non-cash stock-based compensation | 2.4 | 0.5 | 2.9 |
| Acquisition related costs | 0.9 | - | 0.9 |
| Securitization interest | - | (6.0) | (6.0) |
| Loss on asset sales | 0.5 | - | 0.5 |
| Severance | 6.0 | 0.5 | 6.5 |
| Foreign currency (gains)/losses | 2.7 | - | 2.7 |
| Goodwill and other intangibles impairment | 29.8 | - | 29.8 |
| Other | 2.5 | - | 2.5 |
| Total Addbacks | 44.8 | (5.0) | 39.8 |
| **Adjusted EBITDA** | **$54.7** | **$25.3** | **$80.0** |
| Revenue | $362.2 | $56.8 | $419.0 |
| Adjusted EBITDA % margin | 15.1% | 44.5% | 19.1% |

KAR AUCTION SERVICES SM

# Q3 2020 Adjusted EBITDA Reconciliation

($ in millions)

| | Three Months ended September 30, 2020 | | |
|---|---|---|---|
| | ADESA | AFC | Consolidated |
| **Net income (loss) from continuing operations** | **$23.5** | **$23.6** | **$47.1** |
| **Add back:** | | | |
| Income taxes | 7.4 | 3.5 | 10.9 |
| Interest expense, net of interest income | 21.7 | 7.5 | 29.2 |
| Depreciation and amortization | 43.4 | 3.1 | 46.5 |
| **EBITDA** | **$96.0** | **$37.7** | **$133.7** |
| Non-cash stock-based compensation | 3.3 | 0.6 | 3.9 |
| Acquisition related costs | 2.4 | - | 2.4 |
| Securitization interest | - | (3.7) | (3.7) |
| Loss on asset sales | 0.1 | - | 0.1 |
| Severance | 2.4 | (0.1) | 2.3 |
| Foreign currency (gains)/losses | 0.1 | - | 0.1 |
| Other | 0.5 | (0.1) | 0.4 |
| Total Addbacks | 8.8 | (3.3) | 5.5 |
| **Adjusted EBITDA** | **$104.8** | **$34.4** | **$139.2** |
| Revenue | $526.7 | $66.9 | $593.6 |
| Adjusted EBITDA % margin | 19.9% | 51.4% | 23.5% |

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# Q4 2020 Adjusted EBITDA Reconciliation

($ in millions)

| | Three Months ended December 31, 2020 | | |
|---|---|---|---|
| | **ADESA** | **AFC** | **Consolidated** |
| **Net income (loss) from continuing operations** | **($38.5)** | **$21.4** | **($17.1)** |
| **Add back:** | | | |
| Income taxes | (9.7) | 6.3 | (3.4) |
| Interest expense, net of interest income | 21.5 | 8.8 | 30.3 |
| Depreciation and amortization | 47.7 | 2.9 | 50.6 |
| Intercompany interest | 0.1 | (0.1) | - |
| **EBITDA** | **$21.1** | **$39.3** | **$60.4** |
| Non-cash stock-based compensation | 2.5 | 0.5 | 3.0 |
| Acquisition related costs | 4.1 | - | 4.1 |
| Securitization interest | - | (6.2) | (6.2) |
| Loss on asset sales | 0.2 | - | 0.2 |
| Severance | 0.9 | - | 0.9 |
| Foreign currency (gains)/losses | 1.7 | - | 1.7 |
| Contingent consideration adjustment | 4.7 | - | 4.7 |
| Other | (1.7) | 0.4 | (1.3) |
| Total Addbacks | 12.4 | (5.3) | 7.1 |
| **Adjusted EBITDA** | **$33.5** | **$34.0** | **$67.5** |
| Revenue | $464.2 | $65.4 | $529.6 |
| Adjusted EBITDA % margin | 7.2% | 52.0% | 12.7% |

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# YTD 2020 Adjusted EBITDA Reconciliation

($ in millions)

| | Year ended December 31, 2020 | | |
|---|---|---|---|
| | **ADESA** | **AFC** | **Consolidated** |
| **Net income (loss) from continuing operations** | **($79.1)** | **$79.6** | **$0.5** |
| **Add back:** | | | |
| Income taxes | (17.0) | 21.9 | 4.9 |
| Interest expense, net of interest income | 88.3 | 39.0 | 127.3 |
| Depreciation and amortization | 178.8 | 12.5 | 191.3 |
| Intercompany interest | 1.1 | (1.1) | - |
| **EBITDA** | **$172.1** | **$151.9** | **$324.0** |
| Non-cash stock-based compensation | 12.8 | 2.3 | 15.1 |
| Acquisition related costs | 8.8 | - | 8.8 |
| Securitization interest | - | (27.3) | (27.3) |
| Loss on asset sales | 1.3 | - | 1.3 |
| Severance | 11.1 | 0.4 | 11.5 |
| Foreign currency (gains)/losses | 4.9 | - | 4.9 |
| Goodwill and other intangibles impairment | 29.8 | - | 29.8 |
| Contingent consideration adjustment | 4.7 | - | 4.7 |
| Other | 2.1 | 0.4 | 2.5 |
| Total Addbacks | 75.5 | (24.2) | 51.3 |
| **Adjusted EBITDA** | **$247.6** | **$127.7** | **$375.3** |
| Revenue | $1,920.1 | $267.6 | $2,187.7 |
| Adjusted EBITDA % margin | 12.9% | 47.7% | 17.2% |

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# Q1 2019 Adjusted EBITDA Reconciliation

($ in millions)

| | Three Months ended March 31, 2019 | | |
|---|---|---|---|
| | ADESA | AFC | Consolidated |
| **Net income (loss) from continuing operations** | **($11.4)** | **$26.7** | **$15.3** |
| **Add back:** | | | |
| Income taxes | (3.2) | 9.7 | 6.5 |
| Interest expense, net of interest income | 39.1 | 16.8 | 55.9 |
| Depreciation and amortization | 41.2 | 3.1 | 44.3 |
| Intercompany interest | 1.2 | (1.2) | - |
| **EBITDA** | **$66.9** | **$55.1** | **$122.0** |
| Non-cash stock-based compensation | 5.7 | 0.9 | 6.6 |
| Acquisition related costs | 3.7 | 0.2 | 3.9 |
| Securitization interest | - | (14.8) | (14.8) |
| Loss on asset sales | 0.5 | - | 0.5 |
| Severance | 3.6 | 0.1 | 3.7 |
| Foreign currency (gains)/losses | (0.6) | - | (0.6) |
| IAA allocated costs | 1.3 | 0.1 | 1.4 |
| Other | 0.2 | - | 0.2 |
| Total Addbacks | 14.4 | (13.5) | 0.9 |
| **Adjusted EBITDA** | **$81.3** | **$41.6** | **$122.9** |
| Revenue | $599.7 | $89.9 | $689.6 |
| Adjusted EBITDA % margin | 13.6% | 46.3% | 17.8% |

KAR AUCTION SERVICES SM

# Q2 2019 Adjusted EBITDA Reconciliation

($ in millions)

| | Three Months ended June 30, 2019 | | |
|---|---|---|---|
| | ADESA | AFC | Consolidated |
| **Net income (loss) from continuing operations** | **$3.5** | **23.9** | **$27.4** |
| **Add back:** | | | |
| Income taxes | (1.6) | 10.3 | 8.7 |
| Interest expense, net of interest income | 38.9 | 16.1 | 55.0 |
| Depreciation and amortization | 44.6 | 3.3 | 47.9 |
| Intercompany interest | 1.6 | (1.6) | - |
| **EBITDA** | **$87.0** | **$52.0** | **$139.0** |
| Non-cash stock-based compensation | 3.4 | 0.6 | 4.0 |
| Acquisition related costs | 3.5 | 0.2 | 3.7 |
| Securitization interest | - | (13.8) | (13.8) |
| Loss on asset sales | 0.4 | - | 0.4 |
| Severance | 1.0 | 0.1 | 1.1 |
| IAA allocated costs | 0.8 | 0.1 | 0.9 |
| Other | 0.6 | - | 0.6 |
| Total Addbacks | 9.7 | (12.8) | (3.1) |
| **Adjusted EBITDA** | **$96.7** | **$39.2** | **$135.9** |
| Revenue | $632.4 | $86.7 | $719.1 |
| Adjusted EBITDA % margin | 15.3% | 45.2% | 18.9% |

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# Q3 2019 Adjusted EBITDA Reconciliation

($ in millions)

| | Three Months ended September 30, 2019 | | |
|---|---|---|---|
| | ADESA | AFC | Consolidated |
| **Net income (loss) from continuing operations** | **$6.9** | **$27.5** | **$34.4** |
| **Add back:** | | | |
| Income taxes | 4.1 | 9.1 | 13.2 |
| Interest expense, net of interest income | 21.6 | 15.6 | 37.2 |
| Depreciation and amortization | 43.1 | 3.3 | 46.4 |
| Intercompany interest | 1.3 | (1.3) | - |
| **EBITDA** | **$77.0** | **$54.2** | **$131.2** |
| Non-cash stock-based compensation | 3.9 | 0.6 | 4.5 |
| Loss on extinguishment of debt | 2.2 | - | 2.2 |
| Acquisition related costs | 2.6 | 0.1 | 2.7 |
| Securitization interest | - | (13.3) | (13.3) |
| Loss on asset sales | 0.8 | - | 0.8 |
| Severance | 0.8 | 0.1 | 0.9 |
| Foreign currency (gains)/losses | (0.4) | - | (0.4) |
| Other | 0.6 | - | 0.6 |
| Total Addbacks | 10.5 | (12.5) | (2.0) |
| **Adjusted EBITDA** | **$87.5** | **$41.7** | **$129.2** |
| Revenue | $613.6 | $88.3 | $701.9 |
| Adjusted EBITDA % margin | 14.3% | 47.2% | 18.4% |

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# Q4 2019 Adjusted EBITDA Reconciliation

($ in millions)

| | Three Months ended December 31, 2019 | | |
|---|---|---|---|
| | **ADESA** | **AFC** | **Consolidated** |
| **Net income (loss) from continuing operations** | **($12.6)** | **$27.9** | **$15.3** |
| **Add back:** | | | |
| Income taxes | 0.6 | 8.7 | 9.3 |
| Interest expense, net of interest income | 23.3 | 15.0 | 38.3 |
| Depreciation and amortization | 46.6 | 3.5 | 50.1 |
| Intercompany interest | 0.9 | (0.9) | - |
| **EBITDA** | **$58.8** | **$54.2** | **$113.0** |
| Non-cash stock-based compensation | 4.6 | 0.6 | 5.2 |
| Acquisition related costs | 1.8 | 0.1 | 1.9 |
| Securitization interest | - | (13.0) | (13.0) |
| Loss on asset sales | 0.4 | - | 0.4 |
| Severance | 8.9 | 0.7 | 9.6 |
| Foreign currency (gains)/losses | 0.3 | - | 0.3 |
| Other | 4.6 | - | 4.6 |
| Total Addbacks | 20.6 | (11.6) | 9.0 |
| **Adjusted EBITDA** | **$79.4** | **$42.6** | **$122.0** |
| Revenue | $583.3 | $88.0 | $671.3 |
| Adjusted EBITDA % margin | 13.6% | 48.4% | 18.2% |

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# YTD 2019 Adjusted EBITDA Reconciliation

($ in millions)

| | Year ended December 31, 2019 | | |
|---|---|---|---|
| | **ADESA** | **AFC** | **Consolidated** |
| **Net income (loss) from continuing operations** | **($13.6)** | **$106.0** | **$92.4** |
| **Add back:** | | | |
| Income taxes | (0.1) | 37.8 | 37.7 |
| Interest expense, net of interest income | 122.9 | 63.5 | 186.4 |
| Depreciation and amortization | 175.5 | 13.2 | 188.7 |
| Intercompany interest | 5.0 | (5.0) | - |
| **EBITDA** | **$289.7** | **$215.5** | **$505.2** |
| Non-cash stock-based compensation | 17.6 | 2.7 | 20.3 |
| Loss on extinguishment of debt | 2.2 | - | 2.2 |
| Acquisition related costs | 11.6 | 0.6 | 12.2 |
| Securitization interest | - | (54.9) | (54.9) |
| Loss on asset sales | 2.1 | - | 2.1 |
| Severance | 14.3 | 1.0 | 15.3 |
| Foreign currency (gains)/losses | (0.7) | - | (0.7) |
| IAA allocated costs | 2.1 | 0.2 | 2.3 |
| Other | 6.0 | - | 6.0 |
| Total Addbacks | 55.2 | (50.4) | 4.8 |
| **Adjusted EBITDA** | **$344.9** | **$165.1** | **$510.0** |
| Revenue | $2,429.0 | $352.9 | $2,781.9 |
| Adjusted EBITDA % margin | 14.2% | 46.8% | 18.3% |

KAR AUCTION SERVICES SM

# Operating Adjusted Net Income from Continuing Operations per Share Reconciliation

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

| | Three Months ended December 31, | | Year ended December 31, | |
|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 |
| **Net income (loss)** | **($17.1)** | **$19.8** | **$0.5** | **$188.5** |
| **Less: Income from discontinued operations** | **-** | **(4.5)** | **-** | **(96.1)** |
| **Net income (loss) from continuing operations [(1)]** | **($17.1)** | **$15.3** | **$0.5** | **$92.4** |
| Acquired amortization expense | 15.3 | 14.4 | 57.7 | 58.3 |
| IAA allocated costs | - | - | - | 2.3 |
| Acceleration of debt issuance costs | - | - | - | 1.8 |
| Loss on extinguishment of debt | - | - | - | 2.2 |
| Contingent consideration adjustment | 4.7 | - | 4.7 | - |
| Goodwill and other intangibles impairment | - | - | 29.8 | - |
| Income taxes [(2)] | (4.6) | (5.4) | (17.3) | (18.7) |
| **Operating adjusted net income (loss) from continuing operations** | **($1.7)** | **$24.3** | **$75.4** | **$138.3** |
| **Operating adjusted net income (loss) from continuing operations per share − diluted** | **($0.01)** | **$0.19** | **$0.51** | **$1.04** |
| Weighted average diluted shares | 161.8 | 130.1 | 147.0 | 132.9 |

(1) The Series A Preferred Stock dividends have not been included in the calculation of operating adjusted net income (loss) from continuing operations and operating adjusted net income (loss) from continuing operations per diluted share.

(2) The effective tax rate at the end of each period presented in 2019 was used to determine the amount of income tax on the adjustments to net income. For 2020, an effective tax rate of 30% was applied to the acquired amortization expense. There was no income tax benefit related to the contingent consideration adjustment or the goodwill and other intangibles impairment because these items were not deductible for income tax purposes.

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