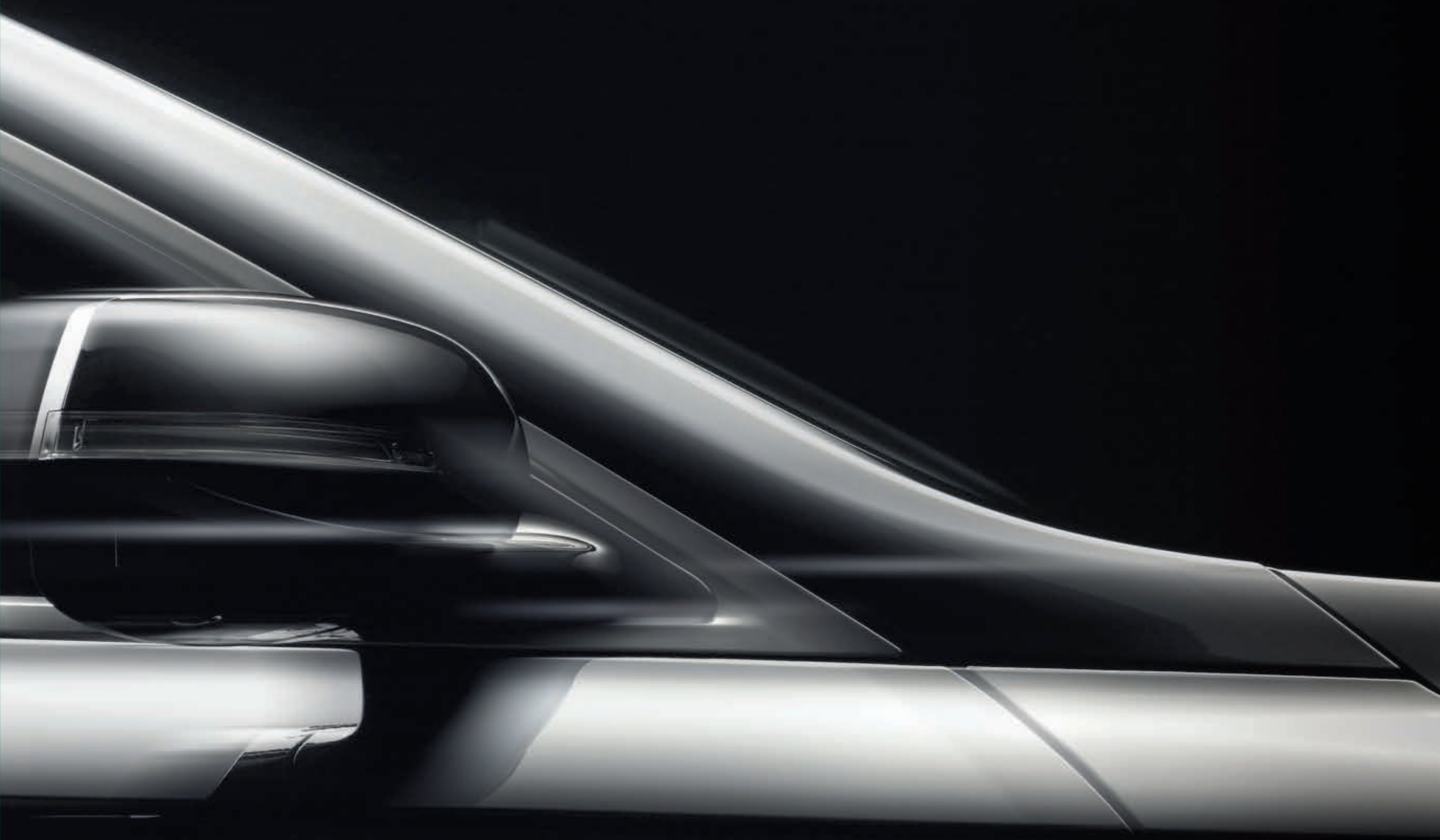
KAR
GLOBAL

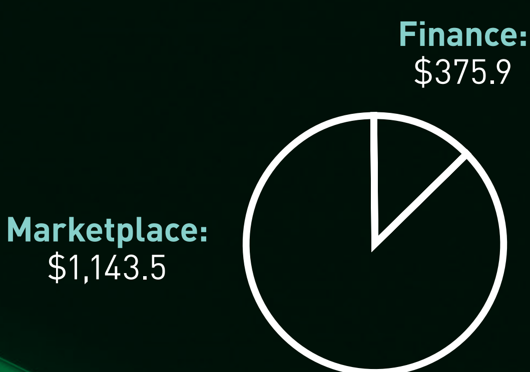
2022 ANNUAL REPORT



FINANCIAL HIGHLIGHTS

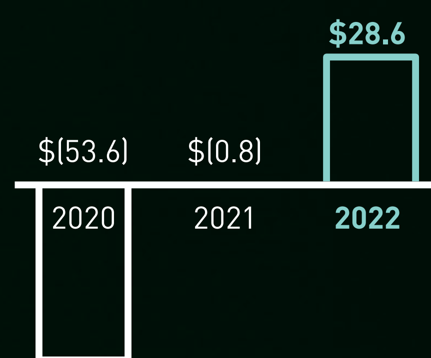
For the year ended December 31 (in millions) (continuing operations)	2020	2021	**2022**
Operating revenues	$1,326.9	$1,450.6	**$1,519.4**
Operating profit	$69.2	$127.5	**$173.7**
Income (loss) from continuing operations	$(53.6)	$(0.8)	**$28.6**
Total assets	$4,791.1	$5,470.9	**$5,119.8**
Cash and cash equivalents	$724.1	$177.6	**$225.7**
Net cash provided by operating activities – continuing operations	$179.1	$233.9	**$4.1**

Revenue by Segment



(in millions)

Income (loss) from Continuing Operations (in millions):



~45
Number of countries with active customers

1.3M
Vehicles sold in 2022

$23B
Value of vehicles sold

1.6M
AFC loan transaction units in 2022

LETTER TO STOCKHOLDERS

As I reflect back on 2022, KAR ended the year positioned very differently than when the year began. It was a year of historic change for our company, as we divested our U.S. physical auction business and transitioned to a more asset-light, digital marketplace company. But it was also a year of increased focus and simplification. We paid down a significant portion of our debt, meaningfully reduced our cost structure, consolidated platforms and established an exciting pipeline of innovation. So while we still encountered a number of headwinds, I believe our results demonstrate the positive impact of our efforts and the strong momentum we have built moving forward.

Results
Against a backdrop of continued challenges across the automotive industry, we grew our business, selling approximately 1.3 million vehicles and generating revenue of over $1.5 billion, and total gross profit of $685 million. We achieved our cost reduction targets ahead of schedule, and set a concrete plan to deliver impact of a similar scale in 2023. I would also like to highlight the strong performance of our finance business, AFC, which grew their dealer base, increased loan transactions, deployed new non-interest products and services and generated record results. KAR's 2022 performance, and our ability to generate cash, reinforces my confidence in our ability to deliver improved results in 2023 and beyond.

Simplifying Our Business
We believe simplifying our business will improve the customer experience, generate higher levels of customer engagement and, ultimately, lead to more transactions across our marketplaces. Internally, it will also help focus our investments, reduce maintenance costs, better align our sales and marketing efforts, and accelerate new product development.

- In the U.S., we successfully completed the integration of BacklotCars and CARWAVE—including the launch of the new "auction" format within BacklotCars—and have retired the CARWAVE platform and brand. This new, multi-format platform has been well received by dealers.

Peter Kelly
CEO

"In a year of extraordinary change for our company, our team held true, rising to every challenge and delivering on our commitment and purpose to make wholesale easy so our customers can be more successful."

- In our European business, we migrated the stand-alone ADESA UK technology and our dealer-to-dealer platform in Germany onto the ADESA Europe platform. This consolidates our technology, processes and customers onto a single platform—and the early feedback has been very positive.

- And in Canada, we continued to progress consolidating our TradeRev and ADESA marketplaces. With customer feedback and input, we expect to launch one consolidated Canadian platform and experience connecting all of our Canadian sellers, buyers and vehicles in one marketplace in 2023.

We also intend to extend this simplification work across our other brands, products and services to better align them with our digital marketplace strategy.

Catalyzing Growth
We made considerable progress positioning our company for growth in 2023 and beyond through rigorous cost reduction and management, creating space to power a robust pipeline of innovation and growth initiatives.

- As part of our transition to a more asset-light, digital marketplace company, we recalibrated our operational structure implementing a broad array of cost reduction initiatives across the enterprise. Exceeding our 2022 cost savings target was a starting point, and cost-consciousness remains a key priority of our organization.

- Notably, we initiated the expansion of our global shared services model to improve the efficiency, consistency and cost structure of our technology and business operations. We are seeing positive results—in both savings and operating outcomes—and anticipate continued savings as more capabilities and functions ramp up.

But we also understand we cannot grow through savings alone. During the year, we invested meaningfully in our technology and our people to maintain our leadership position in the industry. We brought our ancillary brands closer to the marketplaces—increasing attach rates, enrolling new customers and cross-selling our portfolio of value-added products and services. Our leadership and employees are closely aligned, and this culture of collaboration—both internally and with our customers—provides a strong foundation for the next era of innovation at KAR.

The Road Ahead
In a year of extraordinary change for our company, our team held true, rising to every challenge and delivering on our commitment and purpose to make wholesale easy so our customers can be more successful. While many of the market challenges that existed in 2022 remain, I have never been more confident in KAR's strategy or optimistic about our future. We have the right strategy, we have the right vision, we have the right products and offerings, we have the right people—and most of all, we have a relentless drive forward, pushing us to succeed, together.

Thank you for your continued investment in and support of our company.

Peter Kelly
CEO

BOARD OF DIRECTORS

Michael
Kestner

Carmel
Galvin

James
Hallett

Mark
Hill

Mark
Howell

Stefan
Jacoby

Peter
Kelly

Roy
Mackenzie

Sanjeev
Mehra

Mary Ellen
Smith

EXECUTIVE LEADERSHIP

Peter Kelly
CEO

Chuck Coleman
EVP, CHIEF LEGAL OFFICER & SECRETARY

James Coyle
EVP & CHIEF DIGITAL OFFICER

Justin Davis
PRESIDENT, BACKLOTCARS

Jason Ferreri
EVP, CUSTOMER SOLUTIONS

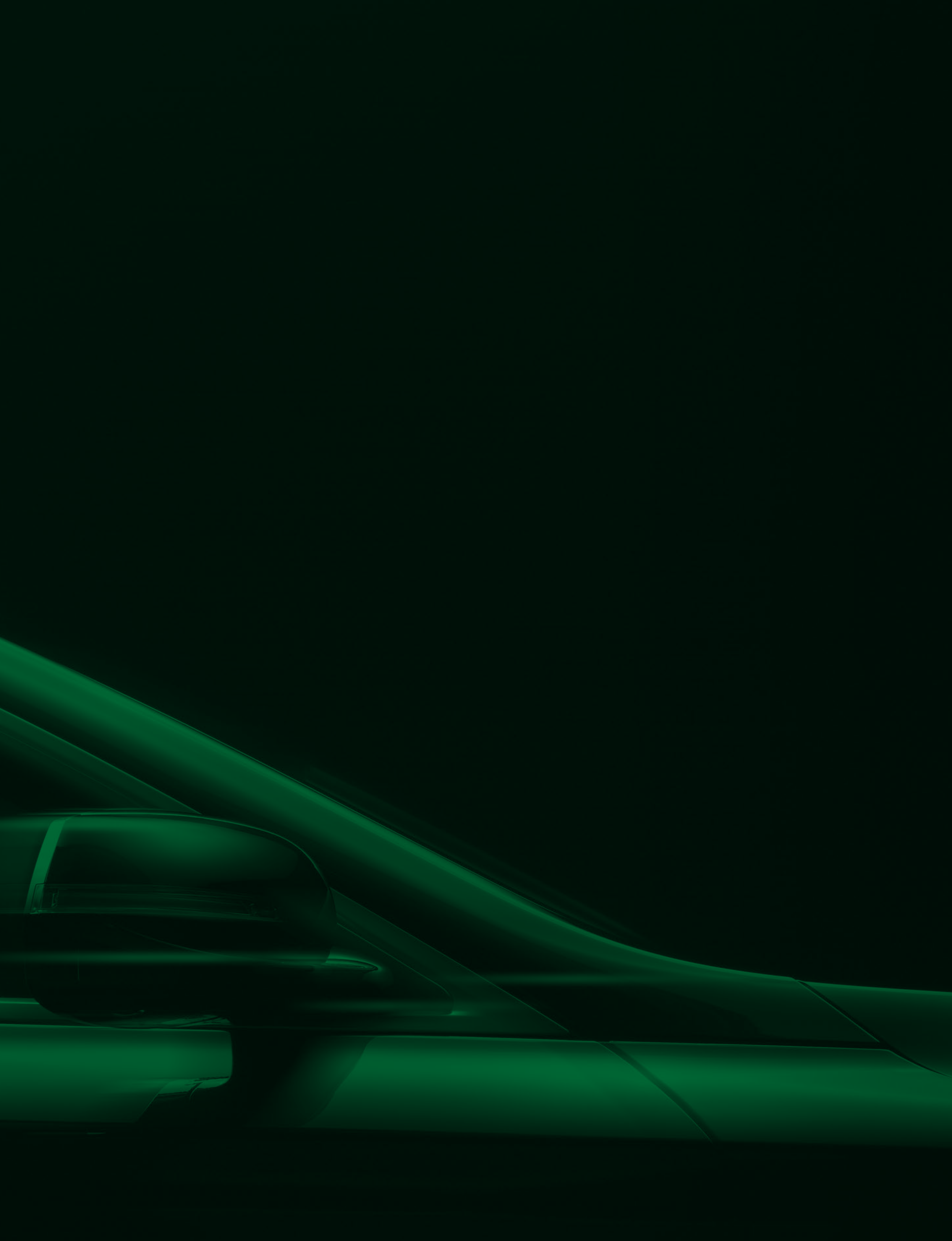
Brad Lakhia
EVP & CHIEF FINANCIAL OFFICER

James Money
PRESIDENT, AUTOMOTIVE FINANCE CORPORATION

Lisa Price
EVP & CHIEF PEOPLE OFFICER

Tobin Richer
SVP, MARKETING & COMMUNICATIONS

Srisu Subrahmanyam
PRESIDENT, KAR SERVICES GROUP & EVP, OPERATIONS



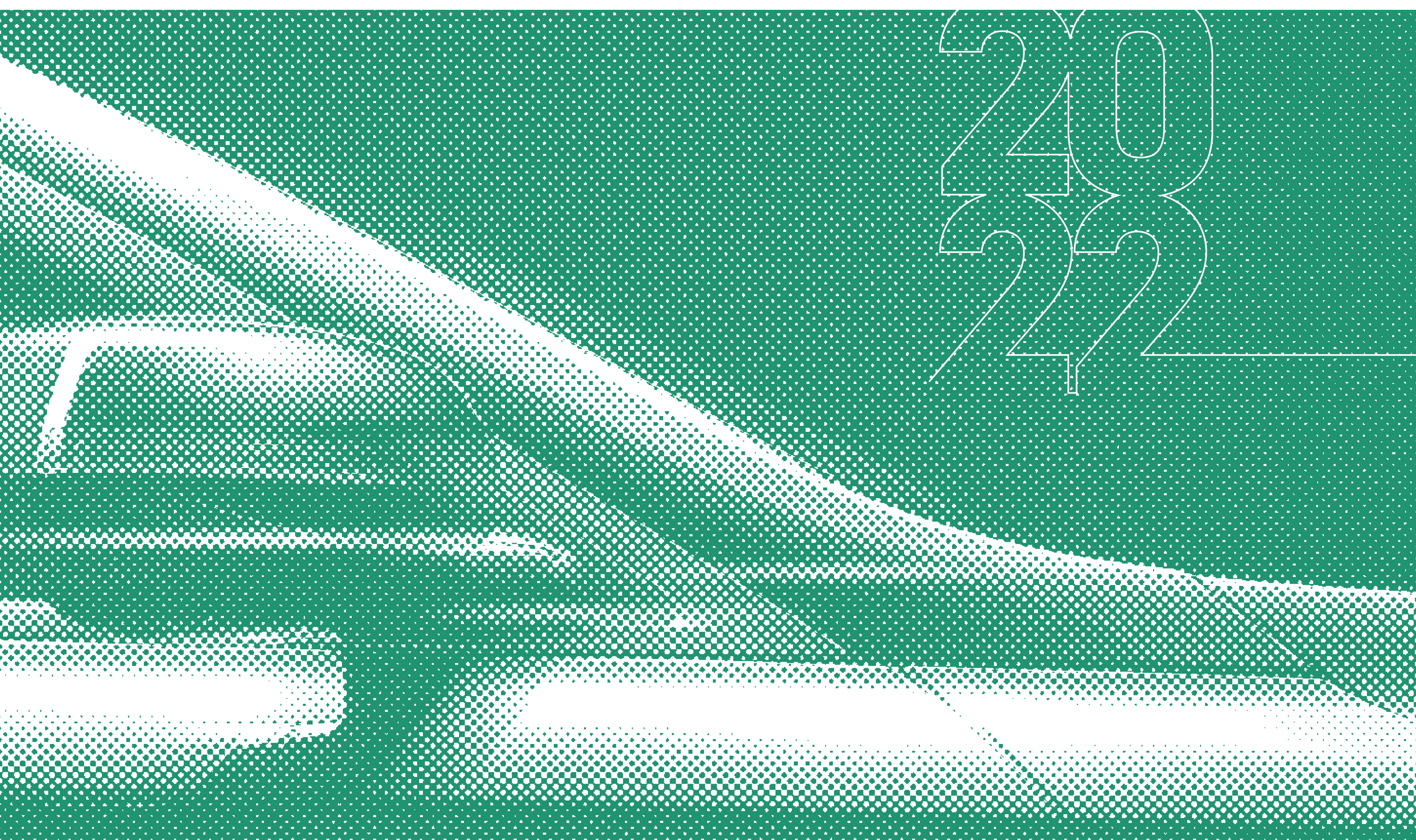
KAR AUCTION SERVICES, INC.

Notice of Annual Meeting and Proxy Statement

Annual Meeting of Stockholders

June 2, 2023

Proxy Statement



April 21, 2023

Dear Fellow Stockholder:

Thank you for your continued investment in and support of KAR Auction Services, Inc. d/b/a KAR Global ("KAR Global" or the "Company"). You are cordially invited to attend KAR Global's 2023 annual meeting of stockholders, which will be hosted virtually. You will be able to attend the 2023 annual meeting online, vote your shares electronically and submit your questions during the meeting by visiting www.virtualshareholdermeeting.com/KAR2023.

As a KAR Global stockholder, your vote is important. The matters to be acted upon are described in the notice of annual meeting of stockholders and the proxy statement. Even if you are planning to attend the virtual meeting, you are strongly encouraged to vote your shares in advance through one of the methods described in the proxy statement.

Despite continuing supply pressures tied to the prolonged recovery of our industry, we made significant progress accelerating our vision to build the world's greatest digital marketplaces for used vehicles. Notably, we sold the ADESA U.S. physical auction business, enabling us to pay down corporate debt, and we further simplified our business through strategic brand and platform consolidation in the U.S. and Europe. We are proud to have sold approximately 1.3 million vehicles and increased our total revenue from continuing operations 5% to $1.5 billion while making meaningful progress reducing our cost structure and annual cost run rate.

Thank you again for your continued support of KAR Global, our Board of Directors, our employees and our future.

Sincerely,

Michael T. Kestner
Chairman of the Board

Peter Kelly
Chief Executive Officer

This proxy statement is dated April 21, 2023 and is first being distributed to stockholders on or about April 21, 2023.

11299 North Illinois Street
Carmel, Indiana 46032

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Date and Time:	9:00 a.m., Eastern Daylight Time, on June 2, 2023
Place:	Online at www.virtualshareholdermeeting.com/KAR2023
Admission:	To attend the 2023 annual meeting, visit www.virtualshareholdermeeting.com/KAR2023. You will need the 16-digit control number included on your Notice of Internet Availability of Proxy Materials, on your proxy card or on the instructions that accompanied your proxy materials.
Items of Business:	The holders of shares of Series A Convertible Preferred Stock (the "Series A Preferred Stock"), voting as a separate class, are being asked to vote on: **Proposal No. 1:** To elect the director nominee designated by Ignition Parent LP ("Apax Investor") to the Board of Directors. The holders of shares of common stock and shares of Series A Preferred Stock, voting together as a single class, are being asked to consider and vote on the following items: **Proposal No. 2:** To elect each of the other nine director nominees to the Board of Directors. **Proposal No. 3:** To approve, on an advisory basis, executive compensation. **Proposal No. 4:** To approve, on an advisory basis, the frequency of future votes to approve executive compensation. **Proposal No. 5:** To ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2023. To transact any other business as may properly come before the meeting or any adjournments or postponements thereof.
Record Date:	You are entitled to vote at the 2023 annual meeting and at any adjournments or postponements thereof if you were a stockholder of record at the close of business on April 6, 2023. A list of stockholders entitled to vote at the 2023 annual meeting will be available for examination during ordinary business hours for 10 days prior to the meeting at the address listed above, and the list will also be available online during the meeting.
Voting by Proxy:	Whether or not you plan to virtually attend the 2023 annual meeting, please vote at your earliest convenience by following the instructions in the Notice of Internet Availability of Proxy Materials or the proxy card you received in the mail so that your shares can be voted at the 2023 annual meeting in accordance with your instructions. For specific instructions on voting, please refer to the instructions on your enclosed proxy card.

On Behalf of the Board of Directors,

Charles S. Coleman

April 21, 2023
Carmel, Indiana

Charles S. Coleman
EVP, Chief Legal Officer and Secretary

Notice of Internet Availability of Proxy Materials for the Annual Meeting

The proxy statement for the 2023 annual meeting and the annual report to stockholders for the fiscal year ended December 31, 2022, each of which is being provided to stockholders prior to or concurrently with this notice, are also available to you electronically via the Internet. We encourage you to review all of the important information contained in the proxy materials before voting. To view the proxy statement and annual report to stockholders on the Internet, visit our website, www.karglobal.com, and click on "Investors" and then the "Financials" tab. The information on our website is not part of this proxy statement and is not deemed incorporated by reference into this proxy statement or any other public filing made with the SEC.

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Forward-Looking Statements: *This proxy statement contains information that may constitute "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 based on management's current expectations, assumptions and/or beliefs, 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, but are not limited to, those discussed in the section entitled "Risk Factors" in our annual and quarterly periodic reports filed with the Securities and Exchange Commission. The Company does not undertake any obligation to update any forward-looking statements.*

PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement before voting. For more complete information regarding the 2022 performance of KAR Auction Services, Inc. (the "Company," "KAR," "KAR Auction Services" or "KAR Global"), please review the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

ANNUAL MEETING OF STOCKHOLDERS

Date and Time:	9:00 a.m., Eastern Daylight Time, on June 2, 2023
Location:	Online at www.virtualshareholdermeeting.com/KAR2023
Record Date:	Stockholders of record as of the close of business on the record date, April 6, 2023, are entitled to vote at the 2023 annual meeting of stockholders. On the record date, the Company had 109,185,902 shares of common stock issued and outstanding and 634,305 shares of Series A Preferred Stock issued and outstanding.
NYSE Symbol:	KAR
Registrar and Transfer Agent:	American Stock Transfer & Trust Company, LLC

ITEMS TO BE VOTED ON AT ANNUAL MEETING OF STOCKHOLDERS

Proposal	Our Board's Recommendation	Page
1. Election of the director nominee designated by the Apax Investor.	**FOR** the director nominee	8
2. Election of each of the other nine director nominees.	**FOR** each director nominee	13
3. Approval, on an advisory basis, of executive compensation.	**FOR**	26
4. Approval, on an advisory basis, of the frequency of future votes to approve executive compensation.	**FOR** EVERY YEAR	66
5. Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2023.	**FOR**	67

BOARD NOMINEES (PAGES 7–13)

Name	Age	Director Since	Independent	Primary Occupation	Committee Membership*
Roy Mackenzie	51	2020	Yes	Partner of Apax Partners, LP	CC
Carmel Galvin	54	2020	Yes	Chief People Officer at Stripe, Inc.	CC (Chair), NCGC
James P. Hallett	70	2007	No	Former Executive Chairman and Chairman of the Board of the Company	—
Mark E. Hill	67	2014	Yes	Managing Partner of Collina Ventures, LLC	NCGC (Chair), RC
J. Mark Howell	58	2014	Yes	Managing Director of Mintaka Ventures, LLC	AC (Chair), RC (Chair)
Stefan Jacoby	65	2019	Yes	Non-Executive Director of McLaren Group	CC, NCGC
Peter Kelly	54	2021	No	Chief Executive Officer of the Company	—
Michael T. Kestner**	69	2013	Yes	Automotive Industry and Building Products Consultant	AC, RC
Sanjeev Mehra	64	2021	Yes	Managing Partner of Periphas Capital, LP	CC
Mary Ellen Smith	63	2019	Yes	Corporate Vice President of Worldwide Business Operations of Microsoft Corporation	AC, RC

* AC=Audit Committee
CC=Compensation Committee
NCGC=Nominating and Corporate Governance Committee
RC=Risk Committee

** Chairman of the Board

BOARD DIVERSITY & EXPERIENCE

30%
of our directors are women/ethnically diverse

80%
of our directors were born outside the U.S.

50%
of our directors are current or former CEOs

60%
of our directors have tenures of <4 years

80%
of our directors have digital leadership experience

100%
of our directors have executive leadership experience

2022 BUSINESS HIGHLIGHTS

For the year ended December 31, 2022, the Company continued to advance its digital transformation. Specific highlights for fiscal 2022 included:

Increased total revenue 5%
to ***$1.5 billion***
(continuing operations)

Reinforced commitment to digital future with
sale of ADESA U.S.
physical auction business
generating ***$2.2 billion*** of gross proceeds

Completed
consolidation of U.S. dealer-to-dealer marketplaces
and migrated European marketplace technology to a single platform

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Meaningfully reduced cost structure and
surpassed
annual run rate reduction goals

Repaid corporate debt of over
$1.5 billion
and repurchased and retired **12.6 million** shares of common stock

CORPORATE GOVERNANCE HIGHLIGHTS (PAGES 14–19)

We are committed to high standards of ethical and business conduct and strong corporate governance practices. This commitment is highlighted by the practices described below as well as the information contained on our website, www.karglobal.com, which can be accessed by clicking on "Investors" and then the "Governance" tab.

- **Annual Elections:** Our directors are elected annually for one-year terms.
- **Majority Voting:** We maintain a majority voting standard for uncontested director elections with a policy for directors to tender their resignation if less than a majority of the votes cast are in their favor.
- **Director and Committee Independence:** Eight of our ten director nominees are independent, and all committees of our Board of Directors (the "Board") are comprised entirely of independent directors.
- **Executive Sessions:** Our independent directors meet in executive session at each regularly scheduled Board meeting.
- **Independent Chairman:** We have an independent Chairman of the Board who presides over the executive sessions of the independent directors and serves as the principal liaison between the independent directors and our CEO.
- **Diversity:** Female and minority directors compromise 30% of our Board.
- **Annual Board and Committee Evaluations:** The Board and its committees each evaluates its performance each year.
- **Robust Equity Ownership Requirements for Non-Employee Directors:** The stock ownership guideline for our non-employee directors is five times their annual cash retainer.
- **Robust Equity Retention Requirements for Non-Employee Directors:** All shares of our common stock granted to non-employee directors must be held for three years after vesting while serving as a director.
- **Robust Equity Ownership Requirements for Executive Officers:** We have stock ownership guidelines that are applicable to our executive officers. The stock ownership guideline for our CEO is five times his annual base salary and, for the remaining executive officers, three times annual base salary. Executive officers are required to hold 60% of vested shares, net of taxes, until stock ownership guidelines are met.
- **Anti-Hedging and Pledging Policies:** Our directors and executive officers are prohibited from hedging or pledging Company stock.
- **Annual Management and CEO Evaluation and Succession Planning Review:** Our Board conducts an annual evaluation and review of our CEO and each executive officer's performance, development and succession plan.
- **Board Risk Oversight:** The Risk Committee assists the Board in its oversight of: (i) the principal business, financial, technology, operational and regulatory risks and other material risks and exposures of the Company; and (ii) the actions, activities and initiatives of the Company to mitigate such risks and exposures. The Risk Committee provides oversight with respect to risk practices implemented by management, except for the oversight of risks that have been specifically delegated to another committee of the Board (in which case the Risk Committee may maintain oversight over such risks through the receipt of reports from such committees). The Risk Committee receives quarterly cybersecurity reports from our Chief Information Security Officer.
- **Board ESG Oversight:** The Nominating and Corporate Governance Committee assists the Board in its oversight of environmental, social and governance (ESG) matters.

EXECUTIVE COMPENSATION (PAGES 27–61)

We maintain a compensation program structured to achieve a close connection between executive pay and Company performance. For more information regarding our named executive officer compensation, see "Compensation Discussion and Analysis" and the compensation tables that follow such section.

Executive Compensation Best Practices

WHAT WE DO

✓ ***Pay for performance:*** Our annual incentive program is 100% performance based and our annual equity incentive program is 90% performance based.

✓ ***Independent Compensation Committee:*** All of the members of our Compensation Committee are independent under NYSE rules.

✓ ***Independent compensation consultant:*** The Compensation Committee retains its own independent compensation consultant to evaluate and review our executive compensation program and practices.

✓ ***"Double-trigger" equity vesting:*** Accelerated vesting of assumed or replaced equity awards upon a change in control of the Company is only permitted if an executive experiences a qualifying termination of employment in connection with or following such change in control.

✓ ***Robust equity ownership requirements:*** The stock ownership guideline for our CEO is five times his annual base salary, and three times annual base salary for the other executive officers. Executive officers are required to hold 60% of vested shares, net of taxes, until stock ownership guidelines are met.

✓ ***Maximum payout caps:*** The Compensation Committee sets maximum amounts that may be payable for annual cash incentive compensation and PRSUs.

✓ ***Annual compensation risk assessment:*** Each year we perform an assessment of any risks that could result from our compensation programs and practices.

✓ ***Clawback policy:*** Our clawback policy provides for the recovery and cancellation of incentive compensation of an executive officer in the event we are required to prepare an accounting restatement due to such executive officer's intentional misconduct.

✓ ***Stockholder alignment:*** We reward performance that meets or exceeds the performance goals that the Compensation Committee establishes with the objective of increasing stockholder value.

WHAT WE DON'T DO

✗ ***Pay dividends on unvested equity awards:*** Dividend equivalents and cash are accrued on PRSUs and RSUs, respectively, but are only paid out if, and to the extent that, the underlying PRSUs and RSUs vest.

✗ ***Provide excise tax gross-ups:*** We do not provide "golden parachute" excise tax gross-ups.

✗ ***Provide excessive perquisites:*** We provide a limited number of perquisites that are designed to support a competitive total compensation package.

✗ ***Allow hedging or pledging of the Company's securities:*** We prohibit hedging, pledging and short sales of Company stock by our directors and executive officers.

✗ ***Reprice stock options:*** Stock option exercise prices are set equal to the grant date market price and cannot be repriced or discounted without stockholder approval.

✗ ***Provide pension benefits or supplemental retirement plans:*** We do not maintain a defined benefit pension or supplemental retirement plans for our executive officers.

98%
"Say on Pay" Support in 2022

Proxy Statement

PROPOSALS NO. 1 & 2: ELECTION OF DIRECTORS

DIRECTORS ELECTED ANNUALLY

The Apax Investor has designated, and our Board has nominated, Roy Mackenzie, to stand for election to the Board at the 2023 annual meeting. In addition, our Board has nominated the nine individuals named below to stand for election to the Board at the 2023 annual meeting. The Company's directors are elected each year by our stockholders at the annual meeting (with one member of the Board being elected solely by the holders of Series A Preferred Stock). We do not have a staggered or classified board. Each director's term will last until the 2024 annual meeting of stockholders and until such director's successor is duly elected and qualified, or such director's earlier death, resignation or removal. The director nominee designated by the Apax Investor must receive the affirmative vote of a majority of the votes cast by the holders of Series A Preferred Stock (voting as a separate class), and the nine other director nominees must receive the affirmative vote of a majority of the votes cast by the holders of common stock and Series A Preferred Stock, voting together as a single class, in the election of directors at the 2023 annual meeting to be elected (i.e., the number of shares voted "FOR" a director nominee must exceed the number of votes cast "AGAINST" such nominee).

DIRECTOR INDEPENDENCE

The Board is responsible for determining the independence of our directors. Under the NYSE listing standards, a director qualifies as independent if the Board affirmatively determines that the director has no material relationship with the Company. While the focus of the inquiry is independence from management, the Board is required to broadly consider all relevant facts and circumstances in making an independence determination. In making independence determinations, the Board complies with NYSE listing standards and considers all relevant facts and circumstances. Based upon its evaluation, our Board has affirmatively determined that the following directors meet the standards of "independence" established by the NYSE: Carmel Galvin, Mark E. Hill, J. Mark Howell, Stefan Jacoby, Michael T. Kestner, Roy Mackenzie, Sanjeev Mehra and Mary Ellen Smith. James P. Hallett, our former Executive Chairman, and Peter J. Kelly, our Chief Executive Officer, are not independent directors.

BOARD NOMINATIONS AND DIRECTOR NOMINATION PROCESS

The Board is responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between the annual meetings of stockholders. The Nominating and Corporate Governance Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Nominating and Corporate Governance Committee may also consider advice and recommendations from others, including third-party search firms, current Board members, management, stockholders and other persons, as it deems appropriate.

The Nominating and Corporate Governance Committee uses a variety of methods to identify and evaluate potential candidates. Consideration of candidates typically involves a series of internal discussions, review of candidate information, and interviews with selected candidates. The Nominating and Corporate Governance Committee will consider the candidate against the criteria it has adopted, as further discussed below, in the context of the Board's then-current composition and the needs of the Board and its committees, and will ultimately recommend qualified candidates for election to the Board. Though the Nominating and Corporate Governance Committee does not have a formal policy regarding consideration of director candidates recommended by stockholders, the Nominating and Corporate Governance Committee generally evaluates such candidates in the same manner by which it evaluates director candidates recommended by other sources. With respect to the director to be elected by the holders of shares of Series A Preferred Stock, such nominee is required to have been designated by the Apax Investor pursuant to the Apax Investment Agreement.

As detailed in both the Nominating and Corporate Governance Committee Charter and the Corporate Governance Guidelines, director candidates are selected based upon various criteria, including experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest and such other relevant factors that the Nominating and Corporate Governance Committee considers appropriate in the context of the needs of the Board. Director candidates are considered in light of the needs of the Board with due consideration given to the foregoing criteria. Board members are expected to prepare for, attend and participate in all Board and applicable committee meetings and the Company's annual meetings of stockholders.

In addition, a stockholder may nominate candidates for election as a director, provided that the nominating stockholder follows the procedures set forth in Article II, Section 5 of the Company's Second Amended and Restated By-Laws for nominations by stockholders of persons to serve as directors, including the requirements of timely notice and certain information to be included in such notice. Deadlines for stockholder nominations for next year's annual meeting are included in the "Requirements, Including Deadlines, for Submission of Proxy Proposals" section on page 72.

Pursuant to our employment agreement with Peter J. Kelly, our Chief Executive Officer, the Company will nominate Mr. Kelly to serve as a member of the Board during his period of employment under such agreement.

BOARD QUALIFICATIONS AND DIVERSITY

The Nominating and Corporate Governance Committee and the Board believe that diversity along multiple dimensions, including opinions, skills, perspectives, personal and professional experiences, and other differentiating characteristics, is an important element of its nomination recommendations. The Nominating and Corporate Governance Committee has not identified any specific minimum qualifications which must be met for a person to be considered as a candidate for director. However, Board candidates are selected based upon various criteria including experience, skills, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest and such other relevant factors that the Nominating and Corporate Governance Committee considers appropriate in the context of the needs of the Board. Although the Board does not have a formal diversity policy, the Nominating and Corporate Governance Committee and Board review these factors, including diversity of gender, race, ethnicity, age, cultural background and professional experience, in considering candidates for Board membership.

INFORMATION REGARDING THE NOMINEES FOR ELECTION TO THE BOARD

The following information is furnished with respect to each nominee for election as a director. All of the nominees were elected by the stockholders at last year's annual meeting. For so long as the Apax Investor meets certain beneficial ownership conditions as detailed in the Apax Investment Agreement, the Apax Investor has the right to designate one director to the Board. The Apax Investor has designated Roy Mackenzie for election in 2023 for a term expiring at the 2024 annual meeting. Consistent with the Apax Investment Agreement, our Board now nominates, and recommends, Mr. Mackenzie for election in 2023 for a term expiring at the 2024 annual meeting. The appointment of the Apax Investor designee will be voted on by the holders of Series A Preferred Stock at each annual meeting until the Apax Investor ceases to meet certain beneficial ownership conditions as detailed in the Apax Investment Agreement.

Each of the nominees has consented to being named in this proxy statement and to serve as a director if elected. If Roy Mackenzie shall not be available for election as a director at the 2023 annual meeting, it is intended that shares represented by the accompanying proxy will be voted for the election of a substitute nominee designated by the Apax Investor. If any of the other nine nominees is unavailable to stand for election as a director, your proxy holders will have the authority and discretion to vote for another nominee proposed by the Board or the Board may reduce the number of directors to be elected at the 2023 annual meeting. The ages of the nominees are as of the date of the 2023 annual meeting, June 2, 2023.

Nominees for Election as Directors to Be Elected by Holders of Series A Preferred Stock

Roy Mackenzie

Independent Director
since June 2020
Age: 51

Current Board Committees:
Compensation Committee

Career Highlights

- Partner at Apax Partners, LP ("Apax"), a private equity advisory firm, since January 2003, and also serves on the Investment Committees for the Apax Buyout Funds and Apax Global Alpha.
- Director of Trade Me Ltd, Vyaire Medical, Inc., and Duck Creek Technologies, Inc., each in connection with investments by funds advised by Apax.
- Previously served as a director of several companies in connection with investments by funds advised by Apax, including Sophos Group plc, King Digital Entertainment plc, Exact Software NV, Epicor Software, Inc., and NXP Semiconductors NV.
- Holds an MBA from Stanford Graduate School of Business and a M.Eng in Electrical Engineering from Imperial College, London.

Other Public and Registered Investment Company Directorships in Last Five Years: Director of Duck Creek Technologies, Inc. since April 2016. Partner at Apax since 2003. Director of Sophos Group PLC from May 2015 to March 2020.

Skills and Qualifications

✓ Extensive experience working closely with management teams to build successful technology companies.

✓ Substantial experience in evaluating companies' strategies, operations and financial performance, which provides important perspectives and insights.

✓ Deep technology expertise.

✓ Current and prior public board service brings valuable skills and perspectives to our Board.

Mr. Mackenzie is a director who was designated by the Apax Investor under the terms of the Apax Investment Agreement. Only the holders of Series A Preferred Stock may vote on the election of Mr. Mackenzie as a director at the 2023 annual meeting.

✓ **The Board of Directors recommends a vote FOR the election of the foregoing nominee to the Board of Directors.**

Proxies solicited by the Board of Directors will be voted "FOR" the election of the director nominee named in this proxy statement and on the proxy card unless stockholders specify a contrary vote.

Nominees for Election as Directors to Be Elected by Holders of Common Stock and Series A Preferred Stock, Voting Together as a Single Class

Carmel Galvin

Independent Director
since February 2020
Age: 54

Current Board Committees:
Compensation Committee (Chair) and Nominating and Corporate Governance Committee

Career Highlights

- Chief People Officer at Stripe, Inc., a payment software services and solutions company, since January 2021.
- Chief Human Resources Officer ("CHRO") and Senior Vice President, People and Places, at Autodesk, Inc., a multinational software corporation, from March 2018 to January 2021.
- CHRO and Senior Vice President at Glassdoor, Inc., a job listing platform, from April 2016 to February 2018.
- CHRO and Senior Vice President at Advent Software, Inc., an investment management software company, from October 2014 to April 2016.
- Vice President of Talent & Culture Development for Deloitte New-venture Accelerator (DNA), from May 2013 to October 2014.
- Provided human resources consulting services from January 2011 to April 2013 at Front Arch, Inc. and from September 2009 to December 2011 at Corporate Leadership Council (CLC), Corporate Executive Board.
- Managing Director, Global Head of Human Resources at Moody's Analytics (formerly Moody's KMV) from November 2004 to March 2008 and Vice President, Global Head of Human Resources at Barra, Inc. from September 1995 to June 2002.
- Graduate of Trinity College Dublin (BA) and University College Dublin (MBS).

Skills and Qualifications

✓ More than 25 years of talent and culture leadership experience with global organizations in the technology and online sectors.

✓ Extensive experience in helping transform global companies, including leading diversity and inclusion, employee engagement and culture management efforts at companies with varied locations, languages and cultures.

✓ Significant experience with executive compensation programs and practices, including working directly with boards and compensation committees on compensation, talent and succession planning initiatives.

✓ Provides diverse international perspective.

James P. Hallett

Director
since April 2007
Age: 70

Career Highlights

- Executive Chairman of the Company from April 2021 to March 2023 and Chairman of the Board of the Company from December 2014 to March 2023. Chief Executive Officer of the Company from September 2009 to March 2021.
- Chief Executive Officer and President of ADESA from April 2007 to September 2009, a wholly owned subsidiary of the Company.
- President of Columbus Fair Auto Auction, a large independent automobile auction located in Columbus, Ohio, from May 2005 to April 2007.
- After selling his auctions to ADESA in 1996, Mr. Hallett held various senior executive leadership positions with ADESA between 1996 and 2005, including President and Chief Executive Officer of ADESA.
- Founded and owned two automobile auctions in Canada from 1990 to 1996.
- Managed and then owned a number of new car franchise dealerships for 15 years.
- Winner of multiple industry awards, including NAAA Pioneer of the Year in 2008 and the Ed Bobit Industry Icon award in 2018.
- Recognized as the EY Entrepreneur of the Year 2014 National Services Award Winner and one of Northwood University's 2015 Outstanding Business Leaders.
- Graduate of Algonquin College.

Skills and Qualifications

✓ Committed and deeply engaged leader with over 25 years of experience in key leadership roles throughout the Company and over 45 years of experience in the industry.

✓ As the former Chief Executive Officer and Executive Chairman, Mr. Hallett has a thorough and in-depth understanding of the Company's business and industry, including its employees, business units, customers and investors, which provides an additional perspective to our Board.

✓ Strong leadership skills and entrepreneurial mindset.

Mark E. Hill

Independent Director
since June 2014
Age: 67

Current Board Committees:
Nominating and Corporate Governance Committee (Chair) and Risk Committee

Career Highlights

- Managing Partner of Collina Ventures, LLC, a private investment company that invests in software and technology companies, since 2006.
- Chairman and Chief Executive Officer of Lumavate LLC, a company that provides a platform for building cloud-based mobile applications, from November 2017 to April 2021 and Executive Chairman from May 2021 to December 2021.
- Co-founder and Chairman of Bluelock, LLC, a privately held infrastructure-as-a-service company, from 2006 to March 2018.
- Co-Founder, President and Chief Executive Officer of Baker Hill Corporation, a banking industry software and services business, from 1985 to 2006. Baker Hill Corporation was acquired by Experian PLC, a global information solutions company, in 2005.
- Graduate of the University of Notre Dame (BBA) and Indiana University (MBA).

Skills and Qualifications

✓ Significant executive leadership and management experience leading and owning a software and technology-based business provides our Board with expertise in technology, innovation, and strategic investments.

✓ Extensive experience as an investor and mentor to numerous early stage software and technology companies provides entrepreneurial perspective to the Board.

✓ Key leadership experience in numerous central Indiana business and community service organizations, including Central Indiana Corporate Partnership, Ascend Indiana, the Orr Fellowship and the local Teach For America board.

✓ Public company board experience, including serving as a lead independent director.

J. Mark Howell

Independent Director
since December 2014
Age: 58

Current Board Committees:
Audit Committee (Chair) and Risk Committee (Chair)

Career Highlights

- Managing Director of Mintaka Ventures, LLC, a firm focused on private investments, since August 2021.
- President and Chief Executive Officer of Conexus Indiana, Indiana's advanced manufacturing and logistics initiative sponsored by Central Indiana Corporate Partnership, Inc., from January 2018 to August 2021.
- Chief Operating Officer of Angie's List, Inc., a national local services consumer review service and marketplace, from March 2013 to September 2017. Angie's List, Inc. was acquired in 2017 and merged into ANGI Homeservices Inc.
- President, Ingram Micro North America Mobility of Ingram Micro Inc., a technology distribution company, from 2012 to 2013.
- President, BrightPoint Americas of BrightPoint, Inc., a distributor of mobile devices for phone companies, including Chief Operating Officer, Executive Vice President and Chief Financial Officer, from 1994 to 2012. BrightPoint, Inc. was sold to Ingram Micro Inc. in 2012.
- Vice President and Corporate Controller of ADESA from August 1992 to July 1994, now a wholly owned subsidiary of the Company.
- Audit Staff and Senior Staff at Ernst & Young LLP.
- Graduate of the University of Notre Dame (BBA in Accounting).

Skills and Qualifications

✓ Extensive senior leadership experience at internet-based and technology-driven companies provides valuable insight as the Company continues to advance its digital transformation.

✓ Significant executive leadership experience in the public company sector.

✓ Provides unique, in-depth knowledge of the Company and its industry as a former employee of ADESA.

✓ Substantial financial experience. Certified Public Accountant with experience in public accounting and public companies.

✓ ***Cybersecurity Certification:*** Mr. Howell has earned a CERT Certificate in Cybersecurity Oversight from the National Association of Corporate Directors and the Software Engineering Institute of Carnegie Mellon University.

Stefan Jacoby

Independent Director
Since June 2019
Age: 65

Current Board Committees:
Compensation Committee and Nominating and Corporate Governance Committee

Career Highlights

- Non-Executive Director of McLaren Group, a UK automotive, motorsport, and technology company, since September 2021; and consultant in the automotive industry since January 2018.
- Executive Vice President of General Motors Company, a multinational company that designs, manufactures and markets vehicles worldwide, and President of GM International Operations, from August 2013 to January 2018.
- Chief Executive Officer and President of Volvo Car Corporation, a multinational vehicle manufacturer and marketer, from August 2010 to October 2012.
- Served in several capacities at Volkswagen AG, a multinational automotive manufacturing company, between 2004 and 2010, most recently serving as Chief Executive Officer and President of Volkswagen Group of America from 2007 to 2010 and as Executive Vice President of Group Marketing and Sales at Volkswagen AG from 2004 to 2007.
- Chief Executive Officer and President of Mitsubishi Motors Europe, the European headquarters of automotive manufacturer Mitsubishi Motors, from 2001 to 2004.
- Served in a variety of finance and leadership roles at Volkswagen AG from 1985 to 2001.
- Graduate of the University of Cologne, Germany.

Skills and Qualifications

✓ More than 30 years of broad international experience in the automotive industry, including senior management positions with global automakers in Germany, Japan, the Netherlands, Sweden, Singapore and the United States.

✓ Deep insights and understanding of the macro trends and technologies rapidly transforming the automotive industry, including mobility as a service and autonomous vehicles.

✓ Extensive knowledge of customer experience and retail structures. Expansive experience in finance, sales and marketing has given him a deep understanding of the impact of both areas on profitability and successful market growth.

✓ Strong leadership skills in managing and motivating people for establishing momentum for growth and change, building high performance teams in transformative periods and recruiting and retaining senior management.

Peter Kelly

Director
since April 2021
Age: 54

Chief Executive Officer

Career Highlights

- Chief Executive Officer of the Company since April 2021.
- President of the Company from January 2019 to March 2021.
- President of Digital Services of the Company from December 2014 to January 2019 and Chief Technology Officer of the Company from June 2013 to January 2019.
- President and Chief Executive Officer of OPENLANE, a subsidiary of the Company, from February 2011 to June 2013.
- President and Chief Financial Officer of OPENLANE from February 2010 to February 2011.
- Co-founded OPENLANE in 1999, and served in a number of executive roles at OPENLANE from 1999 to 2010.
- Prior to his work with OPENLANE, managed engineering, construction and procurement projects for Taylor Woodrow, a U.K.-based construction and development firm, from 1989 to 1997.
- Graduate of the University College Dublin (Engineering) and Stanford University (MBA).

Skills and Qualifications

✓ More than 20 years of experience in the Company's industry, with unique insights gained as a co-founder and executive of a digital auction start-up and subsequently as a senior executive of the Company, leading our digital services and technology teams and offerings.

✓ As former President and now Chief Executive Officer, Mr. Kelly has a thorough and in-depth understanding of the Company's business and industry, including its employees, business units, customers and digital opportunities, which provides an additional perspective to the Board. Mr. Kelly's entrepreneurial mindset provides further unique perspective.

✓ Deep insights into the businesses and technologies rapidly transforming the Company's business and industry.

✓ Strong leadership skills and technology expertise.

Michael T. Kestner

Independent Director
since December 2013
Chairman of the Board
since April 2023
Age: 69

Current Board Committees:
Audit Committee and Risk Committee

Career Highlights

- Consultant in the building products and automotive industry since December 2015.
- Chief Financial Officer of Building Materials Holding Corporation, a building products company, from August 2013 to December 2015.
- Partner in FocusCFO, LLC, a consulting firm providing part time CFO services, from April 2012 to August 2013.
- Executive Vice President, Chief Financial Officer and a director of Hilite International, Inc., an automotive supplier of powertrain parts, from October 1998 to July 2011.
- Chief Financial Officer of Sinter Metals, Inc., a supplier of powder metal precision components, from 1995 to 1998.
- Served in various capacities at Banc One Capital Partners, Wolfensohn Ventures LP and as a senior audit manager at KPMG LLP.
- Graduated from Southeast Missouri State University.

Skills and Qualifications

✓ Extensive business, management, and operational experience as a senior leader in the automotive industry both domestically and internationally provides him with valuable leadership skills and additional insight into business, financial and strategic matters that are important to the Company.

✓ Brings valuable experience and perspective from serving over 20 years as a CFO of public and private companies, including in the areas of accounting and financial reporting, internal controls and procedures, compliance, risk management, investor relations, capital markets, strategic cost initiatives, complex financial transactions, and mergers, acquisitions and divestitures.

✓ Extensive experience in financial analysis and financial statement preparation.

✓ Certified Public Accountant with experience in public accounting and public companies.

Sanjeev Mehra

Independent Director
since October 2021
Age: 64

Current Board Committees:
Compensation Committee

Career Highlights

- Managing Partner of Periphas Capital, LP, a private equity investing firm focused on making investments in technology enabled business services, consumer and industrial companies, since founding the firm in 2017.
- Previously served in a variety of positions at Goldman, Sachs & Co. (“Goldman”) from 1986 to 2017, including Partner from 1998 to 2016, and held a range of other senior positions, including vice chairman of the global private equity business, and prior to that, co-head of the Americas private equity business.
- Founding member of Goldman’s Principal Investment Area (“PIA”), the firm’s private investing arm of its Merchant Banking Division, and served on the PIA Investment Committee from 1998 to 2017.
- Has served on the board of directors of over 25 companies, including on the Board of the Company from 2007 until 2013.
- Received his MBA from Harvard Business School and a BA from Harvard College.

Other Public and Registered Investment Company Directorships in Last Five Years: CEO and Director of Periphas Capital Partnering Corporation from September 2020 to January 2023. Director of Aramark from 2007 to 2019.

Skills and Qualifications

✓ Extensive experience in advising companies and working closely with management teams to foster growth, transformational change and operational efficiency.

✓ Substantial experience in evaluating companies’ strategies, operations and financial performance, which provides important perspectives and insights.

✓ Former service on the Company’s Board provides unique, in depth knowledge of the Company and its industry.

✓ Current and prior public board service brings valuable skills and perspectives to our Board, including extensive time serving as a lead independent director and chairman of board committees.

Mary Ellen Smith

Independent Director
since October 2019
Age: 63

Current Board Committees:
Audit Committee and Risk Committee

Career Highlights

- Corporate Vice President of Worldwide Business Operations of Microsoft Corporation ("Microsoft"), a technology company, since July 2013.
- Vice President, Worldwide Operations of Microsoft from 2011 to July 2013, General Manager, Worldwide Commercial Operations of Microsoft from 2010 to 2011, and General Manager and President of Microsoft Licensing, GP from 2006 to 2010.
- Served in several roles at Hewlett-Packard Company from 1996 to 2006, including Vice President, Volume Direct and Teleweb, Americas Region, from 2004 to 2006, and Vice President, Worldwide Customer Operations from 2002 to 2004.
- Graduate of Bowling Green State University (BS) and Wright State University (MBA). Earned certificates of completion from Stanford University's Executive Program and Directors' Consortium Program.

Skills and Qualifications

✓ Over 30 years of broad and extensive operational and leadership experience in the technology industry with a deep focus on global operations strategy and execution, business transformation change management, global manufacturing, supply chain and logistics.

✓ Deep expertise in digital business transformation, change management in transforming business processes from physical to digital supply chain and operations delivering highly impactful business model and cost improvements

✓ Extensive knowledge in leading through growth and expansion by building future operating performance models for new businesses in emerging markets and more broadly, worldwide.

✓ Extensive knowledge and broad business skills supporting customer experience enhancements, compliance enhancements, oversight, risk mitigation and management. Highly skilled in finance, sales and marketing support with a deep understanding of business model operations and drivers of profitability.

✓ Significant leadership skills leading highly impactful and performing teams and managing people. A proven leader championing diversity and inclusion in corporate culture for all dimensions of diversity.

✓ **The Board of Directors recommends a vote FOR the election of each of the foregoing nine nominees to the Board of Directors.**

Proxies solicited by the Board of Directors will be voted "FOR" the election of each of the nine director nominee named in this proxy statement and on the proxy card unless stockholders specify a contrary vote.

BOARD STRUCTURE AND CORPORATE GOVERNANCE

ROLE OF THE BOARD

The Board oversees the Company's CEO and other members of senior management in the competent and ethical operation of the Company and assures that the long-term interests of the stockholders are being served. The Board serves as the ultimate decision-making body of the Company, except for those matters reserved to or shared with the stockholders. The Company's Corporate Governance Guidelines are available on our website, www.karglobal.com, by clicking on "Investors" and then the "Governance" tab. The information on our website is not part of this proxy statement and is not deemed incorporated by reference into this proxy statement or any other public filing made with the Securities and Exchange Commission (the "SEC").

BOARD LEADERSHIP

The Company's Corporate Governance Guidelines provide that the Board shall be free to choose its Chairman in any way it deems best for the Company at any given point in time. If the Chairman is not an independent director, the independent directors are to annually appoint a Lead Independent Director. The Board believes that it should have the flexibility to make these determinations from time to time in the way that it believes best to provide appropriate leadership for the Company under then-existing circumstances.

From December 2014 to March 31, 2023, James P. Hallett served as Chairman of the Board. During such period, the Board elected a Lead Independent Director each year. Michael T. Kestner most recently served as the Lead Independent Director from July 2019 to March 31, 2023.

Mr. Kestner began serving as the independent Chairman of the Board on April 1, 2023 (following Mr. Hallett's retirement). Our Board believes that having an independent Chairman provides the most appropriate leadership structure for the Company at this time. Mr. Kestner has a wealth of leadership experience and deep understanding of the Company and the Board from serving as Lead Independent Director from July 2019 to March 2023 and serving as a member of the Board since December 2013.

Given the Chairman is now an independent director, the Board no longer has a Lead Independent Director. The duties of the Chairman are substantially similar to those of the Lead Independent Director. The Board has adopted a Lead Independent Director Charter, which sets forth a clear mandate with significant authority and responsibilities for the Lead Independent Director or independent Chairman, as applicable, including:

Board Meetings and Executive Sessions	• Has the authority to call meetings of the independent directors, and calls and develops the agenda for executive sessions of the independent directors. • Presides at all meetings of the Board at which the Chairman of the Board is not present (if not the same person), including executive sessions of the independent directors.

Meeting Agendas, Schedules and Materials	• Reviews, in consultation with the Chairman (if not the same person) and the CEO:
	  • agendas for Board meetings;
	  • meeting schedules to assure there is sufficient time for discussion of all agenda items; and
	  • information sent to the Board, including the quality, quantity, appropriateness and timeliness of such information.

Board/Director Communications	• Serves as principal liaison on Board-wide issues among the independent directors and the Chairman (if not the same person) and the CEO and facilitates communication generally among directors.
Stockholder Communications	• If requested by stockholders, ensures that he or she is available, when appropriate, for consultation and direct communication.
Chairman and CEO Performance Evaluations	• Together with the Compensation Committee, conducts an annual evaluation of the Chairman (if not the same person) and the CEO, including an annual evaluation of his or her respective interactions with the independent directors.
Outside Advisors and Consultants	• Recommends to the independent directors the retention of advisors and consultants who report directly to the Board, and, upon approval by the independent directors, retains such advisors and consultants.

EXECUTIVE SESSIONS

The independent directors of the Company meet in executive session at every regularly scheduled Board meeting. The Company's Corporate Governance Guidelines state that the Chairman of the Board (if an independent director) or the Lead Independent Director (if the Chairman of the Board is not an independent director) shall preside at such executive sessions, or in such director's absence, another independent director designated by the Chairman of the Board or the Lead Independent Director, as applicable. Currently, Mr. Kestner, our independent Chairman of the Board, presides at the executive sessions of our independent directors.

BOARD MEETINGS AND ATTENDANCE

The Board held seven meetings during 2022. All of the incumbent directors attended at least 75% of the meetings of the Board and Board committees on which they served during 2022. As stated in our Corporate Governance Guidelines, each director is expected to attend all annual meetings of stockholders. All of our directors attended last year's annual meeting of stockholders.

BOARD COMMITTEES

In 2022, the Board maintained four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Risk Committee. Each of our committees operates pursuant to a written charter. Copies of the committee charters are available on our website, www.karglobal.com, by clicking on "Investors" and then the "Governance" tab. The information on our website is not part of this proxy statement and is not deemed incorporated by reference into this proxy statement or any other public filing made with the SEC. The following table sets forth the current membership of each committee:

Name	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Risk Committee
Carmel Galvin		✓ (Chair)	✓	
James P. Hallett(1)				
Mark E. Hill			✓ (Chair)	✓
J. Mark Howell	✓ (Chair)			✓ (Chair)
Stefan Jacoby		✓	✓	
Peter Kelly(1)				
Michael T. Kestner(2)	✓			✓
Roy Mackenzie		✓		
Sanjeev Mehra		✓		
Mary Ellen Smith	✓			✓

(1) Mr. Hallett is our former Executive Chairman and Chairman of the Board, and Mr. Kelly is our current CEO.

(2) Mr. Kestner serves as Chairman of the Board.

A description of each Board committee is set forth below.

Audit Committee

Meetings Held in 2022: 6

Primary Responsibilities: Our Audit Committee assists the Board in its oversight of the integrity of our financial statements, our independent registered public accounting firm's qualifications and independence and the performance of our independent registered public accounting firm. The Audit Committee (i) reviews the audit plans and findings of our independent registered public accounting firm and our internal audit team and tracks management's corrective action plans where necessary; (ii) reviews our financial statements, including any significant financial items and changes in accounting policies or practices, with our senior management and independent registered public accounting firm; (iii) reviews our financial risk and control procedures, compliance programs (including our Code of Business Conduct and Ethics) and significant tax, legal and regulatory matters; (iv) reviews and approves related person transactions; and (v) has the sole discretion to appoint annually our independent registered public accounting firm, evaluate its independence and performance and set clear hiring policies for employees or former employees of the independent registered public accounting firm.

Independence: Each member of the Audit Committee is "financially literate" under the rules of the NYSE, and each of Messrs. Howell and Kestner has been designated as an "audit committee financial expert" as that term is defined by the SEC. In addition, the Board has determined that each member of the Audit Committee meets the standards of "independence" established by the NYSE and is "independent" under the independence standards for audit committee members adopted by the SEC.

Compensation Committee

Meetings Held in 2022: 9

Primary Responsibilities: The Compensation Committee reviews and recommends policies relating to the compensation and benefits of our executive officers and employees. The Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of our CEO and other executive officers, evaluates the performance of these officers in light of those goals and objectives, and approves the compensation of these officers based on such evaluations. The Compensation Committee also administers the issuance of equity and other awards under our equity plans.

Independence: All of the members of the Compensation Committee are independent under the NYSE rules (including the enhanced independence requirements for compensation committee members).

Nominating and Corporate Governance Committee

Meetings Held in 2022: 4

Primary Responsibilities: The Nominating and Corporate Governance Committee is responsible for making recommendations to the Board regarding candidates for directorships and the size and composition of the Board. The Nominating and Corporate Governance Committee also reviews non-employee director compensation on an annual basis and makes recommendations to the Board. In addition, the Nominating and Corporate Governance Committee is responsible for overseeing our Corporate Governance Guidelines and reporting and making recommendations to the Board concerning governance matters. The Nominating and Corporate Governance Committee also assists the Board in the general oversight of the Company's environmental, social and governance (ESG) strategy, including diversity and inclusion matters. As required by the Company's Corporate Governance Guidelines, the Nominating and Corporate Governance Committee oversees an annual evaluation process of the Board and each committee of the Board, as discussed in more detail under "Board and Committee Evaluation Process" below.

Independence: All of the members of the Nominating and Corporate Governance Committee are independent under the NYSE rules.

Risk Committee

Meetings Held in 2022: 4

Primary Responsibilities: The Risk Committee assists the Board in its oversight of (i) the principal business, financial, technology, operational and regulatory risks, and other material risks and exposures of the Company and (ii) the actions, activities and initiatives of the Company to mitigate such risks and exposures. The Risk Committee also provides oversight for matters specifically relating to cybersecurity and other risks related to information technology systems and procedures, including but not limited to data security and privacy. The Risk Committee receives quarterly reports from the Company's Chief Information Security Officer on information security matters, including, among other things, the Company's cyber risks and threats, the status of projects to strengthen the Company's information security systems, assessments of the Company's security program and the emerging threat landscape. The Risk Committee also oversees the Company's enterprise risk management ("ERM") program and has direct oversight over certain risks within the ERM framework.

Independence: All of the members of the Risk Committee are independent under the NYSE rules.

BOARD AND COMMITTEE EVALUATION PROCESS

The Nominating and Corporate Governance Committee oversees the annual evaluation process of the Board and each of its committees. The evaluation process includes a self evaluation by the Board, a self evaluation by each committee of the Board, and a peer evaluation by each director of each other Board member. The Lead Independent Director or independent Chairman of the Board, as applicable, also conducts a personal interview with each Board member to gather in depth perspectives and candid insight about Board, committee and individual director effectiveness and suggestions for improvement. Once the evaluation process is complete, the Nominating and Corporate Governance Committee reports to the full Board the results, including any recommendations, which are discussed by the full Board and each committee, as applicable, and changes in practices or procedures are considered and implemented as appropriate.

The Nominating and Corporate Governance Committee periodically reviews the format of the evaluation process to ensure that actionable feedback is solicited on the operation and effectiveness of the Board, the Board committees and each Board member. The Nominating and Corporate Governance Committee also utilizes the results of this self evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees.

BOARD'S RISK OVERSIGHT

Management is responsible for assessing and managing risk at the Company, including communicating the most material risks to the Board and its committees. The Board has primary responsibility for risk oversight, with a focus on the most significant risks facing the Company. Oversight of the Company's risks is carried out by the Board as a whole and by each of its committees.

The Board's leadership structure, through its committees, supports its role in risk oversight. In general, the committees oversee the following risks:

- **Audit Committee:** The Audit Committee maintains initial oversight over risks related to (i) the integrity of the Company's financial statements; (ii) internal control over financial reporting and disclosure controls and procedures (including the performance of the Company's internal audit function); (iii) the performance of the independent registered public accounting firm; and (iv) ethics and related issues arising from the Company's whistleblower hotline. The Audit Committee meets with the Company's Chief Financial Officer, the Company's head of Internal Audit and representatives of KPMG in separate executive sessions on a quarterly basis.
- **Compensation Committee:** The Compensation Committee maintains oversight over risks related to the Company's compensation programs and practices.

- **Nominating and Corporate Governance Committee:** The Nominating and Corporate Governance Committee monitors potential risks relating to the effectiveness of the Board, notably director succession, composition of the Board and the principal policies that guide the Company's governance.
- **Risk Committee:** The Risk Committee maintains oversight over the Company's enterprise-level risks, including with respect to cybersecurity and information technology systems and procedures as noted above. The Risk Committee provides oversight with respect to risk practices implemented by management, except for the oversight of risks that have been specifically delegated to another committee of the Board. Even when the oversight of a specific area of risk has been delegated to another committee, the Risk Committee may maintain oversight over such risks through the receipt of reports from the committee chairs.

The Board maintains oversight over such risks through the receipt of reports from the committee chairs at each regularly scheduled Board meeting.

As part of the risk management process, an annual risk assessment is conducted by management to identify and prioritize the most significant enterprise risks to the Company. This risk assessment is reviewed with the Risk Committee and helps guide the focus and selection of risks that are brought to the Risk Committee for review or covered by the full Board or its other committees. The reviews by the Risk Committee and other committees occur principally through the receipt of reports from management and third parties on applicable areas of risk, and discussions with management and third parties regarding risk assessment and risk management.

At its regularly scheduled meetings, the Board generally receives a number of reports which include information relating to risks faced by the Company. The Company's Chief Financial Officer provides a report on the Company's results of operations, its liquidity position, including an analysis of prospective sources and uses of funds, and the implications to the Company's debt covenants and credit rating, if any. The Company's Chief Legal Officer provides a privileged report which provides information regarding the status of the Company's material litigation and other legal matters, if any, including the Company's continuing compliance with applicable laws and regulations. Further, the Company's business leaders provide information relating to certain strategic, operational and competitive risks. At each regularly scheduled Board meeting, the Board also receives reports from the Chair of the Risk Committee as well as other committee chairs, which may include a discussion of risks initially overseen by the committees for discussion and input from the Board. As noted above, in addition to these regular reports, the Risk Committee receives reports on specific areas of risk, such as regulatory, cyclical or other risks, and reports to the Board on these matters.

CORPORATE GOVERNANCE DOCUMENTS

The Board has adopted the following corporate governance documents:

Document	Purpose/Application
Code of Business Conduct and Ethics	Applies to all of the Company's employees, officers and directors, including those officers responsible for financial reporting.
Code of Ethics for Principal Executive and Senior Financial Officers	Applies to the Company's principal executive officer, principal financial officer, principal accounting officer and such other persons who are designated by the Board.
Corporate Governance Guidelines	Contains general principles regarding the functions of the Board and its committees.
Committee Charters	Apply to the following Board committees, as applicable: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee and Risk Committee.
Lead Independent Director Charter	Sets forth a clear mandate and significant authority and responsibilities for the Lead Independent Director or independent Chairman of the Board.

We expect that any amendment to or waiver of the codes of ethics that apply to executive officers or directors will be disclosed on the Company's website. The foregoing documents are available on our website, www.karglobal.com, by clicking on "Investors" and then the "Governance" tab and in print to any stockholder who requests them. Requests should be made to KAR Auction Services, Inc., Investor Relations, 11299 North Illinois Street, Carmel, Indiana 46032.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal year 2022, each of Messrs. Jacoby, Mackenzie and Mehra and Ms. Galvin served as members of the Compensation Committee. None of our executive officers serve, or in fiscal year 2022 served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board or our Compensation Committee. None of the individuals serving as members of the Compensation Committee during fiscal year 2022 are now or were previously an officer or employee of the Company or its subsidiaries.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD

Any stockholder or other interested parties desiring to communicate with the Board, the Chairman of the Board, a committee of the Board or any of the independent directors individually or as a group regarding the Company may directly contact such directors by delivering such correspondence to the Company's Chief Legal Officer at KAR Auction Services, Inc., 11299 North Illinois Street, Carmel, Indiana 46032. Our Chief Legal Officer reviews all such correspondence and forwards to the applicable director(s) copies of all such applicable correspondence.

The Audit Committee has established procedures for employees, stockholders and others to submit confidential and anonymous reports regarding accounting, internal accounting controls, auditing or any other relevant matters.

DIRECTOR COMPENSATION

We use a combination of cash and stock-based incentive compensation to attract and retain independent, qualified candidates to serve on the Board. The Board makes all director compensation determinations after considering the recommendations of the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee reviews director compensation annually, assisted periodically by an independent compensation consultant (including ClearBridge Compensation Group LLC ("ClearBridge") in October 2018 and February 2023).

In setting director compensation, we consider various factors including market comparison studies and trends, the responsibilities of directors generally, including committee chairs, and the significant amount of time that directors expend in fulfilling their duties. In establishing the non-employee director compensation recommendations, the Nominating and Corporate Governance Committee utilized a balance of cash and equity, with the majority of the compensation delivered through equity grants. Pursuant to the Omnibus Plan, non-employee directors are not eligible to receive aggregate compensation, including equity awards and cash fees, exceeding $750,000 in total value in any calendar year. Directors who also serve as employees of the Company do not receive payment for service as directors. Messrs. Mackenzie and Mehra have each agreed not to receive compensation for their service as directors.

Our current director compensation program became effective in 2019, and was based in part on ClearBridge's October 2018 review of our director compensation program and those of the Company's then current proxy comparator group (which was also used in executive compensation benchmarking). In February 2023, in consultation with ClearBridge and after review of market and current proxy comparator group data, the Nominating and Corporate Governance Committee recommended, and the Board agreed, that the annual stock retainer be increased from $130,000 to $170,000, effective June 2023, and an independent Chairman of the Board cash retainer of $100,000 be implemented, effective April 2023 (upon the Company appointing an independent Chairman of the Board). Except for an increase in the Lead Independent Director retainer (from $30,000 to $37,500) in 2021, there have been no other increases in compensation paid to our directors from those retainer amounts approved in October 2018.

CASH AND STOCK RETAINERS

Non-employee directors who served for the entirety of 2022 were entitled to receive:

Components of Director Compensation Program For 2022 Service	Annual Amount	Form of Payment[(1)]
Annual Cash Retainer[(2)]	$85,000	Cash
Annual Stock Retainer[(3)]	$130,000	Restricted Stock
Lead Independent Director Fee	$37,500	Cash
Audit Committee Chair Fee	$25,000	Cash
Compensation Committee Chair Fee	$20,000	Cash
Nominating and Corporate Governance and Risk Committee Chair Fee	$10,000	Cash
Audit Committee Membership Fee	$7,500	Cash

(1) May elect to receive the annual cash retainer and committee membership fees in shares of our common stock.

(2) One-fourth of the annual cash retainer is paid at the end of each quarter, provided that the director served as a director in such fiscal quarter.

(3) Pursuant to our Policy on Granting Equity Awards, unless specifically provided otherwise by the Compensation Committee or the Board, annual grants for directors are effective on the date of the annual meeting at which the director was elected or re-elected. The annual restricted stock grant vests after one year (i.e., on the anniversary of the annual meeting), and is subject to forfeiture until vested. The number of shares of our common stock received is based on the value of the shares on the date of the restricted stock grant.

Annual cash and stock retainers and any applicable fees described above are prorated for non-employee directors who begin such service on a date other than the date of the Company's annual meeting of stockholders. Directors do not receive fees for attending Board or committee meetings. All of our directors are reimbursed for reasonable expenses incurred in connection with attending Board meetings, committee meetings and director education events.

DIRECTOR DEFERRED COMPENSATION PLAN

Our Board adopted the KAR Auction Services, Inc. Directors Deferred Compensation Plan (the “Director Deferred Compensation Plan”) in December 2009. Pursuant to the terms of the Director Deferred Compensation Plan, each non-employee director may elect to defer the receipt of his or her cash director fees into a pre-tax interest-bearing deferred compensation account, which account accrues interest as described in the Director Deferred Compensation Plan. Amounts under the Director Deferred Compensation Plan may also be invested in the same investment choices as are available under our 401(k) plan. Non-employee directors also may choose to receive all or a portion of their annual stock retainer in the form of a deferred share account that tracks shares of our common stock. The Director Deferred Compensation Plan provides that the amount of cash in a director’s deferred cash account, plus the number of shares of our common stock equal to the number of shares in the director’s deferred share account, will be delivered to a director in installments over a specified period or within 60 days following the date of the director’s departure from the Board, with cash being paid in lieu of any fractional shares.

DIRECTOR STOCK OWNERSHIP AND HOLDING GUIDELINES

The Company’s non-employee directors are subject to the Company’s director stock ownership and holding guidelines. The stock holding guideline requires each non-employee director to hold any shares of the Company’s common stock granted by the Company for at least three years post-vesting while serving as a director, subject to certain exceptions approved by the Nominating and Corporate Governance Committee.

The Company’s stock ownership guideline requires each non-employee director to own a minimum of five times his or her annual cash retainer amount in shares of Company stock. All non-employee directors are in compliance with this stock ownership guideline, except for Ms. Galvin who joined the Board in 2020. These guidelines did not apply to Messrs. Mackenzie and Mehra, who each agreed to waive all non-employee director compensation in 2022.

DIRECTOR COMPENSATION PAID IN 2022

The following table provides information regarding the fiscal 2022 compensation paid to our non-employee directors:

Name	Fees Earned or Paid in Cash(1)	Stock Awards(2)	Total
Carmel Galvin	$105,000	$130,011	$235,011
Mark E. Hill	$95,000	$130,011	$225,011
J. Mark Howell	$102,500	$130,011	$232,511
Stefan Jacoby	$85,032	$130,011	$215,043
Michael T. Kestner	$147,500	$130,011	$277,511
Roy Mackenzie(3)	—	—	—
Sanjeev Mehra(3)	—	—	—
Mary Ellen Smith	$92,541	$130,011	$222,552

(1) The amounts represent the $85,000 annual cash retainer paid to each non-employee director, plus an additional $37,500 paid to the Lead Independent Director, an additional $25,000 paid to the Chair of the Audit Committee, an additional $20,000 paid to the Chair of the Compensation Committee, an additional $10,000 paid to the Chair of the Nominating and Corporate Governance Committee and the Chair of the Risk Committee, and an additional $7,500 paid to members of the Audit Committee (other than the Chair). Mr. Jacoby and Ms. Smith each elected to receive his or her annual cash retainer (and for Ms. Smith, her Audit Committee membership fee) in shares of the Company’s common stock.

(2) The amounts represent the aggregate grant date fair value, computed in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718 ("ASC 718"), of shares of restricted stock awarded to each non-employee director as an annual stock retainer. Each non-employee director who was serving as a director after June 2, 2022, the date of our 2022 annual meeting, received 7,832 shares of restricted stock as an annual stock retainer in June 2022. Pursuant to the Director Deferred Compensation Plan, Messrs. Hill, Howell and Kestner, and Mmes. Galvin and Smith each elected to receive 100% of his or her annual stock retainer in a deferred share account. Please see "Outstanding Director Restricted Stock Awards" below for the aggregate number of stock awards outstanding at fiscal year-end for each non-employee director.

(3) Messrs. Mackenzie and Mehra each agreed to waive all non-employee director compensation in 2022.

Each of Messrs. Hallett and Kelly were not entitled to receive any fees or other compensation for serving as a member of our Board in 2022 because each was employed by the Company.

OUTSTANDING DIRECTOR RESTRICTED STOCK AWARDS

The following table sets forth information regarding the number of unvested or deferred shares of our common stock held by each non-employee director as of December 31, 2022:

Name	Unvested Shares and Dividend Equivalents(1)	Deferred Phantom Shares and Dividend Equivalents(2)
Carmel Galvin	7,832	17,390
Mark E. Hill	7,832	61,773
J. Mark Howell	7,832	30,716
Stefan Jacoby	7,832	17,672
Michael T. Kestner	7,832	47,371
Roy Mackenzie	—	—
Sanjeev Mehra	—	—
Mary Ellen Smith	7,832	7,132

(1) This number represents unvested shares of restricted stock and, for those directors who deferred, unvested phantom stock.

(2) This number represents vested phantom stock and dividend equivalents which are deferred in each director's account pursuant to the Director Deferred Compensation Plan. These shares will be settled for shares of our common stock on a one-for-one basis.

BENEFICIAL OWNERSHIP OF COMPANY STOCK

The following table sets forth certain information with respect to the beneficial ownership of our common stock and Series A Preferred Stock as of April 6, 2023 of: (1) each person or entity who beneficially owns more than 5% of any class of the Company's voting securities; (2) each of our directors, director nominees and named executive officers; and (3) all of our directors, director nominees and executive officers as a group. Beneficial ownership is determined in accordance with the rules of the SEC. To our knowledge, each stockholder will have sole voting and investment power with respect to the shares indicated as beneficially owned, unless otherwise indicated in a footnote to the following table. The percentage calculations below are based on 109,185,902 shares of our common stock and 634,305 shares of Series A Preferred Stock outstanding as of April 6, 2023, rather than the percentages set forth in any stockholder's Schedule 13D or Schedule 13G filing. Unless otherwise indicated in a footnote, the business address of each person is our corporate address, c/o KAR Auction Services, Inc., 11299 North Illinois Street, Carmel, Indiana 46032.

	Common Stock Beneficially Owned		Series A Preferred Stock Beneficially Owned	
Name of Beneficial Owner	**Number of Shares(1)**	**Percent of Class(2)**	**Number of Shares**	**Percent of Class**
5% BENEFICIAL OWNERS				
Ignition Acquisition Holdings LP(3)	—(4)	—(4)	576,645	90.91%
Periphas Kanga Holdings, LP(5)	—(4)	—(4)	57,660	9.09%
BlackRock, Inc.(6)	17,939,836	16.43%		
The Vanguard Group(7)	12,209,230	11.18%		
Burgundy Asset Management Ltd.(8)	8,021,848	7.35%		
Snyder Capital Management, L.P.(9)	5,747,890	5.26%		
Dimensional Fund Advisors LP(10)	5,508,286	5.04%		
NAMED EXECUTIVE OFFICERS, DIRECTORS AND DIRECTOR NOMINEES				
James Coyle(11)	38,322	*		
Thomas J. Fisher	19,581	*		
Carmel Galvin	25,223	*		
James P. Hallett(11)	953,207	*		
John C. Hammer	40,241	*		
Mark E. Hill(12)	118,606	*		
J. Mark Howell	53,848	*		
Stefan Jacoby	36,939	*		
Peter J. Kelly(11)	475,893	*		
Michael T. Kestner	66,125	*		
Eric M. Loughmiller(11)	354,968	*		
Roy Mackenzie(3)	—	—	576,645	90.91%
Sanjeev Mehra(5)	—	—	57,660	9.09%
Mary Ellen Smith	44,275	*		
Sriram Subrahmanyam(11)	89,159	*		
Executive officers, directors and director nominees as a group (21 persons)(13)	2,986,578	2.74%		

* Less than one percent

(1) The number of shares includes shares of our common stock subject to vesting requirements and options exercisable within 60 days of April 6, 2023.

Proxy Statement

(2) Shares subject to options exercisable within 60 days of April 6, 2023 are considered outstanding for the purpose of determining the percent of the class held by the holder of such option, but not for the purpose of computing the percentage held by others.

(3) Based solely on information disclosed in a Schedule 13D filed with the SEC on July 2, 2020, as amended on September 14, 2020, reflects securities beneficially owned by Ignition Acquisition Holdings LP. In this filing, it was disclosed that Ignition Acquisition Holdings GP, LLC, as the general partner of Ignition Acquisition Holdings LP, Ignition Parent LP, as the sole member of Ignition Acquisition Holdings GP, LLC, Ignition GP LLC, as the general partner of Ignition Parent LP, Ignition Topco Ltd, as the sole member of Ignition GP LLC, Apax X GP Co. Limited, as investment manager of the relevant investment vehicles in the fund known as Apax X which is the sole shareholder of Ignition Topco Ltd, and Apax Guernsey (Holdco) PCC Limited Apax X Cell, as the sole parent of Apax X GP Co. Limited, may be deemed to be the beneficial owners having shared voting and investment power with respect to the securities. Based on information provided by the security holder and information disclosed in a Registration Statement on Form S 3 filed with the SEC on February 18, 2021, Apax X GP Co. Limited is controlled by its board of directors that is comprised of the following persons: Simon Cresswell, Andrew Guille, Martin Halusa, Jeremy Latham, Paul Meader and David Staples. The address of Ignition Acquisition Holdings LP, Ignition Acquisition Holdings GP, LLC, Ignition Parent LP and Ignition GP LLC is c/o Apax Partners US, LLC, 601 Lexington Avenue, New York, NY 10022. The address of Ignition Topco Ltd is P.O. Box 656, East Wing, Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3PP, Place of Organization: Guernsey. The address of Apax X GP Co. Limited is Third Floor, Royal Bank Place, 1 Glategny Esplanade, St. Peter Port, Guernsey, GY1 2HJ. Mr. Mackenzie is a partner at Apax and is also our director. Mr. Mackenzie disclaims beneficial ownership of the shares of common stock beneficially owned by Ignition Acquisition Holdings LP.

(4) At the close of business on April 6, 2023, the record date, (i) Ignition Acquisition Holdings LP held in the aggregate voting power equivalent to 32,524,507 shares of our common stock, approximately 22.9% of our common stock on an as converted basis, and (ii) Periphas held in the aggregate voting power equivalent to 3,252,169 shares of our common stock, approximately 2.9% of our common stock on an as converted basis.

(5) Periphas Kanga Holdings GP, LLC as the general partner of Periphas Kanga Holdings, LP, SKM Periphas GP LLC, as the Managing Member of Periphas Kanga Holdings, GP, LLC and Mr. Mehra, as the Manager of SKM Periphas GP LLC, may be deemed to be the beneficial owners having shared voting and investment power with respect to the securities. The principal business address of each of the individuals and entities identified in this paragraph is 667 Madison Avenue, 15th Floor, New York, NY 10065.

(6) Based solely on information disclosed in a Schedule 13G/A filed by BlackRock, Inc. on January 26, 2023. According to this Schedule 13G/A, BlackRock, Inc. has sole voting power with respect to 17,706,989 shares, sole dispositive power with respect to 17,939,836 shares, and no shared voting or dispositive power. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(7) Based solely on information disclosed in a Schedule 13G/A filed by The Vanguard Group on February 9, 2023. According to this Schedule 13G/A, The Vanguard Group has sole voting power with respect to zero shares, sole dispositive power with respect to 11,992,982 shares, shared voting power with respect to 106,113 shares and shared dispositive power with respect to 216,248 shares. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(8) Based solely on information disclosed in a Schedule 13G/A filed by Burgundy Asset Management Ltd. on February 10, 2023. According to this Schedule 13G/A, Burgundy Asset Management Ltd. has sole voting power with respect to 5,246,376 shares, sole dispositive power with respect to 8,021,848 shares, and no shared voting or dispositive power. The address of Burgundy Asset Management Ltd. is 181 Bay Street, Suite 4510, Toronto, Ontario M5J 2T3.

(9) Based solely on information disclosed in a Schedule 13G filed by Snyder Capital Management, L.P. on February 14, 2023. According to this Schedule 13G, Snyder Capital Management, L.P. has shared voting and dispositive power with respect to 5,747,890 shares, and no sole voting or dispositive power. The address of Snyder Capital Management, L.P. is 101 Mission Street, Suite 1400, San Francisco, California 94105.

(10) Based solely on information disclosed in a Schedule 13G filed by Dimensional Fund Advisors LP on February 10, 2023. According to this Schedule 13G, Dimensional Fund Advisors LP has sole voting power with respect to 5,397,769 shares, sole dispositive power with respect to 5,508,286 shares, and no shared voting or dispositive power. The address of Dimensional Fund Advisors LP is 6300 Bee Cave Road, Building One, Austin, Texas 78746.

(11) Includes the following shares of our common stock issuable pursuant to options that are exercisable within 60 days of April 6, 2023: Mr. Coyle, 17,688; Mr. Hallett, 268,273; Mr. Kelly, 147,351; and Mr. Subrahmanyam, 44,206.

(12) Includes 800 shares held in a family member's brokerage account, over which Mr. Hill holds a power of attorney. Mr. Hill disclaims beneficial ownership of these shares.

(13) Includes an aggregate of 611,389 shares of our common stock issuable pursuant to options that are exercisable within 60 days of April 6, 2023. This group includes Brad S. Lakhia, age 50, who has served as the Company's Executive Vice President and Chief Financial Officer since April 17, 2023. Mr. Lakhia was Vice President Finance, Americas of The Goodyear Tire & Rubber Company ("Goodyear") from November 2019 to April 2023. Mr. Lakhia was Vice President, Business Planning & Analysis of Andeavor (formerly Tesoro Corp.) from September 2016 to October 2018 and Vice President, Treasurer and Credit of Andeavor from February 2014 to September 2016. Prior to joining Andeavor, Mr. Lakhia served in accounting, treasury and divisional finance roles with increasing responsibility at Goodyear from October 1996 to February 2014.

PROPOSAL NO. 3:

ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION

PROPOSAL

In accordance with Section 14A of the Exchange Act and related SEC rules, the Company seeks a non-binding advisory vote from its stockholders to approve the compensation of its named executive officers as described in the "Compensation Discussion and Analysis" section beginning on page 27 and the compensation tables that follow such section. The Company currently seeks this non-binding advisory vote from its stockholders annually, pursuant to the results of the stockholders' vote at the Company's 2017 annual meeting of stockholders selecting such frequency. The next "Say on Pay" vote will occur at the Company's 2024 annual meeting of stockholders, subject to the outcome of the advisory vote on the frequency of future "Say on Pay" votes (Proposal No. 4).

At the 2022 annual meeting, approximately ***98%*** of the votes cast were in favor of the advisory vote to approve executive compensation.

Our executive compensation program includes certain "best practices" in governance and executive compensation, including the following:

- Pay for performance: Our 2022 annual incentive program is 100% performance-based and our 2022 annual long-term incentive program is 90% performance-based.
- Independent Compensation Committee: All of the members of our Compensation Committee are independent under NYSE rules.
- Independent compensation consultant: The Compensation Committee retains its own independent compensation consultant to review our executive compensation program and practices.
- Maximum payout caps: The Compensation Committee sets maximum amounts that may be payable for annual cash incentive compensation and PRSUs.
- Clawback policy for financial misconduct: Our clawback policy provides for the recovery and cancellation of an executive officer's incentive compensation in the event we are required to prepare an accounting restatement due to such executive officer's intentional misconduct.
- No excise tax gross-ups: The Company does not provide tax gross-ups with respect to severance or change in control arrangements.
- Double-trigger vesting provisions in equity award agreements: Our equity awards permit accelerated vesting of assumed or replaced equity awards upon a change in control only if an executive experiences a qualifying termination of employment in connection with or following such change in control.
- Robust equity ownership requirements: We have stock ownership guidelines that are applicable to our executive officers. The stock ownership guideline for our CEO is five times his annual base salary.
- Stockholder alignment: We reward performance that meets or exceeds the performance goals that the Compensation Committee establishes with the objective of increasing stockholder value.

In deciding how to vote on this proposal, the Board encourages you to read the "Compensation Discussion and Analysis" section and the compensation tables that follow. Because this vote is advisory, it will not be binding upon the Board; however, the Board and the Compensation Committee value our stockholders' opinions, and the Compensation Committee will take into account the outcome of the advisory vote when considering future executive compensation decisions.

The affirmative vote of the holders of a majority of the shares present and entitled to vote at the 2023 annual meeting is required to approve this proposal.

✓ **The Board of Directors recommends that you vote FOR the advisory vote to approve executive compensation.**

Proxies solicited by the Board of Directors will be voted "FOR" the advisory vote to approve executive compensation unless stockholders specify a contrary vote.

COMPENSATION DISCUSSION AND ANALYSIS

OVERVIEW

The following discussion and analysis of our compensation program for named executive officers should be read in conjunction with the tables and text elsewhere in this proxy statement that describe the compensation awarded and paid to the named executive officers.

Named Executive Officers

Our named executive officers for the last completed fiscal year were (i) the chief executive officer; (ii) the chief financial officer; (iii) each of the three other most highly compensated executive officers who were serving as executive officers at the end of the last completed fiscal year; and (iv) two additional individuals who served as executive officers during a portion of the last completed fiscal year but who were not serving as an executive officer at the end of the last completed fiscal year. Our named executive officers are:

Name	Title*
Peter J. Kelly	Chief Executive Officer
Eric M. Loughmiller	Executive Vice President and Chief Financial Officer
James P. ("Jim") Hallett	Executive Chairman and Chairman of the Board
James P. Coyle	Executive Vice President and Chief Digital Officer
Sriram ("Srisu") Subrahmanyam	President, KAR Services Group and Executive Vice President, Operations
John C. Hammer	Former Chief Commercial Officer for KAR and President of ADESA
Thomas J. ("Tom") Fisher	Former Executive Vice President and Chief Technology Officer

* The titles shown for our named executive officers reflect their position on December 31, 2022. Mr. Loughmiller retired from the Company on December 31, 2022; Mr. Hallett retired from the Company on March 31, 2023; Mr. Hammer separated from the Company on May 9, 2022 in connection with the Company's sale of the ADESA U.S. physical auction business to Carvana; Mr. Fisher separated from the Company on April 7, 2022.

This Compensation Discussion and Analysis is organized into six sections:

2022 Pay For Performance Highlights

- A combination of the Company's Adjusted EBITDA performance (85%) and cost reduction goals (15%) were utilized as performance objectives under our 2022 annual incentive program. In furtherance of our pay-for-performance philosophy, despite unanticipated industry headwinds, the Compensation Committee did not apply any discretion in determining achievement, resulting in payouts at 22.5% of the target award amount.
- Despite the 2020 PRSUs' three-year performance goals being established prior to the onset of the pandemic and related industry headwinds, the Compensation Committee did not adjust the performance goals in commitment to our pay-for-performance philosophy, resulting in the 2020 PRSUs paying out at 0%.
- We continued our heavy focus on performance-based equity awards, with 90% of the target annual long-term incentive awards under the 2022 annual long-term incentive program tied to pre-established financial and stock price performance goals.

These highlights are discussed in more detail below.

IAA Spin-Off

In 2019, we completed the spin-off of our former salvage auction business, IAA, Inc. ("IAA"), to our stockholders, resulting in KAR and IAA being two independent, publicly-traded companies (the "IAA Spin-Off"). In connection with the IAA Spin-Off, KAR stockholders received one share of IAA stock for every one share of KAR stock held as of June 18, 2019. All equity awards outstanding as of the IAA Spin-Off were adjusted to preserve the economic value of the awards in accordance with the Employee Matters Agreement, dated June 27, 2019, between KAR and IAA. Certain adjusted KAR and IAA awards remained outstanding in 2022. The adjusted KAR awards and adjusted IAA awards were generally subject to the same terms and conditions, and continued to vest on the same schedule, except as noted below. For purposes of award vesting, continued employment with KAR is treated as continued employment for both KAR and IAA awards. The following summarizes the applicable adjustments:

- RSUs: Holders of outstanding KAR RSUs retained such KAR RSUs and also received an RSU relating to IAA common stock in respect of each KAR RSU held.
- PRSUs Granted in 2019: Holders of KAR 2019 PRSUs retained such PRSUs and received a PRSU relating to IAA common stock in respect of each KAR PRSU held. The PRSUs were subject to adjusted performance criteria for the period from January 1, 2019, through December 31, 2019, with time-based vesting being applicable through the third anniversary of the applicable grant date for KAR PRSUs (the IAA PRSUs previously vested on December 31, 2021).
- Stock Options: Each KAR stock option was converted into two separate options, an adjusted option to purchase KAR common stock and an option to purchase IAA common stock, with the number and exercise prices of both options adjusted to maintain economic value. A conversion formula based on the pre-spin closing price of KAR and IAA was used to determine the exercise prices of the adjusted options.

ADESA Sale

In May 2022, we completed the sale of the ADESA U.S. physical auction business to Carvana for approximately $2.2 billion in cash (the "ADESA Sale"). The ADESA Sale was a significant and historic milestone in the Company's history, and a transformative transaction for the Company, our employees and our stockholders. As described in more detail below, in connection with the ADESA Sale, the goals for the 2022 annual incentive program and 2022 performance-based restricted stock units, as well as our go-forward proxy comparator group, reflect the exclusion of the operating results of the ADESA U.S. physical auction business.

In addition, in connection with the ADESA Sale, we also granted a one-time Strategic Transformation Award to certain of our named executive officers. This award is separate and apart from the 2022 annual executive compensation program, and is intended to further incentivize our executive team to continue to execute upon the Company's digital transformation and strategy, through enhanced long-term stock price alignment. See page 40 for further information.

2022 BUSINESS HIGHLIGHTS

For the year ended December 31, 2022, the Company continued to advance its digital transformation. Specific highlights for fiscal 2022 included:

Increased total revenue 5%
to **$1.5 billion**
(continuing operations)

Reinforced commitment to digital future with
sale of ADESA U.S.
physical auction business
generating ***$2.2 billion*** of gross proceeds

Completed
consolidation of U.S. dealer-to-dealer marketplaces
and migrated European marketplace technology to a single platform

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Meaningfully reduced cost structure and
surpassed
annual run rate reduction goals

Repaid corporate debt of over
$1.5 billion
and repurchased and retired **12.6 million** shares of common stock

Our Executive Compensation Practices are Aligned with Stockholders' Interests

We maintain a compensation program structured to achieve a close connection between executive pay and Company performance.

WHAT WE DO

✓ ***Pay for performance:*** Our annual incentive program is 100% performance-based and our annual equity incentive program is 90% performance-based.

✓ ***Independent Compensation Committee:*** All of the members of our Compensation Committee are independent under NYSE rules.

✓ ***Independent compensation consultant:*** The Compensation Committee retains its own independent compensation consultant to evaluate and review our executive compensation program and practices.

✓ ***"Double-trigger" equity vesting:*** Accelerated vesting of assumed or replaced equity awards upon a change in control of the Company is only permitted if an executive experiences a qualifying termination of employment in connection with or following such change in control.

✓ ***Robust equity ownership requirements:*** The stock ownership guideline for our CEO is five times his annual base salary, and three times annual base salary for the other named executive officers. Executive officers are required to hold 60% of vested shares, net of taxes, until stock ownership guidelines are met.

✓ ***Maximum payout caps:*** The Compensation Committee sets maximum amounts that may be payable for annual cash incentive compensation and PRSUs.

✓ ***Annual compensation risk assessment:*** Each year we perform an assessment of any risks that could result from our compensation programs and practices.

✓ ***Clawback policy:*** Our clawback policy provides for the recovery and cancellation of incentive compensation of an executive officer in the event we are required to prepare an accounting restatement due to such executive officer's intentional misconduct.

✓ ***Stockholder alignment:*** We reward performance that meets or exceeds the performance goals that the Compensation Committee establishes with the objective of increasing stockholder value.

WHAT WE DON'T DO

✗ ***Pay dividends on unvested equity awards:*** Dividend equivalents and cash are accrued on PRSUs and RSUs, respectively, but are only paid out if, and to the extent that, the underlying PRSUs and RSUs vest.

✗ ***Provide excise tax gross-ups:*** We do not provide "golden parachute" excise tax gross-ups.

✗ ***Provide excessive perquisites:*** We provide a limited number of perquisites that are designed to support a competitive total compensation package.

✗ ***Allow hedging or pledging of the Company's securities:*** We prohibit hedging, pledging and short sales of Company stock by our directors and executive officers.

✗ ***Reprice stock options:*** Stock option exercise prices are set equal to the grant date market price and cannot be repriced or discounted without stockholder approval.

✗ ***Provide pension benefits or supplemental retirement plans:*** We do not maintain a defined benefit pension or supplemental retirement plans for our executive officers.

98%
"Say on Pay" Support in 2022

COMPENSATION PHILOSOPHY AND OBJECTIVES

We design and administer our executive pay programs to help ensure the compensation of our named executive officers is (i) closely aligned with our performance on both a short-term and long-term basis; (ii) linked to specific, measurable results intended to create value for stockholders; and (iii) competitive in attracting and retaining key executive talent. Each of the compensation programs that we have developed and implemented is intended to satisfy one or more of the following specific objectives:

- align the interests of our executive officers with the interests of our stockholders so that our executive officers manage from the perspective of owners with an equity stake in the Company;
- motivate and focus our executive officers through incentive compensation programs directly tied to our business objectives and financial results;
- support a one-company culture and encourage synergies among business units by aligning rewards with long-term, overall Company performance and stockholder value;
- provide a significant percentage of total compensation through variable pay based on pre-established, measurable goals and objectives;
- provide competitive upside opportunity without encouraging excessive risk-taking;
- enhance our ability to attract and retain skilled and experienced executive officers; and
- provide rewards commensurate with performance and with competitive market practices.

While the Company does not target any specific percentile positioning versus the market, the market median is used as a reference point but is not the sole determinant when making compensation decisions. Compensation decisions are made considering a number of factors including experience, retention, sustained performance, specific requirements of roles relative to the market and individual and Company performance.

THE ROLE OF THE COMPENSATION COMMITTEE AND THE EXECUTIVE OFFICERS IN DETERMINING EXECUTIVE COMPENSATION

Role of the Compensation Committee. The Compensation Committee has primary responsibility for all compensation decisions relating to our named executive officers. The Compensation Committee reviews the aggregate level of our executive compensation, as well as the mix of elements used to compensate our named executive officers on an annual basis.

Compensation Committee's Use of Market and Survey Data. Although the Company is comprised of a unique mix of businesses and lacks directly comparable public companies, the Compensation Committee understands that most companies consider pay levels at comparably-sized, peer companies when setting named executive officer compensation levels. With assistance from its independent compensation consultant, ClearBridge, the Compensation Committee has developed a meaningful comparator group for the Company.

In order to confirm competitiveness of compensation, the Compensation Committee uses a combination of proxy compensation data of a "proxy comparator group" and survey data (including surveys published by Willis Tower Watson and Radford) in setting and adjusting compensation levels. The Compensation Committee, with assistance from ClearBridge, annually reviews the composition of our proxy comparator group. As part of such reviews, the Compensation Committee considers specific criteria and recommendations regarding companies to add or remove from the group. In light of the lack of directly comparable companies for the Company's business, as noted above, companies in the proxy comparator group utilized in 2022 were selected based on (i) a focus on service-oriented companies in related industries and business areas as the Company, considering the Company's digital transformation and go-forward strategy; (ii) similarly-sized revenue and market capitalization levels; (iii) comparable profitability and/or market valuation profiles; and (iv) companies with which the Company competes for executive talent. Where possible, the Compensation Committee included companies that are in related or similar industries to the Company, with an additional focus on technology companies that offer online marketplaces and digital intermediary services in light of the Company's digital transformation and go-forward strategy.

The proxy comparator group used from June 2021 to June 2022 (i.e., the group of peer companies used to provide comparable market data for 2022 compensation decisions) consisted of the following 17 companies:

2022 Proxy Comparator Group

Allison Transmission Holdings, Inc.	Etsy, Inc.	LKQ Corporation
CarMax, Inc.	Fair Isaac Corporation	Ritchie Bros. Auctioneers Incorporated
Copart, Inc.	Gentex Corporation	Rush Enterprises, Inc.
CDK Global, Inc.	Grubhub Inc.	TripAdvisor, Inc.
CoStar Group, Inc.	IAA, Inc.	Vroom, Inc.
Equifax Inc.	Lithia Motors, Inc.	

Consistent with the Company's compensation philosophy, the Compensation Committee viewed the proxy comparator group and market data as an important guide, but not as the sole determinant in making its decisions regarding 2022 compensation levels (as discussed below).

In June 2022, the Compensation Committee reviewed the proxy comparator group in light of the ADESA Sale and, based on the recommendation of ClearBridge, approved a revised proxy comparator group consisting of the following 16 companies:

Revised 2023 Proxy Comparator Group

ACV Auctions Inc.	CoStar Group, Inc.	IAA, Inc.
CarGurus, Inc.	Equifax Inc.	Ritchie Bros. Auctioneers Incorporated
CarMax, Inc.	Etsy, Inc.	Rush Enterprises, Inc.
Cars.com Inc.	Fair Isaac Corporation	TripAdvisor, Inc.
Carvana Co.	Gentex Corporation	Vroom, Inc.
Copart, Inc.		

Companies in the revised proxy comparator group were generally selected based on the same criteria as the prior proxy comparator group, but with an additional focus on the Company's revenue and market capitalization levels following the ADESA Sale to ensure the comparator group used for 2023 compensation decisions is aligned with the Company's go-forward posture.

Role of the Independent Compensation Consultant. The Compensation Committee continued to use ClearBridge as its independent compensation consultant in 2022. ClearBridge provided the Compensation Committee advice and guidance with respect to (i) the assessment of the Company's executive compensation programs and practices; (ii) the evaluation of annual and long-term incentive compensation plan design and practices; (iii) the selection of a proxy comparator group; and (iv) the competitiveness of the executive officers' elements of compensation. ClearBridge regularly attends Compensation Committee meetings and attends executive sessions as requested by the Chair of the Compensation Committee. The Compensation Committee has reviewed the independence of ClearBridge in light of SEC rules and NYSE listing standards regarding compensation consultants and has concluded that the work of ClearBridge for the Compensation Committee does not raise any conflict of interest. All work performed by ClearBridge is and was subject to review and approval of the Compensation Committee.

Role of Executive Officers. Our Chief Executive Officer regularly participates in meetings of the Compensation Committee at which compensation actions involving our named executive officers are discussed (recusing himself and not participating in portions of meetings where his compensation is discussed). Our Chief Executive Officer assists the Compensation Committee by making recommendations regarding compensation actions for the executive officers other than himself.

ELEMENTS USED TO ACHIEVE COMPENSATION PHILOSOPHY AND OBJECTIVES

Elements of 2022 Executive Compensation Program Design

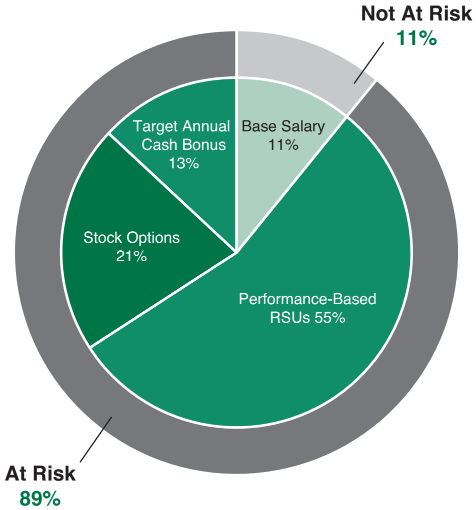
The following table lists the elements of compensation for our 2022 annual executive compensation program. The program uses a mix of fixed and variable compensation elements and provides alignment with both short- and long-term business goals through annual and long-term incentives. Our incentives are designed to drive overall corporate performance and business strategies that correlate to stockholder value and align with our strategic vision. In order to confirm competitiveness of compensation, the Compensation Committee reviews survey data and proxy compensation data of our proxy comparator group.

	Element	Key Characteristics	Why We Pay This Element	How We Determine Amount	2022 Decisions
Fixed	**Base salary**	Fixed compensation component payable in cash. Reviewed annually and adjusted when appropriate.	Attract and retain skilled and experienced executives. Compensate for performance of daily job responsibilities.	Base salaries are based on individual performance, experience, skills, job scope, tenure, review of competitive pay practices and base salary as a percentage of total compensation.	Three named executive officers received a salary increase in 2022. See page 35.
Variable	**Annual cash incentive awards**	Variable compensation component payable in cash based on performance against annually established targets.	Motivate and reward for the successful achievement of pre-determined performance objectives aligned with our key annual objectives.	Award opportunities are based on individual performance, experience, job scope and review of competitive pay practices. Target annual incentive amount is set as a percentage of base salary.	Actual award payouts were based on a combination of the achievement of Adjusted EBITDA (85%) and cost reduction goals (15%). KAR's Adjusted EBITDA performance and the Company's performance against its cost reduction goals resulted in a payout of 22.5% of the target award for each named executive officer (except for Messrs. Coyle and Hammer; see page 38).
	Performance-based restricted stock units (PRSUs)	PRSUs vest at the end of a three-year performance period.	Motivate and reward executives for performance on key long-term measures. Align the interests of executives with long-term stockholder value.	Award opportunities are based on individual's ability to impact future results, job scope, individual performance and review of competitive pay practices. PRSU awards generally made up approximately 50% of the value of the aggregate long term incentives under the 2022 executive compensation program (and 100% of the value actually granted to named executive officers in 2022).	The Compensation Committee granted PRSUs to all of the named executive officers in 2022. See page 39. 2022 PRSU awards are earned based on three-year Cumulative Adjusted EBITDA performance through December 31, 2024.
	Performance-based stock options *The performance-based hurdles require achieving and maintaining a minimum stock price appreciation threshold as an additional vesting condition.*	Become eligible to vest and become exercisable in 25% increments, each upon the later to occur of (i) the first four anniversaries of the grant date, respectively, and (ii) the attainment of a closing price of the Company's common stock at or above, for each respective 25% increment, \$5, \$10, \$15, and \$20 over the exercise price, for twenty consecutive trading days.	Align the interests of executives with long term stockholder value; further incentivizes our executives to drive long-term stockholder value creation; no options will vest and become exercisable without achievement of pre-established performance goals.	Award opportunities are based on individual performance, experience, job scope and review of competitive pay practices. Performance-based stock options made up 40% of the value of the aggregate long term incentives granted to named executives in 2021 to apply to the 2022 executive compensation program.	The Compensation Committee granted performance-based stock options to all of the named executive officers in 2021, which covered stock option grants that would have otherwise been granted in 2022. Therefore no additional stock options were granted in 2022. To-date, no performance-based hurdles have been achieved and therefore the stock options remain unvested and unexercisable. See pages 38-39.
	Time-based stock options	Vest and become exercisable in equal installments on each of the first four anniversaries of the grant date.	Incentivizes performance by linking realized compensation over long-term appreciation in stock price.	Award opportunities are based on individual performance, experience, job scope and review of competitive pay practices. Time-based stock options made up 10% of the value of the aggregate long term incentives granted to named executives in 2021 to apply to the 2022 executive compensation program.	The Compensation Committee granted time-based stock options to all of the named executive officers in 2021, which covered stock options that would have otherwise been granted in 2022. Therefore no additional stock options were granted in 2022. See pages 38-39.

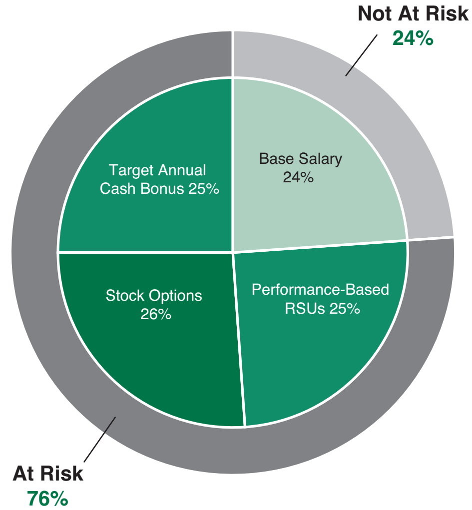
Compensation Structure and Goal Setting

Our executive compensation program is designed to deliver compensation in accordance with our performance, with a large percentage of the compensation at risk through long-term equity awards and annual cash incentive awards. These awards are linked to actual performance, consistent with our belief that a significant amount of executive compensation should be in the form of equity and that a greater percentage of compensation should be tied to performance for executives who bear higher levels of responsibility for our performance. The mix of target direct compensation under our 2022 executive compensation program for our CEO and the average of our other named executive officers is shown in the charts below. Approximately 89% of our CEO's total target compensation, and approximately 76% of the average total target compensation of our other named executive officers, is at-risk.

CEO Target Compensation



Other Named Executive Officer Average Target Compensation



* To better represent target annual compensation under our 2022 executive compensation program, these charts (i) annualize target compensation for named executive officers who only served for a portion of 2022, (ii) include the performance- and time-based stock options granted to the named executive officers in 2021 intended to cover stock option grants that would otherwise be made in 2022, and (iii) exclude Mr. Coyle's special sign-on award and the Strategic Transformation Award made to certain named executive officers.

Base Salary

General. Annual salary levels for our named executive officers are based upon various factors, including the amount and relative percentage of total compensation that is derived from base salary, individual performance, current roles and responsibilities, skills, experience and job scope. In view of the wide variety of factors considered by the Compensation Committee in connection with determining the base salary of each of our named executive officers, the Compensation Committee has not attempted to rank or otherwise assign relative weights to the factors that it considers. A description of how these factors were applied in 2022 is described below.

Base Salaries for 2022. In late 2021 and the first quarter of 2022, the Compensation Committee reviewed the base salaries of each of our named executive officers for 2022. After considering multiple factors as noted above, the following base salaries were approved for 2022:

Name	Base Salary	% Change	Effective Date
Peter Kelly	$773,000	3%	March 20, 2022
Eric Loughmiller	$550,000	0%	N/A
Jim Hallett	$725,000	0%	N/A
James Coyle	$500,000	0%	N/A
Srisu Subrahmanyam	$468,000	4%	March 20, 2022
John Hammer	$572,000	4%	March 20, 2022
Tom Fisher	$450,000	0%	N/A

As discussed above, in order to confirm competitiveness of compensation, the Compensation Committee reviews survey data and proxy compensation data of our proxy comparator group. The Compensation Committee approved base salary increases for Messrs. Hammer, Kelly and Subrahmanyam to align with market competitive practice. The Compensation Committee did not approve 2022 base salary adjustments for Messrs. Coyle, Fisher, Hallett or Loughmiller because the Compensation Committee determined that their base salaries were already set at competitive levels.

Base Salaries for 2023. In late 2022 and the first quarter of 2023, the Compensation Committee reviewed the base salaries of each of our named executive officers for 2023. After considering multiple factors as noted above, the Compensation Committee approved the following base salaries for 2023:

Name	Base Salary	% Change	Effective Date
Peter Kelly	$773,000	0%	N/A
Eric Loughmiller	N/A	N/A	N/A
Jim Hallett	$725,000	0%	N/A
James Coyle	$520,000	4%	March 19, 2023
Srisu Subrahmanyam	$468,000	0%	N/A
John Hammer	N/A	N/A	N/A
Tom Fisher	N/A	N/A	N/A

The Compensation Committee approved a base salary increase for Mr. Coyle to align with market competitive practice. The Compensation Committee did not approve 2023 base salary adjustments for Messrs. Kelly, Hallett and Subrahmanyam because the Compensation Committee determined that their base salaries were already set at competitive levels. Messrs. Fisher, Hammer and Loughmiller were not employed in 2023. As discussed above, in order to confirm competitiveness of compensation, the Compensation Committee reviews survey data and proxy compensation data of our proxy comparator group.

Annual Cash Incentive Program

General. Under the KAR Auction Services, Inc. Annual Incentive Program (the “Annual Incentive Program”), which is part of the KAR Auction Services, Inc. Amended and Restated 2009 Omnibus Stock and Incentive Plan (the “Omnibus Plan”), the grant of cash-based awards to eligible participants is contingent upon the achievement of certain pre-established performance goals as determined by the Compensation Committee. The Annual Incentive Program is designed so that a significant proportion of our named executive officers’ annual cash compensation is variable and directly tied to key performance goals.

2022 ANNUAL INCENTIVE PROGRAM

As described below, the 2022 Annual Incentive Program was tied 100% to pre-established, objective performance metrics, specifically a combination of the Company’s Adjusted EBITDA performance (85%) and cost reduction goals (15%).

Use of 2022 Adjusted EBITDA

In 2022, the Compensation Committee used "2022 Adjusted EBITDA" of the Company as the relevant financial performance metric for determining awards under the Annual Incentive Program. For the named executive officers, 85% of the award's total payout was weighted on achievement of 2022 Adjusted EBITDA.

"*Adjusted EBITDA*" is equal to EBITDA (earnings before interest expense, income taxes, depreciation and amortization) adjusted to exclude, among other things: gains and losses from asset sales; unrealized foreign currency translation gains and losses in respect of indebtedness; certain non-recurring gains and losses; stock based compensation expense; certain other non-cash amounts included in the determination of net income; charges and revenue reductions resulting from purchase accounting; minority interest; consulting expenses incurred for cost reduction, operating restructuring and business improvement efforts; expenses realized upon the termination of employees and the termination or cancellation of leases, software licenses or other contracts in connection with the operational restructuring and business improvement efforts; expenses incurred in connection with permitted acquisitions; any impairment charges or write-offs of intangibles; and any extraordinary, unusual or non-recurring charges, expenses or losses.

Use of 2022 Annual Cost Reduction

In 2022, given the strategic importance of reducing the Company's cost structure to reflect a more asset-light digital operating model, the Compensation Committee utilized cost reduction goals in the Annual Incentive Program. For the named executive officers, 15% of the award's total payout was weighted on achievement of annualized cost reduction run-rate goals ("2022 Annual Cost Reduction").

Annual Incentive Opportunity

In 2022, each of our named executive officers was initially eligible to earn a cash-based incentive award under the Annual Incentive Program. The Compensation Committee establishes, on an annual basis, specific targets that determine the size of payouts under the Annual Incentive Program. In 2022, the annual incentive opportunity based on achievement of 2022 Adjusted EBITDA and 2022 Annual Cost Reduction for each named executive officer was as follows:

		Bonus Opportunity			Bonus Goal Weighting %	
Name	Base Salary	Threshold % of Base Salary	Target % of Base Salary	Superior % of Base Salary	2022 Adjusted EBITDA	2022 Annual Cost Reduction
Peter Kelly(1)	$768,085	62.5	125	187.5	85	15
Eric Loughmiller	$550,000	50	100	150	85	15
Jim Hallett	$725,000	50	100	150	85	15
James Coyle(2)	$500,000	50	100	150	85	15
Srisu Subrahmanyam(1)	$464,153	50	100	150	85	15
John Hammer(1)	$567,299	50	100	150	85	15
Tom Fisher	$450,000	50	100	150	85	15

(1) The base salaries of Messrs. Hammer, Kelly and Subrahmanyam were increased from $550,000 to $572,000, $750,000 to $773,000 and $450,000 to $468,000, respectively, as of March 20, 2022, and the base salaries shown in the table reflect the prorated, blended base salaries applied to the respective awards.

(2) In connection with Mr. Coyle's initial hiring in October 2021, to transition Mr. Coyle to our annual incentive program and address forfeited compensation from his previous employer, Mr. Coyle's 2022 annual incentive award was to be paid out at not less than $400,000.

Performance Targets

The Compensation Committee reviews the Company's business plan approved by the Board and determines the level of performance required to receive threshold, target and superior annual incentive payouts. The Compensation Committee established the performance objectives in amounts which it believed would increase stockholder value and be achievable given sustained performance on the part of the named executive officers and which would require increasingly greater results to achieve the target and superior objectives. Consistent with the terms of the Omnibus Plan, the Compensation Committee may adjust performance goals to reflect unforeseen, unusual or extraordinary events or circumstances. Despite the unanticipated industry headwinds in 2022, the Compensation Committee did not increase or decrease the targets or potential payouts of the 2022 annual incentive program awards. In accordance with the terms of the Omnibus Plan and the Annual Incentive Program and as contemplated by the Compensation Committee at the time of establishing the performance targets, in June 2022, following the ADESA Sale, the Compensation Committee reviewed the performance targets and determined that it was appropriate to exclude the operating results of the ADESA U.S. physical auction business.

Following the ADESA Sale, the following targets applied for the 2022 annual incentive program:

		2022 Targets			Performance Leverage (% of Target Goal)			Payout Leverage (% of Target Payout)		
	Weighting	Threshold	Target	Superior	Threshold	Target	Superior	Threshold	Target	Superior
2022 Adjusted EBITDA	85%	$265	$290	$315	91%	100%	109%	50%	100%	150%
2022 Annual Cost Reduction	15%	($25)	($30)	($40)	83%	100%	133%	50%	100%	150%

($ in millions)

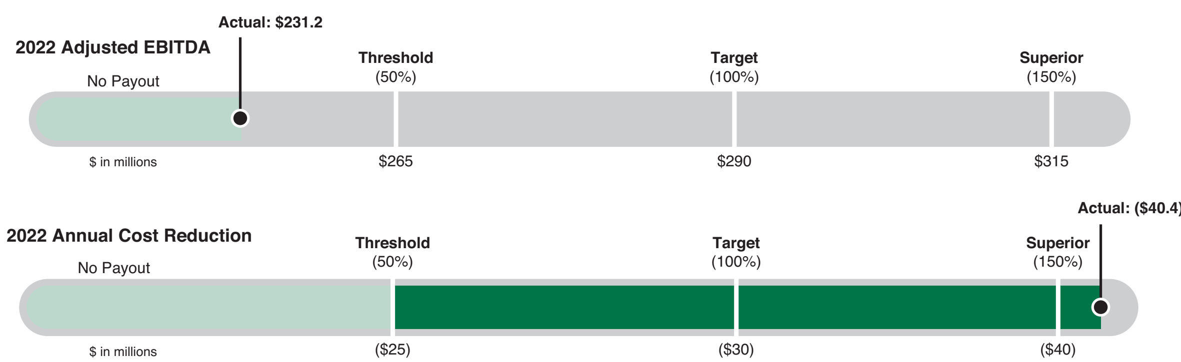
2022 Annual Incentive Program Payouts

The actual annual incentive award earned by named executive officers for 2022 was determined by the Company's achievement of the Adjusted EBITDA and 2022 Cost Reduction performance goals, as determined by the Compensation Committee.

Target Annual Incentive Award x (**Adjusted EBITDA Performance (85%)** + **Annual Cost Reduction Performance (15%)**) = **Actual Annual Incentive Award**

Under the Annual Incentive Program, threshold performance objectives must be met in order for a payout to occur. Payouts can range from 50% of target awards for performance at threshold, up to a maximum of 150% of target awards for superior performance, or no payout if performance is below threshold. KAR achieved at least threshold level of Cost Reduction performance in 2022, which resulted in our named executive officers being eligible to receive an award under the Annual Incentive Program in 2022. The actual amounts received are set forth in the "Summary Compensation Table for 2022" on page 47.

The following chart provides the actual level of Adjusted EBITDA and Annual Cost Reduction performance achieved in 2022.



Based on the Company's performance during 2022 and the accompanying payout percentages for the different performance goals set forth above, our named executive officers earned the percentages and corresponding payout amounts of their target annual incentive awards as set forth below:

	Target	Actual			
Name	Target Annual Incentive Award(1)	% of Adjusted EBITDA Target Award Earned (85% Weighting)	% of Cost Reduction Target Award Earned (15% Weighting)	% of Total Target Award Earned	2022 Payout (Actual Annual Incentive Award)(2)
Peter Kelly	$960,106	0%	150%	22.5%	$216,024
Eric Loughmiller	$550,000	0%	150%	22.5%	$123,750
Jim Hallett	$725,000	0%	150%	22.5%	$163,125
James Coyle	$500,000	0%	150%	22.5%	$400,000
Srisu Subrahmanyam	$464,153	0%	150%	22.5%	$104,435
John Hammer	—	—	—	—	—
Tom Fisher	$118,356	0%	150%	22.5%	$26,630

(1) The target annual incentive award for Messrs. Kelly and Subrahmanyam reflect the mid-year base salary adjustments described on page 35. Mr. Fisher's annual incentive award opportunity was prorated based on his April 7, 2022 separation date. Mr. Hammer was not eligible for an incentive award payout due to his separation of employment in connection with the ADESA Sale (in connection with the ADESA Sale, the Company was required to pay a prorated portion of outstanding annual cash bonus opportunities to transferring employees at closing, including $195,890 to Mr. Hammer as set forth in the "Summary Compensation Table for 2022" on page 47).

(2) In connection with Mr. Coyle's initial hiring in October 2021, to transition Mr. Coyle to our annual incentive program and address forfeited compensation from his previous employer, Mr. Coyle's 2022 annual incentive award was to be paid out at not less than $400,000.

2023 ANNUAL INCENTIVE PROGRAM

In the first quarter of 2023, the Compensation Committee approved the performance objectives for our 2023 Annual Incentive Program. For 2023, the bonus opportunity for each named executive officer will be weighted on a combination of the Company's Adjusted EBITDA performance (80%) and certain cost reduction objectives (20%).

Long-Term Incentive Opportunities

To further align our named executive officers' interests with those of our stockholders, the Company provides long-term incentive compensation opportunities under the Omnibus Plan, as described below.

Omnibus Plan. The Company currently grants long-term incentive awards under the Omnibus Plan. Our Board adopted the Omnibus Plan on December 10, 2009, and it has since been amended and restated, as approved by our stockholders. Under the Omnibus Plan, participants are eligible to receive stock options, restricted stock, RSUs (with or without performance conditions), stock appreciation rights, other stock-based awards and/or cash-based awards, each as determined by the Compensation Committee.

2021–2024 Long-Term Incentive Program Framework

In February 2021, the Compensation Committee approved changes to the components of our long-term incentive program, which is intended to apply for the 2021–2024 compensation periods. In prior years (2015–2020), named executive officers had been granted long-term incentive awards on an annual basis in the form of PRSUs and RSUs, allocated such that 75% of the value was in the form of PRSUs and 25% of the value was in the form of RSUs. In connection with the Company's digital transformation and go-forward strategy, in 2021 the Compensation Committee approved changes to the structure of our long-term incentive program, including the elimination of RSUs and the introduction of performance- and time-based stock options, as described below.

In 2021, the Compensation Committee granted named executive officers who were not retirement-eligible additional performance-based stock options and time-based stock options, intended to cover stock option grants that would otherwise be made in 2022, 2023 and 2024 (i.e., 50% of the grant value attributed to those years), and, for retirement-eligible named executive officers, additional performance-based stock options and time-based stock options intended to cover grants that would otherwise be made in 2022. As a result of the 2021 grants, in 2022 and 2023 the Compensation Committee only granted PRSUs to our named executive officers as part of the annual executive compensation program, with a target value equal to 50% of the long-term incentive grant value that our named executive officers would otherwise receive, and the Compensation Committee intends to do the same in 2024 (with any increases in target long-term incentive opportunities being provided in the form of PRSUs).

The Compensation Committee approved these stock option grants attributable to future years (i.e., 2022, 2023 and 2024), of which 80% are tied to stock price vesting hurdles, to motivate executives to achieve the Company's go-forward business strategy, including our digital transformation; further align the executives' interests with stockholders; reward the executive management team for meaningful stock price growth above the grant date stock price; and enhance the retentiveness of the compensation program in a highly competitive market environment for talent. The stock price vesting hurdles for the performance-based stock options were set at levels that require significant growth, and, as of the date hereof, no performance-based hurdles have been achieved and all performance-based stock options remain unvested and unexercisable, which ensures our executives continue to remain highly-incentivized to achieve the performance goals.

The outstanding performance-based stock options, as well as the outstanding 2021, 2022 and 2023 PRSU awards, continue to align executives' interests with those of our stockholders. Executives remain highly motivated to achieve the performance goals under the 2021−2024 long-term incentive program framework, which will drive long-term stockholder value creation.

2022 LONG-TERM INCENTIVE AWARDS

On February 28, 2022, the Compensation Committee granted PRSUs to the Company's named executive officers, as described in the table below. Awards were based on the individual's ability to impact future results, job scope, individual performance, and a review of competitive pay practices. The aggregate target award value for each named executive officer took into account that the stock options attributable to the 2022 program were granted in 2021 (and, for Mr. Kelly, an increase in his annual target long-term incentive opportunity in 2022 to further align his total target compensation opportunity with market competitiveness).

Name	Target PRSUs (Cumulative Adjusted EBITDA Goal)	Value of Target PRSUs at Grant
Peter Kelly	216,685	$4,000,005
Eric Loughmiller	37,243	$687,506
Jim Hallett	67,714	$1,250,000
James Coyle	20,315	$375,015
Srisu Subrahmanyam	24,378	$450,018
John Hammer	27,086	$500,008
Tom Fisher	13,543	$250,004

2022 Performance-Based RSU Awards

The PRSUs were initially to vest if and to the extent that the sum of the Company's "Cumulative Operating Adjusted Net Income Per Share" exceeds certain levels over the three-year measurement period beginning on January 1, 2022 and ending on December 31, 2024. In June 2022, following the ADESA Sale, the Compensation Committee adjusted the performance targets in light of the exclusion of the operating results of the ADESA U.S. physical auction business. Following such adjustments, the PRSUs will vest if and to the extent that the sum of the Company's "Cumulative Adjusted EBITDA" exceeds certain levels over the three-year measurement period beginning on January 1, 2022 and ending on December 31, 2024.

"*Cumulative Adjusted EBITDA*" is defined as the sum of the Company's Adjusted EBITDA for the three fiscal years in the measurement period. "Adjusted EBITDA" for a fiscal year is equal to the Company's consolidated earnings before interest expense, income taxes, depreciation and amortization, as adjusted, calculated and reported in the Company's annual earnings release and Form 10-K. Adjusted EBITDA may be further adjusted at the

Compensation Committee's discretion to exclude the impact of unplanned transactions or events, including but not limited to excluding the impact of acquisitions in the year of acquisition.

The amount of the target PRSUs actually earned and paid in shares of common stock in a lump sum following the performance period will be: 0% for below threshold performance, 50% for threshold performance, 100% for target performance and up to 200% for achieving the maximum performance level or higher. Linear interpolation will be used to calculate the percentage of PRSUs earned and paid if performance falls between the levels described above (and no PRSUs will be earned for performance below threshold performance).

Strategic Transformation Award Granted to Certain Named Executive Officers in 2022

On December 9, 2022, a one-time RSU grant (the "Strategic Transformation Award") was made to certain key leaders to (i) recognize the significance of the successful completion of the ADESA Sale, (ii) incentivize key leaders to execute an effective separation of the ADESA U.S. business and drive the related transition and commercial efforts, and (iii) stabilize, motivate and retain key leaders to ensure continuity as the Company accelerates its digital transformation post-ADESA Sale.

The ADESA Sale was significant and transformative for the Company, rapidly accelerating its digital marketplace strategy. The organizational changes resulting from the rapid transition to a leaner, asset-light digital operating model were substantial. Successfully navigating this initial transitional period is critical to the Company's long-term strategy, and continuity of executive leadership is essential to these efforts.

The Compensation Committee believes it is in the best interests the Company and its stockholders to promote and support the continued engagement of executive leadership as they continue to drive historic change for the Company, and to recognize the ongoing efforts of executive leadership in navigating the challenges posed by the pandemic and unprecedented industry headwinds. The Compensation Committee, after consultation with ClearBridge, believes that making the Strategic Transformation Award achieves this purpose. The Compensation Committee recognizes that one-time awards should only be utilized in extraordinary circumstances and, after meaningful deliberation and consultation with ClearBridge, concluded that these transformational awards were in the best interests of the Company and its stockholders.

The Compensation Committee elected to grant these transformational awards as RSUs in order to provide direct alignment with stockholder interests in both up and down markets, thereby aligning management's rewards with the success of the go-forward digital transformation post-ADESA Sale. These RSUs support the critical need to ensure continuity of the executive team as they lead the Company through the separation and transformation efforts following the ADESA Sale. In addition, our executives continue to remain highly-incentivized to achieve the performance goals as set forth in the 2021-2024 long-term incentive program framework (as the program is comprised of 90% performance-based awards). The performance-based stock options, as well as the 2021, 2022 and 2023 PRSU awards, continue to remain outstanding, closely aligning executives' interests with those of our stockholders.

Name	RSUs	Value of RSUs at Grant
Peter Kelly	150,000	$2,005,500
Eric Loughmiller	100,000	$1,337,000
Jim Hallett	150,000	$2,005,500
James Coyle	60,000	$802,200
Srisu Subrahmanyam	60,000	$802,200

One-third of the RSUs will vest and convert into shares of common stock of the Company on each of the first three anniversaries of the ADESA Sale (i.e., May 9, 2023, May 9, 2024, and May 9, 2025), subject to continued employment with the Company through each such vesting date. This one-time, non-recurring award is not part of the 2022 annual executive compensation program described on page 33.

PRIOR YEARS' LONG-TERM INCENTIVE AWARDS

2021 Performance-Based RSU, Performance-Based Stock Option, and Time-Based Stock Option Awards

As previously disclosed, on March 4, 2021 (but on November 5, 2021 for Mr. Coyle), the Compensation Committee granted PRSUs and performance- and time-based stock options to the Company's named executive officers, some of which remained outstanding at fiscal year-end 2022. The amounts of PRSUs and performance- and time-based stock options that remain outstanding are disclosed in the "Outstanding Equity Awards" table below.

The PRSU awards have terms substantially similar to those granted in 2022 (except utilizing the Company's "Cumulative Operating Adjusted Net Income Per Share" as the performance measure). The performance-based stock options will become eligible to vest and become exercisable in 25% increments, each upon the later to occur of (i) the first four anniversaries of the grant date, respectively, and (ii) the attainment of a closing price of the Company's common stock at or above, for each respective 25% increment, $5, $10, $15, and $20 over the exercise price, for twenty consecutive trading days. The time-based stock options will vest and become exercisable in equal installments on each of the first four anniversaries of the grant date, subject to the named executive officer's continued employment with the Company through each such anniversary. For the year ended December 31, 2022, a portion of the time-based stock options had vested, as reflected in the "Outstanding Equity Awards" table below.

2020 Performance-Based and Time-Based RSU Awards

As previously disclosed, on February 21, 2020, the Compensation Committee granted PRSUs and RSUs to the Company's named executive officers, some of which remained outstanding at fiscal year-end 2022. The PRSU awards have terms substantially similar to those granted in 2021, and the RSU awards vest and convert into shares of common stock of the Company in one-third increments on each of the first three anniversaries of the grant date, subject to the named executive officer's continued employment with the Company through each such anniversary. For the year ended December 31, 2022, two-thirds of the RSUs had vested, as disclosed in the "Option Exercises and Stock Vested" table below.

The number of PRSUs that were eligible to vest based on Cumulative Operating Adjusted Net Income Per Share achieved was determined in accordance with the chart below:

Cumulative Operating Adjusted Net Income Per Share During the Measurement Period	Number of PRSUs Vesting
Below Threshold:	
Below $4.32	0% of Target
Threshold:	
$4.32	50% of Target
Target:	
$4.67	100% of Target
Maximum:	
Greater than or equal to $5.14	200% of Target

The Company achieved Cumulative Operating Adjusted Net Income Per Share of $3.58 over the three-year performance period ended December 31, 2022, which was below the threshold level of performance necessary for any payout. As such, on February 7, 2023, based on the Cumulative Operating Adjusted Net Income Per Share achieved, 0% of the PRSUs vested.

2019 Performance-Based and Time-Based RSU Awards

As previously disclosed, on February 22, 2019 (and for Mr. Hammer, again on March 1, 2019), the Compensation Committee granted PRSUs and RSUs to the Company's named executive officers, with the PRSUs being converted into time-based RSUs following the adjusted performance period from January 1, 2019 to December 31, 2019. The PRSUs that converted to RSUs and the final one-third of the RSUs granted in 2019 each vested in 2022, as disclosed in the "Option Exercises and Stock Vested" table below.

Retirement, Health and Welfare Benefits

We offer a variety of health and welfare and retirement programs to all eligible employees, including our named executive officers. As with all Company employees, our named executive officers are eligible to receive 401(k) employer matching contributions equal to 100% of the first 4% of compensation contributed by the named executive officer (subject to limits set by the Internal Revenue Service). The health and welfare programs are intended to protect employees against catastrophic loss and encourage a healthy lifestyle. Our health and welfare programs include medical, dental, vision, pharmacy, life, disability and accidental death and disability insurance. We also provide travel insurance to all employees who travel for business purposes.

We provide certain enhanced retirement vesting of equity-incentive awards as described in "Potential Payments Upon Termination or Change in Control—Potential Payments Upon Termination or Change in Control Table".

Perquisites

The Company provides the named executive officers a limited number of perquisites that the Compensation Committee believes are reasonable and consistent with the objective of attracting and retaining highly qualified executives. The perquisites which are currently available to certain of our named executive officers include an automobile allowance or use of a Company-owned automobile, an allowance for executive physicals, Company-paid group term life insurance premiums and relocation benefits under the Company's mobility program. Please see footnote 6 to the "Summary Compensation Table for 2022" on page 47 for more information regarding perquisites.

Employment and Severance Agreements

The Compensation Committee recognizes that, from time to time, it is appropriate to enter into agreements with our executive officers to ensure that we continue to retain their services and to promote stability and continuity within the Company. All of our named executive officers have an employment agreement with the Company. A description of these agreements can be found in the section titled "Potential Payments Upon Termination or Change in Control—Employment Agreements with Named Executive Officers."

Tax and Accounting Considerations

Employment Agreements. Section 280G of the Internal Revenue Code of 1986, as amended (the "Code") and related provisions impose substantial excise taxes under Section 4999 of the Code on so-called "excess parachute payments" payable to certain named executive officers upon a change in control and results in the loss of the compensation deduction for such payments by the Company. None of the employment agreements entered into with named executive officers contain excise tax gross-up provisions.

Tax Deductibility of Awards Under the Omnibus Plan. Section 162(m) of the Code ("Section 162(m)") generally disallows a federal tax deduction by the Company for compensation paid to Covered Employees (as defined in Section 162(m)) in excess of $1,000,000. Though tax deductibility is one of many factors considered by the Compensation Committee when determining executive compensation, the Compensation Committee may make decisions in designing and approving pay programs that are not driven by tax consequences to the Company.

Accounting for Stock-Based Compensation. We account for stock-based compensation in accordance with the requirements of ASC 718.

Clawback Policy for Financial Restatements. The Company's clawback policy provides for the recovery of incentive compensation in the event the Company is required to prepare an accounting restatement due to any current or former executive officer's intentional misconduct. In such an event, the executive officer would be required to repay to the Company the excess amount of incentive compensation received under the inaccurate financial statement. The Company intends to revise this policy as needed to comply with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act when such requirements become effective.

Anti-Hedging and Anti-Pledging Policies

Our insider trading policy expressly prohibits our directors, officers and other employees from, among other things:

- trading in options, warrants, puts and calls or similar instruments on Company securities;
- selling Company securities "short";
- holding Company securities in margin accounts; and
- pledging Company securities as collateral for loans.

In addition to the Company's insider trading policy, the Company has a formal anti-hedging policy. This policy prohibits our officers and directors from entering into hedging or monetization transactions involving Company stock, such as prepaid variable forward contracts, equity swaps, collars and exchange funds.

Stock Ownership Guidelines and Stock Holding Requirement

The Compensation Committee adopted the following stock ownership guidelines which are applicable to our named executive officers:

Title	Stock Ownership Guideline
CEO	5 times annual base salary
Other Named Executive Officers	3 times annual base salary

The named executive officers must hold 60% of the vested shares, net of taxes, of Company stock received under awards granted on or after January 1, 2015 until the applicable ownership guideline is met. All named executive officers own shares in excess of the stock ownership guidelines, except for Mr. Coyle who became an employee of the Company in 2021 and Mr. Subrahmanyam who became an executive officer of the Company in 2022, who are each subject to the aforementioned holding requirement.

RESULTS OF SAY ON PAY VOTES AT 2022 ANNUAL MEETING

At the Company's 2022 annual meeting of stockholders, the Company held a non-binding stockholder vote on executive compensation (commonly referred to as "Say on Pay"). At the meeting, excluding broker non-votes, approximately 98% of the votes on the matter were cast to approve the Company's executive compensation programs, approximately 2% of the votes were cast against, and less than 0.5% abstained from voting.

The Compensation Committee considered the results of the vote, including the appropriateness of the compensation philosophy and objectives, the role of the Compensation Committee and executive officers in setting compensation, the elements used to achieve the compensation philosophy and objectives and the levels of compensation provided to the named executive officers.

In addition, at the Company's 2017 annual meeting of stockholders, the Company held a non-binding stockholder vote on whether to hold a Say on Pay vote every one, two or three years. At that meeting, a majority of our stockholders voted in favor of holding a Say on Pay vote every year, and accordingly, the Company adopted an annual Say on Pay vote frequency. As described in more detail in Proposal No. 3 above, the Company is again holding a Say on Pay vote to approve executive compensation at the 2023 annual meeting of stockholders.

Subject to the outcome of the stockholder advisory vote on the frequency of the Say on Pay vote (Proposal 4), we expect to continue holding this Say on Pay vote annually, with the next vote expected to occur at our 2024 annual meeting of stockholders.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the Compensation Discussion and Analysis for executive compensation for 2022 and discussed that analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's 2022 Annual Report on Form 10-K.

COMPENSATION COMMITTEE

Carmel Galvin,
Chair

Stefan Jacoby

Roy Mackenzie

Sanjeev Mehra

ANALYSIS OF RISK IN THE COMPANY'S COMPENSATION STRUCTURE

The Compensation Committee considers the potential risks in our business when designing and administering the Company's pay programs, and the Compensation Committee believes its balanced approach to performance measurement and pay delivery works to avoid misaligned incentives for individuals to undertake excessive or inappropriate risk. Each year, with the assistance of its independent compensation consultant and Company management, the Compensation Committee reviews the Company's compensation policies and practices to evaluate whether the compensation arrangements of the Company's employees encourage unnecessary or excessive risk taking that is reasonably likely to have a material adverse effect on the Company.

In its most recent evaluation, the Compensation Committee considered the Company's employee compensation structures and noted numerous design elements that manage and mitigate risk without diminishing the incentive nature of the compensation. For example, the executive compensation program includes a balanced mix between cash and equity and between annual and longer-term incentives. In addition, annual incentive awards and long-term incentive awards granted to executives are generally tied to corporate performance goals that encourage performance that supports the business as a whole. Further, the executive annual incentive awards include a maximum payout opportunity equal to 150% of target, and the PRSUs granted as part of the long-term incentive program include a maximum payout opportunity equal to 200% of target. Our executives are also expected to meet share ownership guidelines in order to align the executives' interests with those of our stockholders. Also, the Company's clawback policy permits the Company to recover incentive compensation paid to an executive officer if the compensation resulted from any financial result or metric impacted by the executive officer's intentional misconduct. This policy helps to discourage inappropriate risks, as executives will be held accountable for misconduct which is harmful to the Company's financial and reputational health.

The Compensation Committee also reviewed the Company's compensation programs for certain design features that may have the potential to encourage excessive risk-taking, including over-weighting towards annual incentives, highly leveraged payout curves, unreasonable thresholds and steep payout cliffs at certain performance levels that may encourage short-term business decisions to meet payout thresholds. The Compensation Committee concluded that the Company's compensation programs (i) do not include such elements; or (ii) have implemented features, steps and controls that are designed to limit risks of our compensation arrangements. In light of these analyses, the Compensation Committee concluded that the Company has a balanced pay and performance program that does not encourage excessive risk-taking that is reasonably likely to have a material adverse effect on the Company.

SUMMARY COMPENSATION TABLE FOR 2022

The table below contains information concerning the compensation of our named executive officers.

Name and Principal Position[(1)]	Year[(2)]	Salary	Bonus[(3)]	Stock Awards[(4)]	Option Awards	Non-Equity Incentive Plan Compensation[(5)]	All Other Compensation[(6)]	Total
Peter Kelly Chief Executive Officer	2022	$767,692		$6,005,505		$216,024	$39,001	$7,028,222
	2021	$709,616		$1,500,001	$6,000,003	$237,566	$30,747	$8,477,933
	2020	$600,000		$1,350,019		$458,106	$19,592	$2,427,717
Eric Loughmiller Executive Vice President and Chief Financial Officer	2022	$550,000		$2,024,506		$123,750	$23,939	$2,722,195
	2021	$550,000		$687,503	$1,375,002	$146,707	$17,540	$2,776,752
	2020	$550,000		$1,375,028		$419,931	$32,964	$2,377,923
Jim Hallett Executive Chairman and Chairman of the Board	2022	$725,000		$3,255,500		$163,125	$44,363	$4,187,988
	2021	$792,308		$1,250,012	$2,500,005	$205,474	$43,763	$4,791,562
	2020	$975,000		$3,900,024		$930,529	$41,910	$5,847,463
James Coyle Executive Vice President and Chief Digital Officer	2022	$500,000	$800,000	$1,177,215			$32,930	$2,510,145
	2021	$84,615		$375,003	$1,500,002	$22,228	$5,069	$1,986,917
Srisu Subrahmanyam President KAR Services Group, Executive Vice President Operations	2022	$463,846		$1,252,218		$104,435	$33,900	$1,854,399
John Hammer Former Chief Commercial Officer for KAR and President of ADESA	2022	$203,923	$195,890	$500,008			$1,735,919	$2,635,740
	2021	$550,000		$500,005	$2,002,002	$146,707	$32,362	$3,229,076
	2020	$546,000		$820,024		$416,877	$31,308	$1,814,209
Tom Fisher Former Executive Vice President and Chief Technology Officer	2022	$128,077		$250,004		$26,630	$1,638,343	$2,043,054
	2021	$450,000		$250,002	$1,000,002	$120,033	$30,950	$1,850,987
	2020	$447,692		$425,020		$329,264	$30,605	$1,232,581

(1) Principal position reflects the position held on December 31, 2022. Messrs. Loughmiller, Hallett, Hammer and Fisher ceased employment with the Company on December 31, 2022, March 31, 2023, May 9, 2022, and April 7, 2022, respectively.

(2) Mr. Coyle commenced employment on October 26, 2021. Mr. Subrahmanyam was not a named executive officer for 2020 or 2021.

(3) In connection with Mr. Coyle's initial hiring in October 2021, to partially address forfeited compensation from his previous employer, $400,000 of the bonus amount for Mr. Coyle was attributable to a special cash sign-on award made 90 days after his hire date (which is required to be repaid in full in the event he leaves the Company within one year of payment), with the remaining $400,000 attributable to Mr. Coyle's 2022 Annual Incentive Program award being paid out at not less than $400,000. In connection with the ADESA Sale, the Company was required to pay a prorated portion of outstanding annual cash bonus opportunities to transferring employees at closing, including a prorated portion of Mr. Hammer's target 2022 Annual Incentive Program award opportunity in the amount of $195,890.

(4) The amounts reported in this column for 2022 represent the grant date fair value of (i) PRSUs granted on February 28, 2022 to each of the named executive officers, and (ii) RSUs granted on December 9, 2022 to Messrs. Kelly, Loughmiller, Hallett, Coyle and Subrahmanyam, each computed in accordance with ASC 718. See Note 5 to our financial statements for 2022 for information about the assumptions made in determining the grant date fair value. Assuming, instead, that the maximum level of performance is achieved with respect to the 2022 PRSU awards, based on grant date value of our common stock, the award that could be earned at the end of the performance period (excluding dividends) is as follows: Mr. Kelly – $8,000,010; Mr. Loughmiller – $1,375,012; Mr. Hallett – $2,500,000; Mr. Coyle – $750,030; Mr. Subrahmanyam – $900,036; Mr. Hammer – $1,000,006; and Mr. Fisher – $500,008.

(5) The amount reported is equal to the amount paid to the named executive officer under the Annual Incentive Program, which is governed by the Omnibus Plan.

(6) The amounts reported for 2022 consist of the following:
- Automobile allowance: Mr. Kelly – $24,731; Mr. Hallett – $25,000; Mr. Coyle – $18,000; Mr. Subrahmanyam – $18,000; Mr. Hammer – $6,923; and Mr. Fisher – $5,123.
- 401(k) matching contributions: Mr. Kelly – $12,200; Mr. Loughmiller – $12,200; Mr. Hallett – $12,200; Mr. Coyle – $12,200; Mr. Subrahmanyam – $12,200; Mr. Hammer – $12,200; and Mr. Fisher – $9,647.

- Company paid group term life insurance premiums: Mr. Kelly – $2,070; Mr. Loughmiller – $5,940; Mr. Hallett – $7,163; Mr. Coyle – $900; Mr. Subrahmanyam – $2,070; Mr. Hammer – $796; and Mr. Fisher – $363.
- Executive physical: Mr. Coyle – $1,830; Mr. Subrahmanyam – $1,630.

For Mr. Hammer, the amounts reported for 2022 also include a cash payment of $1,716,000 in connection with his separation from the Company in connection with the ADESA Sale.

For Mr. Fisher, the amounts reported for 2022 also include (i) a cash severance payment of $1,350,000, COBRA premiums payment of $13,997 and $9,212 in accrued but unpaid vacation, each in connection with his separation from the Company, and (ii) $250,000 in consulting fee payments paid to Mr. Fisher's consulting firm, Tack Iron LLC, with respect to consulting services in connection with a data center migration project.

GRANTS OF PLAN-BASED AWARDS FOR 2022

The following table summarizes the awards granted to, and the payouts that were achievable for, each of our named executive officers in 2022 under the Annual Incentive Program and the grants of PRSUs and RSUs made under the Omnibus Plan.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)				
Name (a)	Grant Date (b)	Threshold ($)(c)(1)	Target ($)(d)(1)	Maximum ($)(e)(1)	Threshold (#)(f)(2)	Target (#)(g)(2)	Maximum (#)(h)(2)	All Other Stock Awards: Number of Shares of Stock or Units (#)(i)(3)	Grant Date Fair Value of Stock Awards ($)(l)(4)
Peter Kelly	—	480,053	960,106	1,440,159					
	2/28/2022				108,343	216,685	433,370		4,000,005
	12/9/2022							150,000	2,005,500
Eric Loughmiller	—	275,000	550,000	825,000					
	2/28/2022				18,622	37,243	74,486		687,506
	12/9/2022							100,000	1,337,000
Jim Hallett	—	362,500	725,000	1,087,500					
	2/28/2022				33,857	67,714	135,428		1,250,000
	12/9/2022							150,000	2,005,500
James Coyle	—		500,000	750,000					
	2/28/2022				10,158	20,315	40,630		375,015
	12/9/2022							60,000	802,200
Srisu Subrahmanyam	—	232,077	464,153	696,230					
	2/28/2022				12,189	24,378	48,756		450,018
	12/9/2022							60,000	802,200
John Hammer	—	283,649	576,299	850,948					
	2/28/2022				13,543	27,086	54,172		500,008
Tom Fisher	—	225,000	450,000	675,000					
	2/28/2022				6,772	13,543	27,086		250,004

(1) Columns (c), (d) and (e) include the potential awards for performance at the threshold, target and maximum ("superior") levels, respectively, under the Annual Incentive Program. See "Compensation Discussion and Analysis—Elements Used to Achieve Compensation Philosophy and Objectives—Annual Cash Incentive Program" for further information on the terms of the Annual Incentive Program. In connection with Mr. Coyle's initial hiring in October 2021, to transition Mr. Coyle to our Annual Incentive Program and to address forfeited compensation from his previous employer, Mr. Coyle's 2022 Annual Incentive Program award was to be paid out at not less than $400,000.

(2) Columns (f), (g) and (h) include the potential number of PRSUs which may be earned for performance at the threshold, target and maximum levels, respectively. These awards vest if and to the extent that the sum of the Company's Cumulative Adjusted EBITDA exceeds certain levels over the three-year period beginning on January 1, 2022 and ending on December 31, 2024.

(3) Column (i) includes the number of RSUs granted in 2022. This award vests ratably on each of May 9, 2023, May 9, 2024, and May 9, 2025, subject to continued employment with the Company through each such vesting date.

(4) The amounts reported in this column represent the grant date fair value of awards granted to our named executive officers, computed in accordance with ASC 718. For PRSUs, the grant date fair value is based on target performance. See Note 5 to our financial statements for 2022 for information about the assumptions made in determining the grant date fair value.

Additional information concerning our cash and equity incentive awards and plans may be found in the sections titled "Compensation Discussion and Analysis—Elements Used to Achieve Compensation Philosophy and Objectives—Annual Cash Incentive Program" and "Long-Term Incentive Opportunities," respectively.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END 2022

		Option Awards					Stock Awards			
Name (a)	Grant Year	Number of Securities Underlying Unexercised Options Exercisable (#)(b)	Number of Securities Underlying Unexercised Options Unexercisable (#)(c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)(d)	Option Exercise Price ($)(e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#)(g)	Market Value of Shares or Units of Stock That Have Not Vested ($)(h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(j)
Peter Kelly	2020						5,057[1]	65,994[1]		
	2021								54,309[2]	708,732[2]
	2021	29,644[3]	88,934[3]		13.81	03/04/2031				
	2021			474,309[4]	13.81	03/04/2031				
	2021	44,031[5]	132,094[5]		18.23	06/04/2031				
	2021			704,501[6]	18.23	06/04/2031				
	2022								216,685[9]	2,827,739[9]
	2022						150,000[10]	1,957,500[10]		
Eric Loughmiller	2014	97,204			11.74	02/27/2024				
	2020						4,983[1]	65,028[1]		
	2021								24,892[2]	324,841[2]
	2021	13,587[3]	40,761[3]		13.81	03/04/2031				
	2021			217,392[4]	13.81	03/04/2031				
	2021	6,727[5]	20,181[5]		18.23	06/04/2031				
	2021			107,632[6]	18.23	06/04/2031				
	2022								24,829[9]	324,018[9]
	2022						97,114[10]	1,267,338[10]		
Jim Hallett	2014			194,404	11.74	02/27/2024				
	2020						14,122[1]	184,292[1]		
	2021								45,258[2]	590,617[2]
	2021	24,703[3]	74,112[3]		13.81	03/04/2031				
	2021			395,257[4]	13.81	03/04/2031				
	2021	12,231[5]	36,693[5]		18.23	06/04/2031				
	2021			195,695[6]	18.23	06/04/2031				
	2022								67,714[9]	883,668[9]
	2022						145,092[10]	1,893,451[10]		
James Coyle	2021								12,790[2]	166,910[2]
	2021	17,688[7]	53,067[7]		14.66	11/05/2031				
	2021			283,019[8]	14.66	11/05/2031				
	2022								20,315[9]	265,111[9]
	2022						60,000[10]	783,000[10]		
Srisu Subrahmanyam	2020						1,124[1]	14,668[1]		
	2021								16,293[2]	212,624[2]
	2021	8,893[3]	26,681[3]		13.81	03/04/2031				
	2021			142,293[4]	13.81	03/04/2031				
	2021	13,209[5]	39,629[5]		18.23	06/04/2031				
	2021			211,350[6]	18.23	06/04/2031				
	2022								24,378[9]	318,133[9]
	2022						60,000[10]	783,000[10]		
John Hammer	2020						3,072[1]	40,090[1]		
	2021								8,046[2]	105,000[2]
	2022								3,010[9]	39,281[9]
Tom Fisher	2020						1,592[1]	20,776[1]		
	2021								3,772[2]	49,225[2]
	2022								1,129[9]	14,733[9]

(1) The total amounts and values in columns (g) and (h) equal the total number of unvested RSUs granted on February 21, 2020, that vest ratably on each of the first three anniversaries of the grant date during the named executive officer's continued employment with the Company through each such anniversary (other than as noted below), and the market value of such awards, determined by multiplying the number of unvested RSUs by the market price of the Company's common stock at the close of the last trading day in 2022, which was $13.05 per share. The total amount in column (h) excludes

accrued and unpaid cash dividend equivalents in the following amounts: Mr. Kelly – $961; Mr. Loughmiller – $979; Mr. Hallett – $2,775; Mr. Subrahmanyam – $214; Mr. Fisher – $302; and Mr. Hammer – $583. The amounts and values shown for Messrs. Loughmiller, Hammer and Fisher reflect the total numbers of RSUs that each named executive officer retained in connection with the cessation of his employment with the Company. These RSUs will settle in accordance with the original vesting schedule but no longer require the named executive officer's continued employment with the Company.

(2) The total amounts and values in columns (i) and (j) equal the total number of unvested PRSUs granted on March 4, 2021 (but for Mr. Coyle, November 5, 2021), that may be earned and vest based on the Company's Cumulative Operating Adjusted Net Income Per Share performance over a three-year period, at the threshold level, held by each named executive officer and the market value of such awards, determined by multiplying the number of unvested PRSUs, at the threshold level, by the market price of the Company's common stock at the close of the last trading day in 2022, which was $13.05 per share. In calculating the number of PRSUs and their value, we are required by SEC rules to compare our performance through 2022 under the PRSU grants against the threshold, target and maximum performance levels for the grant and report in these columns the applicable potential share number and payout amount. If the performance is between levels, we are required to report the potential payout at the next highest level. Through December 31, 2022, we were below threshold levels of Cumulative Operating Adjusted Net Income Per Share performance and have accordingly reported the PRSUs at the threshold award level. The amounts and values shown for Messrs. Loughmiller, Hammer and Fisher reflect the total numbers of PRSUs that each named executive officer retained in connection with the cessation of his employment with the Company. These PRSUs may be earned and vest in accordance with the original terms of the award but no longer require the named executive officer's continued employment with the Company.

(3) Represents the number of time-based stock options granted on March 4, 2021, which vest and become exercisable in equal installments on each of the first four anniversaries of the grant date during the named executive officer's continued employment with the Company through each such anniversary (other than as noted below). The number of time-based stock options shown for Mr. Loughmiller were retained by him in connection with the cessation of his employment with the Company. These stock options will become exercisable in accordance with the original vesting schedule but no longer require Mr. Loughmiller's continued employment with the Company.

(4) Represents the number of performance-based stock options granted on March 4, 2021, which will become eligible to vest and become exercisable in equal 25% increments, each upon the later of the occurrence of the first four anniversaries of the grant date during the named executive officer's continued employment with the Company through each such anniversary, respectively, and the attainment and maintenance of the closing price of the Company's common stock at or above, for each respective 25% increment, $18.81, $23.81, $28.81, and $33.81, for twenty consecutive trading days. The performance-based stock options do not have threshold or maximum payout levels, but instead portions of the performance-based stock option award will vest to the extent that the stock price targets are achieved during the term of the stock option. The number of performance-based stock options shown for Mr. Loughmiller were retained by him in connection with the cessation of his employment with the Company. These stock options will become eligible to vest and become exercisable in accordance with the original terms of the award but no longer require Mr. Loughmiller's continued employment with the Company.

(5) Represents the number of time-based stock options granted on June 4, 2021, which vest and become exercisable in equal installments on each of the first four anniversaries of the grant date during the named executive officer's continued employment with the Company through each such anniversary (other than as noted below). The number of time-based stock options shown for Mr. Loughmiller were retained by him in connection with the cessation of his employment with the Company. These stock options will become exercisable in accordance with the original vesting schedule but no longer require Mr. Loughmiller's continued employment with the Company.

(6) Represents the number of performance-based stock options granted on June 4, 2021, which will become eligible to vest and become exercisable in equal 25% increments, each upon the later of the occurrence of the first four anniversaries of the grant date during the named executive officer's continued employment with the Company through each such anniversary, respectively, and the attainment and maintenance of the closing price of the Company's common stock at or above, for each respective 25% increment, $23.23, $28.23, $33.23, and $38.23, for twenty consecutive trading days. The performance-based stock options do not have threshold or maximum payout levels, but instead portions of the performance-based stock option award will vest to the extent that the stock price targets are achieved during the term of the stock option. The number of performance-based stock options shown for Mr. Loughmiller were retained by him in connection with the cessation of his employment with the Company. These stock options will become eligible to vest and become exercisable in accordance with the original terms of the award but no longer require Mr. Loughmiller's continued employment with the Company.

(7) Represents the number of time-based stock options granted to Mr. Coyle on November 5, 2021, which vest and become exercisable in equal installments on each of the first four anniversaries of the grant date during Mr. Coyle's continued employment with the Company through each such anniversary.

(8) Represents the number of performance-based stock options granted to Mr. Coyle on November 5, 2021, which will become eligible to vest and become exercisable in equal 25% increments, each upon the later of the occurrence of the

first four anniversaries of the grant date during Mr. Coyle's continued employment with the Company through each such anniversary, respectively, and the attainment and maintenance of the closing price of the Company's common stock at or above, for each respective 25% increment, $19.66, $24.66, $29.66, and $34.66, for twenty consecutive trading days. The performance-based stock options do not have threshold or maximum payout levels, but instead portions of the performance-based stock option award will vest to the extent that the stock price targets are achieved during the term of the stock option.

(9) The total amounts and values in columns (i) and (j) equal the total number of unvested PRSUs granted on February 28, 2022, that may be earned and vest based on the Company's Cumulative Adjusted EBITDA performance over a three-year period, at the threshold level, held by each named executive officer and the market value of such awards, determined by multiplying the number of unvested PRSUs, at the threshold level, by the market price of the Company's common stock at the close of the last trading day in 2022, which was $13.05 per share. In calculating the number of PRSUs and their value, we are required by SEC rules to compare our performance through 2022 under the PRSU grants against the threshold, target and maximum performance levels for the grant and report in these columns the applicable potential share number and payout amount. If the performance is between levels, we are required to report the potential payout at the next highest level. Through December 31, 2022, we were above threshold levels of Cumulative Adjusted EBITDA performance and have accordingly reported the PRSUs at the target award level. The amounts and values shown for Messrs. Loughmiller, Hammer and Fisher reflect the total numbers of PRSUs that each named executive officer retained in connection with the cessation of his employment with the Company. These PRSUs may be earned and vest in accordance with the original terms of the award but no longer require the named executive officer's continued employment with the Company.

(10) The total amounts and values in columns (g) and (h) equal the total number of unvested RSUs granted on December 9, 2022, that vest ratably on May 9, 2023, May 9, 2024, and May 9, 2025, during the named executive officer's continued employment with the Company through each such date (other than as noted below), and the market value of such awards, determined by multiplying the number of unvested RSUs by the market price of the Company's common stock at the close of the last trading day in 2022, which was $13.05 per share. The amounts and values shown for Mr. Loughmiller reflects the total numbers of RSUs that he retained in connection with the cessation of his employment with the Company. These RSUs will settle in accordance with the original vesting schedule but no longer require Mr. Loughmiller's continued employment with the Company.

Because this table shows outstanding equity awards held by our named executive officers as of December 31, 2022, this table does not include the PRSUs granted on February 21, 2020 which were not earned and did not vest as a result of the Company's Cumulative Operating Adjusted Net Income Per Share not achieving at least threshold level of performance over the three-year measurement period ending on December 31, 2022.

OPTION EXERCISES AND STOCK VESTED DURING FISCAL YEAR 2022

Name (a)	Security	Option Awards: Number of Shares Acquired on Exercise (#)(b)	Option Awards: Value Realized on Exercise ($)(c)	Stock Awards: Number of Shares Acquired on Vesting (#)(d)(1)	Stock Awards: Value Realized on Vesting ($)(e)
Peter Kelly	KAR	—	—	21,179	300,141(2)
	IAA	—	—	2,125	73,653
Eric Loughmiller	KAR	—	—	26,281	370,149(2)
	IAA	—	—	2,353	81,555
Jim Hallett	KAR	—	—	71,197	1,005,151(2)
	IAA	—	—	6,6761	231,390
James Coyle	KAR	—	—	—	—
	IAA	—	—	—	—
Srisu Subrahmanyam	KAR	—	—	5,152	74,349(2)
	IAA	—	—	531	18,461
John Hammer	KAR	—	—	20,342	297,479(2)
	IAA	—	—	2,277	79,313
Tom Fisher	KAR	4,940	10,600	7,303	103,498(2)
	IAA	—	—	753	26,099

(1) This amount includes shares vested with respect to the full amount of the KAR 2019 PRSUs that were converted into RSUs based on KAR's actual performance in 2019 in connection with the IAA Spin Off, one-third of the KAR 2019 RSUs and IAA 2019 RSUs, and one-third of the 2020 RSUs.

(2) This amount includes accumulated dividend equivalents paid in cash with respect to the 2019 PRSUs that were converted into RSUs in connection with the IAA Spin-Off and the 2019 and 2020 RSUs.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following is a discussion of the treatment of equity-based awards held by our named executive officers and annual cash incentive awards due to our named executive officers upon certain types of employment terminations or the occurrence of a change in control of the Company. For a discussion of our named executive officers' severance payments and the treatment of their annual cash incentive awards that may become due upon certain types of employment terminations pursuant to their employment agreements, see "Employment Agreements with Named Executive Officers" below.

EQUITY-BASED AWARDS—OMNIBUS PLAN

To the extent a named executive officer's employment agreement does not provide otherwise, the Omnibus Plan (and the related award agreements thereunder) provide for the following treatment of stock options and other equity awards issued pursuant to the Omnibus Plan upon the termination of employment scenarios or a change in control, as set forth below. Since December 10, 2009, all grants of stock options and other equity awards have been and will be made pursuant to the terms of the Omnibus Plan.

Award Type	Termination or Change in Control Scenario*
Options	**Voluntary Termination or Termination for Cause:** If voluntary, vested options remain exercisable for 90 days (or earlier expiration date); if for Cause, all vested and unvested options are cancelled. (For the 2021 option awards, 90 days is specified as the 3 month anniversary.) **Termination Without Cause or for Good Reason:** Unless otherwise specified in an award agreement, vested options remain exercisable for 90 days (or until earlier expiration date). (For the 2021 option awards, 90 days is specified as the 3 month anniversary.) **Death or Disability:** Vested options remain exercisable for 1 year (or until earlier expiration date). Unvested options vest in full, with performance awards remaining subject to performance achievement. For the 2021 option awards, performance must be achieved within 1 year of death/disability, with options remaining exercisable for the earlier of 1 year from death/disability and the original expiration date. **Retirement:** Vested options remain exercisable for 1 year (or until earlier expiration date), except for the 2021 option awards which remain exercisable until the original expiration date. Unvested options are forfeited, except for the 2021 option awards which continue to vest in accordance with the applicable vesting schedule and remain subject to performance requirements. **Effect of Change in Control:** Single trigger vesting with committee discretion to cash out or substitute with successor awards, except for the 2021 option awards which have double trigger vesting for options assumed or replaced and single trigger vesting for options that are not assumed or replaced, with performance measured at the time of the change in control under each scenario.
2020 PRSUs 2021 PRSUs 2022 PRSUs	**Voluntary Termination or Termination for Cause:** Automatic forfeiture. **Without Cause or for Good Reason:** Prorated portion of the PRSUs vest based on the Company's actual performance during the performance period and the number of full months he was employed during such performance period. **Death or Disability:** Full vesting of the PRSUs based on the Company's actual performance during the performance period. **Retirement:** If attaining age 65 and at least 5 years of service with the Company and its affiliates ("normal retirement"), full vesting of the PRSUs based on the Company's actual performance during the performance period. If attaining age 55 with at least 10 years of service with the Company and its affiliates ("early retirement"), prorated portion of the PRSUs based on the Company's actual performance during the performance period and the number of full months worked through the retirement date plus a credit of an additional 12 months. **Effect of Change in Control:** Double trigger vesting at target performance level for PRSUs that are assumed or replaced; single trigger vesting at the target performance level for PRSUs that are not assumed or replaced.
2020 RSUs 2022 RSUs	**Voluntary Termination or Termination for Cause:** Forfeiture of any unvested RSUs. **Without Cause or for Good Reason:** Any unvested RSUs will continue to vest in full as scheduled. **Death or Disability:** Full, immediate vesting of any unvested RSUs. **Retirement:** If "normal retirement," any unvested RSUs will continue to vest in full as scheduled. If "early retirement," a prorated portion of any unvested RSUs scheduled to vest in the 12 months following the retirement date (but, for the 2022 RSUs, a portion of those scheduled to vest on the next vesting date) will continue to vest as originally scheduled, along with a prorated portion of such RSUs which, for the 2020 RSUs, is based on the number of full months he was employed since the most recent anniversary of the grant date (after giving 12 months vesting credit following the date of retirement), and, for the 2022 RSUs, is based on the number of full months since the most recent of the grant date and a scheduled vesting date. **Effect of Change in Control:** Double trigger vesting for any RSUs that are assumed or replaced; single trigger vesting for any RSUs that are not assumed or replaced.

* *Unless otherwise specified in an award agreement, all unvested equity-based awards under the Omnibus Plan will be forfeited upon a termination of employment for any reason (except in the case of disability or death, as described in the Omnibus Plan).*

Unless specified otherwise in a named executive officer's employment agreement, the termination of a named executive officer's employment with the Company or any subsidiary shall be deemed to be for "cause" under the Omnibus Plan upon any of the following events: (i) the refusal or neglect of the named executive officer to perform substantially his employment-related duties; (ii) the named executive officer's personal dishonesty, incompetence, willful misconduct, or breach of fiduciary duty; (iii) the named executive officer's indictment for, conviction of, or entering a plea of guilty or *nolo contendere* to a crime constituting a felony or his willful violation of any applicable law (other than certain exceptions set forth in the Omnibus Plan); (iv) the named executive officer's failure to reasonably cooperate, following a request to do so by the Company, in any internal or governmental investigation of the Company or any subsidiary; (v) any other act or conduct that would constitute cause for the termination of the named executive officer's employment under applicable law; (vi) the named executive officer's material breach of any written policies or rules of the Company or its subsidiaries, including any sexual harassment policy; or (v) the named executive officer's material breach of any written covenant or agreement not to disclose any information pertaining to the Company or a subsidiary or not to compete or interfere with the Company or a subsidiary.

The Omnibus Plan does not provide a default "good reason" definition in the event such term is not specified in a named executive officer's employment agreement.

ANNUAL CASH INCENTIVE AWARDS—OMNIBUS PLAN

Termination or Change in Control Scenario
Death, Disability, Voluntary Termination (with or without Good Reason) or Termination by the Company (for Cause or without Cause): Annual cash incentive awards are treated as described in the executive's employment agreement with the Company, to the extent applicable. See "Employment Agreements with Named Executive Officers" below for more information. **Retirement:** Unless otherwise specified in an employment agreement, an executive receives a prorated amount of the incentive award based on actual performance for the performance period. **Effect of Change in Control:** Unless otherwise determined by the administrator of the Omnibus Plan or as evidenced in an award agreement, pro rata payment based on actual performance, in the administrator's discretion.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL TABLE

Messrs. Loughmiller, Hallett, Hammer and Fisher's employment with the Company terminated on December 31, 2022, March 31, 2023, May 9, 2022, and April 7, 2022, respectively, and the table below describes the amounts they actually received in connection with their termination of employment. The amounts in the table below for all other named executive officers are based on employment agreements that were in effect for each named executive officer on December 31, 2022, and assume that the termination and/or change in control, as applicable, was effective as of December 31, 2022, the last business day of the prior fiscal year, and that the respective named executive officers exercised all options and/or received cash in exchange for eligible PRSUs and RSUs at such time. The table is merely an illustrative example of the impact of a hypothetical termination of employment or change in control (except for Messrs. Loughmiller, Hallett, Hammer and Fisher). The amounts that would actually be paid upon a termination of employment can only be determined at the time of such termination, based on the facts and circumstances then prevailing.

Named Executive Officer and Triggering Event	Cash Severance	Non-Equity Incentive Pay(1)	Options(2)	PRSUs(3)	RSUs(4)	Life Insurance(5)	Total
Peter Kelly							
• Death	$40,075(8)	$216,024	—	$4,245,191	$2,023,494	$800,000	$7,324,784
• Disability(6)	$40,075(8)	$216,024	—	$4,245,191	$2,023,494	—	$6,524,784
• Retirement(7)	—	—	—	—	—	—	—
• Voluntary / for Cause	—	—	—	—	—	—	—
• Termination w/o Cause or for Good Reason	$3,506,287(9)	$216,024	—	$1,887,548	$2,023,494	—	$7,633,353
• CIC (single trigger)	—	$216,024	—	—	—	—	$216,024
• Termination after CIC (double trigger)	$3,506,287(10)	$216,024	—	$4,245,191	$2,023,494	—	$9,990,996
Eric Loughmiller							
• Retirement	—	$123,750	$127,337	$973,682	$1,332,366	—	$2,557,135
Jim Hallett							
• Retirement	—	—	$377,144	$2,164,573	$1,984,859	—	$4,526,576
James Coyle							
• Death	$40,075(8)	—	—	$598,930	$783,000	$800,000	$2,222,005
• Disability(6)	$40,075(8)	—	—	$598,930	$783,000	—	$1,422,005
• Retirement(7)	—	—	—	—	—	—	—
• Voluntary / for Cause	—	—	—	—	—	—	—
• Termination w/o Cause or for Good Reason	$1,540,075(9)	—	—	$310,916	$783,000	—	$2,633,991
• CIC (single trigger)	—	—	—	—	—	—	—
• Termination after CIC (double trigger)	$2,040,075(10)	—	—	$598,930	$783,000	—	$3,422,005
Srisu Subrahmanyam							
• Death	$39,430(8)	$104,435	—	$743,380	$797,668	$800,000	$2,484,913
• Disability(6)	$39,430(8)	$104,435	—	$743,380	$797,668	—	$1,684,913
• Retirement(7)	—	—	—	—	—	—	—
• Voluntary / for Cause	—	—	—	—	—	—	—
• Termination w/o Cause or for Good Reason	$1,437,660(9)	$104,435	—	$389,543	$797,668	—	$2,729,306
• CIC (single trigger)	—	$104,435	—	—	—	—	$104,435
• Termination after CIC (double trigger)	$1,903,736(10)	$104,435	—	$743,380	$797,668	—	$3,549,219
John Hammer							
• Termination w/o Cause	$1,911,890(9)	—	—	$247,933	$39,875	—	$2,199,698
Tom Fisher							
• Termination for Good Reason	$1,387,206(9)	$26,630	$20,056	$154,969	$28,449	—	$1,617,310

(1) Except for Messrs. Loughmiller, Hammer and Fisher (for whom amounts reflect the value actually received upon termination), the amounts reported are equal to the full amount of the named executive officer's 2022 annual bonus (a December 31, 2022 termination results in a 100% payout, whereas a termination on any other date would result in a prorated amount to the extent applicable).

(2) Except for Messrs. Hallett, Hammer and Fisher, the amounts reported assume a KAR common stock price of $13.05, which was the closing price on December 31, 2022. The amounts reported reflect the intrinsic ("in-the-money") value of shares underlying time-based options, calculated as the difference between $13.05 and the exercise price of such options. The amounts disclosed in this column do not include the value of the performance-based option awards granted in 2021 because the performance conditions which are satisfied upon the attainment and maintenance of the Company's stock price at or above a certain level above the exercise price of the options, had not been satisfied based on the assumption of a KAR common stock price of $13.05, which was the closing price on December 31, 2022. In the event of a termination of a

named executive officer's employment due to death or disability, the performance-based options will remain eligible to attain the performance conditions for one year following such termination of employment. In the event of a named executive officer's retirement (if eligible), the performance-based options will continue to vest in accordance with the applicable vesting schedule and remain subject to performance requirements. For Messrs. Loughmiller Hallett, Hammer and Fisher, the amounts shown reflect the value actually received upon termination and assume a KAR common stock price of $13.05, $13.68, $12.98, and $17.87, respectively, which was the closing price of KAR common stock on the day of his cessation of employment with the Company. Messrs. Hammer and Fisher forfeited unvested stock options upon termination. Messrs. Loughmiller and Hallett were retirement-eligible and therefore the time-based and performance-based options will continue to vest in accordance with the applicable vesting schedule, and the performance-based options will remain subject to performance requirements.

(3) Except for Messrs. Hallett, Hammer and Fisher, the amounts reported assume a KAR common stock price of $13.05, which was the closing price on December 31, 2022. In the event that a named executive officer terminates employment as a result of the named executive officer's death, Disability, Retirement, Normal Retirement or Early Retirement (if eligible) (each as defined in the Omnibus Plan except for Normal Retirement and Early Retirement which are defined in the applicable award agreements) prior to a Change in Control (as defined in the Omnibus Plan) and as of December 31, 2022, each of the named executive officers would be entitled to, (i) immediate vesting of all of the 2021 and 2022 PRSUs in the case of death or Disability, or continued vesting of all of the 2021 and 2022 PRSUs on the case of Normal Retirement (if eligible) or all of the 2021 PRSUs and 24/36ths of the 2022 PRSUs in the case of Early Retirement (if eligible), in each case based on actual performance of the 2021 and 2022 PRSUs. In the event that a named executive officer is terminated without Cause or resigns for Good Reason (each as defined in the applicable employment agreement) prior to a Change in Control and as of December 31, 2022, the named executive officer would be entitled to continued vesting of 24/36ths of the 2021 PRSUs and 12/36ths of the 2022 PRSUs, based on actual performance. With respect to the events described above, the amounts disclosed in the table for the 2021 and 2022 PRSUs assume performance at the target level. The 2020 PRSUs are not disclosed in the table because the 2020 PRSUs were not earned and did not vest as a result of the Company's Cumulative Operating Adjusted Net Income Per Share not achieving at least threshold level of performance over the three-year measurement period ending on December 31, 2022.

If a Change in Control occurs prior to the termination of such named executive officer's employment, assuming a Change in Control date of December 31, 2022, he would be entitled to receive immediate vesting of the target number of 2021 and 2022 PRSUs as of his termination date, without proration, with respect to any such awards that are not assumed or replaced in the Change in Control, each as of the Change in Control date. If awards are assumed or replaced in the Change in Control, and such named executive officer's employment is terminated following the Change in Control as a result of a termination without Cause or a resignation for Good Reason, assuming a Change in Control date of December 31, 2022, he would be entitled to receive immediate vesting of the target number of 2021 and 2022 PRSUs, without proration, as of his termination date. With respect to a Change in Control, the amounts disclosed in the "CIC (single trigger)" rows in the table assume that the awards are assumed or replaced in the Change in Control.

For Messrs Loughmiller, Hallett, Hammer and Fisher the amounts shown reflect the value actually received upon termination. For Messrs. Hallett, Hammer and Fisher, the amounts reported assume a KAR common stock price of $13.68, $12.98, and $17.87, respectively, which was the closing price of KAR common stock on the day of his cessation of employment with the Company. Messrs. Hammer and Fisher were entitled to continued vesting of a prorated portion of the 2021 and 2022 PRSUs, based on actual performance and the number of full months worked during such performance period. Mr. Loughmiller was entitled to a prorated portion of the 2021 and 2022 PRSUs based on the Company's actual performance during the performance period and the number of full months worked through the retirement date plus a credit of an additional 12 months. Mr. Hallett was entitled to full continued vesting of the 2021 and 2022 PRSUs based on the Company's actual performance during the performance period.

(4) Except for Messrs. Hallett, Hammer and Fisher, the amounts reported assume a KAR common stock price of $13.05, which was the closing price on December 31, 2022. In the event a named executive officer's employment is terminated as a result of a termination for Cause or a voluntary termination prior to a Change in Control and as of December 31, 2022, he would forfeit the unvested portion of his RSUs. In the event a named executive officer's employment is terminated as a result of a termination without Cause or a resignation for Good Reason prior to a Change in Control and as of December 31, 2022, he would receive continued vesting of his unvested 2020 and 2022 RSUs. In the event a named executive officer's employment is terminated due to his death or Disability prior to a Change in Control and as of December 31, 2022, he would be entitled to receive immediate vesting of the unvested portion of his RSUs. In the event that a named executive officer terminates employment prior to a Change in Control due to his Normal Retirement or Early Retirement (if eligible), he would be entitled to receive (i) if due to Early Retirement, continued vesting of the unvested portion of his 2020 RSUs that are scheduled to vest in the 12 months following the retirement date plus a prorated portion of such RSUs based on the number of full months he was employed since the most recent anniversary of the grant date (after giving 12 months vesting credit following the retirement date) and, for the 2022 RSUs, continued vesting of the unvested portion of his 2022 RSUs that are scheduled to vest on the next scheduled vesting date and a prorated amount scheduled to vest on the next vesting date being equal to the total number of unvested RSUs that would have vested on the

next scheduled vesting date multiplied by a fraction, the numerator of which is the number of full calendar months since the most recent of the grant date or scheduled vesting date, and the denominator of which is 12, and (ii) if due to Normal Retirement, continued full vesting of the 2020 and 2022 RSUs.

If a Change in Control occurs prior to the termination of such named executive officer's employment, assuming a Change in Control date of December 31, 2022, he would be entitled to receive immediate vesting of any RSU awards that are not assumed or replaced in the Change in Control, each as of the Change in Control date. If such named executive officer's employment is terminated following a Change in Control as a result of a termination without Cause or a resignation for Good Reason, assuming a Change in Control date of December 31, 2022, he would be entitled to receive immediate vesting of any RSU awards that are assumed or replaced in the Change in Control, as of his termination date. With respect to a Change in Control, the amounts disclosed in the "CIC (single trigger)" rows in the table assume that the RSUs are assumed or replaced in the Change in Control.

For Messrs. Loughmiller, Hallett, Hammer and Fisher, the amounts shown reflect the value actually received upon termination and assume a KAR common stock price of $13.05, $13.68, $12.98, and $17.87, respectively, which was the closing price of KAR common stock on the day of his cessation of employment with the Company. Messrs. Hammer and Fisher were entitled to continued vesting of the 2020 RSUs. Mr. Loughmiller was entitled to continued vesting of the 2020 and 2022 RSUs. Mr. Hallett was entitled to continued vesting of the 2022 RSUs (the 2020 RSUs had previously vested as scheduled).

(5) Under the Group Term Life Policy, a named executive officer's designated beneficiary is entitled to a payment in an amount equal to two times his annual salary, not exceeding $800,000.

(6) Long-term disability is a Company-paid benefit for all employees and therefore is not included in this table. The long-term disability benefit is only paid after six months on short-term disability and is 66.67% of base pay capped at $15,000 per month.

(7) Messrs. Kelly, Coyle and Subrahmanyam had not satisfied any of the Retirement, Normal Retirement or Early Retirement requirements under the applicable award agreements under the Omnibus Plan as of December 31, 2022, and thus, they would not have been entitled to accelerated or continued vesting of their equity or a prorated payout of their annual bonuses for a "retirement" as of such date.

(8) Under the terms of the employment agreements for each named executive officer, he (or his estate) would be entitled to COBRA premium payments for 18 months in the event of his death or Disability.

(9) These amounts are equal to (i) for Mr. Kelly, (a) two times the sum of Mr. Kelly's current annual base salary ($773,000) and his 2022 target bonus amount, and (b) COBRA premium payments for 18 months; (ii) for Messrs. Coyle, Subrahmanyam and Fisher, (a) one and a half times the sum of his current annual base salary ($500,000 for Mr. Coyle, $468,000 for Mr. Subrahmanyam, and $450,000 for Mr. Fisher) and his 2022 target bonus amount, and (b) COBRA premium payments for 18 months. For Mr. Fisher, this amount also includes $9,212 in accrued but unpaid vacation. For Mr. Hammer, this amount includes $1,716,000 that Mr. Hammer received in connection with his separation from the Company upon the closing of the ADESA Sale and $195,890 in connection with the Company being obligated to pay a prorated portion of the outstanding annual cash bonus opportunities to transferring employees upon closing the ADESA Sale.

(10) These amounts are equal to two times the sum of the named executive officer's current annual base salary ($773,000 for Mr. Kelly, $500,000 for Mr. Coyle and $468,000 for Mr. Subrahmanyam) and his 2022 target bonus amount, and COBRA premium payments for 18 months.

EMPLOYMENT AGREEMENTS WITH NAMED EXECUTIVE OFFICERS

Each of our named executive officers has an employment agreement with the Company. A summary of each of the agreements is provided below.

Named Executive Officers (other than Mr. Hallett)

The Company has entered into substantially similar employment agreements with Messrs. Kelly, Loughmiller, Coyle, Subrahmanyam, Hammer and Fisher (each, an "Executive") providing for their at-will employment and the severance and change of control payments described below. Messrs. Loughmiller, Hammer and Fisher's employment terminated on December 31, 2022, May 9, 2022, and April 7, 2022, respectively. Mr. Hammer's employment agreement was assigned to Carvana in connection with the ADESA Sale.

Termination Due to Death or Disability. If an Executive terminates his employment due to death or disability, the Company will be obligated to pay him (or his legal representatives) an amount equal to the sum of (i) any earned but unpaid base salary; (ii) accrued but unpaid vacation earned through the date of termination; (iii) unreimbursed business expenses; and (iv) any vested employee benefits. The aggregate of the foregoing is referred to as the "Accrued Obligations." In addition, the executive or his estate/beneficiaries would be entitled to receive (i) COBRA premium payments for 18 months or until the executive becomes eligible for coverage under another employer's health plan, if the executive is participating in the Company's health plans on the date of such termination of employment (the "Continued Benefits"); (ii) the prorated portion of his annual bonus for the calendar year in which such termination of employment occurred, calculated based on the executive's actual performance and based on the number of days the executive was employed by the Company during such calendar year (the "Pro Rata Bonus"); and (iii) a payment equal to the amount of any annual bonus which has been earned in a prior year but which has not yet been paid to the executive (the "Earned but Unpaid Bonus").

For purposes of their employment agreements, "disability" means a "Total Disability" (or equivalent) as defined in the Company's long term disability plan in effect at the time of the disability.

Voluntary Termination or Termination for Cause. If an Executive voluntarily terminates his employment or if the Company terminates the Executive's employment for Cause, the Company's sole obligation will be to pay him the Accrued Obligations. For purposes of their employment agreements, "Cause" means the (i) executive's willful, continued and uncured failure to perform substantially their duties under the agreement (other than any such failure resulting from incapacity due to medically documented illness or injury) for a period of 14 days following written notice by the Company to the executive of such failure; (ii) executive engaging in illegal conduct or gross misconduct that is demonstrably likely to lead to material injury to the Company, monetarily or otherwise; (iii) executive's indictment or conviction of, or plea of *nolo contendere* to, a crime constituting a felony or any other crime involving moral turpitude; (iv) executive's material breach of the Company's code of business conduct and ethics; or (v) executive's violation of the restrictive covenants under the agreement or any other covenants owed to the Company by executive.

Termination Without Cause or Resignation for Good Reason. In the event an Executive is terminated by the Company without Cause or he resigns for Good Reason, the Executive would be entitled to receive, subject to the execution and non-revocation of a release of claims, (i) a lump sum cash payment equal to the sum of one and a half times (except for Mr. Kelly, two times) his annual base salary plus target annual bonus for the year in which such termination of employment occurs; (ii) the Continued Benefits; (iii) the Pro Rata Bonus; and (iv) the Earned but Unpaid Bonus. For purposes of their employment agreements, "Good Reason" means (i) any material reduction of the executive's authority, duties and responsibilities; (ii) any material failure by the Company to comply with any of the terms and conditions of the agreement; (iii) any failure to timely pay or provide the executive's base salary, or any reduction in the executive's base salary, excluding any base salary reduction made in connection with across the board salary reductions; (iv) the requirement by the Company that the executive relocate his principal business location to a location more than 50 miles from the executive's principal base of operation as of the effective date of the agreement; or (v) a Change of Control occurs and, if applicable, the Company fails to cause its successor (whether by purchase, merger, consolidation or otherwise) to assume or reaffirm the Company's obligations under the agreement without change. For purposes of the foregoing, "Change of Control" has the same meaning as the term "Change in Control" under the Omnibus Plan.

Change In Control Termination. In the event an Executive is terminated by the Company without Cause or such executive resigns for Good Reason, as described above, and such termination occurs within two years of a Change of Control (as defined under the Omnibus Plan), the executive would be entitled to receive, subject to the execution and non-revocation of a release of claims, (i) a lump sum cash payment equal to the sum of two times his annual base salary plus target annual bonus for the year in which such termination of employment occurs; (ii) the Continued Benefits; (iii) the Pro Rata Bonus; and (iv) the Earned but Unpaid Bonus.

Requirements With Respect to Non-Competition and Non-Solicitation. Upon a termination of employment for any reason, an Executive is subject to the following one year post-termination restrictive covenants: (i) non-competition restrictions; and (ii) non-solicitation of Company employees and customers.

Jim Hallett

In connection with Mr. Hallett stepping down as Chief Executive Officer on April 1, 2021, the Company and Mr. Hallett entered into a new employment agreement to reflect Mr. Hallett's new role as Executive Chairman, effective April 1, 2021, providing for the severance and change of control payments set forth below. Mr. Hallett's employment agreement ended on March 31, 2023 in accordance with its terms.

Termination Due to Death or Disability. If Mr. Hallett terminated his employment due to death or disability, the Company would be obligated to pay to Mr. Hallett (or his legal representatives) an amount equal to the sum of (i) any earned but unpaid base salary; (ii) accrued but unpaid vacation earned through the date of termination; (iii) unreimbursed business expenses; and (iv) any vested employee benefits. The aggregate of the foregoing is referred to as the "Accrued Obligations." In addition, Mr. Hallett or his estate/beneficiaries would be entitled to receive (i) COBRA premium payments for 18 months or until Mr. Hallett becomes eligible for coverage under another employer's health plan, if Mr. Hallett is participating in the Company's health plans on the date of such termination of employment (the "Continued Benefits"); (ii) the prorated portion of his annual bonus for the calendar year in which such termination of employment occurred, calculated based on Mr. Hallett's actual performance and based on the number of days Mr. Hallett was employed by the Company during such calendar year (the "Pro Rata Bonus"); and (iii) a payment equal to the amount of any annual bonus which has been earned in a prior year but which has not yet been paid to Mr. Hallett (the "Earned but Unpaid Bonus").

For purposes of his employment agreement, "disability" means a "Total Disability" (or equivalent) as defined in the Company's long term disability plan in effect at the time of the disability.

Voluntary Termination or Termination for Cause. If Mr. Hallett voluntarily terminated his employment or if the Company terminated his employment for Cause, the Company's sole obligation would be to pay him the Accrued Obligations. For purposes of his employment agreement, "Cause" means the (i) Mr. Hallett's willful, continued and uncured failure to perform substantially his duties under the agreement (other than any such failure resulting from incapacity due to medically documented illness or injury) for a period of 14 days following written notice by the Company to Mr. Hallett of such failure; (ii) Mr. Hallett engaging in illegal conduct or gross misconduct that is demonstrably likely to lead to material injury to the Company, monetarily or otherwise; (iii) Mr. Hallett's indictment or conviction of, or plea of *nolo contendere* to, a crime constituting a felony or any other crime involving moral turpitude; (iv) Mr. Hallett's material breach of the Company's code of business conduct and ethics; or (v) Mr. Hallett's violation of the restrictive covenants under the agreement or any other covenants owed to the Company by Mr. Hallett.

Termination Without Cause or Resignation for Good Reason. In the event Mr. Hallett was terminated by the Company without Cause or Mr. Hallett resigned for Good Reason, Mr. Hallett would be entitled to receive, subject to the execution and non-revocation of a release of claims, (i) a lump sum cash payment equal to the sum of two and a half times his annual base salary plus target annual bonus for the year in which such termination of employment occurs; (ii) the Continued Benefits; (iii) the Pro Rata Bonus; and (iv) the Earned but Unpaid Bonus. For purposes of his employment agreement, "Good Reason" means (i) any material reduction of Mr. Hallett's authority, duties and responsibilities; (ii) any material failure by the Company to comply with any of the terms and conditions of the agreement; (iii) any failure to timely pay or provide Mr. Hallett's base salary, or any reduction in Mr. Hallett's base salary, excluding any base salary reduction made in connection with across the board salary reductions; (iv) the requirement by the Company that Mr. Hallett relocate his principal business location to a location more than 50 miles from Mr. Hallett's principal base of operation as of the effective date of the agreement; or (v) a Change of Control occurs and, if applicable, the Company fails to cause its successor (whether by purchase, merger, consolidation or otherwise) to assume or reaffirm the Company's obligations under the agreement without change. For purposes of the foregoing, "Change of Control" has the same meaning as the term "Change in Control" under the Omnibus Plan.

Requirements With Respect to Non-Competition and Non-Solicitation. Upon a termination of employment for any reason, Mr. Hallett is subject to the following one year post-termination restrictive covenants: (i) non-competition restrictions; and (ii) non-solicitation of Company employees and customers.

CEO PAY RATIO

Summary

For the 2022 fiscal year, the ratio of the annual total compensation of Mr. Kelly, our Chief Executive Officer ("CEO Compensation"), to the median of the annual total compensation of all of our employees and those of our consolidated subsidiaries other than Mr. Kelly ("Median Annual Compensation") was 117 to 1.

This ratio is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K using the data and assumptions described below. The assumptions used in the calculation of our estimated pay ratio are specific to our company and our employee population; therefore, our pay ratio may not be comparable to the pay ratios of other companies, including the companies in our proxy comparator group.

In this summary, we refer to the employee who received the Median Annual Compensation as the "Median Employee." For purposes of this summary, Median Annual Compensation was $60,010, and was calculated by totaling for our Median Employee all applicable elements of compensation for the 2022 fiscal year in accordance with Item 402(c)(2)(x) of Regulation S-K. For purposes of this summary, CEO Compensation was $7,028,222. CEO Compensation for purposes of this disclosure represents the total compensation reported for Mr. Kelly in the "Summary Compensation Table for 2022" for the 2022 fiscal year.

Methodology

In 2022, we completed the ADESA Sale, which caused a significant change in our employee population from that employed for our 2020 pay ratio calculation, which we utilized again in 2021. Given this impact, we have re-identified the Median Employee for 2022.

To identify the Median Employee, we first determined our employee population as of December 31, 2022 (the "Determination Date"). We had 4,584 employees (other than our CEO, Mr. Kelly), representing all full-time, part-time, seasonal and temporary employees of us and our consolidated subsidiaries as of the Determination Date. This number did not include any independent contractors or "leased" workers, as permitted by the applicable SEC rules. As permitted under the *de minimis* exemption to Item 402(u) of Regulation S-K, we chose to exclude 221 employees in the following countries in identifying our Median Employee, which together comprised less than 5% of our total employee population: France (4); Germany (35); Italy (27); Mexico (10), and the Philippines (145).

We then measured compensation for the period beginning on January 1, 2022 and ending on December 31, 2022 for 4,363 employees (after the permitted exclusions noted above). This compensation measurement was first calculated by totaling base salary (for salaried employees) and wages (for hourly employees) for each employee, and converting international currencies into U.S. dollars. We annualized the total compensation for the portion of our permanent employee workforce (full-time and part-time) which worked for less than the full fiscal year due to commencing employment after the beginning of the fiscal year.

We identified the Median Employee, who was located in the U.S. We then calculated gross wages reported on Form W-2 which included cash compensation, including regular pay (wages and salary), all variants of overtime (if eligible), and all variants of bonus payments actually paid (if any).

PAY VERSUS PERFORMANCE

The following tables and related disclosures provide information about (i) the total compensation of our principal executive officer ("PEO") and our non-PEO named executive officers (collectively, the "Non-PEO NEOs") as presented in the Summary Compensation Table on page 47, (ii) the "compensation actually paid" ("CAP") to our PEO and Non-PEO NEOs, as calculated pursuant to Item 402(v) of Regulation S-K ("Item 402(v)"), (iii) certain financial performance measures, and (iv) the relationship of the CAP to those financial performance measures.

CAP, as determined under SEC rules, does not reflect the actual amount of compensation earned by or paid to our named executive officers during a covered year or the way in which the Compensation Committee views compensation decisions. The Compensation Committee did not consider the pay-versus-performance disclosure below in making its pay decisions for any of the years shown. For further information on our pay-for-performance philosophy and how our executive compensation aligns with the Company's performance, refer to "Compensation Discussion and Analysis" beginning on page 27.

Pay Versus Performance Table

							Value of Initial Fixed $100 Investment Based On:			
Year	Summary Compensation Table Total for First PEO ($)(1)(2)	Summary Compensation Table Total for Second PEO ($)(1)(2)	Compensation Actually Paid to First PEO ($)(1)(3)	Compensation Actually Paid to Second PEO ($)(1)(3)	Average Summary Compensation Table Total for Non-PEO NEOs ($)(1)(4)	Average Compensation Actually Paid to Non-PEO NEOs ($)(1)(5)	Total Shareholder Return ($)(6)	Peer Group Total Shareholder Return ($)(7)	Net Income ($ Millions)(8)	Adjusted EBITDA ($ Millions)(9)
2022	—	7,028,222	—	3,969,021	2,658,920	678,130	61	118	241.2	231.2
2021	4,791,562	8,477,933	3,283,034	10,085,548	2,645,862	2,741,683	73	141	66.5	434.2
2020	5,847,463	—	7,717,959	—	1,963,108	2,365,166	87	111	0.5	375.3

(1) James P. Hallett was our PEO in 2020 (First PEO). In 2021, Peter J. Kelly became our PEO effective April 1, 2021 (Second PEO), and Mr. Hallett stepped down from the PEO role on March 31, 2021. Mr. Kelly was our PEO in 2022. The Non-PEO NEOs included in these columns reflect the following:

- 2022: Eric M. Loughmiller; James P. Hallett; James P. Coyle; Sriram Subrahmanyam; John C. Hammer; and Thomas J. Fisher.
- 2021: Eric M. Loughmiller; John C. Hammer; Justin Davis; and James P. Coyle.
- 2020: Eric M. Loughmiller; Peter J. Kelly; John C. Hammer; and Thomas J. Fisher.

(2) Amounts reflect the total compensation for our PEOs, as reported in the Summary Compensation Table for the applicable fiscal year.

(3) Amounts reflect the CAP to our PEOs, as computed in accordance with Item 402(v). Equity values are calculated in accordance with FASB ASC Topic 718, and the valuation assumptions used to calculate fair values did not materially differ from those disclosed at the time of grant. As provided in Item 402(v), the adjustments in the table below were made to each of our PEOs' total compensation reported in the Summary Compensation Table for each year to determine the compensation actually paid to our PEOs for purposes of this disclosure.

	First PEO – Mr. Hallett			Second PEO – Mr. Kelly		
Summary Compensation Table ("SCT") Total for PEOs	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**
SCT Total	**—**	**$4,791,562**	**$5,847,463**	**$7,028,222**	**$8,477,933**	**—**
Adjustments for stock awards and option awards						
(Deduct): Aggregate value for stock awards and option awards included in SCT Total for the covered fiscal year	—	($3,750,017)	($3,900,024)	($6,005,505)	($7,500,004)	—
Add: Fair value at year end of awards granted during the covered fiscal year that were outstanding and unvested at the covered fiscal year end	—	$5,880,862	$3,283,850	$4,785,239	$10,154,053	—
Add (Deduct): Year-over-year change in fair value at covered fiscal year end of awards granted in any prior fiscal year that were outstanding and unvested at the covered fiscal year end	—	($1,775,630)	$2,233,527	($1,216,563)	($567,259)	—
Add: Vesting date fair value of awards granted and vested during the covered fiscal year	—	—	$27,281	—	—	—
Add (Deduct): Change as of the vesting date (from the end of the prior fiscal year) in fair value of awards granted in any prior fiscal year for which vesting conditions were satisfied during the covered fiscal year	—	($1,863,742)	$61,799	$102,647	($479,175)	—
(Deduct): Fair value at end of prior fiscal year of awards granted in any prior fiscal year that failed to meet the applicable vesting conditions during the covered fiscal year	—	—	—	($725,020)	—	—
Add: Dividends or other earnings paid on awards in the covered fiscal year prior to vesting if not otherwise included in the SCT Total for the covered fiscal year	—	—	$164,063	—	—	—
CAP Amounts (as calculated)	**—**	**$3,283,034**	**$7,717,959**	**$3,969,021**	**$10,085,548**	**—**

(4) Amounts reflect the average compensation for our non-PEO NEOs, as reported in the Summary Compensation Table for the applicable fiscal year.

(5) Amounts reflect the average CAP to our Non-PEO NEOs, as computed in accordance with Item 402(v). Equity values are calculated in accordance with FASB ASC

Topic 718, and the valuation assumptions used to calculate fair values did not materially differ from those disclosed at the time of grant. As provided in Item 402(v), the adjustments in the table below were made to average the Non-PEO NEO's total compensation reported in the Summary Compensation Table for each year to determine the average compensation actually paid to Non-PEO NEOs for purposes of this disclosure.

Summary Compensation Table ("SCT") Total for Non-PEO NEOs	**2022**	**2021**	**2020**
SCT Total	**$2,658,920**	**$2,645,862**	**$1,963,108**
Adjustments for stock awards and option awards			
(Deduct): Aggregate value for stock awards and option awards included in SCT Total for the covered fiscal year	($1,409,909)	($2,171,882)	($992,523)
Add: Fair value at year end of awards granted during the covered fiscal year that were outstanding and unvested at the covered fiscal year end	$1,122,288	$2,850,802	$841,142
Add (Deduct): Year-over-year change in fair value at covered fiscal year end of awards granted in any prior fiscal year that were outstanding and unvested at the covered fiscal year end	($328,936)	($288,831)	$548,649
Add: Vesting date fair value of awards granted and vested during the covered fiscal year	$17,368	—	$1,472
Add (Deduct): Change as of the vesting date (from the end of the prior fiscal year) in fair value of awards granted in any prior fiscal year for which vesting conditions were satisfied during the covered fiscal year	$15,568	($294,268)	($29,671)
(Deduct): Fair value at end of prior fiscal year of awards granted in any prior fiscal year that failed to meet the applicable vesting conditions during the covered fiscal year	($1,397,170)	—	—
Add: Dividends or other earnings paid on awards in the covered fiscal year prior to vesting if not otherwise included in the SCT Total for the covered fiscal year	—	—	$32,991
CAP Amounts (as calculated)	**$678,130**	**$2,741,683**	**$2,365,166**

(6) The amounts in this column assume the investment of $100 on December 31, 2019 in the Company's common stock and reinvestment of all dividends since that date.

(7) The amounts in this column assume the investment of $100 on December 31, 2019 in the S&P SmallCap 600 Index, which we also utilize in the stock performance graph required by Item 201(e) of Regulation S-K included in our Annual Report on Form 10-K for the year ended December 31, 2022.

(8) Amounts reflect the Company's net income as reported in the Company's audited financial statements for the applicable year.

(9) Adjusted EBITDA (a non-GAAP measure), as defined on page 36, was selected as the 2022 "Company-Selected Measure" as defined in Item 402(v).

Financial Performance Measures

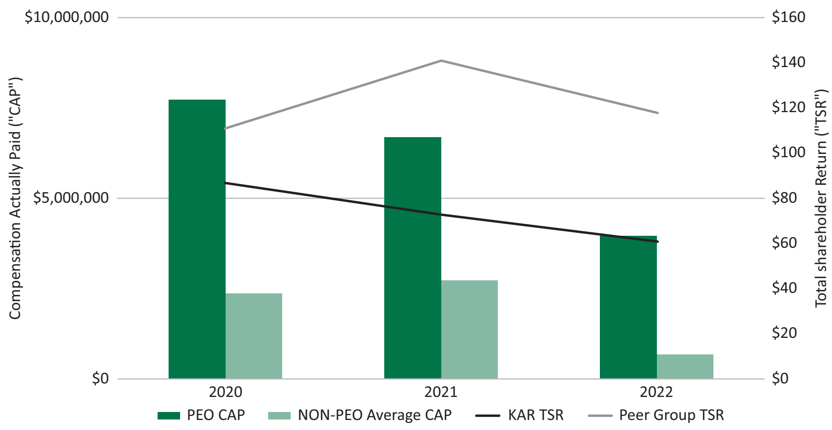
In accordance with Item 402(v) requirements, we are providing the following unranked list of the financial performance measures that the Company considers to have been most important in linking the CAP to the PEO and Non-PEO NEOs in 2022 as set forth in the table above and Company performance:

- Adjusted EBITDA
- Operating Adjusted Net Income Per Share
- Stock Price

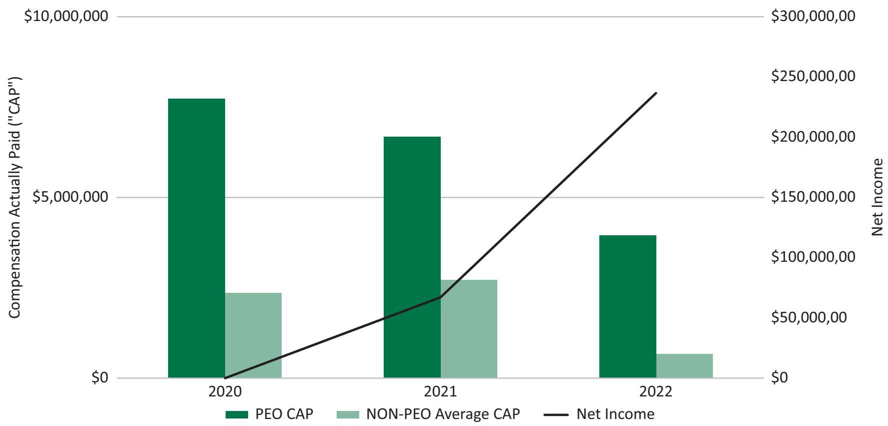
Relationship Between CAP and Performance

The following charts set forth the relationship between our PEO's and Non-PEO NEOs' CAP to (i) our TSR and S&P SmallCap 600 Index TSR, (ii) our net income, and (iii) our Adjusted EBITDA, over the three-year period from 2020 through 2022, each as set forth in the table above.*

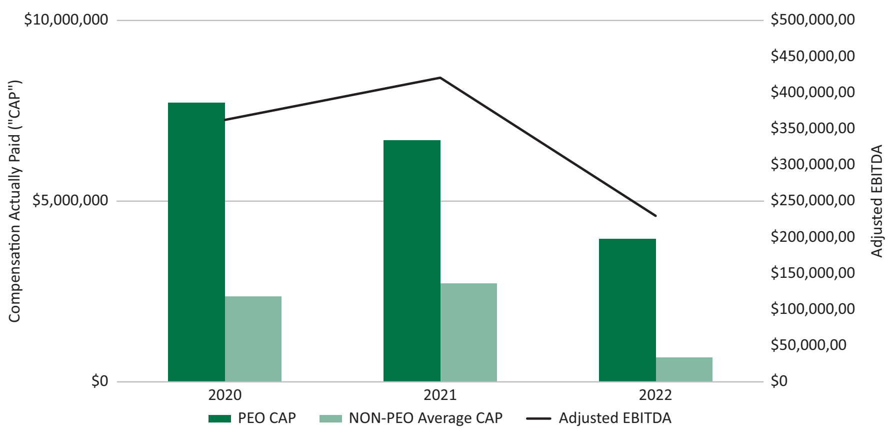
CAP vs. TSR



CAP vs. Net Income



CAP vs. Adjusted EBITDA



* PEO CAP for 2021 reflects the aggregate average 2021 CAP for Messrs. Kelly and Hallett, who each served as a PEO during a portion of 2021.

Proxy Statement

PROPOSAL NO. 4:

ADVISORY VOTE TO APPROVE FREQUENCY OF FUTURE ADVISORY VOTES TO APPROVE EXECUTIVE COMPENSATION

PROPOSAL

In addition to the advisory vote to approve executive compensation, Section 14A of the Exchange Act and related SEC rules require that we provide stockholders the opportunity to vote, on a non-binding, advisory basis, as to how frequently we should hold future non-binding, advisory votes to approve executive compensation. SEC rules provide that, at least once every six years, stockholders must have an opportunity to indicate whether they would prefer that we hold future advisory votes on executive compensation every year, once every two years, or once every three years.

When this advisory vote was last held in 2017, stockholders indicated a preference to hold the advisory vote to approve executive compensation annually and the Board implemented this standard. The Board continues to believe that an annual advisory vote to approve executive compensation is the most appropriate for our stockholders and the Company at this time, as an annual "Say on Pay" vote enables stockholders to provide frequent input regarding the Company's compensation philosophy, policies and practices.

Stockholders may cast their advisory vote to hold future advisory votes to approve executive compensation every year, every two years, every three years, or abstain from voting. The Board recommends that you vote in favor of holding an advisory vote to approve named executive officer compensation every year.

This vote is advisory and will not be binding on the Company or the Board. The Board will take the outcome of the vote into consideration when determining the frequency of future advisory votes on named executive officer compensation.

✓ **The Board of Directors recommends that you vote FOR holding future advisory votes to approve executive compensation "EVERY YEAR."**

Proxies solicited by the Board of Directors will be voted FOR "EVERY YEAR" unless stockholders specify a contrary vote.

PROPOSAL NO. 5:

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PROPOSAL

The Audit Committee has appointed KPMG LLP ("KPMG") to serve as the Company's independent registered public accounting firm for its fiscal year ending December 31, 2023. The Audit Committee and the Board seek to have the stockholders ratify the Audit Committee's appointment of KPMG, which has served as the Company's independent registered public accounting firm since 2007.

Although the Company is not required to seek stockholder approval of this appointment, the Board believes it is sound corporate governance to do so. If the appointment of KPMG is not ratified by the stockholders, the Audit Committee will consider the vote of the Company's stockholders and may appoint another independent registered public accounting firm or may decide to maintain its appointment of KPMG. Ratification of the appointment of our independent registered public accounting firm requires the affirmative vote of a majority of the shares present and entitled to vote at the 2023 annual meeting.

Representatives of KPMG will be present at the 2023 annual meeting and will have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.

✓ **The Board of Directors recommends that you vote FOR the ratification of the appointment of KPMG as our independent registered public accounting firm for 2023.**

Proxies solicited by the Board of Directors will be voted "FOR" the ratification of the appointment of KPMG as our independent registered public accounting firm for 2023 unless stockholders specify a contrary vote.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is currently comprised of three independent directors, each of whom satisfies the independence requirements of Section 10A of the Exchange Act and Rule 10A-3 thereunder. The Audit Committee oversees our financial reporting process on behalf of the Board and serves as the primary communication link between the Board as the representative of our stockholders, KPMG as our independent auditor, and our internal auditors. Our management has the primary responsibility for our financial statements and the reporting process, including the systems of internal controls and for assessing the effectiveness of internal controls over financial reporting. The Audit Committee, at least quarterly, meets with the Company's Chief Financial Officer, the Company's head of Internal Audit and representatives of KPMG and conducts separate executive sessions to discuss the audited consolidated financial statements, the evaluations of the Company's internal controls and the overall quality of the Company's financial reporting and compliance programs.

In fulfilling its responsibilities during the fiscal year, the Audit Committee reviewed and discussed with management the consolidated financial statements and related financial statement disclosures included in our Quarterly Reports on Form 10-Q and the audited consolidated financial statements and related financial statement disclosures included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022. Also, the Audit Committee reviewed with the independent auditors their judgments as to both the quality and the acceptability of our accounting policies. The Audit Committee's review with the independent auditors included a discussion of the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") and the SEC. KPMG has provided the Audit Committee written disclosures and all communications required under PCAOB standards, including those concerning independence, and the Audit Committee has discussed those disclosures with KPMG. The Audit Committee has also reviewed non-audit services performed by KPMG and considered whether KPMG's provision of non-audit services was compatible with maintaining its independence from the Company.

The Audit Committee discussed with our internal auditors and independent auditors the overall scope and plans for their respective audits and reviewed our plans for compliance with management certification requirements pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee met with the internal auditors and independent auditors, with and without management present, to discuss the results of the auditors' examinations, their evaluations of our internal controls, including a review of the disclosure control process, and the overall quality of our financial reporting. Management represented to the Audit Committee that the Company's consolidated audited financial statements as of and for the fiscal year ended December 31, 2022 were prepared in accordance with accounting principles generally accepted in the United States, and the Audit Committee has reviewed and discussed the audited consolidated financial statements with management and the independent auditors. The Audit Committee, or the Chair of the Audit Committee, also pre-approved all audit and non-audit services provided by the independent auditors during and relating to fiscal year 2022. In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

The Audit Committee evaluates the performance of the independent auditors each year and determines whether to re-engage the current independent auditors or consider other audit firms. To assist in the evaluation of KPMG's performance for the 2022 audit, the Audit Committee conducted a comprehensive evaluation, which included obtaining input from certain members of management, assessing KPMG's independence, technical expertise, industry knowledge, adequacy of audit approach and scope, appropriateness of fees, and service and communication with management and the Audit Committee. The results of this evaluation were discussed with the KPMG engagement partner. The Audit Committee reviews with our Chief Financial Officer and the head of Internal Audit, the overall audit scope and plans, the results of internal and external audit examinations, evaluations by management and the independent auditors of our internal control over financial reporting, the quality of our financial reporting and the ability of the independent auditors to remain independent. Based on these evaluations, the Audit Committee approved the engagement of KPMG as our independent auditors for fiscal year 2023.

Although the Audit Committee has the sole authority to appoint the independent auditors, the Audit Committee has continued its long-standing practice of recommending that the Board ask our stockholders to ratify the appointment of the independent auditors at our annual meeting of stockholders.

AUDIT COMMITTEE

J. Mark Howell, *Chair*

Michael T. Kestner

Mary Ellen Smith

FEES PAID TO KPMG LLP

The following table sets forth the aggregate fees charged to the Company by KPMG for audit services rendered in connection with the audit of our consolidated financial statements and reports for 2022 and 2021 and for other services rendered during 2022 and 2021 to the Company and its subsidiaries, as well as all out-of-pocket costs incurred in connection with these services:

Fee Category	2022	2021
Audit Fees(1)	$2,942,959	$2,563,576
Audit-Related Fees(2)	1,099,265	360,460
Tax Fees(3)	122,500	170,000
All Other Fees(4)	1,905	—
Total Fees	$4,166,629	$3,094,036

(1) ***Audit Fees:*** Consists of fees for professional services rendered for the audit of our consolidated financial statements, review of the interim condensed consolidated financial statements included in the Company's quarterly reports, the audit of our internal controls over financial reporting and services that are normally provided by independent registered public accounting firms in connection with statutory and regulatory filings or engagements, and attest services, except those not required by statute or regulation.

(2) ***Audit-Related Fees:*** Consists principally of fees for professional services rendered for the carve-out audit of the ADESA U.S. physical auction business for the year ended December 31, 2021, as well as Service Organization Control 1 reporting, our Registration Statement on Form S-8 and the audit of our 401(k) benefit plan.

(3) ***Tax Fees:*** Consists of fees for various tax planning projects.

(4) ***All Other Fees:*** Consists principally of a license to use KPMG's accounting research software.

POLICY ON AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Company's independent registered public accounting firm fee pre-approval policy provides for an annual process through which the Audit Committee evaluates the nature and scope of the audit prior to the commencement of the audit. The Audit Committee also evaluates audit-related, tax and other services that are proposed, along with the anticipated cost of such services. The Audit Committee reviews schedules of specific services to be provided. If other services are provided outside of this annual process, under the policy they may be (i) pre-approved by the Audit Committee at a regularly scheduled meeting; or (ii) pre-approved by the Chair of the Audit Committee, acting between meetings and reporting back to the Audit Committee at the next scheduled meeting. All audit fees, audit-related fees, tax fees and all other fees described above were approved by the Audit Committee or the Chair of the Audit Committee before such services were rendered.

RELATED PERSON TRANSACTIONS

REVIEW AND APPROVAL OF TRANSACTIONS WITH RELATED PERSONS

Pursuant to our written related person transactions policy, the Company reviews relationships and transactions in which the Company, or one of its business units, and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest.

In the course of the review and approval of a related person transaction, the Board or the Audit Committee may consider the following factors:

- the nature of the related person's interest in the transaction;
- the material terms of the transaction, including, without limitation, the amount and type of transaction;
- the importance of the transaction to the related person;
- the importance of the transaction to the Company;
- whether the transaction would impair the judgment of a director or executive officer to act in our best interest; and
- any other matters that we deem appropriate.

Transactions in which the amount involved exceeds $120,000 in which the Company, or one of its business units, was a participant and a related person had a direct or indirect material interest are required to be disclosed in this proxy statement. Justin Davis, President of BacklotCars, has a brother, Ryan Davis, who served as Chief Strategy Officer of BacklotCars during 2022 and earned approximately $550,843 in total compensation. Further, in August 2022 the Company engaged Mr. Fisher's consulting firm, Tack Iron LLC, to provide consulting services with respect to a data center migration project. During 2022, the Company paid Tack Iron LLC $250,000 in consulting fees. Except for the employment of Mr. Ryan Davis, the engagement of Tack Iron LLC, and the transactions set forth below, there were no related person transactions identified since January 1, 2022.

Series A Preferred Stock

On June 10, 2020, we issued 500,000 shares of Series A Preferred Stock to Ignition Acquisition Holdings LP, a Delaware limited partnership and affiliate fund of Apax, for an aggregate purchase price of $500 million, or $1,000 per share, in a private offering pursuant to the Investment Agreement, dated as of May 26, 2020, by and between the Company and the Apax Investor, an affiliate of Ignition Acquisition Holdings LP (the "Apax Investment Agreement"). On June 10, 2020 and June 29, 2020, we issued an aggregate of 50,000 shares of Series A Preferred Stock to Periphas Kanga Holdings, LP ("Periphas"), a Delaware limited partnership and affiliate of Periphas Capital GP, LLC ("Periphas Capital"), for an aggregate purchase price of $50 million, or $1,000 per share, in private offerings pursuant to the Investment Agreement, dated as of May 26, 2020, by and between the Company and Periphas Capital (the "Periphas Investment Agreement" and, together with the Apax Investment Agreement, the "Investment Agreements").

The Series A Preferred Stock ranks senior to our common stock, with respect to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company. The holders of the Series A Preferred Stock are entitled to a cumulative dividend at the rate of 7% per annum, payable quarterly in arrears. Dividends are payable in kind through the issuance of additional shares of Series A Preferred Stock for the first eight dividend payments, and thereafter, in cash or in kind, or in any combination of both, at our option. The holders of the Series A Preferred Stock are also entitled to participate in dividends declared or paid on our common stock on an as-converted basis.

The Series A Preferred Stock is currently convertible at the option of the holders thereof into shares of common stock at a conversion price of $17.75 per share of Series A Preferred Stock and a conversion rate of 56.3380 shares of common stock per share of Series A Preferred Stock, subject to certain anti-dilution adjustments. At any time after June 10, 2023, if the closing price of the common stock exceeds $31.0625 per share, as may be adjusted pursuant to the Certificate of Designations, for at least 20 trading days in any period of 30 consecutive trading days, at our election, all or any portion of the Series A Preferred Stock will be convertible into the relevant number of shares of common stock.

The holders of the Series A Preferred Stock are entitled to vote with the holders of our common stock as a single class on all matters submitted to a vote of the holders of our common stock.

At any time after June 10, 2026, we may redeem some or all of the Series A Preferred Stock for a per share amount in cash equal to: (i) the sum of (x) the liquidation preference thereof, plus (y) all accrued and unpaid dividends, multiplied by (ii) (A) 105% if the redemption occurs at any time after June 10, 2026 and prior to June 10, 2027 (B) 100% if the redemption occurs on or after June 10, 2027.

Upon the occurrence of a change of control, and subject to certain limitations set forth in the Certificate of Designations, each holder of the Series A Preferred Stock will either (i) receive such number of shares of common stock into which such holder is entitled to convert all or a portion of such holder's shares of Series A Preferred Stock at the then current conversion price, (ii) receive, in respect of all or a portion of such holder's shares of Series A Preferred Stock, the greater of (x) the amount per share of Series A Preferred Stock that such holder would have received had such holder, immediately prior to such change of control, converted such share of Series A Preferred Stock into common stock and (y) a purchase price per share of Series A Preferred Stock, payable in cash, equal to the product of (A) 105% multiplied by (B) the sum of the liquidation preference and accrued dividends with respect to such share of Series A Preferred Stock, or (iii) unless the consideration in such change of control event is payable entirely in cash, retain all or a portion of such holder's shares of Series A Preferred Stock.

For so long as the Apax Investor or its affiliates beneficially own at least 25% of the shares of Series A Preferred Stock originally purchased pursuant to the Apax Investment Agreement on an as-converted basis, the Apax Investor will continue to have the right to appoint one individual to the Board. Additionally, so long as the Apax Investor or its affiliates beneficially own at least 50% of the shares of Series A Preferred Stock originally purchased pursuant to the Apax Investment Agreement on an as-converted basis, the Apax Investor will have the right to appoint one non-voting observer to the Board. Likewise, so long as Periphas beneficially owns a certain percentage of the shares of Series A Preferred Stock purchased in the Periphas issuance on an as-converted basis, Periphas will have the right to appoint one non-voting observer to the Board.

The Apax Investor and certain of its affiliates are subject to certain standstill restrictions, until the later of June 10, 2023 and the date on which the Apax Investor no longer beneficially owns 25% of the shares of Series A Preferred Stock originally purchased pursuant to the Apax Investment Agreement on an as-converted basis. Periphas is also subject to certain standstill restrictions, until the later of June 10, 2023 and the date on which Periphas no longer owns 50% of the shares of Series A Preferred Stock purchased in the Periphas issuance on an as-converted basis.

The Apax Investor, its affiliates and Periphas have certain customary registration rights with respect to shares of the Series A Preferred Stock and the shares of the common stock held by it issued upon any future conversion of the Series A Preferred Stock. Pursuant to these rights, on February 18, 2021, the Company filed a registration statement on Form S-3 with the SEC to register for resale an aggregate of (i) 634,305 shares of Series A Preferred Stock, consisting of the 571,606 shares of Series A Preferred Stock held by Ignition Acquisition Holdings LP and Periphas as of February 12, 2021 (including shares issued as dividends payable in kind), and 62,699 shares of Series A Preferred Stock to be issued as dividends paid in-kind on such shares through June 30, 2022; and (ii) 35,735,493 shares of common stock, which represents the total number of shares of common stock issuable upon conversion of all such shares of Series A Preferred Stock. Under the registration statement, Ignition Acquisition Holdings LP and Periphas may offer and sell shares of Series A Preferred Stock or shares of common stock in public or private transactions, or both. These sales may occur at fixed prices, at market prices prevailing at the time of sale, at prices related to prevailing market prices, or at negotiated prices.

At the close of business on April 6, 2023, the record date, Ignition Acquisition Holdings LP and Periphas held 576,645 and 57,660 shares of our Series A Preferred Stock, respectively, which shares represented approximately 22.9% and 2.9% of our common stock on an as-converted basis.

REQUIREMENTS, INCLUDING DEADLINES, FOR SUBMISSION OF PROXY PROPOSALS

NOMINATION OF DIRECTORS AND OTHER BUSINESS OF STOCKHOLDERS

In order to submit stockholder proposals for inclusion in our proxy statement related to the 2024 annual meeting of stockholders pursuant to SEC Rule 14a-8, materials must be received by the Secretary at the Company's principal executive office at KAR Auction Services, Inc., Secretary, 11299 North Illinois Street, Carmel, Indiana 46032 no later than December 23, 2023.

The proposals must comply with all of the requirements of SEC Rule 14a-8. Proposals should be addressed to: Charles S. Coleman, EVP, Chief Legal Officer and Secretary, KAR Auction Services, Inc., 11299 North Illinois Street, Carmel, Indiana 46032. As the SEC's shareholder proposal rules make clear, simply submitting a proposal does not guarantee its inclusion in our proxy statement.

The Company's By-Laws also establish an advance notice procedure with regard to director nominations and stockholder proposals that are not submitted for inclusion in the proxy statement pursuant to SEC Rule 14a-8, but that a stockholder instead wishes to present directly at an annual meeting. To be properly brought before the 2024 annual meeting, a notice of the nomination or the matter the stockholder wishes to present at the meeting must be delivered to the Secretary at the Company's principal office in Carmel, Indiana (see address above), not less than 90 or more than 120 days prior to the first anniversary of the date of this year's annual meeting. As a result, any notice given by or on behalf of a stockholder pursuant to these provisions of the Company's By-Laws (and not pursuant to SEC Rule 14a-8) must be received no earlier than February 3, 2024, and no later than March 4, 2024. All director nominations and stockholder proposals must comply with the requirements of the Company's By-Laws, a copy of which may be obtained at no cost from the Secretary of the Company by writing to KAR Auction Services, Inc., Secretary, 11299 North Illinois Street, Carmel, Indiana 46032.

Other than the proposals described in this proxy statement, the Company does not expect any matters to be presented for a vote at the 2023 annual meeting. However, if you grant a proxy, the persons named as proxy holders on the proxy card will have the discretion to vote your shares on any additional matters properly presented for a vote at the 2023 annual meeting. If for any unforeseen reason, any one or more of the Board's nominees is not available to stand for election as director, the persons named as proxy holders will vote your proxy for such other candidate or candidates as may be nominated as a substitute by the Board.

The chairman of the meeting may refuse to allow the transaction of any business not presented beforehand, or to acknowledge the nomination of any person not made in compliance with the foregoing procedures.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Q: Why am I receiving these materials?

A: We are providing these proxy materials to you in connection with the solicitation, by our Board, of proxies to be voted at the Company's 2023 annual meeting of stockholders and at any adjournments or postponements thereof. Stockholders are invited to attend the 2023 annual meeting to be held via a live audio webcast on June 2, 2023 beginning at 9:00 a.m., Eastern Daylight Time, at www.virtualshareholdermeeting.com/KAR2023, where stockholders will be able to listen to the meeting live, submit questions and vote online. You will need the 16-digit control number provided on your Notice (as defined below under "Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a paper copy of the proxy materials?"), on your proxy card, or on the instructions that accompanied your proxy materials. Our proxy materials are first being distributed to stockholders on or about April 21, 2023.

Q: What proposals will be voted on, what is the Board's voting recommendation, and what are the standards for determining whether a proposal has been approved?

A: The holders of shares of Series A Preferred Stock are being asked to vote, as a separate class, on:

- Proposal No. 1: To elect one director (Roy Mackenzie) designated by the Apax Investor to serve until the 2023 annual meeting of stockholders and until such director's successor is duly elected and qualified, or such director's earlier death, resignation or removal.

The holders of shares of common stock and shares of Series A Preferred Stock, voting together as a single class, are being asked to consider and vote on the following items:

- Proposal No. 2: To elect eight directors to serve until the 2023 annual meeting of stockholders and until such director's successor is duly elected and qualified, or such director's earlier death, resignation or removal.
- Proposal No. 3: To approve, on an advisory basis, executive compensation.
- Proposal No. 4: To approve, on an advisory basis, the frequency of future votes to approve executive compensation.
- Proposal No. 5: To ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2023.

Proposal	Voting Choices and Board Recommendation	Voting Standard	Effect of Abstention	Effect of Broker Non-Vote
1. Election of Director Nominee Designated by the Apax Investor	• Vote "FOR" the nominee • Vote "AGAINST" the nominee • Abstain from voting for the nominee **The Board recommends a vote FOR the director nominee.**	More votes "FOR" than "AGAINST"	No effect	No effect
2. Election of Directors	• Vote "FOR" all nominees • Vote "FOR" specific nominees • Vote "AGAINST" all nominees • Vote "AGAINST" specific nominees • Abstain from voting for all nominees • Abstain from voting for specific nominees **The Board recommends a vote FOR each of the director nominees.**	More votes "FOR" than "AGAINST"	No effect	No effect
3. Advisory Vote to Approve Executive Compensation	• Vote "FOR" the advisory proposal • Vote "AGAINST" the advisory proposal • Abstain from voting on the advisory proposal **The Board recommends a vote FOR the advisory vote to approve executive compensation.**	Majority of the shares present and entitled to vote	Vote against	No effect

4.	**Advisory Vote to Approve the Frequency of Future Votes to Approve Executive Compensation**	• Vote "FOR" holding the say-on-pay vote "EVERY YEAR" • Vote "FOR" holding the say-on-pay vote "EVERY TWO YEARS" • Vote "FOR" holding the say-on-pay vote "EVERY THREE YEARS" • Abstain from voting on the advisory proposal **The Board recommends a vote FOR holding the advisory vote to approve executive compensation "EVERY YEAR."**	Frequency receiving the most "FOR" votes will be the recommendation of stockholders	No effect	No effect
5.	**Ratification of Independent Registered Accounting Firm**	• Vote "FOR" the ratification • Vote "AGAINST" the ratification • Abstain from voting on the ratification **The Board recommends a vote FOR the ratification of the appointment of KPMG as our independent registered accounting firm for 2023.**	Majority of the shares present and entitled to vote	Vote against	Not applicable

Q: Who is entitled to vote?

A: Only holders of our common stock and/or Series A Preferred Stock outstanding as of the record date, which is the close of business on April 6, 2023, may vote at the 2023 annual meeting. Each share of our common stock is entitled to one vote on each matter properly brought before the 2023 annual meeting and on which holders of common stock are entitled to vote.

Each record holder of Series A Preferred Stock will have a number of votes equal to the largest number of whole shares of common stock into which such shares are convertible on the record date on each matter that is properly brought before the 2023 annual meeting and on which holders of Series A Preferred Stock are entitled to vote together with common stock as a single class. In addition, each holder of record of Series A Preferred Stock will have one vote for each share of Series A Preferred Stock on each matter that is properly brought before the 2023 annual meeting and on which holders of Series A Preferred Stock are entitled to vote separately, as a class.

These shares include shares that are:

- held directly in your name as the stockholder of record; and
- held for you as the beneficial owner through a broker, bank or other nominee, including shares purchased under the KAR Auction Services, Inc. Amended and Restated Employee Stock Purchase Plan (the "ESPP").

On the record date, the Company had 109,185,902 shares of common stock issued and outstanding and 634,305 shares of Series A Preferred Stock issued and outstanding.

Q: Are there any requirements on how the holders of the Series A Preferred Stock must vote?

A: Under the Investment Agreement, at the 2023 annual meeting, Ignition Acquisition Holdings LP and Periphas are required to vote their shares of Series A Preferred Stock in favor of the nine director nominees who are also being voted on by holders of common stock, in favor of the "say on pay" and "say on frequency" proposals and for ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2023, as described in these proxy materials. Ignition Acquisition Holdings LP and Periphas are entitled to vote at their discretion on the other proposals (if any) described in this proxy statement.

Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?

A: ***Stockholder of Record.*** If your shares are registered directly in your name with the Company's transfer agent, American Stock Transfer & Trust Company, LLC, you are considered a "stockholder of record" with respect to those shares. As the stockholder of record, you have the right to grant your voting proxy directly to the Company or to vote in person online during the 2023 annual meeting.

Beneficial Owner. If your shares are held in a brokerage account or by a bank or other nominee, you hold your shares in "street name" and are considered a "beneficial owner" with respect to those shares. These proxy materials are being forwarded to you by your broker or nominee who is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker on how to vote your shares and are also invited to attend the 2023 annual meeting.

Q: How can I vote my shares and participate at the 2023 annual meeting?

A: Stockholders may participate in the 2023 annual meeting by visiting the following website: www.virtualshareholdermeeting.com/KAR2023. To participate in the 2023 annual meeting, you will need the 16-digit control number provided on your Notice, on your proxy card, or on the instructions that accompanied your proxy materials.

Stockholder of Record. Shares held directly in your name as the stockholder of record may be voted online during the 2023 annual meeting. If you choose to vote your shares online during the 2023 annual meeting, please follow the instructions provided on the Notice to log in to www.virtualshareholdermeeting.com/KAR2023. You will need the control number included on your Notice, on your proxy card, or on the instructions that accompanied your proxy materials.

Beneficial Owner. If you are a beneficial owner in street name and want to vote your shares online during the 2023 annual meeting, you will need to ask your bank, broker or other nominee to furnish you with a legal proxy and proof of beneficial ownership, such as your most recent account statement as of April 6, 2023, the record date, a copy of the voting instruction form provided by your broker, bank, trustee, or nominee, or other similar evidence of ownership. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

If you hold both common stock and Series A Preferred Stock, you will need to vote, or authorize a proxy to vote, each class of stock separately. Please be sure to vote or authorize a proxy to vote for each class of stock separately so that all your votes can be counted. For more information, see “What if I hold both common stock and Series A Preferred Stock” below.

Even if you plan to attend the 2023 annual meeting, the Company strongly recommends that you vote your shares in advance as described below so that your vote will be counted if you later decide not to attend the 2023 annual meeting. See “How can I vote my shares without attending the 2023 annual meeting?” below.

The 2023 annual meeting will begin promptly at 9:00 a.m., Eastern Daylight Time. We encourage you to access the meeting prior to the start time. Please allow ample time for online check-in, which will begin at 8:45 a.m. Eastern Daylight Time.

We are holding the 2023 annual meeting online and providing Internet voting to provide expanded access and to allow you to vote your shares online during the annual meeting, with procedures designed to ensure the authenticity and correctness of your voting instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

Q: What if I hold both common stock and Series A Preferred Stock?

A: Some of our stockholders may hold both common stock and Series A Preferred Stock. If you are a holder of both common stock and Series A Preferred Stock, you can expect to receive separate sets of printed proxy materials.

You will need to vote, or authorize a proxy to vote, each class of stock separately in accordance with the instructions set forth herein and on the applicable proxy cards or voting instruction forms. Voting, or authorizing a proxy to vote, only your common stock will not also cause your shares of Series A Preferred Stock to be voted, and vice versa.

If you hold both common stock and Series A Preferred Stock, please be sure to vote or authorize a proxy to vote for each class of stock separately so that all your votes can be counted.

Q: How can I vote my shares without attending the 2023 annual meeting?

A: Whether you hold your shares directly as the stockholder of record or beneficially in street name, you may vote ***without attending*** the 2023 annual meeting in one of the following manners:

By Internet. Go to www.proxyvote.com and follow the instructions. You will need the control number included on your proxy card or voting instruction form;

By Telephone. Dial 1-800-690-6903. You will need the control number included on your proxy card or voting instruction form; or

By Mail. Complete, date and sign your proxy card or voting instruction form and mail it using the enclosed, pre-paid envelope.

If you vote on the Internet or by telephone, you do not need to return your proxy card or voting instruction form. Internet and telephone voting for stockholders will be available 24 hours a day, and will close at 11:59 p.m., Eastern Daylight Time, on June 1, 2023.

Q: If I am an employee holding shares pursuant to the ESPP, how will my shares be voted?

A: Employees holding stock acquired through the ESPP will receive a voting instruction form covering all shares held in their individual account from Fidelity, the plan record keeper. The record keeper for the ESPP will vote your shares (i) in accordance with the specific instructions on your returned voting instruction form; or (ii) in its discretion, if you return a signed voting instruction form with no specific voting instructions.

Q: What is the quorum requirement for the 2023 annual meeting?

A: A quorum of stockholders is necessary to hold the 2023 annual meeting. A quorum at the 2023 annual meeting exists if stockholders entitled to cast a majority of the votes entitled to be cast at the 2023 annual meeting are present in person or represented by proxy. Abstentions and broker non votes are counted as present for establishing a quorum. A broker non-vote occurs on an item when a broker, bank or other nominee is not permitted to vote on that item absent instruction from the beneficial owner of the shares and no instruction is given.

Q: What happens if I do not give specific voting instructions?

A: ***Stockholder of Record***. If you are a stockholder of record and you sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by the Board on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the 2023 annual meeting.

Beneficial Owner. If you are a beneficial owner of shares and do not provide the organization (e.g., broker, bank or other nominee) that holds your shares in “street name” with specific voting instructions, the organization that holds your shares may generally vote in its discretion on “routine” matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on “non-routine” matters, such organization cannot vote your shares and will inform the inspector of election that it does not have the authority to vote on these matters with respect to your shares. This is generally referred to as a “broker non-vote.” Therefore, we urge you to give voting instructions to your broker, bank or other nominee. Shares represented by such broker non-votes will be counted in determining whether there is a quorum. Because broker non-votes are not considered shares entitled to vote, they will have no effect on the outcome of any proposal other than reducing the number of shares present in person or by proxy and entitled to vote from which a majority is calculated.

- **Routine Matters.** The ratification of the appointment of KPMG as our independent registered public accounting firm for 2023 (Proposal No. 5) is considered a routine matter under applicable rules. A broker, bank or other nominee may generally vote on routine matters, and therefore no broker non votes will exist in connection with Proposal No. 5.
- **Non Routine Matters.** The election of directors (Proposals No. 1 & 2), the advisory vote to approve executive compensation (Proposal No. 3), and the advisory vote to approve the frequency of future votes to approve executive compensation (Proposal No. 4) are each considered “non routine” matters under applicable rules are considered non routine matters under applicable rules. A broker, bank or other nominee cannot vote without instructions on non-routine matters, and therefore there may be broker non votes on Proposal No. 1, Proposal No. 2, Proposal No. 3 and Proposal No. 4.

Q: What does it mean if I receive more than one proxy card or voting instruction form?

A: It means your shares are registered differently or are in more than one account. Please provide voting instructions for all proxy and voting instruction forms you receive.

Q: Who will count the vote?

A: The votes will be counted by the inspector of elections appointed for the 2023 annual meeting.

Q: Can I revoke my proxy or change my vote?

A: Yes. You may revoke your proxy or change your voting instructions at any time prior to the vote at the 2023 annual meeting by:

- providing written notice of revocation to the Secretary of the Company at 11299 North Illinois Street, Carmel, Indiana 46032;
- delivering a valid, later-dated proxy or a later-dated vote on the Internet or by telephone; or
- attending the 2023 annual meeting online and voting during the meeting, which will automatically cancel any proxy previously granted.

Please note that your attendance at the 2023 annual meeting alone will not cause your previously granted proxy to be revoked unless you vote online during the 2023 annual meeting. If you wish to revoke your proxy, you must do so in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken. Shares held in street name may be voted by you online during the 2023 annual meeting only if you obtain a signed proxy from the record holder giving you the right to vote such shares.

Q: Who will bear the cost of soliciting proxies for the 2023 annual meeting?

A: The Company pays the cost of soliciting your proxy and reimburses brokers and others for forwarding to you the proxy materials as beneficial owners of our common stock. The Company's directors, officers and employees also may solicit proxies by mail, telephone and personal contact. They will not receive any additional compensation for these activities.

Q: Why did I receive a notice in the mail regarding the Internet availability of the proxy materials instead of a paper copy of the proxy materials?

A: This year, we are again taking advantage of the SEC rules that allow us to furnish our proxy materials over the Internet. As a result, most of our stockholders will be mailed a Notice of Internet Availability of Proxy Materials ("Notice"), rather than a full paper set of the proxy materials. The Notice includes information on how to access the proxy materials via the Internet as well as how to vote via the Internet. We believe this method of delivery will decrease printing and shipping costs, expedite distribution of proxy materials to you, and reduce our impact on the environment. Stockholders who receive the Notice but would like to receive a printed copy of the proxy materials in the mail should follow the instructions in the Notice for requesting such materials.

Q: I share an address with another stockholder, and we received only one paper copy of the proxy materials. How may I obtain an additional copy of the proxy materials?

A: We have adopted a procedure called "householding," which the SEC has approved. Under this procedure, we may deliver a single copy of the Notice and, if applicable, this proxy statement and the Company's Annual Report to multiple stockholders who share the same address unless we received contrary instructions from one or more of the stockholders.

This procedure reduces our printing and mailing costs and also reduces our impact on the environment. Stockholders who participate in householding will continue to be able to access and receive separate proxy cards. Upon written or oral request, a separate copy of the Notice or this proxy statement and the Company's Annual Report, as requested, will be promptly delivered to any stockholder at a shared address to which we delivered a single copy of any of these documents. If you prefer to receive separate copies of the Notice, the proxy statement or Annual Report, contact Broadridge Financial Solutions, Inc. by calling 1-866-540-7095 or in writing at 51 Mercedes Way, Edgewood, New York 11717, Attention: Householding Department.

If you are a stockholder of record and are receiving more than one copy of the proxy materials at a single address and would like to participate in householding, please notify us by contacting Broadridge Financial Solutions, Inc. using the mailing address and phone number above. Stockholders who hold shares in "street name" may contact their broker, bank or other nominee to request information about householding.

Q: How can I obtain a copy of KAR's Annual Report on Form 10-K?

A: Copies of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as filed with the SEC, are available to stockholders free of charge on our website at www.karglobal.com under the "Investor Relations" tab, or by writing to KAR Auction Services, Inc., Investor Relations, 11299 North Illinois Street, Carmel, Indiana 46032.

Q: Where can I find the voting results of the 2023 annual meeting?

A: KAR will announce preliminary voting results at the 2023 annual meeting and publish preliminary, or final results if available, in a Current Report on Form 8-K within four business days of the 2023 annual meeting.

Q: How can I attend the 2023 annual meeting?

A: The 2023 annual meeting will be a completely virtual meeting of stockholders, which will be conducted through a live audio webcast. There will be no physical meeting location. You are entitled to participate in the annual meeting only if you were a Company stockholder as of the close of business on April 6, 2023 or if you hold a valid proxy for the annual meeting.

You will be able to attend the 2023 annual meeting online and submit your questions during the meeting by visiting www.virtualshareholdermeeting.com/KAR2023. You also will be able to vote your shares online during the annual meeting.

To participate in the 2023 annual meeting, you will need the 16-digit control number included on your Notice, on your proxy card, or on the instructions that accompanied your proxy materials. Instructions on how to attend and participate in our online meeting, including how to demonstrate proof of stock ownership, are posted on the meeting website.

The meeting will begin promptly at 9:00 a.m., Eastern Daylight Time. We encourage you to access the meeting prior to the start time. Online access to the meeting will open at 8:45 a.m., Eastern Daylight Time, and you should allow ample time to log in to the meeting and test your device's audio capabilities prior to the start of the meeting.

The webcast will be available for replay until midnight on June 1, 2024.

Q: What if I have technical difficulties or trouble accessing the meeting?

A: If you encounter any difficulties accessing the virtual meeting during the check-in or meeting time, please call the technical support number that will be posted on the virtual meeting log-in page at www.virtualshareholdermeeting.com/KAR2023.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 001-34568

KAR AUCTION SERVICES SM

KAR Auction Services, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	**20-8744739**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11299 N. Illinois Street, Carmel, Indiana 46032
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(800) 923-3725**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Stock, par value $0.01 per share	KAR	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to Section §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's common stock held by stockholders who were not affiliates (as defined by regulations of the Securities and Exchange Commission) of the registrant was $1,686,694,032 at June 30, 2022.

As of February 15, 2023, 108,919,230 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

Documents Incorporated by Reference

Certain information required by Part III of this Annual Report on Form 10-K is incorporated by reference herein from the registrant's Definitive Proxy Statement for its 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the registrant's fiscal year ended December 31, 2022.

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DEFINED TERMS

Unless otherwise indicated or unless the context otherwise requires, the following terms used in this Annual Report on Form 10-K have the following meanings:

- "we," "us," "our," "KAR" and "the Company" refer, collectively, to KAR Auction Services, Inc. and all of its subsidiaries;
- "ADESA" or "ADESA Auctions" refer, collectively, to ADESA, Inc., a wholly-owned subsidiary of KAR Auction Services, and ADESA, Inc.'s subsidiaries, including Openlane, Inc. (together with Openlane, Inc.'s subsidiaries, "OPENLANE"), BacklotCars, Inc. ("BacklotCars"), CARWAVE LLC ("CARWAVE"), Nth Gen Software Inc. ("TradeRev"), ADESA Remarketing Limited ("ADESA U.K.") and ADESA Europe NV and its subsidiaries ("ADESA Europe");
- "ADESA U.S. physical auction business," "ADESA U.S. physical auctions" and "ADESA U.S." refer to the auction sales, operations and staff at ADESA's U.S. vehicle logistics centers, which were sold to Carvana Group, LLC (together with Carvana Co. and its subsidiaries, "Carvana") in May 2022;
- "AFC" refers, collectively, to Automotive Finance Corporation, a wholly-owned subsidiary of ADESA, and Automotive Finance Corporation's subsidiaries and other related entities, including PWI Holdings, Inc. (which was sold on December 1, 2020);
- "Credit Agreement" refers to the Amended and Restated Credit Agreement, dated March 11, 2014 (as amended, amended and restated, modified or supplemented from time to time), among KAR Auction Services, Inc., as the borrower, the several banks and other financial institutions or entities from time to time parties thereto and JPMorgan Chase Bank N.A., as administrative agent;
- "Credit Facility" refers to the $950 million, senior secured term loan B-6 facility due September 19, 2026 ("Term Loan B-6"), of which the outstanding amount was fully repaid in 2022, and the $325 million, senior secured revolving credit facility due September 19, 2024 (the "Revolving Credit Facility"), the terms of which are set forth in the Credit Agreement;
- "IAA" refers, collectively, to Insurance Auto Auctions, Inc., formerly a wholly-owned subsidiary of KAR Auction Services, and Insurance Auto Auctions, Inc.'s subsidiaries and other related entities;
- "KAR Auction Services" refers to KAR Auction Services, Inc., and not to its subsidiaries;
- "Senior notes" refers to the 5.125% senior notes due 2025 ($350 million aggregate principal was outstanding at December 31, 2022); and
- "Series A Preferred Stock" refers to the Series A Convertible Preferred Stock, par value $0.01 per share (634,305 and 612,676 shares of Series A Preferred Stock were outstanding at December 31, 2022 and 2021, respectively).

PART I

Item 1. Business

Overview

We are a leading digital marketplace for used vehicles, connecting sellers and buyers across North America and Europe to facilitate fast, easy and transparent transactions. Our portfolio of integrated technology, data analytics, financing, logistics, reconditioning and other remarketing solutions, combined with our vehicle logistics centers in Canada, help advance our purpose: to make wholesale easy so our customers can be more successful.

In 2022, our marketplaces facilitated the sale of approximately 1.3 million used vehicles. Vehicles on our marketplaces are typically sold by commercial sellers including vehicle manufacturers and their captive finance companies, financial institutions, commercial fleet operators and rental car companies, as well as used vehicle dealers, to franchised and independent used vehicle dealers. We generate revenue through auction fees charged to vehicle sellers and buyers as well as by providing value-added ancillary products and services, including transportation logistics, reconditioning, vehicle inspection and certification, titling, administrative and collateral recovery services and floorplan financing. We facilitate the transfer of ownership directly from seller to buyer and, generally, we do not take title to, nor ownership of, vehicles sold through our marketplaces.

For our commercial sellers, our OPENLANE software platform supports more than 40 private label digital remarketing sites and provides comprehensive solutions to our automobile manufacturer, captive finance company and other commercial customers.

For dealer customers, the Company also operates BacklotCars and TradeRev digital marketplace platforms that facilitate real-time transactions between automotive dealers, coast-to-coast in the United States and Canada. The CARWAVE digital auction platform was integrated with BacklotCars in the fourth quarter of 2022, adding additional features and functionality to the BacklotCars marketplace, including a live auction format that allows dealers to sell and source inventory in a fast-paced, head-to-head bidding environment.

An important component of our services to buyers is providing short-term inventory-secured financing, known as floorplan financing. This is provided primarily to independent used vehicle dealers through our wholly-owned subsidiary, AFC, which has approximately 100 locations throughout North America.

The Company also operates the ADESA Simulcast and Simulcast+ technology that supports marketplace sales at our vehicle logistics centers in Canada. This proprietary technology is also sold and licensed to other auction providers, including independent auctions in North America. The Company also owns and operates ADESA U.K., an online wholesale used vehicle remarketing business in the United Kingdom and ADESA Europe, an online wholesale vehicle marketplace in Continental Europe. In January 2023, ADESA U.K. and ADESA Europe were consolidated into one platform. We believe our geographic network and diverse product offerings enable us to leverage relationships with providers and buyers of used vehicles.

Utilizing our proprietary technology, we also provide auction platforms for third parties. Generally, this revenue is generated on a per vehicle basis, but we do not include these transactions in our vehicle sold numbers.

In May 2022, the ADESA U.S. physical auction business was sold to Carvana and included all auction sales, operations and staff at ADESA's U.S. vehicle logistics centers and use of the ADESA.com marketplace in the U.S.

Our Corporate History

ADESA entered the vehicle remarketing industry in 1989 and first became a public company in 1992. In 1994, ADESA acquired AFC. ADESA remained a public company until 1995, and then became public again in 2004. KAR was incorporated in 2006 and acquired ADESA and IAA in 2007, taking ADESA private. KAR became a public company in 2009. In 2019, IAA was separated from KAR through a tax-free spin-off and now operates as a separate public company (NYSE: IAA). In 2022, KAR sold the ADESA U.S. physical auction business to Carvana.

Our Industry

Wholesale used vehicles are generally sold through marketplaces that bring together sellers and buyers to facilitate transactions. Wholesale used vehicles include vehicles from dealers turning their inventory, off-lease vehicles, vehicles repossessed by financial institutions and rental and other fleet vehicles that have reached a predetermined age or mileage. The following are key industry highlights:

Wholesale Used Vehicle Industry Volumes

We believe the U.S. and Canadian wholesale used vehicle industry has a total addressable market of approximately 20 million vehicles, which can fluctuate depending on seasonality and a variety of other macro-economic factors. This wholesale used vehicle industry consists of the commercial market (commercial sellers that sell to franchise and independent dealers) and the dealer-to-dealer market (franchise and independent dealers that both buy and sell vehicles). The Company supports the majority of commercial sellers in North America through our OPENLANE technology. We believe digital applications, such as BacklotCars and TradeRev, may provide an opportunity to expand the total addressable market for dealer-to-dealer transactions. The supply chain issues and current market conditions facing the automotive industry, including the disruption of new vehicle production, low new vehicle supply and historically high used vehicle pricing have had a material impact on the wholesale used vehicle industry.

Wholesale Used Vehicle Market

In the North American wholesale used vehicle marketplace industry, the largest providers of physical auctions include Manheim, a subsidiary of Cox Enterprises, Inc., and the ADESA U.S. physical auction business. In the North American wholesale used vehicle marketplace industry, the largest providers of digital marketplaces include the Company and ACV Auctions. There are several other providers in the market of varying size. Over the last several years, industry transactions have been increasingly shifting from physical marketplace venues to digital marketplace channels. This shift has attracted the entry of several new technology-driven marketplace participants, who are generally smaller in size and service more select segments of buyers and sellers.

Floorplan Financing

An important component of the wholesale used vehicle industry is the availability of short-term inventory-secured financing, known as floorplan financing. By providing buyers (primarily independent used vehicle dealers) access to capital, the independent used vehicle dealers are able to place inventory on their lots. AFC and its competitors play a significant role in the wholesale used vehicle industry by providing liquidity in our marketplaces. In addition, AFC's floorplan financing also supports independent used vehicle dealers with non-auction purchases and value-added services that generate fee-based, non-interest revenue.

Our Business Strategy

KAR's strategy is to build the world's greatest digital marketplaces for used vehicles, and we are advancing this strategy by fulfilling our purpose, to make wholesale easy so our customers can be more successful. This progressive strategy reflects the shifting landscape of the remarketing industry and automotive sector, the evolving needs and expectations of our customers and the opportunities that emerged and accelerated with the onset of the global COVID-19 pandemic in 2020. The strategy builds on KAR's integrated technology, broad data analytics capabilities, and portfolio of financing, logistics, reconditioning and other remarketing solutions.

We are committed to the digital transformation of wholesale automotive remarketing. We believe digital platforms benefit sellers by attracting a larger buyer-base, providing greater flexibility around when and where to launch sales, and enabling more advanced and targeted marketing techniques. We believe buyers benefit from digital platforms through greater transparency, access to inventory beyond their local market, and the ability to browse, bid and buy safely and conveniently from any location, on any device, at any time. For KAR, going digital enables a faster, more agile and asset-light operating model, which should in turn deliver greater value to our stakeholders.

KAR has identified five strategic priorities that we believe will advance our strategy and continue to position our company for the future. Those priorities are:

- Digital transformation;
- Growing dealer consignment;
- Expanding our commercial business;
- Delivering strong performance in our floorplan business; and
- Simplification.

Digital transformation: The cornerstone of digital transformation is technology, so we intend to continue to invest in our digital platforms, data analytics capabilities and digital talent to power our marketplaces. We are transforming our operating model and enabling functions to support KAR's digital future.

- **Enabling capabilities**: We understand that as transactions become more digital, our capabilities need to evolve to meet the increased customer needs and expectations in a digital marketplace. We are enhancing our imaging, inspection and vehicle representation capabilities to more closely simulate seeing and touching a vehicle in person. We also intend to continue to build on and diversify our data and analytics capabilities, providing our customers with actionable information to help them make better, more informed buying and selling decisions.
- **Talent**: Our shift to a digital model has enabled us to become a more efficient organization. We are reducing our overall cost structure while increasing resource levels in our technology, engineering, analytics and product development teams. We will continue to evaluate our talent pool and seek new talent where necessary to advance our strategy and support our customers.
- **Vehicle logistics center locations and operations**: In our Canadian market, our vehicle logistics center locations provide comprehensive services to on-premise and off-premise customers, including inspection, reconditioning, mechanical work, storage and logistics.

Growing dealer consignment: The dealer consignment business represents approximately one-third of the Company's historical transactional volume, and we believe this is an area with significant opportunity for growth. Over the past several years, KAR has completed three strategic acquisitions to help capture greater share in this space: BacklotCars, CARWAVE and TradeRev. The platforms provide dealers with fast, easy, mobile-app solutions to sell and source inventory from other dealers. They also provide comprehensive vehicle condition reports, greater transparency into bidding activity, and real-time market price discovery on listed vehicles. The Company is integrating and leveraging technology, capabilities and staff from these businesses to deliver what we believe will be the best digital dealer-to-dealer solution in the market.

Expanding our commercial business: The commercial consignment business represents approximately two-thirds of the Company's historical transactional volume, and growing our share in this area remains a strategic priority. The foundation of KAR's commercial offering is OPENLANE, the digital platform powering more than 40 private label websites for our commercial OEM and financial institution consignor customers. We continue to invest in staff and technology to enhance the digital experience for our commercial customers using any of our multiple platforms.

Delivering strong performance in our floorplan business: AFC is a leading provider of floorplan financing and affiliated solutions to independent dealers across North America. We are focused on increasing the attach rate of our finance offerings across our marketplaces, growing share across the broader floorplan finance market, and deploying innovative new, non-interest, fee-based services and offerings. Additionally, AFC maintains best-in-class safeguards and processes to identify, mitigate and manage risk across their portfolio. We believe AFC's local presence, centralized services and processing, and their pipeline of innovation position the floorplan business well for continued growth and contribution to KAR's overall results.

Simplification: Ultimately, the transition to a fully digital business enables us to simplify our business which will benefit our customers, our employees and our stockholders. We are actively consolidating technology platforms to leverage the best features and capabilities from across our offerings, provide dealers with greater choice and flexibility, and deliver an easier, more streamlined customer experience. We are also working towards centralizing many key customer support and administrative functions to ensure a faster, more predictable and consistent experience for our customers. As these consolidation efforts progress, we expect increased engagement from our dealers, increased efficiency in our technology development and operations, and improved results across our marketplace business. Additionally, a more simplified business will help us focus our investments, accelerate the pace of innovation and manage our operating costs to the evolving market realities of our business.

Our Business Segments

We operate as two reportable business segments: Marketplace (formerly referenced as ADESA Auctions) and Finance (formerly referenced as AFC). Our revenues for the year ended December 31, 2022 were distributed as follows: Marketplace 75% and Finance 25%.

Marketplace

Overview

KAR is committed to leading the digital transformation of the wholesale automotive remarketing industry and supporting our customers by providing fast and transparent digital marketplaces for buying and selling used vehicles. In May 2022, the ADESA U.S. physical auction business was sold to Carvana and included all auction sales, operations and staff at ADESA's U.S. vehicle logistics centers and use of the ADESA.com marketplace in the United States. The ADESA U.S. physical auction business was formerly a part of the Marketplace segment.

With the sale of these physical auctions, we further aligned our operations with our digital strategy and reinforced our commitment to leading the digital transformation of our industry. The Marketplace segment serves a domestic and international customer base through digital marketplaces for wholesale vehicles that allow the buyers to inspect and compare vehicles. Our marketplace offerings allow us to offer vehicles for sale from any location. Our vehicle logistics centers in Canada facilitate on-premise marketplace sales utilizing primarily our ADESA Simulcast and Simulcast+ technology. Digital marketplace sales are initiated online and include OPENLANE, BacklotCars, TradeRev and ADESA Europe sales. The CARWAVE digital marketplace was integrated with BacklotCars in the fourth quarter of 2022.

Vehicles available on our marketplaces include vehicles from commercial customers such as off-lease vehicles, repossessed vehicles, rental vehicles and other fleet vehicles that have reached a predetermined age or mileage, as well as vehicles from used vehicle dealers turning their inventory. The number of vehicles offered for sale on our marketplaces is the key driver of our costs incurred, and the number of vehicles sold is the key driver of the revenues generated by our marketplaces.

We offer online and mobile wholesale vehicle marketplaces, as well as value-enhancing ancillary services in an effective and efficient manner to maximize returns for the sellers of used vehicles. We transfer the vehicles and ownership to the buyer and the net funds to the seller. Our online marketplaces function 24 hours a day, 7 days a week, providing our customers with maximum exposure for their vehicles and the flexibility to offer vehicles at "buy now" prices or via marketplace sales that last for a few hours, days or even weeks. We also provide customized "private label" selling systems (including "buy now" functionality as well as other online sales formats) for our customers. At most ADESA Canada vehicle logistics center locations, vehicles are typically offered for sale on at least a weekly basis and the marketplace sales are streamed using our ADESA Simulcast and Simulcast+ technology so that remote bidders can participate via our online products.

We generate revenue from auction fees paid by vehicle buyers and sellers, as well as fees from related services. Generally, we do not take title to or bear the risk of loss for vehicles sold on our marketplaces. Our buyer fees are typically based on a tiered structure with fees increasing with the sale price of the vehicle, while seller fees are typically fixed. We add buyer fees to the gross sales price paid by buyers for each vehicle, and generally customers do not receive title or possession of vehicles after purchase until payment is received, proof of floorplan financing is provided or credit is approved. We generally deduct seller fees and other ancillary service fees to sellers from the gross sales price of each vehicle before remitting the net amount to the seller.

We also sell vehicles that have been purchased, which represent approximately 1% of the total volume of vehicles sold. The vehicles that are purchased by us (as opposed to consigned) are remarketed on our own behalf through our marketplace platforms. Since these vehicle titles transfer to us, the entire selling and purchase price of the vehicle is recorded as revenue and cost of services upon sale.

Customers

Suppliers of vehicles to our digital marketplaces primarily include (i) vehicle manufacturers and their captive finance subsidiaries, vehicle rental companies, financial institutions, and commercial fleets and fleet management companies (collectively "commercial customers"); and (ii) franchised and independent used vehicle dealers (collectively "dealer customers"). Buyers of vehicles on our marketplace platforms primarily include dealer customers.

Services

Our digital marketplaces also provide a full range of innovative and value-added services to sellers and buyers that enable us to serve as a "one-stop shop" to service our customers' needs. These services include pre and post-sale inspections, key replacement, transportation and logistics, title services and floorplan financing. For vehicles at our vehicle logistics centers, we can also provide reconditioning and mechanical work. Many of these services may be provided or purchased independently from the marketplaces, including:

Services	Description
Digital Marketplace Services	We provide marketing and advertising for the vehicles on our marketplaces, dealer registration, storage and security of consigned inventory, marketplace vehicle registration, condition report processing, photo services, pre-sale lineups, sales of vehicles by licensed auctioneers, arbitration of disputes, post-sale inspections, title processing, clearing of funds and sales results reports.

Transportation Services	We provide transportation services utilizing our own equipment and personnel as well as licensed and insured third party carriers. Through our subsidiary, CarsArrive, and its proprietary system which provides automated vehicle shipping services, customers can instantly review price quotes and delivery times, and vehicle transporters can check available loads and also receive instant notification of available shipments. The same system is generally utilized across our marketplaces; however, CarsArrive also arranges transportation for vehicles not sold on our marketplaces.
Reconditioning Services	Our vehicle logistics centers provide detailing, body work, paintless dent repair ("PDR"), light mechanical work, glass repair, tire and key replacement and upholstery repair. Key replacement services are primarily provided by our subsidiary, High Tech Locksmiths ("HTL") and are also offered to digital marketplace participants and other non-marketplace customers.
Inspection Services	We inspect many of the vehicles that are offered for sale in our marketplaces through a combination of our employees and third parties using our proprietary technologies. In addition, AutoVIN provides vehicle condition reporting, inventory verification auditing, program compliance auditing and facility inspections. Field managers are equipped with handheld computers and digital cameras to record all inspection and audit data on-site. The same technology is utilized at our vehicle logistics center locations, and we believe that the expanded utilization of comprehensive vehicle condition reports with pictures, video and sound facilitates dealers sourcing vehicles digitally.
Title and Repossession Administration and Remarketing Services	PAR provides end-to-end management of the remarketing process for repossession customers including titling, repossession administration, inventory management, marketplace selection, pricing and vehicle representation. Recovery Database Network, Inc. ("RDN") is a specialized provider of B2B software and data solutions for automotive lenders and repossession companies. Clearplan is closely integrated with RDN, providing users with convenient data-flows and access to its recovery management platform.
Vehicle Research Services	Through our subsidiary, Autoniq, we provide dealers real-time vehicle information such as pricing, history reports and market guides. Autoniq's mobile app allows dealers to scan VINs using their mobile device, view marketplace offered lists and instantly access vehicle history reports and market value reports. Autoniq offers access to vehicle history resources such as CARFAX and AutoCheck, as well as pricing guides such as Black Book, Kelley Blue Book, J.D. Power and Galves. Our offering also includes a comprehensive wholesale and retail market report for all markets in the United States.

Sales and Marketing

Our sales and marketing approach is to develop strong, mutually beneficial and long-lasting relationships with our customers. We have relationship managers for the various commercial customers, including vehicle manufacturers, fleet companies, rental car companies, finance companies and others. These relationship managers focus on current trends and customer needs for their respective customers in order to better coordinate our sales effort and service offerings.

We also have local sales representatives who have experience in the used vehicle business and an intimate knowledge of local markets. These local representatives focus on the dealer sellers and buyers and are complemented by a centralized team of inventory consultants matching buyers and inventory. Both the local sales representatives and the inventory consultants are managed by a corporate-level team focused on developing and implementing standard best practices and expanding relationships with major dealer groups. We believe this combination of a centralized structure with decentralized resources enhances relationships with the local dealer community and may further increase dealer consignment business on our marketplaces.

We also provide market analysis to our customers, as they use analytical techniques in making their remarketing decisions.

Online Solutions

Our current online solutions include:

Marketplace Technology	Description
ADESA Simulcast® / Simulcast+®	Our live digital bidding solution, ADESA Simulcast®, operates in our marketplaces, including in concert with our ADESA Canada marketplaces, and provides registered buyers with the opportunity to participate in live auction marketplace sales. Potential buyers bid online in real time along with the live local bidders and other online bidders via a simple, web-based interface. ADESA Simulcast® provides live real-time streaming audio and video from the physical location as well as still images of vehicles and other data. On-premise buyers can inspect and evaluate the vehicle while online buyers can review comprehensive vehicle detail and inspection data on our marketplaces. Simulcast+ is a fully digital marketplace technology that is operated remotely and facilitates sequential sales, virtual interaction between sellers and buyers, and audio and visual cues that simulate the on-premise bidding. In addition to being utilized in our marketplaces, the ADESA Simulcast and Simulcast+ technology is also sold and licensed to other auction providers.
ADESA.ca, ADESA.com, ADESA.eu, ADESA.co.uk, ADESA DealerBlock® and Openlane.com	These platforms provide for either a real-time or "bulletin-board" marketplace for consigned inventory. We also utilize these platforms to provide certain selling capabilities for our consignors that facilitate the sale of vehicles prior to their arrival at a vehicle logistics center. Marketplace sales can be either closed (restricted to certain eligible dealers) or open (available to all eligible dealers) and inventory feeds of vehicles are automated with many customers' systems as well as third party providers that are integrated with various dealer management systems. Oftentimes, the vehicles offered for sale prior to their arrival at a vehicle logistics center are "private-labeled" for the consignors.
BacklotCars	This mobile app and web-based dealer-to-dealer wholesale platform is utilized in the United States and features a 24/7 "bid-ask" marketplace offering vehicles with comprehensive inspections performed by automobile mechanics. CARWAVE was integrated with BacklotCars in the fourth quarter of 2022, combining the best features and functionality of both marketplaces and provides buyers and sellers the choice of marketplace sale formats – the traditional BacklotCars bid-ask environment or a new, live sale format where buying dealers bid head-to-head for available inventory.
TradeRev	This mobile app-based marketplace is utilized in Canada and facilitates 45-minute live-bidding sales between sellers and buyers. Dealers can sell and source inventory directly from their smartphone, tablet or desktop. TradeRev also offers comprehensive inspection and vehicle history information and provides dealers with additional data-driven vehicle recommendations and insights to help them make more informed buying and selling decisions.

Competition

In the North American wholesale used vehicle industry, we compete with physical auction providers including Manheim and others. We also compete with several digital marketplace providers, including ACV Auctions and others. In addition, used car retailers, such as CarMax, have developed proprietary platforms for selling vehicles to other dealers. In the United States, competition is strongest with Manheim for the supply of used vehicles from national commercial customers. In Canada, we are the largest wholesale used vehicle marketplace operator. The supply of vehicles from dealers is dispersed among all of the marketplace and auction competitors in the used vehicle market.

The wholesale used vehicle industry is highly fragmented in Europe. Our digital marketplaces primarily compete with large European digital remarketers, including BCA Group and others. There are also a number of small independent auction operations throughout Europe.

Finance

Overview

AFC is a leading provider of floorplan financing to independent used vehicle dealers. We provide short-term inventory-secured financing, known as floorplan financing, to independent used vehicle dealers through locations throughout North America. In 2022, AFC serviced approximately 1.6 million loan transactions, which includes both loans paid off and loans extended, or curtailed. We sell the majority of our U.S. dollar-denominated finance receivables without recourse to a wholly-owned bankruptcy remote special purpose entity, which sells an undivided participation interest in such finance receivables to a group of bank purchasers on a revolving basis. We also securitize the majority of our Canadian dollar denominated finance receivables through a separate third-party facility. We generate a significant portion of our revenues from fees. These fees include origination, floorplan, curtailment and other related program fees. When the loan is extended or paid in full, AFC collects all accrued fees and interest.

In addition, AFC provides liquidity for customer trade-ins which encompasses settling lien holder payoff. We also provide title services for our customers. These services are provided through AFC's digital servicing network as well as its physical locations throughout North America.

Customers and Locations

Floorplan financing primarily supports independent used vehicle dealers in North America who purchase vehicles on our marketplaces or those of our competitors and for non-auction purchases. In 2022, approximately 87% of the vehicles floorplanned by AFC were vehicles purchased by dealers on our marketplaces or through a competitor. Our ability to provide floorplan financing facilitates the growth of vehicle sales on our marketplaces. As of December 31, 2022, we serviced customers through approximately 100 locations in markets with a significant concentration of AFC customers. Geographic proximity to the customers gives our employees the ability to stay in close contact with outstanding accounts, thereby better enabling them to manage credit risk and build customer relationships.

As of December 31, 2022, AFC had approximately 12,400 active dealers with an average line of credit of approximately $370,000 and no one dealer representing greater than 1.1% of our portfolio. An average of approximately 15 vehicles per active dealer were floorplanned with an approximate average value outstanding of $13,500 per vehicle as of December 31, 2022.

Sales and Marketing

AFC approaches and seeks to expand its share of the independent dealer floorplan market through a number of methods and channels. We target and solicit new dealers through both direct sales efforts at the dealer's place of business as well as location-based sales and customer service representatives, who service our dealers at our vehicle logistics centers or competitors where they replenish and rotate vehicle inventory. These largely local efforts are handled by field personnel. AFC's corporate-level team and Business Development Center also provide sales and marketing support to AFC field personnel by helping to identify new dealer opportunities, generating new leads through digital channels, and coordinating promotional activity with our marketplace platforms, competitor auctions and other vehicle supply sources. AFC also relies on the utilization of actionable data to drive the business forward (predictive modeling from historical and real-time data).

Credit

Our procedures, proprietary systems and data enable us to manage our credit risk by tracking each vehicle from origination to payoff, while expediting services through our field network. Typically, we assess a floorplan fee at the inception of a loan and we collect all accrued fees and interest when the loan is extended or repaid in full. In addition, AFC generally holds the title or other evidence of ownership to all vehicles which are floorplanned. Typical loan terms are 30 to 90 days, each with a possible loan extension. For an additional fee, this loan extension allows the dealer to extend the duration of the loan beyond the original term for another 30 to 90 days if the dealer makes payment towards principal and pays accrued fees and interest.

The extension of a credit line to a dealer starts with the underwriting process. Credit lines up to $600,000 are extended using a proprietary scoring model developed internally by AFC. Credit lines in excess of $600,000 may be extended using underwriting guidelines which generally require dealership and personal financial statements, monthly bank statements, sales reports and tax returns. The underwriting of each line of credit requires an analysis, write-up and recommendation by the credit department and, in case of credit lines in excess of $600,000, final review by a credit committee.

Collateral Management

Collateral management is an integral part of daily operations at each AFC location, including our corporate headquarters. AFC's proprietary system facilitates this daily collateral management by providing real-time access to dealer information and enables field and corporate personnel to assess and manage potential collection issues. Restrictions are automatically placed on customer accounts in the event of a delinquency, payments by dealers from bank accounts with insufficient funds or poor audit results. Field personnel are proactive in managing collateral by monitoring loans and notifying dealers that payments are coming due. In addition, approximately 60,000 routine audits, or inventory audits, are performed annually on the dealers' lots through our AutoVIN subsidiary. The audit reconciliation process is centralized in order to better mitigate risk and make field personnel time available to focus on the customer. Poor results from inventory audits typically require personnel to take actions to determine the status of missing collateral, including visiting the dealer personally, verifying units held off-site and collecting payments for units sold. Audits also identify troubled accounts, triggering the involvement of AFC's collections department.

AFC operates two divisions which are organized into ten regions in North America. Each division and region is monitored by managers who oversee daily operations. At the corporate level, AFC employs full-time collection specialists and collection attorneys who are assigned to specific regions and monitor collection activity for these areas. Collection specialists work closely with the field offices to track trends before an account becomes a troubled account and to determine, together with collection attorneys, the best strategy to secure the collateral once a troubled account is identified.

Securitization

AFC sells the majority of its U.S. dollar denominated finance receivables on a revolving basis and without recourse to a wholly-owned, bankruptcy remote, consolidated, special purpose subsidiary ("AFC Funding Corporation"), established for the purpose of purchasing AFC's finance receivables. A securitization agreement allows for the revolving sale by AFC Funding Corporation to a group of bank purchasers of undivided interests in certain finance receivables subject to committed liquidity. AFC's securitization facility has been in place since 1996. AFC Funding Corporation had a committed facility of $2.0 billion from a third-party facility for U.S. finance receivables at December 31, 2022. The agreement expires on January 31, 2026.

We also have an agreement in place for the securitization of Automotive Finance Canada Inc.'s ("AFCI") receivables. This securitization facility provides up to C$225 million in financing for eligible finance receivables through a third-party conduit (separate from the U.S. facility). The agreement expires on January 31, 2026. The receivables sold pursuant to both the U.S. and Canadian securitization agreements are accounted for as secured borrowings.

Competition

AFC provides short-term dealer floorplan financing of wholesale vehicles primarily to independent vehicle dealers in North America. At the national level, AFC's competition includes NextGear Capital, a subsidiary of Cox Enterprises, Inc., other specialty lenders, banks and financial institutions. At the local level, AFC faces competition from banks, credit unions and independent auctions who may offer floorplan financing to local customers. Such entities typically service only one or a small number of auctions.

Some of our industry competitors who operate wholesale used vehicle marketplaces on a national scale may endeavor to capture a larger portion of the floorplan financing market. AFC competes primarily on a relationship basis, focusing on quality of service, convenience of payment, scope of services offered to solve customer pain points and consistent commitment to the sector. This and our long-term relationships with customers have been established over time and act as a competitive strength for us.

Seasonality

The volume of vehicles sold through our marketplaces generally fluctuates from quarter to quarter. This seasonality is caused by several factors including weather, the timing of used vehicles available for sale from selling customers, holidays and the seasonality of the retail market for used vehicles, which affects the demand side of the wholesale used vehicle industry. Used vehicle marketplace volumes tend to decline during prolonged periods of winter weather conditions. As a result, revenues and operating expenses related to volume will fluctuate accordingly on a quarterly basis. The fourth calendar quarter typically experiences lower used vehicle marketplace volume as well as additional costs associated with the holidays and winter weather.

In addition, changes in working capital vary from quarter-to-quarter as a result of the timing of collections and disbursements of funds to consignors from marketplace sales held near period end.

Government Regulation

Our operations are subject to regulation, supervision and licensing under various federal, state, provincial, local and foreign authorities, agencies, statutes and ordinances, which, among other things, require us to obtain and maintain certain licenses, permits and qualifications, provide certain disclosures and notices, limit interest rates, fees and other charges and protect personal data. Some examples of the regulations and laws that impact our company are included in Item 1A. "Risk Factors" under the risk: "We are subject to a complex framework of federal, state, local and foreign laws and regulations, which have in the past, and could in the future, subject us to claims, challenge our business model, or otherwise harm our business." Changes in government regulations or interpretations of existing regulations could result in increased costs, reduced vehicle prices and decreased profitability for us. In addition, failure to comply with present or future regulations or changes in existing regulations or in their interpretation could have a material adverse effect on our operating results and financial condition.

Environmental Regulation

Our operations are subject to various foreign, federal, state and local environmental, health and safety laws and regulations, including those governing the emission or discharge of pollutants into the air or water, the generation, treatment, storage and release of hazardous materials and wastes and the investigation and remediation of contamination. Our failure to comply with current or future environmental, health or safety laws or to obtain and comply with permits required under such laws, could subject us to liability, damage our reputation and require costly investigative, remedial or corrective actions.

Some of the facilities on which we operate are impacted by recognized environmental concerns and pollution conditions. We have incurred and may in the future incur expenditures relating to compliance and risk mitigation efforts, releases of hazardous materials, investigative, remedial or corrective actions, claims by third parties and other environmental issues, and such expenditures, individually or in the aggregate, could be significant.

Employees and Human Capital

At December 31, 2022, we had approximately 4,500 employees, of which approximately 2,100 were located in the U.S. and approximately 2,400 were located in Canada, Europe, Mexico, Uruguay and the Philippines. Approximately 88% of our workforce consists of full-time employees. None of our employees participate in collective bargaining agreements, but we have established a works council in Belgium pursuant to local law. In addition to the employee workforce, we utilize independent contractors and temporary labor services to provide certain services.

Our people drive our business, so we strive to attract, develop and retain high-performing talent. Led by our Chief People Officer, we have programs and practices in place to onboard, support and retain our talent, and to source new talent in a highly competitive environment. We recognize the importance of our workforce and the employee experience, and strive to offer competitive compensation and benefits while fostering a culture of open dialogue, inclusion and belonging. Additionally, we enable support functions and people managers that are dedicated to the growth and development of our teams.

Available Information

Our web address is www.karglobal.com. Our electronic filings with the Securities and Exchange Commission ("SEC") (including all Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and if applicable, amendments to those reports) are available free of charge on the website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. In addition, our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for Principal Executive and Senior Financial Officers and charters of the audit committee, the compensation committee, the nominating and corporate governance committee and the risk committee of our board of directors are available on our website and available in print to any stockholder who requests it. The information posted on our website is not incorporated into this Annual Report.

The SEC maintains a website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that site is www.sec.gov.

Item 1A. Risk Factors

Investing in our Company involves a high degree of risk. You should carefully consider the following risk factors, as well as all of the other information contained in this Annual Report on Form 10-K, before deciding to invest in our Company. The occurrence of any of the following risks could materially and adversely affect our business, financial condition, prospects, results of operations and cash flows. In such case, the trading price of our common stock could decline and you could lose all or part of your investment. These risks are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also materially affect our business, financial condition, results of operations and prospects.

Risks Related to Our Business and Operations

If we are unable to successfully execute on our business strategy, if our strategy proves to be ineffective, or if we improperly align new strategies with our vision, our business, financial performance and growth could be adversely affected.

Our business, results of operations and financial condition depend on our ability to execute our business strategy. See "Our Business Strategy" under "Item 1. Business" included in this Annual Report on Form 10-K. There are significant risks involved with the execution of these initiatives, including significant business, economic and competitive uncertainties, many of which are outside of our control. Accordingly, we cannot predict whether we will succeed in implementing these strategic initiatives, and even if we do succeed, we may not realize the expected benefits of our strategy. It could take several years to realize any direct financial benefits from these initiatives, if any direct financial benefits from these initiatives are achieved at all.

We may not properly leverage or make the appropriate investment in technology advancements, which could result in the loss of any sustainable competitive advantage in products, services and processes.

Our business is dependent on information technology, particularly as we execute our digital transformation strategy. Robust information technology systems, platforms and products are critical to our operating environment, digital online products and competitive position. We may not be successful in structuring our technology or developing, acquiring, implementing or consolidating technology systems which are competitive and responsive to the needs of our customers. We might lack sufficient resources to continue to make the significant technology investments to effectively compete with our competitors. Certain technology initiatives that management considers important to our long-term success will require capital investment, have significant risks associated with their execution, and could take several years to implement. If we are unable to develop and implement these initiatives in a cost-effective, timely manner or at all, it could damage our relationships with our customers and negatively impact our financial condition and results of operations. There can be no assurance that others will not acquire or develop similar or superior technologies sooner than we do or that we will acquire technologies on an exclusive basis or at a significant price advantage. If we do not accurately predict, prepare and respond to new kinds of technology innovations, market developments and changing customer needs, our revenues, profitability and long-term competitiveness could be materially adversely affected.

Unsuccessful implementation of business initiatives to reduce costs and align our business to our digital operating model, or unintended consequences of the implementation of such initiatives, may adversely affect our business.

We have taken certain steps to reduce the cost of our operations, improve efficiencies, and realign our organization and staffing to better match our market opportunities and digital initiatives. For example, during the third quarter of 2021 we initiated a multi-year cost management project focused on making permanent changes in our operating model and our cost structure, reengineering the way we do business and ultimately reducing our costs to provide services. Following the sale of the ADESA U.S. physical auction business, we continued to restructure our business to reflect the current market and asset-light digital model, reallocate our resources towards the highest growth initiatives, consolidate our platforms, transition to cloud-based solutions and leverage a global shared services model. We expect to continue to take similar steps in the future as we seek to realize operating synergies, achieve our target operating model and profitability objectives, and more closely reflect changes in the strategic direction of our business. These changes could be disruptive to our business, and we may experience a loss of accumulated knowledge, loss of continuity and inefficiency, adverse effects on employee morale, loss of key personnel and other retention issues during transitional periods. These initiatives can require a significant amount of time and focus, which may divert attention from operating and growing our business. If we fail to achieve some or all of the expected benefits of our cost reduction and business alignment initiatives, it could have an adverse effect on our competitive position and market share, business, financial condition and results of operations.

We operate in a highly competitive industry. If we are not successful in competing with our known competitors and/or disruptive new entrants, then our market position or competitive advantage could be threatened and our business and results of operations could be adversely impacted.

We face significant competition for the supply of used vehicles, the buyers of those vehicles and the floorplan financing of these vehicles. Our principal sources of competition historically have come from: (1) direct competitors (e.g., Manheim, ACV

Auctions, EBlock and NextGear Capital), (2) new entrants, including new vehicle remarketing venues and dealer financing services, and (3) other participants in the automotive industry with vehicle remarketing capabilities (e.g., rental car companies, automobile retailers and wholesalers). We also face increasing competition from online wholesale and retail marketplaces (generally without any meaningful physical presence) and from our own customers when they sell directly to end users through such platforms rather than remarket vehicles through our marketplaces. Increased competition could result in price reductions, reduced margins or loss of market share.

Our future success also depends on our ability to respond to evolving industry trends, changes in customer requirements and new technologies. If new industry trends take hold, including adverse trends such as a market reversal towards physical auctions or the simultaneous listing and selling of vehicles on multiple online sales platforms in North America, the automotive remarketing industry's economics could significantly change, which could cause us to lose vehicle volume and market share, and our business, revenues and profitability could be negatively impacted.

Some of our competitors may have greater financial and marketing resources than we do, may be able to respond more quickly to evolving industry dynamics and changes in customer requirements, or may be able to devote greater resources to the development, promotion and sale of new or emerging services and technologies. If we are unable to compete successfully or to successfully adapt to industry changes, our business, revenues and profitability could be materially adversely affected.

In addition, if one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively. Our competitors may also establish or strengthen cooperative relationships with our current or future data providers, technology partners, or other parties with whom we have relationships, thereby limiting our ability to develop, improve, and promote our solutions. We may not be able to compete successfully against current or future competitors, and competitive pressures may harm our revenue, business, and financial results.

Our marketplace businesses currently compete with a number of physical auction companies and online wholesale and retail vehicle selling platforms. The dealer-to-dealer space in particular is experiencing a digital disruption as competitors and new market participants introduce new technologies. If the number of vehicles sold through our marketplaces decreases due to these competitors or other industry changes, or if BacklotCars and TradeRev are unable to compete and gain market share in the dealer-to-dealer space, our revenue and profitability may be negatively impacted. In addition, our long-lived assets could also become subject to impairment.

At the national level, AFC's competition includes NextGear Capital, a subsidiary of Cox Enterprises, Inc., other specialty lenders, banks and financial institutions. At the local level, AFC faces competition from banks, credit unions and independent auctions who may offer floorplan financing to local auction customers. Such entities typically service only one or a small number of auctions. Some of our industry competitors who operate wholesale car auctions on a national scale may endeavor to capture a larger portion of the floorplan financing market. AFC offers its customers competitive rates and fees and competes primarily on the basis of quality of service, convenience of payment, scope of services offered to solve customer pain points and historical and consistent commitment to the sector. In addition, AFC offers a workforce in close proximity to its customers. If the number of loans originated and serviced decreases due to these competitors, our revenue and profitability may be negatively impacted.

Decreases in the supply of used vehicles coming to the wholesale market has impacted and may continue to impact sales volumes, which has adversely affected and may continue to adversely affect our revenues and profitability.

The automotive industry has experienced unprecedented market conditions, caused in part by supply chain issues, the shortage of semiconductors and associated delays in new vehicle production. These factors have resulted in significant fluctuations in used vehicle values and declines in vehicle volumes in the wholesale market. We expect this volatility to continue.

In particular, the number of new and used vehicles that are leased by consumers affects the supply of vehicles coming to the wholesale market in future periods as the leases mature. As manufacturers and other lenders decrease the number of new vehicle lease originations and extend the terms of some of the existing leases, the number of off-lease vehicles available for the wholesale industry declines.

Volumes of off-lease vehicles in subsequent periods will be affected by total new vehicle sales and the future leasing behavior of manufacturers and lenders; therefore, we are not able to accurately predict the volume of vehicles coming to the wholesale market. The supply of off-lease vehicles coming to wholesale channels is also affected by the market value of used vehicles compared to the residual value of those vehicles per the lease terms. In most cases, the lessee and the dealer have the ability to purchase the vehicle at the residual price at the end of the lease term. Generally, as market values of used vehicles rise, the number of vehicles purchased at residual value by the lessees and dealers increases, thus decreasing the number of off-lease vehicles available to the wholesale market. As a result, lower volumes of off-lease vehicles available to the wholesale market is expected to continue and will likely continue to adversely affect our revenues and profitability.

Further, macroeconomic factors, including inflationary pressures, rising interest rates, volatility of oil and natural gas prices and declining consumer confidence impact the affordability and demand for new and used vehicles. Declining economic conditions present a risk to our operations and the stability of the automotive industry.

In addition, the supply of vehicles coming to the wholesale market could be impacted by changes to the broader automotive industry. For example, if consumer behavior and vehicle ownership trends move from vehicles with internal combustion engines to electric vehicles, the number of vehicles coming to the wholesale market could decline, the ancillary services we provide could decline or change, we could incur expenses associated with the purchase and installation of charging stations at our facilities and our revenues and profitability may be adversely affected. Further, technology is being developed to produce automated, driverless vehicles that could reduce the demand for, or replace, traditional vehicles, including the used vehicles on our marketplaces. Additionally, ride-hailing and ride-sharing services are becoming increasingly popular as a means of transportation and may decrease consumer demand for the used vehicles that are offered on our marketplaces, particularly as urbanization increases. If we are unable to or otherwise fail to successfully adapt to such industry changes, our business, financial condition and results of operations could be materially and adversely affected.

Used vehicle prices impact fee revenue per unit and conversion rates and may impact the supply of used vehicles, loan losses at AFC and could adversely affect our profitability.

The volume of new vehicle production, accuracy of lease residual estimates, interest rate fluctuations, customer demand and changes in regulations, among other things, all potentially affect the pricing of used vehicles. Used vehicle prices may affect the volume of vehicles entered for sale in our marketplaces and the demand for those used vehicles, the fee revenue per unit, marketplace conversion rates, loan losses for our dealer financing business and our ability to retain customers. When used vehicle prices are high, used vehicle dealers may retail more of their trade-in vehicles on their own rather than selling them in the wholesale channel. A sustained reduction in used vehicle pricing could result in a potential loss of consignors, an increase in loan losses at AFC and decreased profitability.

Our marketplace businesses also sell vehicles that have been purchased (e.g., inherited vehicles, vehicles returned or vehicles purchased by ADESA Europe and others). When a vehicle is purchased and then resold, rather than sold on a consignment basis, we are exposed to inventory risks, including losses from theft, damage and obsolescence. In addition, when vehicles are purchased, we are subject to changes in vehicle values, which could adversely affect our revenue and profitability.

AFC is exposed to credit risk with our dealer borrowers, which could adversely affect our profitability and financial condition.

AFC is subject to credit risk resulting from defaults in payment by our dealer customers on our floorplan loans. Furthermore, a weak economic environment, decreased demand for used vehicles, disruptions in pricing of used vehicle inventory or consumers’ lack of access to financing could exert pressure on our dealer customers resulting in higher delinquencies, bankruptcies, repossessions and credit losses. There can be no assurances that our monitoring of our credit risk as it affects the collectability of these loans and our efforts to mitigate credit risk through appropriate underwriting policies and loss-mitigation strategies are, or will be, sufficient to prevent an adverse impact in our profitability and financial condition.

We may be unable to meet our customers’ expectations, which could impact customer retention and adversely affect our operating results and financial condition.

We believe our future success depends in part on our ability to respond to changes in customer requirements and our ability to meet regulatory requirements for our customers. Many of our customers, including our financial institution customers, are subject to significant and evolving regulations. We work to develop strong relationships and interactive dialogue with our customers to better understand current trends and customer needs. If we are not successful in meeting our customers' expectations, our customer relationships could be negatively affected and result in a loss of future business, which would adversely affect our operating results and financial condition.

Our business and operating results would be adversely affected if we lose one or more significant customers.

Loss of business from, or changes in the consignment patterns of, our key customers could have a material adverse effect on our business and operating results. Generally, commercial and dealer customers do not make binding long-term commitments to us regarding consignment volumes. Many of our customer agreements can be terminated by the customer for convenience on advance written notice, which provides our customers with the opportunity to renegotiate their agreements with us or to award more business to our competitors. Any such customer could reduce its overall supply of vehicles for our marketplaces, seek protection under the bankruptcy laws, or otherwise seek to materially change the terms of its business relationship with us at any time. There is no guarantee that we will be able to retain or renew existing agreements, maintain relationships with any of our customers or business partners on acceptable terms or at all, or collect amounts owed to us from customers or business partners. Any such change could harm our business and operating results. While no single customer accounted for 10% or more of our consolidated revenues in 2022, the loss of, or material reduction in business from, our key customers could have a material adverse effect on our business and operating results.

If we fail to attract and retain key personnel, or have inadequate succession planning, we may not be able to execute our business strategies and our financial results could be negatively affected.

Our success depends in large part on the talents and efforts of our executives and other key employees, including those with digital capabilities. Our future success will depend upon our ability to continue to identify, hire, develop, motivate and retain talented personnel. If we lose the services of one or more of our key personnel, or if one or more key personnel joins a competitor or otherwise competes with us, we may not be able to effectively implement our business strategies and our business could be materially adversely affected. Many of our key personnel have extensive experience with our business and have established business relationships with customers and suppliers and, as a result, if we lose key personnel, we may have difficulty in executing our business plan and strategy, retaining and attracting customers on favorable terms and providing acceptable levels of customer service.

In addition, our failure to put in place adequate succession plans for key roles or the failure of key personnel to successfully transition into new roles could have an adverse effect on our business and operating results. The unexpected or abrupt departure of one or more of our key personnel and the failure to effectively transfer knowledge and effect smooth key personnel transitions may have an adverse effect on our business resulting from the loss of such person's skills, knowledge of our business, and years of industry experience.

Further, leadership changes have occurred and will continue to occur from time to time and we cannot predict whether significant resignations will occur or whether we will effectively manage leadership transitions. We may face risks related to these and other transitions in our leadership team. If we cannot effectively manage leadership transitions and management changes in the future, our reputation and future business prospects could be adversely affected.

If we fail to effectively identify, value, manage, and complete acquisitions and subsequent integrations, divestitures and other strategic transactions, our operating results, financial condition and growth prospects could be adversely affected.

Acquisitions have been a significant part of our growth strategy and have enabled us to further broaden and diversify our service offerings. Our strategy generally includes acquisitions of companies, products, services and technologies to expand our online, digital and mobile capabilities and the acquisition and integration of additional facilities. Acquisition of businesses requires substantial time and attention of management personnel and may also require additional equity or debt financings. Further, integration of newly established or acquired businesses is often disruptive. There can be no assurance that we will identify appropriate targets, will acquire such businesses on favorable terms, will be able to successfully integrate such organizations into our business or will be able to realize anticipated benefits. Because these new ventures are inherently risky, no assurance can be given that such strategies and offerings will be successful and they could materially adversely affect our business, financial condition and results of operations. Acquisitions may also have unanticipated tax, legal, regulatory and accounting ramifications, including as a result of recording goodwill that is subject to impairment testing on a regular basis and potential periodic impairment charges. Another accounting ramification includes the valuation of contingent consideration at the acquisition date which is subject to remeasurement each reporting period and could result in additional expense. In addition, we expect to compete against existing and new competitors for suitable acquisitions. If we are able to consummate acquisitions, such acquisitions could be dilutive to earnings, and we could overpay for such acquisitions.

Additional risks and challenges we face in connection with acquisitions include, but are not limited to:

- incurring significantly higher capital expenditures, operating expenses and operating losses of the business acquired;
- coordination of technology, research and development, and sales and marketing functions, along with integration of the acquired business's accounting, management information, human resources, and other administrative systems;
- incurring liability for pre-acquisition activities of the acquired business;
- inheriting certain security or privacy vulnerabilities of the acquired business;
- implementing or remediating the controls, procedures, and policies of the acquired business;
- incorporating acquired technology and rights into our offerings and unanticipated expenses related to such integration;
- retaining and integrating acquired employees, including cultural challenges associated with integrating employees from the acquired business into our organization;
- maintaining important business relationships and contracts of the acquired business; and
- integrating the acquired business onto our systems and ensuring the acquired business meets our financial reporting requirements and timelines.

Any of these risks, if realized, could materially and adversely affect our business, financial condition and results of operations.

Some of the same risks exist if and when we decide to sell a business or assets. In addition, divestitures could involve additional risks, including difficulties in the separation of operations, services, data, technology, products and personnel, inability to fully reduce fixed costs previously associated with the divested assets or business, the potential need to provide transitional services and the need to agree to retain or assume certain liabilities in order to complete the divestiture. We may not be successful in managing these or any other significant risks that we encounter in divesting businesses or assets, and, as a result, we may not achieve some or all of the expected benefits of the divestitures.

We have identified a material weakness in our internal control over financial reporting, which could adversely affect us, our reputation and the market price of our common stock.

As disclosed in Part II, Item 9A of this Annual Report on Form 10-K, our management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2022 due to a material weakness related to ineffective process level controls over the review of the statement of cash flows as it relates to operating cash flows related to discontinued operations and operating and financing cash flows related to contingent consideration paid. Our independent registered public accounting firm that has audited our consolidated financial statements included in this Annual Report on Form 10-K issued an adverse opinion on our internal control over financial reporting as of December 31, 2022.

Our management has implemented a remediation plan with respect to the material weakness, but may subsequently determine that additional measures are necessary or modifications to the remediation plan are appropriate to address the material weakness. If we are unable to timely remediate the material weakness, or if additional material weaknesses or significant deficiencies in internal control are discovered or occur in the future, our consolidated financial statements may contain additional misstatements that could be material, and we could be required to then restate our financial results. Our reputation and investor confidence in us could be harmed, and the market price of our common stock may be materially adversely affected. Our access to capital markets or liquidity sources could be negatively affected, and we could be exposed to lawsuits and other legal actions.

Our expansion into markets outside the U.S. and our non-U.S. based operations subject us to unique operational, competitive and regulatory risks.

Acquisitions and other strategies to expand our operations beyond North America subject us to significant risks and uncertainties. As a result, we may not be successful in realizing anticipated synergies or we may experience unanticipated integration expenses. As we continue to expand our business internationally, we will need to develop policies and procedures to manage our business on a global scale. There can be no assurance that we will identify appropriate international targets, acquire such businesses on favorable terms, or be able to successfully grow and integrate such organizations into our business. Operationally, acquired businesses typically depend on key relationships and our failure to maintain those relationships could have an adverse effect on our operating results and financial condition.

In addition, we anticipate that our non-U.S. based operations will continue to subject us to risks associated with operating on an international basis, including:

- exposure to foreign currency exchange rate risk, which may have an adverse impact on our revenues and profitability;
- exposure to the principal or purchase auction model rather than the agency or consignment model, which may have an adverse impact on our margins and expose us to inventory risks;
- restrictions on our ability to repatriate funds, as well as repatriation of funds currently held in foreign jurisdictions, which may result in higher effective tax rates;
- tariffs and trade barriers and other regulatory or contractual limitations on our ability to operate in certain foreign markets;
- compliance with anti-corruption and anti-bribery laws, including the Foreign Corrupt Practices Act and the U.K. Bribery Act;
- compliance with various privacy regulations, including but not limited to the General Data Protection Regulation ("GDPR");
- compliance with data localization and/or data residency requirements and cross-border data transfer regulations;
- dealing with unfamiliar regulatory agencies and laws, including those favoring local competitors;
- dealing with political and/or economic instability, including the exit of the U.K. from the E.U. (“Brexit”);
- geopolitical instability, terrorism, and war, including the conflict between Ukraine and Russia;
- the difficulty of managing and staffing foreign offices, as well as the increased travel, infrastructure, legal and compliance costs associated with international operations;

- localizing our product offerings; and
- adapting to different business cultures and market structures.

As we continue to expand globally, our success will depend on our ability to anticipate and effectively manage these and other risks associated with operating on an international basis. Our failure to manage these risks could have an adverse effect on our operating results and financial condition.

Significant disruptions of information technology systems could adversely affect our business and reputation.

We rely on information technology systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of our business processes and activities. The secure operation of these systems, and the processing, maintenance, enhancement and reliability of these systems, are critical to our business operations and strategy. The technology to operate some of our businesses is provided, in whole or in part, by third-party service providers, and we do not own or control the operation of third party facilities. Our systems and the third-party systems with which we interact are subject to damage, failure or interruption due to various reasons, such as power or other critical infrastructure outages, facility damage, physical theft, telecommunications failures, malware, security incidents, cyber-attacks (including cyber-threats from nation-state actors), natural disasters and catastrophic events, and inadequate or ineffective redundancy measures. In addition, any financial difficulties, up to and including bankruptcy, faced by our service providers or any of their subcontractors, may have negative effects on our business, the nature and extent of which are difficult to predict. Our customers also rely on our information technology systems to conduct their operations. Any significant disruptions of our information technology systems could negatively impact our business and customers, damage our reputation and materially adversely affect our consolidated financial position and results of operations.

Data security concerns relating to our technology or breaches of information technology systems, could adversely affect our business and reputation.

We have experienced cyber-attacks and security incidences of varying degrees and believe we will continue to be a potential target of such threats and attacks. The technology infrastructure and systems of our suppliers, vendors, service providers and partners have also in the past experienced and may in the future experience such threats and attacks. Cyber-attacks or other security incidents could lead to service interruptions, malfunctions or other failures in the technology that supports our businesses and customers, as well as the operations of our customers or other third parties. Cyber-attacks or other security incidents could also damage our reputation with our customers and other parties and the market, and cause us to incur additional costs (such as repairing systems, adding personnel or security technologies or compliance costs), regulatory penalties, financial losses to both us and our customers and partners and the loss of customers and business opportunities. If such cyber-related events are not detected in a timely manner, their effect could be compounded.

Although we have technology and information security policies and processes and disaster recovery plans in place, these measures may not be adequate to ensure that our operations will not be compromised or disrupted should such an event occur. If our information technology systems are compromised, become inoperable for extended periods of time or cease to function properly, we may have to make a significant investment to fix or replace the information technology and our ability to provide many of our electronic and online solutions to our customers may be impaired, which would have a material adverse effect on our consolidated operating results and financial position. In addition, as cyber-threats continue to evolve, we may be required to expend significant additional resources to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Any of the risks described above could result in the loss or misuse of proprietary, confidential or sensitive information, disrupt our business, damage our reputation, expose us to legal liability and materially adversely affect our consolidated financial position and results of operations.

Compliance with U.S. and global privacy and data security requirements could result in additional costs and liabilities or inhibit our ability to collect, transmit and/or store data, and the failure to comply with such requirements could subject us to significant fines and penalties, which could adversely affect our business, financial condition and reputation.

Aspects of our operations and businesses are subject to privacy regulations in the United States, including but not limited to the California Consumer Privacy Act (“CCPA”), as amended and expanded by the California Privacy Rights Act ("CPRA"), and around the globe, most notably the European Union’s General Data Protection Regulation (the “GDPR”). We collect, process and store sensitive data, including proprietary business and customer information, as well as personally identifiable information of our customers, their consumers and our employees. Many U.S. and foreign jurisdictions have passed, or are currently contemplating, a variety of consumer protection, data privacy, and data security laws and regulations that impact our business or the business of our customers, including consumer notification and other requirements in the event that consumer information is accessed and/or acquired by unauthorized persons and regulations regarding the use, access, accuracy, security and retention of such data. The regulatory framework for privacy and data security issues has become increasingly burdensome and complex worldwide, and is expected to continue to be so for the foreseeable future. Our compliance with global laws and regulations relating to privacy, data protection and information security may materially increase our costs or otherwise limit our ability to continue or pursue certain business activities. Our failure to comply with applicable laws or regulations could also result in fines, sanctions, private litigation, government enforcement, business disruption, credit reporting and other expenses, damage to our reputation and loss of customers. We maintain cyber risk insurance, but this insurance may not be sufficient to cover all losses from any future disruption, security incident or breach.

If we are unable to protect our intellectual property, the value of our brand and other intangible assets may be diminished, and our business may be adversely affected.

We rely and expect to continue to rely on a combination of confidentiality, assignment and license agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, copyright, patent, trade secret, and domain name protection laws, to protect our proprietary rights. In the United States and internationally, we have filed various applications for protection of certain aspects of our intellectual property, and we currently hold issued patents in the United States and Canada. However, third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge proprietary rights held by us, and pending and future trademark and patent applications may not be approved. In addition, effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. In any or all of these cases, we may be required to expend significant time and expense in order to prevent infringement or to enforce our rights. Although we have taken measures to protect our proprietary rights, there can be no assurance that such measures will be adequate or that others will not offer products or concepts that are substantially similar to ours and compete with our business. Changes in laws and regulations or adverse court rulings may also negatively affect our ability to protect our proprietary rights or prevent others from using our intellectual property and technology. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our service and methods of operations. Any of these events could have an adverse effect on our business and financial results.

We may be subject to patent or other intellectual property infringement claims, which could have an impact on our business or operating results due to a disruption in our business operations, the incurrence of significant costs and other factors.

From time to time, we may receive notices from others claiming that we infringed or otherwise violated their patent or intellectual property rights, and the number of these claims could increase in the future. Claims of intellectual property infringement or other intellectual property violations could require us to enter into licensing agreements on unfavorable terms, incur substantial monetary liability or be enjoined preliminarily or permanently from further use of the intellectual property in question, which could require us to change business practices and limit our ability to compete effectively. Even if we believe that the claims are without merit, the claims can be time-consuming and costly to defend and may divert management's attention and resources away from our businesses. If we are required to take any of these actions, it could have an adverse impact on our business and operating results.

We rely on third-party technology for key components of our business, and if these or other third parties do not perform adequately or terminate their relationships with us, our business and results of operations could be harmed.

We rely on third-party technology for certain of our critical business functions, including certain inspection, auction management and marketplace technologies. If these technologies fail, or if such third party service providers or strategic partners were to cease operations, temporarily or permanently, face financial distress or other business disruptions, increase their fees, or if our relationships with these providers or partners deteriorate or terminate, we could suffer increased costs and we may be unable to provide similar services until an equivalent provider could be found or we could develop replacement technology or operations. In addition, if we are unsuccessful in identifying or finding high-quality partners, if we fail to negotiate cost-effective relationships with them, or if we ineffectively manage these relationships, it could have an adverse impact on our business and financial results.

Reliance on outsourcing arrangements could adversely affect our business.

As part of our initiative to reduce costs and align our business to our digital operating model, we have entered into several outsourcing arrangements with offshore third parties related to certain technology, back-office and customer support functions, and we will continue to evaluate additional outsourcing. As a result, the success of our business and our customer experience is partially dependent on offshore third parties over which we have limited control. If these third parties are unwilling or unable to perform to our standards or to provide the level of service required or expected by our customers, or if we are unable to maintain our agreements with them or alternative providers on attractive terms or at all, our business, financial condition and results of operations may be harmed.

Adverse economic conditions may negatively affect our business and results of operations.

Adverse economic conditions, including those resulting from the COVID-19 pandemic or otherwise, could increase our exposure to several risks, including:

- *Fluctuations in the supply of used vehicles.* We are dependent on the supply of used vehicles coming to the wholesale market, and our financial performance depends, in part, on conditions in the automotive industry. Currently, disruptions in new vehicle production are resulting in fewer vehicles coming to wholesale channels. During the past global economic downturn and credit crisis, there was an erosion of retail demand for new and used vehicles that led many lenders to cut back on originations of new loans and leases and led to significant manufacturing capacity reductions by automakers selling vehicles in the United States and Canada. Capacity reductions or disruptions in new vehicle production could depress the number of vehicles received in wholesale channels in the future and could lead to reduced numbers of vehicles from various suppliers, negatively impacting wholesale volumes. In addition, weak growth in or declining new vehicle sales negatively impacts used vehicle trade-ins to dealers and wholesale volumes. These factors have and could continue to adversely affect our revenues and profitability.
- *Decline in the demand for used vehicles.* We may experience a decrease in demand for used vehicles from buyers due to factors including the lack of availability of consumer credit and declines in consumer spending and consumer confidence. Adverse credit conditions also affect the ability of dealers to secure financing to purchase used vehicles, which further negatively affects buyer demand. In addition, a reduction in the number of franchised and independent used car dealers may reduce dealer demand for used vehicles.
- *Decrease in consumer spending.* Consumer purchases of new and used vehicles may be adversely affected by economic conditions such as employment levels, wage and salary levels, trends in consumer confidence and spending, reductions in consumer net worth, interest rates, inflation, the availability of consumer credit and taxation policies. Consumer purchases in general may decline during recessions, periods of prolonged declines in the equity markets or housing markets and periods when disposable income and perceptions of consumer wealth are lower. Changes to U.S. federal tax policy may negatively affect consumer spending. In addition, the increased use of vehicle sharing and alternate methods of transportation, including autonomous vehicles, could lead to a decrease in consumer purchases of new and used vehicles and a decrease in vehicle rentals. To the extent retail and rental car company demand for new and used vehicles decreases, negatively impacting our auction volumes, our results of operations and financial position could be materially and adversely affected.
- *Volatility in the asset-backed securities market.* Volatility and disruption in the asset-backed commercial paper market could lead to a narrowing of interest rate spreads at AFC in certain periods. In addition, any volatility and disruption has affected, and could affect, AFC's cost of financing related to its securitization facility.
- *Ability to service and refinance indebtedness.* Uncertainty in the financial markets or a downgrade in our credit ratings may negatively affect our ability to service our existing debt, access additional financing or to refinance our existing indebtedness on favorable terms or at all. If economic weakness exists, it may affect our cash flow from operations and results of operations, which may affect our ability to service payment obligations on our debt or to comply with our debt covenants.
- *Increased counterparty credit risk.* Any market deterioration could increase the risk of the failure of financial institutions party to our Credit Agreement and other counterparties with which we do business to honor their obligations to us. Our ability to replace any such obligations on the same or similar terms may be limited if challenging credit and general economic conditions exist.

Macroeconomic conditions and geopolitical events may adversely affect our business, sources of liquidity and related costs of capital.

Global financial markets experience from time to time volatility, disruption and credit contraction. Significant volatility or disruption of global financial markets, supply chains or commercial activity due to Russia's invasion of Ukraine or other geopolitical events, inflation, the ongoing COVID-19 pandemic or other factors could negatively affect our industry and business and our ability to refinance our debt or sell additional debt or equity securities or our assets on favorable terms, if at all. A disruption in the financial markets may adversely affect our ability to raise, restructure or refinance indebtedness.

Our indebtedness and the terms of our indebtedness could impair our financial condition and adversely affect our ability to react to changes in our business.

As of December 31, 2022, our total corporate debt was approximately $498.7 million, exclusive of liabilities related to our securitization facilities which are not secured by the general assets of KAR, and we had $161.0 million of borrowing capacity under our senior secured credit facilities (net of $19.0 million in outstanding letters of credit).

Our indebtedness could have important consequences including:

- limiting our ability to borrow additional amounts to fund working capital, capital expenditures, debt service requirements, execution of our business strategy, acquisitions and other purposes;

- requiring us to dedicate a substantial portion of our cash flow from operations to pay principal and interest on debt, which would reduce the funds available for other purposes, including funding future expansion;
- making us more vulnerable to adverse changes in general economic, industry and competitive conditions, in government regulation and in our business by limiting our flexibility in planning for, and making it more difficult to react quickly to, changing conditions; and
- exposing us to risks inherent in interest rate fluctuations because a portion of our indebtedness is at variable rates of interest, which could result in higher interest expenses in the event of increases in interest rates.

In addition, if we are unable to generate sufficient cash from operations to service our debt and meet other cash needs, we may be forced to reduce or delay capital expenditures, suspend or eliminate dividends, sell assets or operations, seek additional capital or restructure or refinance our indebtedness. We may not be able to refinance our debt or sell additional debt or equity securities or our assets on favorable terms, if at all, particularly because of our high levels of debt and the restrictions imposed by the agreement governing our Credit Facility and the indenture governing our senior notes on our ability to incur additional debt and use the proceeds from asset sales. If we must sell certain of our assets, it may negatively affect our ability to generate revenue. The inability to obtain additional financing could have a material adverse effect on our financial condition.

If we cannot make scheduled payments on our debt, we would be in default and, as a result, our debt holders could declare all outstanding principal and interest to be due and payable, the lenders under our Credit Facility could terminate their commitments to lend us money and foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.

Furthermore, the agreement governing our Credit Facility and the indenture governing our senior notes include, and future debt instruments may include, certain restrictive covenants which could limit our ability to enter into certain transactions in the future and may adversely affect our ability to operate our business.

Changes in interest rates or market conditions could adversely impact our profitability and business.

Rising interest rates may have the effect of depressing the sales of new and used vehicles because many consumers finance their vehicle purchases and rising auto loan rates increase the cost of purchasing a vehicle. Likewise, when interest rates increase, the subprime borrowing market often tightens, making interest rates even higher for those with lower credit scores. If increased interest rates depress the sales of new and/or used vehicles, then used vehicle trade-ins to dealers and wholesale volumes could be negatively impacted. These factors could adversely affect revenues and profitability in our Marketplace segment.

In addition, AFC securitizes a majority of its finance receivables on a revolving basis. Volatility and/or market disruption in the asset-backed securities market in the United States or Canada can impact AFC's cost of financing related to, or its ability to arrange financing on acceptable terms through, its securitization facility, which could negatively affect AFC's business and our financial condition and operations.

As noted elsewhere, a portion of our indebtedness is at variable rates of interest. As such, increases in interest rates could also result in higher interest expenses.

A portion of our net income is derived from our international operations, primarily Canada, which exposes us to foreign exchange risks that may impact our financial statements. In addition, increases in the value of the U.S. dollar relative to certain foreign currencies may negatively impact foreign buyer participation in our marketplaces.

Fluctuations between U.S. and foreign currency values may adversely affect our results of operations and financial position, particularly fluctuations with Canadian currency values. In addition, there may be tax inefficiencies in repatriating cash from our foreign subsidiaries. Approximately 35% of our revenues from continuing operations were attributable to our foreign operations for the year ended December 31, 2022. Changes in the value of foreign currencies, particularly the Canadian dollar and the euro relative to the U.S. dollar could negatively affect our profits from foreign operations and the value of the net assets of our foreign operations when reported in U.S. dollars in our financial statements. This could have a material adverse effect on our business, financial condition or results of operations as reported in U.S. dollars.

In addition, fluctuations in exchange rates may make it more difficult to perform period-to-period comparisons of our reported results of operations. For purposes of accounting, the assets and liabilities of our foreign operations are translated using period-end exchange rates; such translation gains and losses are reported in "Accumulated other comprehensive income/loss" as a component of stockholders' equity. The revenues and expenses of our foreign operations are translated using average exchange rates during each period.

Likewise, we have non-U.S. based buyers who participate in our marketplaces. Increases in the value of the U.S. dollar relative to these buyers' local currencies may reduce the prices they are willing to pay at our marketplaces, which may negatively affect our revenues.

We are subject to a complex framework of federal, state, local and foreign laws and regulations, which have in the past, and could in the future, subject us to claims, challenge our business model, or otherwise harm our business.

Our operations are subject to regulation, supervision and licensing under various federal, state, provincial, local and foreign authorities, agencies, statutes and ordinances, which, among other things, require us to obtain and maintain certain licenses, permits and qualifications, provide certain disclosures and notices and limit interest rates, fees and other charges. The regulations and laws that impact our company include, without limitation, the following:

- The sale of used vehicles is regulated by various state and local motor vehicle departments and regulators.
- Some of the transport vehicles used at our facilities are regulated by the U.S. Department of Transportation or similar regulatory agencies in the other locations in which we operate.
- AFC is subject to laws in certain states and provinces which regulate commercial and small business lending activities and interest rates and, in certain jurisdictions, require AFC or one of its subsidiaries to be licensed. These laws are complex and are rapidly evolving, including adverse legislative and regulatory trends towards regulating small business lending similar to consumer lending.
- We are subject to various local zoning requirements with regard to the location of our facilities, which requirements vary from location to location.
- We are subject to federal, state and international laws, directives and regulations relating to the collection, use, retention, disclosure, security and transfer of personally identifiable information (e.g., GDPR and CCPA). These laws, directives, regulations and their interpretation and enforcement continue to evolve and may be inconsistent from jurisdiction to jurisdiction.
- Certain of the Company's subsidiaries may be deemed subject to the regulations of the Consumer Financial Protection Act of 2010 due to their vendor relationships with financial institutions.
- PAR is subject to laws in certain states which regulate repossession administration activities and, in certain jurisdictions, require PAR to be licensed.
- We are subject to various reporting and anti-money laundering regulations.

Changes in law or governmental regulations or interpretations of existing law or regulations could result in increased costs, reduced vehicle prices and decreased profitability for us. In addition, failure to comply with present or future laws and regulations or changes in existing laws or regulations or in their interpretation could have a material adverse effect on our operating results and financial condition.

We are subject to risks associated with legal and regulatory proceedings. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business, financial condition and results of operations.

We have in the past been, are currently, and may in the future become, subject to a variety of legal actions relating to our current and past business operations, including but not limited to litigation claims and legal proceedings related to environmental, intellectual property, labor and employment, privacy, regulatory compliance, securities, tax, and tort laws. Such claims may be asserted against us by individuals, either individually or through class actions, by governmental entities in civil or criminal investigations and proceedings or by other entities. These actions could expose us to adverse publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business. There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. In addition, we could incur substantial costs in defending ourselves or in asserting our rights in such actions. Any claims against us, whether meritorious or not, could be time consuming, costly, and harmful to our reputation, and could require significant amounts of management time and corporate resources. If any of these legal proceedings were to be determined adversely to us, or we were to enter into a settlement arrangement, we could be exposed to monetary damages or be forced to change the way in which we operate our business, which could have an adverse effect on our business, financial condition, and operating results.

The COVID-19 pandemic has had, and could continue to have, an adverse impact on our business, results of operations and financial condition.

The COVID-19 pandemic has had, and continues to have, a significant impact around the world, prompting governments and businesses to take unprecedented measures in response. Such measures have included restrictions on travel and business operations, temporary closures of businesses, and quarantine and shelter-in-place orders. The COVID-19 pandemic has impacted and may further impact the broader global economy, including negatively impacting economic growth, the proper functioning of financial and capital markets, foreign currency exchange rates, and interest rates.

The negative impacts of the COVID-19 pandemic or other outbreaks, epidemics, pandemics, or public health crises on the broader global economy and related impacts on our business, results of operations and financial results will depend on future developments and actions taken in response to such events, which are highly uncertain and cannot be predicted.

Environmental, health and safety risks could adversely affect our operating results and financial condition.

Our operations are subject to various foreign, federal, state and local environmental, health and safety laws and regulations, including those governing the emission or discharge of pollutants into the air or water, the generation, treatment, storage and release of hazardous materials and wastes and the investigation and remediation of contamination. Our failure to comply with current or future environmental, health or safety laws or to obtain and comply with permits required under such laws, could subject us to liability, damage our reputation and require costly investigative, remedial or corrective actions.

Some of the facilities on which we operate are impacted by recognized environmental concerns and pollution conditions. We have incurred and may in the future incur expenditures relating to compliance and risk mitigation efforts, releases of hazardous materials, investigative, remedial or corrective actions, claims by third parties and other environmental issues, and such expenditures, individually or in the aggregate, could be significant.

We are partially self-insured for certain losses.

We self-insure a portion of employee medical benefits under the terms of our employee health insurance program, as well as a portion of our automobile, general liability and workers' compensation claims. We record an accrual for the claims expense related to our employee medical benefits, automobile, general liability and workers' compensation claims based upon the expected amount of all such claims. If actual trends, including the severity of claims and medical cost inflation above expectations were to occur, our self-insured costs would increase, which could have an adverse impact on our results of operations and financial position.

We assume the settlement risk for vehicles sold through our marketplaces.

Typically, following the sale of a vehicle, we do not release the vehicle to a buyer until we have received full payment from the buyer or confirmation of arrangement for such payment. We may, however, remit payment to a seller before receiving payment from a buyer, and, in those circumstances, we may not have recourse against sellers for any buyer's failure to satisfy its payment obligations. Revenue for a vehicle consigned to us for sale typically includes only the applicable buyer and seller fees associated with the transaction and not the vehicle sale proceeds. As a result, any failure to collect a receivable from the buyer in full may result in a loss up to the amount of the vehicle sale proceeds plus the applicable buyer fees and any collection related expenses. If we are unable to collect the vehicle sale price plus applicable buyer fees from buyers on a large number of vehicles, our revenue and cash flows may be negatively impacted resulting in a material adverse effect on our results of operations and financial condition.

Risks Related to the IAA Spin-Off

If the IAA spin-off does not qualify as a tax-free transaction for U.S. federal income tax purposes, the Company and its stockholders could be subject to substantial tax liabilities.

In connection with the spin-off of IAA, we received a private letter ruling from the Internal Revenue Service (the "IRS Ruling") and an opinion from our tax counsel on the basis of certain facts, representations, covenants and assumptions, substantially to the effect that, for U.S. federal income tax purposes, the distribution of IAA common shares in the spin-off qualified as a transaction that generally is tax-free to us and our stockholders, for U.S. federal income tax purposes, under Sections 368(a)(1)(D) and 355 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). The IRS Ruling and the opinion of tax counsel relied on, among other things, various assumptions and representations as to factual matters made by the Company and IAA, which, if inaccurate or incomplete in any material respect, could jeopardize the conclusions reached in the IRS Ruling and opinion. The opinion is not binding on the Internal Revenue Service (the "IRS"), or the courts, and notwithstanding the tax opinion, there can be no assurance that the qualification of the spin-off as a transaction under Sections 368(a)(1)(D) or 355 or other provisions of the Code will not be challenged by the IRS or by others in court, or that any such challenge would not prevail. Notwithstanding the IRS Ruling and the opinion, the IRS could determine on audit that the spin-off should be treated as a taxable transaction if it determines that any of the facts, assumptions, representations or covenants set forth in the tax opinion is not correct or has been violated, or that the spin-off should be taxable for other reasons, including as a result of a significant change in stock or asset ownership after the distribution, or if the IRS were to disagree with the conclusions of the tax opinion.

If the spin-off fails to qualify for tax-free treatment, we would, for U.S. federal income tax purposes, be treated as if we had sold the IAA common stock in a taxable sale for its fair market value, and our stockholders would be treated as receiving a taxable distribution in an amount equal to the fair market value of the IAA common stock received in the distribution. In addition, we and/or IAA could incur significant U.S. federal income tax liabilities or tax indemnification obligations, whether under applicable law or a tax matters agreement that we entered into with IAA, if it is ultimately determined that certain related transactions undertaken in anticipation of the spin-off are taxable.

We may be exposed to claims and liabilities as a result of the IAA spin-off, and IAA's indemnification obligations may not fully protect us.

In connection with the spin-off, IAA agreed to indemnify the Company for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to protect us against the full amount of any liabilities that may arise, or that IAA will be able to fully satisfy its indemnification obligations. The failure to receive amounts for which we are entitled to indemnification could adversely affect our operating results and financial condition.

Risks Related to the Sale of ADESA U.S. Physical Auction Business

The ADESA U.S. physical auction business sale transaction may result in disruptions to, and negatively impact our relationships with, our customers and other business partners.

The sale of the ADESA U.S. physical auction business, including the commercial services agreement pursuant to which we will provide marketplace operation services to Carvana to operate digital auctions for a seven-year term, may lead customers and other parties with which we currently do business or with which we may seek to do business in the future to terminate or attempt to negotiate changes in existing business relationships, or consider entering into business relationships with parties other than us. These disruptions could have a material and adverse effect on our business, financial condition, results of operations and prospects.

The ADESA U.S. physical auction business sale transaction may result in increased costs.

In connection with the sale of the ADESA U.S. physical auction business, we entered into a transition services agreement whereby we will provide various services to Carvana following the closing. The transition services agreement may result in additional costs to us, which may make our ability to achieve the transaction's objective of a more asset-light and lower overhead operating model more difficult. The transaction also requires us to split, or otherwise amend, existing contracts with customers and other third parties to separate the U.S. physical auction business, which may not be effective and could lead to additional costs for us.

We rely on Carvana for key components of our business and for certain revenue, which exposes us to increased risks.

In connection with the sale of the ADESA U.S. physical auction business, we entered into various agreements with Carvana, many of which require performance by Carvana. We will rely on Carvana to satisfy its various obligations under these agreements, including but not limited to performing services, meeting minimum volumes and complying with payment obligations. Carvana may fail to perform or comply as expected or be unwilling or unable to perform or comply in the future. The reliance on Carvana for certain aspects of our operations represents an inherent risk to our Company that could have a material adverse effect on our business, financial condition and results of operations.

For example, certain systems sold to Carvana as part of the ADESA U.S. physical auction business sale transaction are integral to our ADESA Canada operations and other remaining parts of our business. Carvana has agreed to maintain and make those systems available to support retained Company businesses for a period of time post-closing. Further, Carvana has agreed to continue to allow AFC to occupy office space in the ADESA U.S. physical auction locations owned by Carvana.

If Carvana is unable or unwilling to satisfy its obligations under these agreements, or if Carvana seeks bankruptcy protection, we could incur operational difficulties or losses. Further, upon termination or expiration of those agreements, the respective services will need to be provided internally or by third parties. If we do not have agreements with other providers of these services or the ability to perform these services in-house once certain transaction agreements expire or terminate, we may not be able to operate our business effectively, which may have a material adverse effect on our financial position, results of operations and cash flows.

We will be required to satisfy certain indemnification obligations to Carvana or we may not be able to collect on indemnification rights from Carvana.

In connection with the sale of the ADESA U.S. physical auction business, we agreed to indemnify Carvana for certain liabilities, and Carvana agreed to indemnify the Company for certain liabilities. Our and Carvana's ability to satisfy these indemnities, if called upon to do so, will depend respectively upon our and Carvana's future financial strength. If we are required to indemnify Carvana, or if we are not able to collect on indemnification rights from Carvana, our financial condition, liquidity or results of operations could be materially and adversely affected.

We are restricted from conducting certain activities for three years following the ADESA U.S. physical auction business sale transaction.

The purchase agreement that we entered into as part of the sale of the ADESA U.S. physical auction business restricts us from engaging in certain activities in the United States for a period of three years, including on-premise wholesale vehicle auctions and vehicle reconditioning services. These restrictions could materially and adversely affect our business, growth strategy, financial condition and results of operations.

Our ability to access capital in the future may be challenging.

The sale of the ADESA U.S. physical auction business resulted in our being a smaller enterprise focused on our digital marketplaces. While we believe our transition to a more asset-light and lower overhead operating model will better position us going forward, we may face additional challenges to the extent we need to raise additional capital or restructure or refinance our indebtedness.

Risks Related to Ownership of Our Common Stock

The market price and trading volume of our common stock may be volatile, which could result in rapid and substantial losses for our stockholders and could expose us to securities class action litigation.

You should consider an investment in our common stock to be risky, and you should invest in our common stock only if you can withstand a significant loss and wide fluctuations in the market value of your investment. Many factors could cause the market price of our common stock to rise and fall, including but not limited to the following:

- our announcements or our competitors' announcements regarding new products or services, enhancements, significant contracts, acquisitions or strategic investments;
- changes in earnings estimates or recommendations by securities analysts, if any, who cover our common stock;
- results of operations that are below our announced guidance or below securities analysts' or consensus estimates or expectations;
- fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in our capital structure, such as future issuances of securities, sales of large blocks of common stock by our stockholders or our incurrence of additional debt;
- repurchases of our common stock pursuant to our share repurchase program;
- investors' general perception of us and our industry;
- changes in general economic and market conditions (including as a result of the COVID-19 pandemic);
- changes in industry conditions (including industry-wide volume challenges tied to the disruption of new vehicle production); and
- changes in regulatory and other dynamics.

In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if successfully defended, could be costly to defend and a distraction to management. Likewise, following periods of volatility in the market price of a company's securities, securities class action litigation could be initiated. If such litigation were introduced against us, it could result in substantial costs and a diversion of our attention and resources, which could have a material adverse effect on our business.

The issuance of shares of our Series A Preferred Stock reduces the relative voting power of holders of our common stock, and the conversion and sale of those shares would dilute the ownership of such holders and may adversely affect the market price of our common stock.

As of December 31, 2022, 634,305 shares of our Series A Preferred Stock were outstanding, representing approximately 25% of our outstanding common stock, including the Series A Preferred Stock on an as-converted basis. Holders of Series A Preferred Stock are entitled to a cumulative dividend at the rate of 7% per annum, payable quarterly in arrears. Dividends were payable in kind through the issuance of additional shares of Series A Preferred Stock for the first eight dividend payment dates (through June 30, 2022), and thereafter, in cash or in kind, or any combination thereof, at our option. Because holders of our Series A Preferred Stock are entitled to vote, on an as-converted basis, together with holders of our common stock on all matters submitted to a vote of the holders of our common stock, the issuance of the Series A Preferred Stock, and the subsequent issuance of additional shares of Series A Preferred Stock through the payment of in kind dividends, effectively reduces the relative voting power of the holders of our common stock. In addition, the conversion of the Series A Preferred Stock into common stock would dilute the ownership interest of existing holders of our common stock. Furthermore, any sales in the public market of the common stock issuable upon conversion of the Series A Preferred Stock would increase the number of shares of our common stock available for public trading, and could adversely affect prevailing market prices of our common stock. Pursuant to customary registration rights agreements, we were required to register for resale the shares of Series A Preferred Stock and the shares of common stock issuable upon conversion of the Series A Preferred Stock. This registration facilitates the resale of such securities into the public market, and any such resale would increase the number of shares of our common stock available for public trading. Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our common stock.

Apax and the other holders of our Series A Preferred Stock may exercise influence over us.

As of December 31, 2022, the outstanding shares of our Series A Preferred Stock represented approximately 25% of our outstanding common stock, including the Series A Preferred Stock on an as-converted basis. The terms of the Series A Preferred Stock require the approval of a majority of our Series A Preferred Stock by a separate class vote for us to:

- amend our organizational documents in a manner that would have an adverse effect on the Series A Preferred Stock; or
- issue securities that are senior to, or equal in priority with, the Series A Preferred Stock.

In addition, under our investment agreement, dated as of May 26, 2020 (the "Apax Investment Agreement"), with an affiliate of Apax Partners, L.P. ("Apax"), for so long as Apax and its affiliates beneficially own shares of Series A Preferred Stock (and/or shares of common stock issued upon conversion of Series A Preferred Stock) that represent, on an as-converted basis, at least 50% of Apax's initial shares of Series A Preferred Stock on an as-converted basis, Apax and its affiliates will have the right to designate one director to our board of directors. Circumstances may occur in which the interests of Apax and its affiliates could diverge from, or even conflict with, the interests of our other stockholders. For example, the existence of Apax as a significant stockholder and Apax's board designation rights may have the effect of delaying or preventing changes in control or management or limiting the ability of our other stockholders to approve transactions that they may deem to be in the best interests of the Company. Apax and its affiliates may seek to cause us to take courses of action that, in their judgment, could enhance its investment in the Company but which might involve risks to our other stockholders or adversely affect us or our other stockholders.

Our Series A Preferred Stock has rights, preferences and privileges that are not held by, and are preferential to, the rights of our common stockholders, which could adversely affect our liquidity and financial condition, and may result in the interests of the holders of our Series A Preferred Stock differing from those of our common stockholders.

The Series A Preferred Stock ranks senior to the shares of our common stock with respect to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of our affairs. The holders of Series A Preferred Stock have the right to receive a liquidation preference entitling them to be paid out of our assets available for distribution to stockholders before any payment may be made to holders of any other class or series of capital stock, an amount equal to the greater of (a) the sum of the original liquidation preference plus all accrued but unpaid dividends or (b) the amount that such holder would have been entitled to receive upon our liquidation, dissolution and winding up if all outstanding shares of such series of Series A Preferred Stock had been converted into common stock immediately prior to such liquidation, dissolution or winding up. In addition, the holders of the Series A Preferred Stock are entitled to a cumulative dividend at the rate of 7% per annum, payable quarterly in arrears (dividends were payable in kind for the first eight dividend payments through June 30, 2022, and thereafter in cash or in kind). The holders of the Series A Preferred Stock are also entitled to participate in dividends declared or paid on our common stock on an as-converted basis. The holders of our Series A Preferred Stock also have the right, subject to certain exceptions, to require us to repurchase all or any portion of the Series A Preferred Stock upon certain change of control events at the greater of (a) the consideration the holders would have received if they had converted their shares of Series A Preferred Stock into common stock immediately prior to the change of control event and (b) 105% of the sum of i) the liquidation preference thereof and ii) all accrued but unpaid dividends.

These dividend and share repurchase obligations could impact our liquidity and reduce the amount of cash flows available for general corporate purposes. Our obligations to the holders of the Series A Preferred Stock could also limit our ability to obtain additional financing or increase our borrowing costs, which could have an adverse effect on our financial condition. These preferential rights could also result in divergent interests between the holders of shares of Series A Preferred Stock and holders of our common stock.

Future offerings of debt or equity securities, which would rank senior to our common stock, may adversely affect the market price of our common stock.

If, in the future, we decide to issue debt or equity securities that rank senior to our common stock, it is likely that such securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock will bear the risk of our future offerings reducing the market price of our common stock and diluting the value of their stock holdings in us.

The market price of our common stock could be negatively affected by sales of substantial amounts of our common stock in the public market.

Future sales by us or by our existing stockholders of substantial amounts of our common stock in the public market, or the perception that these sales may occur, could cause the market price of our common stock to decline. These sales also could impede our ability to raise future capital. Under our amended and restated certificate of incorporation, we are authorized to issue up to 400,000,000 shares of common stock, of which 108,914,678 shares of common stock were outstanding as of December 31, 2022. In addition, pursuant to a registration statement under the Securities Act, we have registered shares of common stock reserved for issuance in respect of stock options and other incentive awards granted to our officers and certain of our employees. If any of these holders cause a large number of securities to be sold in the public market, including common stock issuable upon conversion of the Series A Preferred Stock, the sales could reduce the trading price of our common stock. We cannot predict the size of future sales of shares of our common stock or the effect, if any, that future sales, or the perception that such sales may occur, would have on the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and by-laws, and of Delaware law, may prevent or delay an acquisition of us, which could decrease the trading price of our common stock.

Our amended and restated certificate of incorporation and by-laws contain, and Delaware law contains, provisions that may be considered to have an anti-takeover effect and may delay or prevent a tender offer or other corporate transaction that a stockholder might consider to be in its best interest, including those transactions that might result in a premium over the market price for our shares.

These provisions include:

- rules regarding how our stockholders may present proposals or nominate directors for election at stockholder meetings;
- permitting our board of directors to issue preferred stock without stockholder approval;
- granting to the board of directors, and not the stockholders, the sole power to set the number of directors;
- authorizing vacancies on our board of directors to be filled only by a vote of the majority of the directors then in office and specifically denying our stockholders the right to fill vacancies in the board;
- authorizing the removal of directors only upon the affirmative vote of holders of a majority of the outstanding shares of our common stock entitled to vote for the election of directors; and
- prohibiting stockholder action by written consent.

These provisions apply even if an offer may be considered beneficial by some stockholders.

You may not receive any future dividends on our common stock.

Holders of our common stock are only entitled to receive such dividends as our board of directors may declare out of funds legally available for such payments. We are not required to declare cash dividends on our common stock. Future dividend decisions will be based on and affected by a variety of factors, including our financial condition and results of operations, contractual restrictions, including restrictive covenants contained in our Credit Agreement, the indenture governing our senior notes and AFC's securitization facilities, capital requirements and other factors that our board of directors deems relevant. Therefore, no assurance can be given as to whether any future dividends may be declared by our board of directors or the amount thereof.

Our share repurchase program could affect the price of our common stock and increase volatility. In addition, it may be suspended or discontinued at any time, which could result in a decrease in the trading price of our common stock.

In October 2019, our board of directors authorized a repurchase of up to $300 million of the Company's outstanding common stock through October 30, 2021. In October 2021, the board of directors authorized an extension of the October 2019 share repurchase program through December 31, 2022. On April 27, 2022, the board of directors authorized an increase in the size of the Company's $300 million share repurchase program by an additional $200 million and an extension of the share repurchase program through December 31, 2023. Repurchases of our common stock pursuant to our share repurchase program, or any future share repurchase program, could affect our stock price and increase its volatility. The existence of a share repurchase program could also cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. There can be no assurance that any share repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased the shares of common stock. Although our share repurchase program is intended to enhance long-term stockholder value, short-term stock price fluctuations could reduce the program's effectiveness. Furthermore, the program does not obligate the Company to repurchase any dollar amount or number of shares of common stock, and may be suspended or discontinued at any time, which could cause the market price of our stock to decline.

Item 1b. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters is located in Carmel, Indiana, where we lease office space pursuant to a lease that expires in 2034. At December 31, 2022, we also owned or leased other properties in the United States, Canada, Europe, the United Kingdom, Mexico, Uruguay and the Philippines.

Facilities utilized by the Marketplace segment (formerly referenced as ADESA Auctions) primarily include 14 vehicle logistics center locations across Canada, which are either owned or leased. The ADESA Canada facilities consist on average of approximately 60 acres of land per site and have parking areas to store vehicles and may have additional buildings for reconditioning, registration, maintenance, bodywork, and other ancillary and administrative services.

In our Finance segment (formerly referenced as AFC), AFC has approximately 100 locations in North America at December 31, 2022, including 54 branches which are physically located at 9 ADESA Canada vehicle logistics centers and other competitor locations. Each of the remaining AFC offices is strategically located in close proximity to at least one of the auctions that it serves. AFC generally leases its branches.

We believe that our current facilities are suitable and adequate to meet our current needs, and if we require additional or substitute space, we anticipate we will be able to obtain additional suitable facilities.

Item 3. Legal Proceedings

We are involved in litigation and disputes arising in the ordinary course of business. Although the outcome of litigation cannot be accurately predicted, based on evaluation of information presently available, our management does not currently believe that the ultimate resolution of these actions will have a material adverse effect on our financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information and Holders of Record

KAR Auction Services' common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "KAR" and has been traded on the NYSE since December 11, 2009. As of February 15, 2023, there were 9 stockholders of record. Because many shares of our common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by the holders of record.

Unregistered Sales of Equity Securities

The information required by Item 701 of Regulation S-K was previously disclosed (for the sale of Series A Preferred Stock) in the Company's Current Reports on Form 8-K, filed with the SEC on June 10, 2020 and June 30, 2020.

On November 12, 2020, we issued 857,630 shares of our common stock to three individuals and one trust in connection with the BacklotCars acquisition in the fourth quarter of 2020. We received $15 million as consideration for the sale of such securities. On October 14, 2021, we issued 1,953,124 shares of our common stock to two individuals and one trust in connection with the CARWAVE acquisition in the fourth quarter of 2021. We received $30 million as consideration for the sale of such securities. The issuance of these securities was exempt from registration under the Securities Act, in reliance upon Section 4(a)(2) of the Securities Act as transactions by an issuer not involving any public offering and/or the private offering safe harbor provision of Rule 506 of Regulation D promulgated under the Securities Act.

Issuer Purchases of Equity Securities

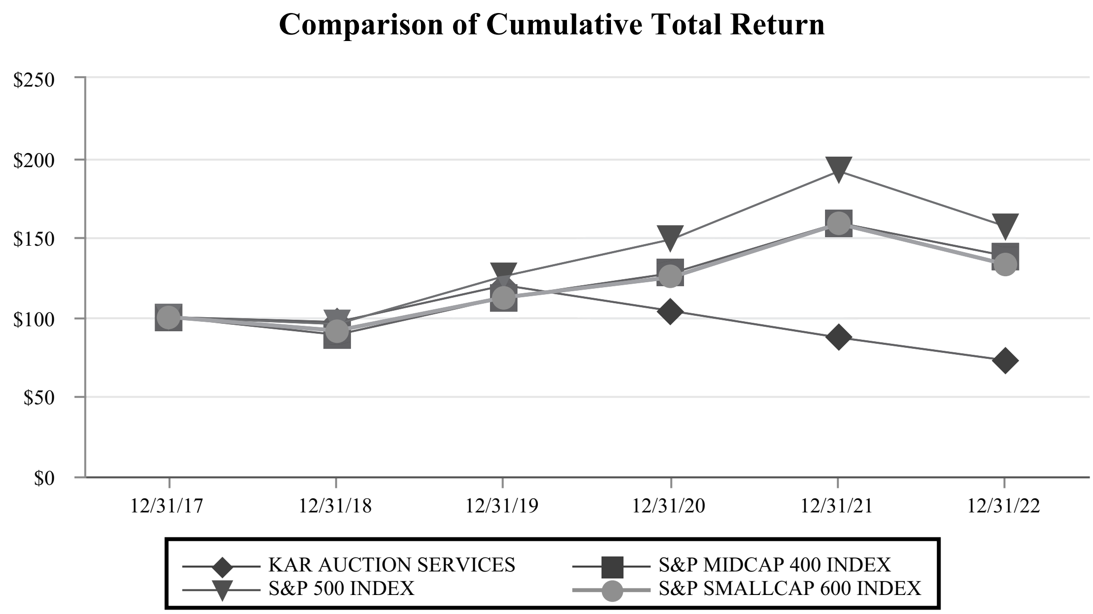
The following table provides information about purchases by KAR Auction Services of its shares of common stock during the quarter ended December 31, 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) *(Dollars in millions)*
October 1 - October 31	3,909,406	$ 12.79	3,909,406	$ 126.9
November 1 - November 30	—	—	—	126.9
December 1 - December 31	—	—	—	126.9
Total	3,909,406	$ 12.79	3,909,406	

(1) In October 2019, the board of directors authorized a repurchase of up to $300 million of the Company’s outstanding common stock, par value $0.01 per share, through October 30, 2021. In October 2021, the board of directors authorized an extension of the Company's share repurchase program through December 31, 2022. On April 27, 2022, the board of directors authorized an increase in the size of the Company’s $300 million share repurchase program by an additional $200 million and an extension of the share repurchase program through December 31, 2023. Repurchases may be made in the open market or through privately negotiated transactions, in accordance with applicable securities laws and regulations, including pursuant to repurchase plans designed to comply with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. The timing and amount of any repurchases is subject to market and other conditions.

Stock Price Performance Graph

The graph below shows the cumulative total stockholder return, assuming an investment of $100 and dividend reinvestment (and taking into account the value of the IAA, Inc. common shares distributed in the spin-off), for the period beginning on December 31, 2017 and ending on December 31, 2022, on each of KAR Auction Services' common stock, the Standard & Poor's SmallCap 600 Index and the Standard and Poor's 500 Index. For the year ended December 31, 2022, we have also included the Standard and Poor's MidCap 400 Index to the comparison of cumulative total return as we utilized such index in the immediately preceding fiscal year. For the years following 2022, we will no longer show the Standard and Poor's MidCap 400 Index as a comparable index because our market capitalization is no longer comparable to the average market capitalizations included in the index. We believe the Standard and Poor's SmallCap 600 Index provides a better comparison in terms of comparable market capitalization. Our stock price performance shown in the following graph is not indicative of future stock price performance.



Company/Index	Base Period 12/31/2017	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022
KAR Auction Services, Inc.	$ 100	$ 96.90	$ 119.98	$ 103.86	$ 87.17	$ 72.83
S&P MidCap 400 Index	$ 100	$ 88.92	$ 112.21	$ 127.54	$ 159.12	$ 138.34
S&P 500 Index	$ 100	$ 95.62	$ 125.72	$ 148.85	$ 191.58	$ 156.88
S&P SmallCap 600 Index	$ 100	$ 91.52	$ 112.37	$ 125.05	$ 158.59	$ 133.06

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

Forward-Looking Statements

This Annual Report on Form 10-K contains 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 in this report on Form 10-K that are not historical facts (including, but not limited to, expectations, estimates, assumptions and projections regarding the industry, business, future operating results, potential acquisitions and anticipated cash requirements) may be forward-looking statements. Words such as "should," "may," "will," "can," "of the opinion," "confident," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates" "continues," "outlook," initiatives," "goals," "opportunities," and similar expressions identify forward-looking statements. Such statements, including statements regarding the potential impacts of the COVID-19 pandemic and adverse market conditions; our future growth; anticipated cost savings, revenue increases, credit losses and capital expenditures; contractual obligations; dividend declarations and payments; common stock repurchases; tax rates and assumptions; strategic initiatives, acquisitions and dispositions; our competitive position and retention of customers; and our continued investment in information technology, 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, but are not limited to, those discussed in Item 1A. "Risk Factors" of this Annual Report on Form 10-K and those described from time to time in our future reports filed with the Securities and Exchange Commission. Many of these risk factors are outside of our control, and as such, they involve risks which are not currently known that could cause actual results to differ materially from those discussed or implied herein. The forward-looking statements in this document are made as of the date on which they are made and we do not undertake to update our forward-looking statements.

Sale of ADESA U.S. Physical Auction Business and Discontinued Operations

In February 2022, the Company announced that it had entered into a definitive agreement with Carvana, pursuant to which Carvana would acquire the ADESA U.S. physical auction business from KAR (the "Transaction"). The Transaction was completed in May 2022 for approximately $2.2 billion in cash and included all auction sales, operations and staff at ADESA's U.S. vehicle logistics centers and use of the ADESA.com marketplace in the U.S. The net proceeds received in connection with the Transaction are included in "Net cash provided by investing activities - discontinued operations" in the consolidated statement of cash flow. In connection with the Transaction, the Company and Carvana entered into various agreements to provide a framework for their relationship after the Transaction, including a transition services agreement for a transitional period and a commercial agreement for a term of 7 years that provides for platform and other fees for services rendered. In addition, KAR will continue to own the ADESA tradename and the ADESA U.S. physical auctions will continue to utilize the tradename, which has an indefinite life. The tradename continues to generate cash flows from our continuing operations and, pursuant to the purchase and commercial agreements with Carvana and its affiliates, Carvana now pays a fee to the Company for use of the tradename for the ADESA U.S. physical auctions for a defined period. In addition, the Company expects to utilize the ADESA tradename to generate revenue and cash flows indefinitely from its remaining operations.

The financial results of the ADESA U.S. physical auction business have been accounted for as discontinued operations for all periods presented. The business was formerly included in the Company's Marketplace reportable segment (formerly referenced as ADESA Auctions). Goodwill was allocated to the ADESA U.S. physical auctions based on relative fair value. Discontinued operations included transaction costs of approximately $37.1 million for the year ended December 31, 2022, in connection with the Transaction. These costs consisted of consulting and professional fees associated with the Transaction. The Transaction resulted in a pretax gain on disposal of approximately $521.8 million. The results presented in the "Results of Operations" discussion below only include continuing operations and do not include the results of the ADESA U.S. physical auction business.

Automotive Industry and Economic Impacts on our Business

The automotive industry has experienced unprecedented market conditions, caused in part by supply chain issues, the shortage of semiconductors and associated delays in new vehicle production. These factors have resulted in significant fluctuations in used vehicle values and declines in vehicle volumes in the wholesale market. We expect this volatility to continue.

In addition, macroeconomic factors, including inflationary pressures, rising interest rates, volatility of oil and natural gas prices and declining consumer confidence impact the affordability and demand for new and used vehicles. Declining economic conditions present a risk to our operations and the stability of the automotive industry. Given the nature of these factors, we cannot predict whether or for how long certain trends will continue, nor to what degree these trends will impact us in the future.

Overview

We are a leading digital marketplace for used vehicles, connecting sellers and buyers across North America and Europe to facilitate fast, easy and transparent transactions. Our business is divided into two reportable business segments, each of which is an integral part of the wholesale used vehicle remarketing industry: Marketplace (formerly referenced as ADESA Auctions) and Finance (formerly referenced as AFC).

- The Marketplace segment serves a domestic and international customer base through digital marketplaces for wholesale vehicles and vehicle logistics center locations across Canada that are developed and strategically located to draw professional sellers and buyers together and allow the buyers to inspect and compare vehicles remotely or in person. Powered with software developed by OPENLANE, comprehensive private label remarketing solutions are offered to automobile manufacturers, captive finance companies and other commercial customers to offer vehicles digitally prior to arrival at on-premise marketplaces. Vehicles sold on our digital platforms are typically sold by commercial fleet operators, financial institutions, rental car companies, new and used vehicle dealers and vehicle manufacturers and their captive finance companies to franchise and independent used vehicle dealers. We also provide value-added ancillary services including inbound and outbound transportation logistics, reconditioning, vehicle inspection and certification, titling, administrative and collateral recovery services. Our digital marketplaces also include BacklotCars, an app and web-based dealer-to-dealer wholesale vehicle platform utilized in the United States (CARWAVE was integrated with BacklotCars in the fourth quarter of 2022), TradeRev, an online automotive remarketing platform in Canada where dealers can sell and source used vehicle inventory at any time, ADESA U.K., an online wholesale used vehicle remarketing business in the United Kingdom and ADESA Europe, an online wholesale vehicle marketplace in Continental Europe.
- As noted above, the Marketplace segment results no longer include the ADESA U.S. physical auction locations.
- Through AFC, the Finance segment provides short-term, inventory-secured financing, known as floorplan financing, primarily to independent used vehicle dealers throughout the United States and Canada. In addition, AFC provides liquidity for customer trade-ins which encompasses settling lien holder payoffs. AFC also provides title services for their customers. These services are provided through AFC's digital servicing network as well as its physical locations throughout North America.

Beginning in the first quarter of 2022, results of the ADESA U.S. physical auctions are now reported as discontinued operations (see Note 4). Segment results for prior periods have been reclassified to conform with the new presentation.

Industry Trends

Wholesale Used Vehicle Industry

We believe the U.S. and Canadian wholesale used vehicle industry has a total addressable market of approximately 20 million vehicles, which can fluctuate depending on seasonality and a variety of other macro-economic factors. This wholesale used vehicle industry consists of the commercial market (commercial sellers that sell to franchise and independent dealers) and the dealer-to-dealer market (franchise and independent dealers that both buy and sell vehicles). The Company supports the majority of commercial sellers in North America through our OPENLANE technology. We believe digital applications, such as BacklotCars and TradeRev, may provide an opportunity to expand the total addressable market for dealer-to-dealer transactions. The supply chain issues and current market conditions facing the automotive industry, including the disruption of new vehicle production, low new vehicle supply and historically high used vehicle pricing have had a material impact on the wholesale used vehicle industry.

BacklotCars (including CARWAVE) and TradeRev sold approximately 487,000 vehicles in the North American digital dealer-to-dealer marketplace for the year ended December 31, 2022, compared with approximately 550,000 vehicles for the year ended December 31, 2021. For the three months ended December 31, 2022 and 2021, vehicles sold by these companies in the North American digital dealer-to-dealer marketplace were approximately 107,000 and 135,000, respectively. This volume data includes vehicles sold by CARWAVE prior to its acquisition in October 2021.

Automotive Finance

AFC works with independent used vehicle dealers to improve their results by providing a comprehensive set of business and financial solutions that leverage its local presence of branches and in-market representatives, industry experience and scale, as well as KAR affiliations. AFC's North American dealer base was comprised of approximately 15,200 dealers in 2022, and loan transactions, which includes both loans paid off and loans curtailed, were approximately 1.6 million in 2022.

Key challenges for the independent used vehicle dealer include demand for used vehicles, disruptions in pricing of used vehicle inventory, access to consumer financing and increased used car retail activity of franchise and public dealerships (most of which do not utilize AFC or its competitors for floorplan financing). These same challenges, to the extent they occur, could result in a material negative impact on AFC's results of operations. A significant decline in used vehicle sales would result in a decrease in consumer auto loan originations and an increased number of dealers defaulting on their loans. In addition, volatility in wholesale vehicle pricing impacts the value of recovered collateral on defaulted loans and the resulting severity of credit losses at AFC. A decrease in wholesale used car pricing could lead to increased losses if dealers are unable to satisfy their obligations.

Seasonality

The volume of vehicles sold through our marketplaces generally fluctuates from quarter-to-quarter. This seasonality is caused by several factors including weather, the timing of used vehicles available for sale from selling customers, holidays, and the seasonality of the retail market for used vehicles, which affects the demand side of the auction industry. Wholesale used vehicle volumes tend to decline during prolonged periods of winter weather conditions. As a result, revenues and operating expenses related to volume will fluctuate accordingly on a quarterly basis. The fourth calendar quarter typically experiences lower used vehicle volume as well as additional costs associated with the holidays and winter weather.

In addition, changes in working capital vary from quarter-to-quarter as a result of the timing of collections and disbursements of funds to consignors from marketplace sales held near period end.

Sources of Revenues and Expenses

The vehicles sold on our marketplaces generate auction fees from buyers and sellers. The Company generally does not take title to these consigned vehicles and records only its auction fees as revenue ("Auction fees" in the consolidated statement of income) because it has no influence on the vehicle auction selling price agreed to by the seller and the buyer at the auction. The Company does not record the gross selling price of the consigned vehicles sold at auction as revenue. The Company generally enforces its rights to payment for seller transactions through net settlement provisions following the sale of a vehicle. Marketplace services such as inbound and outbound transportation logistics, reconditioning, vehicle inspection and certification, collateral recovery services and technology solutions are generally recognized at the time of service ("Service revenue" in the consolidated statement of income). The Company also sells vehicles that have been purchased, which represent approximately 1% of the total volume of vehicles sold. For these types of sales, the Company does record the gross selling price of purchased vehicles sold at auction as revenue ("Purchased vehicle sales" in the consolidated statement of income) and the gross purchase price of the vehicles as "Cost of services." AFC's revenue ("Finance-related revenue" in the consolidated statement of income) is comprised of interest and fee income, provision for credit losses and other revenues associated with our finance receivables, as well as warranty contract revenue prior to 2021.

Although Marketplace revenues primarily include auction fees and service revenue, our related receivables and payables include the gross value of the vehicles sold. Trade receivables include the unremitted purchase price of vehicles purchased by third parties through our marketplaces, fees to be collected from those buyers and amounts due for services provided by us related to certain consigned vehicles. The amounts due with respect to the services provided by us related to certain consigned vehicles are generally deducted from the sales proceeds upon the eventual auction or other disposition of the related vehicles. Accounts payable include amounts due sellers from the proceeds of the sale of their consigned vehicles less any fees.

Our operating expenses consist of cost of services, selling, general and administrative and depreciation and amortization. Cost of services is composed of payroll and related costs, subcontract services, the cost of vehicles purchased, supplies, insurance, property taxes, utilities, service contract claims, maintenance and lease expense related to the auction sites and loan offices. Cost of services excludes depreciation and amortization. Selling, general and administrative expenses are composed of payroll and related costs, sales and marketing, information technology services and professional fees.

Results of Operations

Overview of Results of KAR Auction Services, Inc. for the Years Ended December 31, 2022 and 2021:

(Dollars in millions except per share amounts)	Year Ended December 31, 2022	Year Ended December 31, 2021
Revenues from continuing operations		
Auction fees	**$ 370.3**	$ 399.2
Service revenue	**590.3**	541.3
Purchased vehicle sales	**182.9**	220.9
Finance-related revenue	**375.9**	289.2
Total revenues from continuing operations	**1,519.4**	1,450.6
Cost of services*	**834.3**	792.5
Gross profit*	**685.1**	658.1
Selling, general and administrative	**445.1**	420.7
Depreciation and amortization	**100.2**	109.9
Gain on sale of property	**(33.9)**	—
Operating profit	**173.7**	127.5
Interest expense	**119.2**	125.7
Other (income) expense, net	**(1.3)**	(12.5)
Loss on extinguishment of debt	**17.2**	—
Income from continuing operations before income taxes	**38.6**	14.3
Income taxes	**10.0**	15.1
Income (loss) from continuing operations	**28.6**	(0.8)
Income from discontinued operations, net of income taxes	**212.6**	67.3
Net income	**$ 241.2**	$ 66.5
Income (loss) from continuing operations per share		
Basic	**$ (0.10)**	$ (0.27)
Diluted	**$ (0.10)**	$ (0.27)

* Exclusive of depreciation and amortization

Discontinued Operations

The financial performance of the ADESA U.S. physical auction business is presented as discontinued operations. As a result, revenue, cost of services and all costs of discontinued operations (including the gain on sale) are presented as one line item in the above table as "Income from discontinued operations, net of income taxes."

Overview

For the year ended December 31, 2022, we had revenue of $1,519.4 million compared with revenue of $1,450.6 million for the year ended December 31, 2021, an increase of 5%. Businesses acquired since the fourth quarter of 2021 accounted for an increase in revenue of $50.1 million or 3% of revenue. For a further discussion of revenues, gross profit and selling, general and administrative expenses, see the segment results discussions below.

Depreciation and Amortization

Depreciation and amortization decreased $9.7 million, or 9%, to $100.2 million for the year ended December 31, 2022, compared with $109.9 million for the year ended December 31, 2021. The decrease in depreciation and amortization was primarily the result of assets that have become fully depreciated and a reduction in assets placed in service.

Gain on Sale of Property

In October 2022, the Company closed on the sale of excess land in Montreal which resulted in a gain of $33.9 million.

Interest Expense

Interest expense decreased $6.5 million, or 5%, to $119.2 million for the year ended December 31, 2022, compared with $125.7 million for the year ended December 31, 2021. The decrease was primarily attributable to a realized gain of $16.7 million related to the discontinuance of hedge accounting and termination of the interest rate swaps, as well as the prepayment of Term Loan B-6 and prepayment of $600 million of senior notes, partially offset by an increase in AFC interest. The average balance on the AFC securitization obligations increased and the average interest rate on the AFC securitization obligations increased to approximately 4.0% for the year ended December 31, 2022, as compared with approximately 2.4% for the year ended December 31, 2021.

Other (Income) Expense, Net

For the year ended December 31, 2022, we had other income of $1.3 million compared with $12.5 million for the year ended December 31, 2021. The decrease in other income was primarily attributable to unrealized losses on investment securities of approximately $7.1 million for the year ended December 31, 2022, compared with unrealized gains on investment securities of approximately $1.4 million for the year ended December 31, 2021, as well as a reduction in realized gains of approximately $32.0 million, partially offset by a decrease in contingent consideration valuation adjustments of $24.3 million, a decrease in foreign currency losses on intercompany balances of $1.3 million and an increase in other miscellaneous income aggregating $3.7 million.

The Company invests in certain early-stage automotive companies and funds that relate to the automotive industry. We believe these investments have resulted in the expansion of relationships in the vehicle remarketing industry. There were no realized gains on these investments for the year ended December 31, 2022. The Company had unrealized losses of $7.1 million for the year ended December 31, 2022. Any future changes in the fair value of these investment securities will be reflected as unrealized gains or losses until these securities are sold.

Income Taxes

We had an effective tax rate of 25.9% for the year ended December 31, 2022, compared with an effective tax rate of 105.6% for the year ended December 31, 2021. The effective tax rate for the year ended December 31, 2021 was unfavorably impacted by earnings mix between domestic and foreign, and by the expense for the increase in the estimated value of contingent consideration for which no tax benefit was recorded.

Income from Discontinued Operations

In May 2022, Carvana acquired the ADESA U.S. physical auction business from KAR. As such, the financial results of the ADESA U.S. physical auction business have been accounted for as discontinued operations for all periods presented. For the year ended December 31, 2022 and 2021, the Company's financial statements included income from discontinued operations of $212.6 million and $67.3 million, respectively. For further discussion, reference the notes to the consolidated financial statements.

Impact of Foreign Currency

For the year ended December 31, 2022 compared with the year ended December 31, 2021, the change in the euro exchange rate decreased revenue by $24.5 million, operating profit by $0.8 million and net income by $0.5 million. For the year ended December 31, 2022 compared with the year ended December 31, 2021, the change in the Canadian dollar exchange rate decreased revenue by $11.6 million, operating profit by $4.2 million and net income by $2.8 million.

Marketplace Results

(Dollars in millions, except per vehicle amounts)	Year Ended December 31, 2022	Year Ended December 31, 2021
Auction fees	**$ 370.3**	$ 399.2
Service revenue	**590.3**	541.3
Purchased vehicle sales	**182.9**	220.9
Total Marketplace revenue from continuing operations	**1,143.5**	1,161.4
Cost of services*	**771.2**	737.1
Gross profit*	**372.3**	424.3
Selling, general and administrative	**398.6**	385.5
Depreciation and amortization	**92.3**	100.5
Gain on sale of property	**(33.9)**	—
Operating profit (loss)	**$ (84.7)**	$ (61.7)
Commercial vehicles sold	**661,000**	948,000
Dealer consignment vehicles sold	**636,000**	651,000
Total vehicles sold	**1,297,000**	1,599,000
Auction fees per vehicle sold	**$ 286**	$ 250
Gross profit per vehicle sold*	**$ 287**	$ 265
Gross profit percentage, excluding purchased vehicles*	**38.8%**	45.1%

* Exclusive of depreciation and amortization

Total Marketplace Revenue

Revenue from the Marketplace segment decreased $17.9 million, or 2%, to $1,143.5 million for the year ended December 31, 2022, compared with $1,161.4 million for the year ended December 31, 2021. Businesses acquired since the fourth quarter of 2021 accounted for an increase in revenue of $50.1 million. The change in revenue included the impact of decreases in revenue of $24.5 million and $10.2 million due to fluctuations in the euro exchange rate and the Canadian dollar exchange rate, respectively. When excluding revenue from acquired businesses and the effect of fluctuations in exchange rates, total Marketplace revenue for the year ended December 31, 2022 decreased from the year ended December 31, 2021. The decrease was primarily attributable to the decrease in the number of vehicles sold.

The 19% decrease in the number of vehicles sold was comprised of a 30% decline in commercial volumes and a 2% decrease in dealer consignment volumes. The decrease in the number of vehicles sold was driven by an industry-wide lack of wholesale used vehicle supply.

Auction Fees

Auction fees decreased $28.9 million, or 7%, to $370.3 million for the year ended December 31, 2022, compared with $399.2 million for the year ended December 31, 2021. The decrease in auction fees was primarily the result of a decrease in the number of vehicles sold. Auction fees per vehicle sold for the year ended December 31, 2022 increased $36, or 14%, reflecting higher vehicle values, the introduction of new dealer off-premise auction fees and a smaller mix of lower-fee commercial off-premise vehicles.

Service Revenue

Service revenue increased $49.0 million, or 9%, to $590.3 million for the year ended December 31, 2022, compared with $541.3 million for the year ended December 31, 2021, primarily as a result of increases in repossession and remarketing fees of $32.2 million, platform fees provided to third parties of $19.1 million, transportation revenue of $11.5 million and a net increase in other miscellaneous service revenues aggregating approximately $3.3 million, partially offset by a decrease in inspection service revenue of $17.1 million, resulting from the decrease in commercial vehicles sold.

Purchased Vehicle Sales

Purchased vehicle sales, which include the entire selling price of the vehicle, decreased $38.0 million, or 17%, to $182.9 million for the year ended December 31, 2022, compared with $220.9 million for the year ended December 31, 2021, primarily as a result of a decrease in the average selling price of purchased vehicles sold as a result of geopolitical events and macroeconomic conditions impacting our European operations.

Gross Profit

For the year ended December 31, 2022, gross profit from the Marketplace segment decreased $52.0 million, or 12%, to $372.3 million, compared with $424.3 million for the year ended December 31, 2021. Cost of services increased 5% for the year ended December 31, 2022, while revenue decreased 2% during the same period. Gross profit from the Marketplace segment was 32.6% of revenue for the year ended December 31, 2022, compared with 36.5% of revenue for the year ended December 31, 2021. Excluding purchased vehicle sales, gross profit as a percentage of revenue was 38.8% and 45.1% for the years ended December 31, 2022 and 2021, respectively. The entire selling and purchase price of the vehicle is recorded as revenue and cost of services for purchased vehicles sold. Businesses acquired since the fourth quarter of 2021 accounted for an increase in cost of services of $29.3 million for the year ended December 31, 2022.

Gross profit as a percentage of revenue decreased for the year ended December 31, 2022 as compared with the year ended December 31, 2021, primarily due to an increase in arbitration activity for vehicles sold on dealer-to-dealer platforms, an increase in lower margin transportation revenue, as well as a decrease in on-premise auction revenue in Canada without a corresponding decrease in direct costs. In addition, there were no benefits taken under the Canada Emergency Wage Subsidy in 2022, resulting in a reduction to gross profit as a percentage of revenue.

Selling, General and Administrative

Selling, general and administrative expenses from the Marketplace segment increased $13.1 million, or 3%, to $398.6 million for the year ended December 31, 2022, compared with $385.5 million for the year ended December 31, 2021, primarily as a result of increases in selling, general and administrative expenses associated with businesses acquired since the fourth quarter of 2021 of $12.7 million, professional fees of $8.9 million, severance of $5.4 million, bad debt expense of $4.4 million, stock-based compensation of $2.3 million, incentive-based compensation of $2.0 million and travel expenses of $1.2 million, partially offset by decreases in compensation expense of $5.1 million, information technology costs of $4.0 million, medical expenses of $3.3 million, telecom expenses of $1.1 million and reductions in other miscellaneous expenses aggregating $12.4 million. In addition, the Employee Retention Credit provided under the Canada Emergency Wage Subsidy was $2.1 million less for the year ended December 31, 2022, compared with the year ended December 31, 2021.

Gain on Sale of Property

In October 2022, the Company closed on the sale of excess land in Montreal which resulted in a gain of $33.9 million.

Finance Results

(Dollars in millions except volumes and per loan amounts)	Year Ended December 31, 2022	2021
Finance-related revenue		
Interest income	**$ 202.8**	$ 139.7
Fee income	**171.9**	144.4
Other revenue	**11.0**	8.6
Provision for credit losses	**(9.8)**	(3.5)
Total Finance revenue	**375.9**	289.2
Cost of services*	**63.1**	55.4
Gross profit*	**312.8**	233.8
Selling, general and administrative	**46.5**	35.2
Depreciation and amortization	**7.9**	9.4
Operating profit	**$ 258.4**	$ 189.2
Loan transactions	**1,562,000**	1,421,000
Revenue per loan transaction	**$ 241**	$ 204

* Exclusive of depreciation and amortization

Revenue

For the year ended December 31, 2022, the Finance segment revenue increased $86.7 million, or 30%, to $375.9 million, compared with $289.2 million for the year ended December 31, 2021. The increase in revenue was primarily the result of an 18% increase in revenue per loan transaction and an 10% increase in loan transactions.

Revenue per loan transaction, which includes both loans paid off and loans curtailed, increased $37, or 18%, primarily as a result of an increase in interest yields driven by an increase in prime rates (Federal Reserve raised interest rates 425 basis points in 2022), an increase in loan values and an increase in floorplan fees and other fee income per unit, partially offset by an increase in net credit losses for the year ended December 31, 2022.

The provision for credit losses increased to 0.4% of the average managed receivables for the year ended December 31, 2022 from 0.2% for the year ended December 31, 2021. The provision for credit losses is expected to be under 2%, annually, of the average managed receivables balance. However, the actual losses in any particular quarter could deviate from this range.

Gross Profit

For the year ended December 31, 2022, gross profit for the Finance segment increased $79.0 million, or 34%, to $312.8 million, or 83.2% of revenue, compared with $233.8 million, or 80.8% of revenue, for the year ended December 31, 2021. The increase in gross profit as a percent of revenue was primarily the result of a 30% increase in revenue, partially offset by a 14% increase in cost of services. The increase in cost of services was primarily the result of increases in compensation expense of $3.1 million, incentive-based compensation of $2.2 million, lot check expenses of $2.0 million and credit check expenses of $0.6 million, partially offset by a decrease in other miscellaneous expenses aggregating $0.2 million.

Selling, General and Administrative

Selling, general and administrative expenses for the Finance segment increased $11.3 million, or 32%, to $46.5 million for the year ended December 31, 2022, compared with $35.2 million for the year ended December 31, 2021 primarily as a result of increases in professional fees of $2.4 million, compensation expense of $1.7 million, incentive-based compensation of $1.7 million, information technology costs of $1.5 million, stock-based compensation of $1.1 million and other miscellaneous expenses aggregating $2.9 million.

Overview of Results of KAR Auction Services, Inc. for the Year Ended December 31, 2020:

An overview of the results of KAR Auction Services, Inc. for the year ended December 31, 2020 was included in Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on February 23, 2022.

Overview of Results of KAR Auction Services, Inc. for the Three Months Ended December 31, 2022 and 2021:

	Three Months Ended December 31,	
(Dollars in millions except per share amounts)	**2022**	**2021**
Revenues from continuing operations		
Auction fees	**$ 80.8**	$ 100.8
Service revenue	**146.3**	125.8
Purchased vehicle sales	**45.0**	51.9
Finance-related revenue	**100.7**	79.2
Total revenues from continuing operations	**372.8**	357.7
Cost of services*	**202.0**	194.2
Gross profit*	**170.8**	163.5
Selling, general and administrative	**93.0**	102.2
Depreciation and amortization	**24.0**	28.2
Gain on sale of property	**(33.9)**	—
Operating profit	**87.7**	33.1
Interest expense	**35.4**	32.0
Other (income) expense, net	**(7.7)**	8.0
Loss on extinguishment of debt	**0.2**	—
Income (loss) from continuing operations before income taxes	**59.8**	(6.9)
Income taxes	**17.9**	(22.1)
Income from continuing operations	**41.9**	15.2
Income (loss) from discontinued operations, net of income taxes	**(4.8)**	(10.1)
Net income	**$ 37.1**	$ 5.1
Income from continuing operations per share		
Basic	**$ 0.21**	$ 0.04
Diluted	**$ 0.21**	$ 0.04

* Exclusive of depreciation and amortization

Discontinued Operations

The financial performance of the ADESA U.S. physical auction business is presented as discontinued operations. As a result, revenue, cost of services and all costs of discontinued operations are presented as one line item in the above table as "Income (loss) from discontinued operations, net of income taxes."

Overview

For the three months ended December 31, 2022, we had revenue of $372.8 million compared with revenue of $357.7 million for the three months ended December 31, 2021, an increase of 4%. For a further discussion of revenues, gross profit and selling, general and administrative expenses, see the segment results discussions below.

Depreciation and Amortization

Depreciation and amortization decreased $4.2 million, or 15%, to $24.0 million for the three months ended December 31, 2022, compared with $28.2 million for the three months ended December 31, 2021. The decrease in depreciation and amortization was primarily the result of assets that have become fully depreciated and a reduction in assets placed in service.

Gain on Sale of Property

In October 2022, the Company closed on the sale of excess land in Montreal which resulted in a gain of $33.9 million.

Interest Expense

Interest expense increased $3.4 million, or 11%, to $35.4 million for the three months ended December 31, 2022, compared with $32.0 million for the three months ended December 31, 2021. The increase was attributable to an increase in the average balance on the AFC securitization obligations and an increase in the average interest rate on the AFC securitization obligations to approximately 6.2% for the three months ended December 31, 2022, as compared with approximately 2.3% for the three months ended December 31, 2021. This was partially offset by a decrease in interest expense resulting from the prepayment of Term Loan B-6 and $600 million of the senior notes.

Other (Income) Expense, Net

For the three months ended December 31, 2022, we had other income of $7.7 million compared with other expense of $8.0 million for the three months ended December 31, 2021. The increase in other income was primarily attributable to a decrease in unrealized losses on investment securities of approximately $8.7 million, a decrease in contingent consideration valuation adjustments of $4.2 million and an increase in other miscellaneous income aggregating $0.4 million, partially offset by a reduction in realized gains of approximately $4.8 million. In addition, there were foreign currency gains on intercompany balances of $6.1 million for the three months ended December 31, 2022, compared with foreign currency losses on intercompany balances of $1.1 million for the three months ended December 31, 2021.

The Company invests in certain early-stage automotive companies and funds that relate to the automotive industry. We believe these investments have resulted in the expansion of relationships in the vehicle remarketing industry. There were no realized gains on these investments for the three months ended December 31, 2022. The Company had unrealized losses of $0.6 million for the three months ended December 31, 2022. Any future changes in the fair value of these investment securities will be reflected as unrealized gains or losses until these securities are sold.

Income Taxes

We had an effective tax rate of 29.9% for the three months ended December 31, 2022, compared with an effective tax rate of 320.3% on a pre-tax loss for the three months ended December 31, 2021. The effective tax rate for the three months ended December 31, 2021 was impacted by a pre-tax loss driven mostly by expense for the increase in the estimated value of contingent consideration for which no tax benefit was recorded.

Income from Discontinued Operations

In May 2022, Carvana acquired the ADESA U.S. physical auction business from KAR. As such, the financial results of the ADESA U.S. physical auction business have been accounted for as discontinued operations for all periods presented. For the three months ended December 31, 2022 and 2021, the Company's financial statements included a loss from discontinued operations of $4.8 million and $10.1 million, respectively. For further discussion, reference the notes to the consolidated financial statements. The $4.8 million loss from discontinued operations for the three months ended December 31, 2022 was comprised of an adjustment to income taxes of $5.8 million, partially offset by a $1.0 million reduction to stock-based compensation expense resulting from the true-up of performance-based restricted stock units.

Impact of Foreign Currency

For the three months ended December 31, 2022 compared with the three months ended December 31, 2021, the change in the euro exchange rate decreased revenue by $6.0 million, operating profit by $0.3 million and net income by $0.2 million. For the three months ended December 31, 2022 compared with the three months ended December 31, 2021, the change in the Canadian dollar exchange rate decreased revenue by $5.5 million, operating profit by $3.9 million and net income by $2.7 million.

Marketplace Results

(Dollars in millions, except per vehicle amounts)	Three Months Ended December 31, 2022	2021
Auction fees	**$ 80.8**	$ 100.8
Service revenue	**146.3**	125.8
Purchased vehicle sales	**45.0**	51.9
Total Marketplace revenue from continuing operations	**272.1**	278.5
Cost of services*	**186.3**	179.8
Gross profit*	**85.8**	98.7
Selling, general and administrative	**82.8**	93.1
Depreciation and amortization	**22.2**	25.9
Gain on sale of property	**(33.9)**	—
Operating profit (loss)	**$ 14.7**	$ (20.3)
Commercial vehicles sold	**151,000**	162,000
Dealer consignment vehicles sold	**138,000**	180,000
Total vehicles sold	**289,000**	342,000
Auction fees per vehicle sold	**$ 280**	$ 294
Gross profit per vehicle sold*	**$ 297**	$ 288
Gross profit percentage, excluding purchased vehicles*	**37.8%**	43.6%

* Exclusive of depreciation and amortization

Total Marketplace Revenue

Revenue from the Marketplace segment decreased $6.4 million, or 2%, to $272.1 million for the three months ended December 31, 2022, compared with $278.5 million for the three months ended December 31, 2021. The change in revenue included the impact of decreases in revenue of $6.0 million and $4.7 million due to fluctuations in the euro exchange rate and the Canadian dollar exchange rate, respectively. When excluding the effect of fluctuations in exchange rates, total Marketplace revenue in the fourth quarter of 2022 increased from the fourth quarter of 2021. The increase was primarily attributable to the increase in service revenues (discussed below).

The 15% decrease in the number of vehicles sold was comprised of a 7% decline in commercial volumes and a 23% decrease in dealer consignment volumes. The decrease in the number of vehicles sold was driven by an industry-wide lack of wholesale used vehicle supply.

Auction Fees

Auction fees decreased $20.0 million, or 20%, to $80.8 million for the three months ended December 31, 2022, compared with $100.8 million for the three months ended December 31, 2021. The decrease in auction fees was primarily the result of a decrease in the number of vehicles sold. Auction fees per vehicle sold for the three months ended December 31, 2022 decreased $14, or 5%, reflecting lower vehicle values.

Service Revenue

Service revenue increased $20.5 million, or 16%, to $146.3 million for the three months ended December 31, 2022 compared with $125.8 million for the three months ended December 31, 2021, primarily as a result of increases in repossession and remarketing fees of $10.1 million, platform fees provided to third parties of $5.8 million, transportation revenue of $3.7 million, inspection service revenue of $1.4 million and a net increase in other miscellaneous service revenues aggregating approximately $0.9 million, partially offset by a decrease in reconditioning revenue of $1.4 million.

Purchased Vehicle Sales

Purchased vehicle sales, which include the entire selling price of the vehicle, decreased $6.9 million, or 13%, to $45.0 million for the three months ended December 31, 2022, compared with $51.9 million for the three months ended December 31, 2021, primarily as a result of a decrease in the average selling price of purchased vehicles sold as a result of geopolitical events and macroeconomic conditions impacting our European operations.

Gross Profit

For the three months ended December 31, 2022, gross profit for the Marketplace segment decreased $12.9 million, or 13%, to $85.8 million, compared with $98.7 million for the three months ended December 31, 2021. Gross profit for the Marketplace segment was 31.5% of revenue for the three months ended December 31, 2022, compared with 35.4% of revenue for the three months ended December 31, 2021. Excluding purchased vehicle sales, gross profit as a percentage of revenue was 37.8% and 43.6% for the three months ended December 31, 2022 and 2021, respectively. The entire selling and purchase price of the vehicle is recorded as revenue and cost of services for purchased vehicles sold.

Gross profit as a percentage of revenue decreased for the three months ended December 31, 2022 as compared with the three months ended December 31, 2021, primarily due to an increase in lower margin transportation revenue and an increase in arbitration activity for vehicles sold on dealer-to-dealer platforms, as well as a decrease in on-premise auction revenue in Canada with a smaller decrease in direct costs.

Selling, General and Administrative

Selling, general and administrative expenses for the Marketplace segment decreased $10.3 million, or 11%, to $82.8 million for the three months ended December 31, 2022, compared with $93.1 million for the three months ended December 31, 2021, primarily as a result of decreases in stock-based compensation of $5.6 million, compensation expense of $4.2 million, information technology costs of $3.3 million and reductions in other miscellaneous expenses aggregating $3.0 million, partially offset by increases in incentive-based compensation of $3.7 million and severance of $2.1 million.

Gain on Sale of Property

In October 2022, the Company closed on the sale of excess land in Montreal which resulted in a gain of $33.9 million.

Finance Results

(Dollars in millions except volumes and per loan amounts)	**Three Months Ended December 31, 2022**	**2021**
Finance-related revenue		
Interest income	**$ 59.7**	$ 39.7
Fee income	**44.7**	36.4
Other revenue	**3.3**	2.2
Net recovery (provision) for credit losses	**(7.0)**	0.9
Total Finance revenue	**100.7**	79.2
Cost of services*	**15.7**	14.4
Gross profit*	**85.0**	64.8
Selling, general and administrative	**10.2**	9.1
Depreciation and amortization	**1.8**	2.3
Operating profit	**$ 73.0**	$ 53.4
Loan transactions	**392,000**	342,000
Revenue per loan transaction	**$ 257**	$ 232

* Exclusive of depreciation and amortization

Revenue

For the three months ended December 31, 2022, the Finance segment revenue increased $21.5 million, or 27%, to $100.7 million, compared with $79.2 million for the three months ended December 31, 2021. The increase in revenue was primarily the result of a 15% increase in loan transactions and an 11% increase in revenue per loan transaction.

Revenue per loan transaction, which includes both loans paid off and loans curtailed, increased $25, or 11%, primarily as a result of an increase in interest yields driven by an increase in prime rates (Federal Reserve raised interest rates 125 basis points in the fourth quarter), an increase in average portfolio duration and an increase in floorplan fees and other fee income per unit, partially offset by an increase in net credit losses and a decrease in loan values.

The provision for credit losses increased to 1.1% of the average managed receivables for the three months ended December 31, 2022 from (0.2%) for the three months ended December 31, 2021. The provision for credit losses is expected to be under 2%, annually, of the average managed receivables balance. However, the actual losses in any particular quarter could deviate from this range.

Gross Profit

For the three months ended December 31, 2022, gross profit for the Finance segment increased $20.2 million, or 31%, to $85.0 million, or 84.4% of revenue, compared with $64.8 million, or 81.8% of revenue, for the three months ended December 31, 2021. The increase in gross profit as a percent of revenue was primarily the result of a 27% increase in revenue, partially offset by a 9% increase in cost of services. The increase in cost of services was primarily the result of increases in lot check expenses of $0.7 million, compensation expense of $0.3 million, incentive-based compensation of $0.2 million and other miscellaneous expenses aggregating $0.1 million.

Selling, General and Administrative

Selling, general and administrative expenses for the Finance segment increased $1.1 million, or 12%, to $10.2 million for the three months ended December 31, 2022, compared with $9.1 million for the three months ended December 31, 2021 primarily as a result of increases in professional fees of $0.7 million, information technology costs of $0.7 million, incentive-based compensation of $0.3 million and other miscellaneous expenses aggregating $0.8 million, partially offset by a decrease in stock-based compensation of $1.4 million.

LIQUIDITY AND CAPITAL RESOURCES

We believe that the significant indicators of liquidity for our business are cash on hand, cash flow from operations, working capital and amounts available under our Credit Facility. Our principal sources of liquidity consist of cash generated by operations and borrowings under our Revolving Credit Facility.

	December 31,	
(Dollars in millions)	**2022**	**2021**
Cash and cash equivalents	**$ 225.7**	$ 177.6
Restricted cash	**52.0**	25.8
Working capital	**379.2**	382.5
Amounts available under the Revolving Credit Facility	**161.0**	297.4
Cash provided by operating activities for the year ended	**4.1**	233.9

We regularly evaluate alternatives for our capital structure and liquidity given our expected cash flows, growth and operating capital requirements as well as capital market conditions.

Working Capital

A substantial amount of our working capital is generated from the payments received for services provided. The majority of our working capital needs are short-term in nature, usually less than a week in duration. Most of the financial institutions place a temporary hold on the availability of the funds deposited that generally can range up to two business days, resulting in cash in our accounts and on our balance sheet that is unavailable for use until it is made available by the various financial institutions. There are outstanding checks (book overdrafts) to sellers and vendors included in current liabilities. Because a portion of these outstanding checks for operations in the U.S. are drawn upon bank accounts at financial institutions other than the financial institutions that hold the cash, we cannot offset all the cash and the outstanding checks on our balance sheet. Changes in working capital vary from quarter-to-quarter as a result of the timing of collections and disbursements of funds to consignors from marketplace sales held near period end.

Approximately $164.1 million of available cash was held by our foreign subsidiaries at December 31, 2022. If funds held by our foreign subsidiaries were to be repatriated, state and local income tax expense and withholding tax expense would need to be recognized, net of any applicable foreign tax credits.

AFC offers short-term inventory-secured financing, also known as floorplan financing, to independent used vehicle dealers. Financing is primarily provided for terms of 30 to 90 days. AFC principally generates its funding through the sale of its receivables. The receivables sold pursuant to the securitization agreements are accounted for as secured borrowings. For further discussion of AFC's securitization arrangements, see "Securitization Facilities."

Credit Facilities

On September 19, 2019, we entered into the seven-year, $950 million Term Loan B-6 and the $325 million, five-year Revolving Credit Facility. In May 2022, the Company prepaid the $926.2 million outstanding balance on Term Loan B-6 with proceeds from the Transaction. As a result of the prepayment, we incurred a non-cash loss on the extinguishment of debt of $7.7 million in the second quarter of 2022. The loss was primarily a result of the write-off of unamortized debt issuance costs/discounts associated with Term Loan B-6.

The Revolving Credit Facility, with a maturity date of September 19, 2024, is available for letters of credit, working capital, permitted acquisitions and general corporate purposes. The Revolving Credit Facility also includes a $50 million sub-limit for issuance of letters of credit and a $60 million sub-limit for swingline loans.

As set forth in the Credit Agreement, loans under the Revolving Credit Facility will bear interest at a rate calculated based on the type of borrowing (either adjusted LIBOR or Base Rate) and the Company’s Consolidated Senior Secured Net Leverage Ratio (as defined in the Credit Agreement), with such rate ranging from 2.25% to 1.75% for adjusted LIBOR loans and from 1.25% to 0.75% for Base Rate loans. The Company also pays a commitment fee between 25 to 35 basis points, payable quarterly, on the average daily unused amount of the Revolving Facility based on the Company’s Consolidated Senior Secured Net Leverage Ratio, from time to time.

As of December 31, 2022, $145.0 million was drawn on the Revolving Credit Facility and there were no borrowings on the Revolving Credit Facility at December 31, 2021. We had related outstanding letters of credit in the aggregate amount of $19.0 million and $27.6 million at December 31, 2022 and December 31, 2021, respectively, which reduce the amount available for borrowings under the Revolving Credit Facility. Our European operations have lines of credit aggregating $32.1 million (€30 million) of which $3.7 million was drawn at December 31, 2022.

The obligations of the Company under the Credit Facilities are guaranteed by certain of our domestic subsidiaries (the "Subsidiary Guarantors") and are secured by substantially all of the assets of the Company and the Subsidiary Guarantors, including but not limited to: (a) pledges of and first priority security interests in 100% of the equity interests of certain of the Company's and the Subsidiary Guarantors' domestic subsidiaries and 65% of the equity interests of certain of the Company's and the Subsidiary Guarantors' first tier foreign subsidiaries and (b) first priority security interests in substantially all other tangible and intangible assets of the Company and each Subsidiary Guarantor, subject to certain exceptions.

Certain covenants contained within the Credit Agreement are critical to an investor’s understanding of our financial liquidity, as the failure to maintain compliance with these covenants could result in a default and allow the lenders under the Credit Agreement to declare all amounts borrowed immediately due and payable. The Credit Agreement contains a financial covenant requiring compliance with a Consolidated Senior Secured Net Leverage Ratio not to exceed 3.5 as of the last day of each fiscal quarter if revolving loans are outstanding. The Consolidated Senior Secured Net Leverage Ratio is calculated as consolidated total debt (as defined in the Credit Agreement) divided by the last four quarters consolidated Adjusted EBITDA. Consolidated total debt includes term loan borrowings, revolving loans, finance lease liabilities and other obligations for borrowed money less unrestricted cash as defined in the Credit Agreement. Consolidated Adjusted EBITDA is EBITDA (earnings before interest expense, income taxes, depreciation and amortization) adjusted to exclude among other things (a) gains and losses from asset sales; (b) unrealized foreign currency translation gains and losses in respect of indebtedness; (c) certain non-recurring gains and losses; (d) stock-based compensation expense; (e) certain other non-cash amounts included in the determination of net income; (f) charges and revenue reductions resulting from purchase accounting; (g) minority interest; (h) consulting expenses incurred for cost reduction, operating restructuring and business improvement efforts; (i) expenses realized upon the termination of employees and the termination or cancellation of leases, software licenses or other contracts in connection with the operational restructuring and business improvement efforts; (j) expenses incurred in connection with permitted acquisitions; (k) any impairment charges or write-offs of intangibles; and (l) any extraordinary, unusual or non-recurring charges, expenses or losses. Our Consolidated Senior Secured Net Leverage Ratio was negative at December 31, 2022.

In addition, the Credit Agreement and the indenture governing our senior notes (see Note 12, "Long-Term Debt" for additional information) contain certain limitations on our ability to pay dividends and other distributions, make certain acquisitions or investments, grant liens and sell assets, and the Credit Agreement contains certain limitations on our ability to incur indebtedness. The applicable covenants in the Credit Agreement affect our operating flexibility by, among other things, restricting our ability to incur expenses and indebtedness that could be used to grow the business, as well as to fund general corporate purposes. We were in compliance with the covenants in the Credit Agreement and the indenture governing our senior notes at December 31, 2022.

Senior Notes

On May 31, 2017, we issued $950 million of 5.125% senior notes due June 1, 2025. The Company pays interest on the senior notes semi-annually in arrears on June 1 and December 1 of each year. The senior notes may be redeemed at 101.281% currently and at par as of June 1, 2023. The senior notes are guaranteed by the Subsidiary Guarantors. In August 2022, we conducted a cash tender offer to purchase up to $600 million principal amount of the senior notes. The tender offer was oversubscribed and as such, $600 million of the senior notes were accepted for prepayment and were prepaid in August 2022 with proceeds from the Transaction. We incurred a loss on the extinguishment of the senior notes of $9.5 million in 2022 primarily representative of the early repayment premium and the write-off of unamortized debt issuance costs associated with the portion of the senior notes repaid.

Expected Use of Proceeds from the Transaction

The Company generated gross proceeds from the sale of the U.S. physical auction business of approximately $2.2 billion. The Transaction closed in May 2022. Under terms of the Credit Agreement, net cash proceeds from the Transaction were used to repay Term Loan B-6 within three days of the Transaction. The Company also prepaid $600 million of the senior notes in August 2022. The terms of the senior notes specify that excess proceeds must be reinvested or used to pay down a portion of the senior notes. The Company is required to redeem or repay approximately $140 million of senior notes by May 9, 2023, subject to the terms of the indenture governing our senior notes.

Liquidity

At December 31, 2022, $140.0 million of the remaining senior notes are classified as current debt, as the terms of the senior notes specify that excess proceeds must be reinvested or used to pay down a portion of the senior notes. As of December 31, 2022, $145.0 million was drawn on the Revolving Credit Facility and is classified as current debt based on the Company’s past practice of using the Revolving Credit Facility for short term borrowings. However, the terms of the Revolving Credit Facility do not require repayment until maturity at September 19, 2024.

At December 31, 2022, cash totaled $225.7 million and there was an additional $161.0 million available for borrowing under the Revolving Credit Facility (net of $19.0 million in outstanding letters of credit). Funds held by our foreign subsidiaries could be repatriated, at which point state and local income tax expense and withholding tax expense would need to be recognized, net of any applicable foreign tax credits.

The Company’s auction volumes have been adversely impacted by the supply chain disruptions and associated challenges in the automotive industry. We expect to see an improvement in the used vehicle market in the coming years, which is expected to increase the volume of vehicles entering our auction platforms and have a positive impact on our operating results. We believe our sources of liquidity from our cash and cash equivalents on hand, working capital, cash provided by operating activities, and availability under our Credit Facility are sufficient to meet our operating needs for the foreseeable future. In addition, we believe the previously mentioned sources of liquidity will be sufficient to fund our capital requirements and debt service payments for the foreseeable future. A lack of recovery in market conditions, or further deterioration in market conditions, could materially affect the Company's liquidity.

Securitization Facilities

AFC sells the majority of its U.S. dollar denominated finance receivables on a revolving basis and without recourse to AFC Funding Corporation. A securitization agreement allows for the revolving sale by AFC Funding Corporation to a group of bank purchasers of undivided interests in certain finance receivables subject to committed liquidity. The agreement expires on January 31, 2026. AFC Funding Corporation had committed liquidity of $2.0 billion for U.S. finance receivables at December 31, 2022.

In September 2022, AFC and AFC Funding Corporation entered into the Tenth Amended and Restated Receivables Purchase Agreement (the "Receivables Purchase Agreement"). The Receivables Purchase Agreement increased AFC Funding's U.S. committed liquidity from $1.70 billion to $2.0 billion and extended the facility's maturity date from January 31, 2024 to January 31, 2026. In addition, the discount rate is now based on the SOFR reference rate, provisions designed to provide additional lending and operational flexibility were modified or added and provisions providing for a mechanism for determining an alternative rate of interest were modified. We capitalized approximately $10.5 million of costs in connection with the Receivables Purchase Agreement.

We also have an agreement for the securitization of AFCI's receivables, which expires on January 31, 2026. AFCI's committed facility is provided through a third-party conduit (separate from the U.S. facility) and was C$225 million at December 31, 2022. In September 2022, AFCI entered into the Sixth Amended and Restated Receivables Purchase Agreement (the "Canadian Receivables Purchase Agreement"). The Canadian Receivables Purchase Agreement extended the facility's maturity date from January 31, 2024 to January 31, 2026. In addition, provisions designed to provide additional lending and operational flexibility were modified or added. We capitalized approximately $1.1 million of costs in connection with the Canadian Receivables Purchase Agreement. The receivables sold pursuant to both the U.S. and Canadian securitization agreements are accounted for as secured borrowings.

AFC managed total finance receivables of $2,416.6 million and $2,529.0 million at December 31, 2022 and December 31, 2021, respectively. AFC's allowance for losses was $21.5 million and $23.0 million at December 31, 2022 and December 31, 2021, respectively.

As of December 31, 2022 and December 31, 2021, $2,396.6 million and $2,482.2 million, respectively, of finance receivables and a cash reserve of 1 or 3 percent of the obligations collateralized by finance receivables served as security for the $1,677.6 million and $1,692.3 million of obligations collateralized by finance receivables at December 31, 2022 and December 31, 2021, respectively. The amount of the cash reserve depends on circumstances which are set forth in the securitization agreements. There were unamortized securitization issuance costs of approximately $19.4 million and $15.1 million at December 31, 2022 and December 31, 2021, respectively. After the occurrence of a termination event, as defined in the U.S. securitization agreement, the banks may, and could, cause the stock of AFC Funding Corporation to be transferred to the bank facility, though as a practical matter the bank facility would look to the liquidation of the receivables under the transaction documents as their primary remedy.

Proceeds from the revolving sale of receivables to the bank facilities are used to fund new loans to customers. AFC, AFC Funding Corporation and AFCI must maintain certain financial covenants including, among others, limits on the amount of debt AFC and AFCI can incur, minimum levels of tangible net worth, and other covenants tied to the performance of the finance receivables portfolio. The securitization agreements also incorporate the financial covenants of our Credit Facility. At December 31, 2022, we were in compliance with the covenants in the securitization agreements.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA, 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, or GAAP. They are not measurements of our financial performance under GAAP and should not be considered substitutes for net income (loss) or any other performance measures derived in accordance with GAAP.

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 above in the discussion of certain restrictive loan covenants under "Credit Facilities."

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. EBITDA and Adjusted EBITDA 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 tables reconcile EBITDA and Adjusted EBITDA to income (loss) from continuing operations for the periods presented:

	Three Months Ended December 31, 2022		
(Dollars in millions)	Marketplace	Finance	Consolidated
Income (loss) from continuing operations	$ 5.8	$ 36.1	$ 41.9
Add back:			
Income taxes	4.5	13.4	17.9
Interest expense, net of interest income	6.8	28.1	34.9
Depreciation and amortization	22.2	1.8	24.0
Intercompany interest	5.3	(5.3)	—
EBITDA	44.6	74.1	118.7
Non-cash stock-based compensation	(4.7)	(1.0)	(5.7)
Loss on extinguishment of debt	0.2	—	0.2
Acquisition related costs	0.3	—	0.3
Securitization interest	—	(25.8)	(25.8)
Gain on sale of property	(33.9)	—	(33.9)
Severance	4.0	0.2	4.2
Foreign currency (gains)/losses	(6.1)	—	(6.1)
Net change in unrealized (gains) losses on investment securities	—	0.6	0.6
Professional fees related to business improvement efforts	2.6	0.5	3.1
Other	0.7	0.2	0.9
Total addbacks/(deductions)	(36.9)	(25.3)	(62.2)
Adjusted EBITDA	$ 7.7	$ 48.8	$ 56.5

	Three Months Ended December 31, 2021		
(Dollars in millions)	Marketplace	Finance	Consolidated
Income (loss) from continuing operations	$ (13.8)	$ 29.0	$ 15.2
Add back:			
Income taxes	(31.5)	9.4	(22.1)
Interest expense, net of interest income	21.2	10.5	31.7
Depreciation and amortization	25.9	2.3	28.2
Intercompany interest	—	—	—
EBITDA	1.8	51.2	53.0
Non-cash stock-based compensation	1.0	0.3	1.3
Acquisition related costs	2.1	—	2.1
Securitization interest	—	(8.3)	(8.3)
Loss on asset sales	0.1	—	0.1
Severance	1.3	0.2	1.5
Foreign currency (gains)/losses	1.1	—	1.1
Contingent consideration adjustment	4.2	—	4.2
Net change in unrealized (gains) losses on investment securities	—	9.3	9.3
Other	0.1	(0.1)	—
Total addbacks/(deductions)	9.9	1.4	11.3
Adjusted EBITDA	$ 11.7	$ 52.6	$ 64.3

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(Dollars in millions)	Year Ended December 31, 2022 Marketplace	Finance	Consolidated
Income (loss) from continuing operations	$ (105.7)	$ 134.3	$ 28.6
Add back:			
Income taxes	(36.4)	46.4	10.0
Interest expense, net of interest income	37.6	78.9	116.5
Depreciation and amortization	92.3	7.9	100.2
Intercompany interest	8.4	(8.4)	—
EBITDA	(3.8)	259.1	255.3
Non-cash stock-based compensation	14.2	3.3	17.5
Loss on extinguishment of debt	17.2	—	17.2
Acquisition related costs	1.2	—	1.2
Securitization interest	—	(70.7)	(70.7)
Gain on sale of property	(33.9)	—	(33.9)
(Gain)/Loss on asset sales	(0.1)	—	(0.1)
Severance	11.7	0.7	12.4
Foreign currency (gains)/losses	2.5	—	2.5
Net change in unrealized (gains) losses on investment securities	—	7.1	7.1
Professional fees related to business improvement efforts	13.3	1.9	15.2
Other	7.1	0.4	7.5
Total addbacks/(deductions)	33.2	(57.3)	(24.1)
Adjusted EBITDA	$ 29.4	$ 201.8	$ 231.2

(Dollars in millions)	Year Ended December 31, 2021 Marketplace	Finance	Consolidated
Income (loss) from continuing operations	$ (126.2)	$ 125.4	$ (0.8)
Add back:			
Income taxes	(26.4)	41.5	15.1
Interest expense, net of interest income	85.3	39.5	124.8
Depreciation and amortization	100.5	9.4	109.9
Intercompany interest	0.2	(0.2)	—
EBITDA	33.4	215.6	249.0
Non-cash stock-based compensation	12.1	2.2	14.3
Acquisition related costs	7.1	—	7.1
Securitization interest	—	(29.8)	(29.8)
(Gain)/Loss on asset sales	0.1	(0.8)	(0.7)
Severance	2.9	0.4	3.3
Foreign currency (gains)/losses	3.8	—	3.8
Contingent consideration adjustment	24.3	—	24.3
Net change in unrealized (gains) losses on investment securities	—	(1.4)	(1.4)
Other	0.6	(0.3)	0.3
Total addbacks/(deductions)	50.9	(29.7)	21.2
Adjusted EBITDA	$ 84.3	$ 185.9	$ 270.2

Certain of our loan covenant calculations utilize financial results for the most recent four consecutive fiscal quarters (total KAR results, including the ADESA U.S. physical auctions shown as discontinued operations). The following table reconciles EBITDA and Adjusted EBITDA to net income (loss) for the periods presented:

	Three Months Ended				Twelve Months Ended
(Dollars in millions)	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	December 31, 2022
Net income (loss)	$ (0.3)	$ 210.2	$ (5.8)	$ 37.1	$ 241.2
Less: Income from discontinued operations	8.1	215.6	(6.3)	(4.8)	212.6
Income (loss) from continuing operations	(8.4)	(5.4)	0.5	41.9	28.6
Add back:					
Income taxes	(4.7)	(9.9)	6.7	17.9	10.0
Interest expense, net of interest income	25.5	25.2	30.9	34.9	116.5
Depreciation and amortization	26.0	25.9	24.3	24.0	100.2
EBITDA	38.4	35.8	62.4	118.7	255.3
Non-cash stock-based compensation	5.2	14.5	3.5	(5.7)	17.5
Loss on extinguishment of debt	—	7.7	9.3	0.2	17.2
Acquisition related costs	0.3	0.3	0.3	0.3	1.2
Securitization interest	(10.4)	(14.3)	(20.2)	(25.8)	(70.7)
Gain on sale of property	—	—	—	(33.9)	(33.9)
(Gain)/Loss on asset sales	(0.1)	—	—	—	(0.1)
Severance	3.4	3.3	1.5	4.2	12.4
Foreign currency (gains)/losses	1.2	3.3	4.1	(6.1)	2.5
Net change in unrealized (gains) losses on investment securities	3.0	3.2	0.3	0.6	7.1
Professional fees related to business improvement efforts	8.1	0.8	3.2	3.1	15.2
Other	—	1.5	5.1	0.9	7.5
Total addbacks/(deductions)	10.7	20.3	7.1	(62.2)	(24.1)
Adjusted EBITDA from continuing ops	$ 49.1	$ 56.1	$ 69.5	$ 56.5	$ 231.2
Adjusted EBITDA from discontinued ops	22.6	2.2	—	—	24.8
Adjusted EBITDA	$ 71.7	$ 58.3	$ 69.5	$ 56.5	$ 256.0

Summary of Cash Flows

	Year Ended December 31,	
(Dollars in millions)	2022	2021
Net cash provided by (used by):		
Operating activities - continuing operations	**$ 4.1**	$ 233.9
Operating activities - discontinued operations	**(459.1)**	179.3
Investing activities - continuing operations	**70.0**	(1,186.4)
Investing activities - discontinued operations	**2,077.4**	(32.2)
Financing activities - continuing operations	**(1,621.9)**	204.0
Financing activities - discontinued operations	**10.8**	6.4
Less: Net change in cash balances of discontinued operations	**12.4**	15.6
Effect of exchange rate on cash	**(19.4)**	(1.5)
Net increase (decrease) in cash, cash equivalents and restricted cash	**$ 74.3**	$ (580.9)

Cash flow from operating activities (continuing operations) Net cash provided by operating activities (continuing operations) was $4.1 million for the year ended December 31, 2022, compared with $233.9 million for the year ended December 31, 2021. Cash provided by continuing operations for 2022 consisted primarily of cash earnings and a decrease in trade receivables and other assets, partially offset by a decrease in accounts payable and accrued expenses and the portion of contingent consideration payments classified in operating activities. Cash provided by continuing operations for 2021 consisted primarily of cash earnings and an increase in accounts payable and accrued expenses, partially offset by an increase in trade receivables and other assets. The decrease in operating cash flow was primarily attributable to changes in operating assets and liabilities as a result of the timing of collections and the disbursement of funds to consignors for marketplace sales held near period-ends. Specifically, accounts payable and accrued expenses represented a $240.8 million use of cash for the year ended December 31, 2022, compared with a $143.9 million source of cash for the year ended December 31, 2021 (timing and impact of changes in wholesale vehicle values).

Cash flows from operations can be significantly impacted by changes in working capital in any given period. In addition to other items, the timing of working capital changes are impacted by AFC's operations. For the year ended December 31, 2022, of the $240.8 million of operating cash used for the change in accounts payable and accrued expenses, approximately $90 million related to the accounts payable and accrued expenses at AFC. The $90 million decrease in accounts payable and accrued expenses at AFC was primarily the result of the changes in wholesale vehicle values. In contrast, for the year ended December 31, 2021, the change in AFC's accounts payable and accrued expenses provided cash of approximately $127 million. The value of vehicles included in AFC's accounts payable at December 31, 2021 were near all-time highs compared with continuing declining values throughout 2022.

Changes in AFC’s accounts payable balance are presented in cash flows from operating activities while changes in AFC’s finance receivables are presented in cash flows from investing activities. Changes in these balances can cause variations in operating and investing cash flows.

Cash flow from investing activities (continuing operations) Net cash provided by investing activities (continuing operations) was $70.0 million for the year ended December 31, 2022, compared with net cash used by investing activities of $1,186.4 million for the year ended December 31, 2021. The cash provided by investing activities in 2022 was primarily from a decrease in finance receivables held for investments and proceeds from the sale of property and equipment, partially offset by purchases of property and equipment. The cash used by investing activities in 2021 was primarily due to an increase in finance receivables held for investments, the acquisition of businesses and purchases of property and equipment.

Cash flow from financing activities (continuing operations) Net cash used by financing activities (continuing operations) was $1,621.9 million for the year ended December 31, 2022, compared with net cash provided by financing activities of $204.0 million for the year ended December 31, 2021. The cash used by financing activities in 2022 was primarily due to payments made on the Company’s long-term debt and repurchases and retirement of common stock, partially offset by borrowings from lines of credit. The cash provided by financing activities in 2021 was primarily due to an increase in obligations collateralized by finance receivables, partially offset by repurchases and retirement of common stock.

Cash flow from operating activities (discontinued operations) Net cash used by operating activities (discontinued operations) was $459.1 million for the year ended December 31, 2022, compared with net cash provided by operating activities of $179.3 million for the year ended December 31, 2021. The cash used by operating activities for the year ended December 31, 2022 is primarily attributable to income taxes paid associated with the taxable gain on the sale of the ADESA U.S. physical auction business and a decrease in accounts payable and accrued expenses. The cash provided by operating activities for the year ended December 31, 2021 primarily consisted of cash earnings and an increase in accounts payable and accrued expenses.

Cash flow from investing activities (discontinued operations) Net cash provided by investing activities (discontinued operations) was $2,077.4 million for the year ended December 31, 2022, compared with net cash used by investing activities of $32.2 million for the year ended December 31, 2021. The cash provided by investing activities for the year ended December 31, 2022 is primarily attributable to the proceeds from the sale of the ADESA U.S. physical auction business, partially offset by purchases of property and equipment. The cash used by investing activities for the year ended December 31, 2021 is primarily attributed to purchases of property and equipment, partially offset by proceeds from the sale of property and equipment.

Cash flow from financing activities (discontinued operations) Net cash provided by financing activities (discontinued operations) was $10.8 million for the year ended December 31, 2022, compared with $6.4 million for the year ended December 31, 2021. The cash provided by financing activities in both periods is primarily attributable to a net increase in book overdrafts.

Capital Expenditures

Capital expenditures for the years ended December 31, 2022 and 2021 approximated $60.9 million and $64.2 million, respectively. Capital expenditures were funded from internally generated funds. We continue to invest in our core information technology capabilities and our service locations. Capital expenditures related to continuing operations are expected to be approximately $65 million for fiscal year 2023. Future capital expenditures could vary substantially based on capital project timing, capital expenditures related to acquired businesses and the initiation of new information systems projects to support our business strategies.

Contractual Obligations

To provide a clear picture of matters potentially impacting our liquidity position, the table below sets forth a summary of our contractual obligations as of December 31, 2022. Some of the figures included in this table are based on management's estimates and assumptions about these obligations, including their duration, the possibility of renewal and other factors. Because these estimates and assumptions are necessarily subjective, the obligations we may actually pay in future periods could vary from those reflected in the table. This table does not include the obligations related to our Series A Preferred Stock discussed in Note 15 of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K. The following table summarizes our contractual cash obligations as of December 31, 2022 *(in millions)*:

	Payments Due by Period		
Contractual Obligations	**Total**	**1 year or Less**	**More than 1 Year**
Long-term debt			
$325 million Revolving Credit Facility (a)	$ 145.0	$ 145.0	$ —
Senior notes (a)	350.0	140.0	210.0
European lines of credit	3.7	3.7	—
Finance lease obligations (b)	2.9	2.0	0.9
Interest payments relating to long-term debt (c)	39.3	23.5	15.8
Operating leases (d)	117.2	15.4	101.8
Contingent consideration related to acquisitions (e)	15.0	15.0	—
Total contractual cash obligations	$ 673.1	$ 344.6	$ 328.5

(a) The Company has historically included the Revolving Credit Facility in current debt based on its intent to repay the amount outstanding within one year; however, the Company is not contractually obligated to repay the borrowings until the maturity of the Revolving Credit Facility (September 2024). In addition, subject to the terms of the indenture governing our senior notes, the table assumes $140 million of the senior notes will be repaid in early 2023 with proceeds from the sale of the ADESA U.S. physical auction business.

(b) We have entered into finance leases for furniture, fixtures, equipment and software. The amounts include the interest portion of the finance leases. Future finance lease obligations would change if we entered into additional finance lease agreements.

(c) Interest payments on long-term debt are projected based on the contractual rates of the debt securities. Interest rates for the variable rate term debt instruments were held constant at rates as of December 31, 2022.

(d) Operating leases are entered into in the normal course of business. We lease some of our vehicle logistics center facilities, as well as other property and equipment under operating leases. Some lease agreements contain options to renew the lease or purchase the leased property. Future operating lease obligations would change if the renewal options were exercised and/or if we entered into additional operating lease agreements.

(e) Contingent consideration related to acquisitions represents the maximum amount of contingent payments.

Dividends

The Series A Preferred Stock ranks senior to the shares of the Company's common stock, par value $0.01 per share, with respect to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company. The holders of the Series A Preferred Stock are entitled to a cumulative dividend at the rate of 7% per annum, payable quarterly in arrears. Dividends were payable in kind through the issuance of additional shares of Series A Preferred Stock for the first eight dividend payments (through June 30, 2022), and thereafter, in cash or in kind, or in any combination of both, at the option of the Company. For the year ended December 31, 2022, the holders of the Series A Preferred Stock received cash dividends aggregating $22.2 million and for the years ended December 31, 2022 and 2021, the holders of the Series A Preferred Stock received dividends in kind with a value in the aggregate of approximately $21.6 million and $41.1 million, respectively. The holders of the Series A Preferred Stock are also entitled to participate in dividends declared or paid on our common stock on an as-converted basis.

The Company has suspended its quarterly common stock dividend. Future dividend decisions will be based on and affected by a variety of factors, including our financial condition and results of operations, contractual restrictions, including restrictive covenants contained in our Credit Agreement and AFC's securitization facilities and the indenture governing our senior notes, capital requirements and other factors that our board of directors deems relevant. No assurance can be given as to whether any future dividends may be declared by our board of directors or the amount thereof.

Off-Balance Sheet Arrangements

As of December 31, 2022, we had no off-balance sheet arrangements pursuant to Item 303 of Regulation S-K under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that we believe are reasonably likely to have a current or future effect on our financial condition, results of operations, or cash flows.

Critical Accounting Estimates

In preparing the financial statements in accordance with U.S. generally accepted accounting principles, management must often make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures at the date of the financial statements and during the reporting period. Some of those judgments can be subjective and complex. Consequently, actual results could differ from those estimates. Accounting measurements that management believes are most critical to the reported results of our operations and financial condition include: (1) allowance for credit losses; (2) business combinations; and (3) goodwill and other intangible assets.

In addition to the critical accounting estimates, there are other items used in the preparation of the consolidated financial statements that require estimation, but are not deemed critical. Changes in estimates used in these and other items could have a material impact on our financial statements.

We continually evaluate the accounting policies and estimates used to prepare the consolidated financial statements. In cases where management estimates are used, they are based on historical experience, information from third-party professionals, and various other assumptions believed to be reasonable. In addition, our most significant accounting policies are discussed in Note 2 and elsewhere in the notes to the consolidated financial statements for the year ended December 31, 2022, which are included in this Annual Report on Form 10-K.

Allowance for Credit Losses

We maintain an allowance for credit losses for estimated losses resulting from the inability of customers to make required payments. Delinquencies and losses are monitored on an ongoing basis and this historical experience provides the primary basis for estimating the allowance. The allowance for credit losses is also based on management's evaluation of the receivables portfolio under current economic conditions, the size of the portfolio, overall portfolio credit quality, review of specific collection matters and such other factors which, in management's judgment, deserve recognition in estimating losses. Specific collection matters can be impacted by the outcome of negotiations, litigation and bankruptcy proceedings with individual customers.

AFC controls credit risk through credit approvals, credit limits, underwriting and collateral management monitoring procedures, including approximately 60,000 lot audits and holding vehicle titles where permitted. The estimates are based on management's evaluation of many factors, including AFC's historical credit loss experience, the value of the underlying collateral, delinquency trends and economic conditions. The estimates are based on information available as of each reporting date and reflect the expected credit losses over the entire expected term of the receivables. Actual losses may differ from the original estimates due to actual results varying from those assumed in our estimates.

As a measure of sensitivity, if we had experienced a 10% increase in net charge-offs of finance receivables for the years ended December 31, 2022 and 2021, our provision for credit losses would have increased by approximately $0.9 million and $0.2 million in 2022 and 2021, respectively.

Business Combinations

When we acquire businesses, we estimate and recognize the fair values of tangible assets acquired, liabilities assumed and identifiable intangible assets acquired. The excess of the purchase consideration over the fair values of identifiable assets and liabilities is recorded as goodwill. The purchase accounting process requires management to make significant estimates and assumptions in determining the fair values of assets acquired and liabilities assumed, especially with respect to intangible assets and contingent consideration.

Critical estimates are often developed using valuation models that are based on historical experience and information obtained from the management of the acquired companies. These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, growth rates, the appropriate weighted-average cost of capital and the cost savings expected to be derived from acquiring an asset. These estimates are inherently uncertain and unpredictable. In addition, unanticipated events and circumstances may occur which could affect the accuracy or validity of such estimates.

Goodwill and Other Intangible Assets

We assess goodwill for impairment annually during the second quarter or more frequently if events or changes in circumstances indicate that impairment may exist. Important factors that could trigger an impairment review include significant under-performance relative to historical or projected future operating results; significant negative industry or economic trends; and our market valuation relative to our book value. When evaluating goodwill for impairment, we may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. If we do not perform a qualitative assessment, or if we determine that a reporting unit’s fair value is not more likely than not greater than its carrying value, then we calculate the estimated fair value of the reporting unit using discounted cash flows and market approaches.

When assessing goodwill for impairment, our decision to perform a qualitative impairment assessment for a reporting unit in a given year is influenced by a number of factors, including the size of the reporting unit’s goodwill, the significance of the excess of the reporting unit’s estimated fair value over carrying value at the last quantitative assessment date, the amount of time in between quantitative fair value assessments and the date of acquisition. If we perform a quantitative assessment of a reporting unit’s goodwill, our impairment calculations contain uncertainties because they require management to make assumptions and apply judgment when estimating future cash flows and earnings, including projected revenue growth and operating expenses related to existing businesses, as well as utilizing valuation multiples of similar publicly traded companies and selecting an appropriate discount rate based on the estimated cost of capital that reflects the risk profile of the related business. Estimates of revenue growth and operating expenses are based on internal projections considering the reporting unit’s past performance and forecasted growth, strategic initiatives and changes in economic conditions. These estimates, as well as the selection of comparable companies and valuation multiples used in the market approach are highly subjective, and our ability to realize the future cash flows used in our fair value calculations is affected by factors such as the success of strategic initiatives, changes in economic conditions, changes in our operating performance and changes in our business strategies. Prior to its sale, ADESA U.S. was part of the ADESA Auctions operating segment. As a result of the sale of the ADESA U.S. physical auction business in 2022, we allocated approximately $1.1 billion of goodwill related to the ADESA Auctions operating segment to the disposal group in connection with the disposition of ADESA U.S. The goodwill was allocated to the disposal group based on the relative fair value of ADESA U.S. compared to the fair value of the remainder of the operating segment. In connection with the reallocation, we performed a quantitative impairment assessment in the second quarter and no impairment was identified. At our annual test date, a qualitative impairment assessment was performed for the Company's remaining reporting units and no impairment was identified. In 2021, we performed a qualitative impairment assessment for our reporting units and based on our assessments, the Company did not identify any impairment. In 2020, we performed a quantitative impairment assessment for our reporting units and this assessment resulted in the impairment of goodwill totaling $25.5 million in our ADESA Remarketing Limited reporting unit (doing business as ADESA U.K.). For additional information, see Note 9 of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Following the sale of the ADESA U.S. physical auction business in 2022, the Company realigned its reporting units within the Marketplace segment (formerly referenced as ADESA Auctions) and allocated goodwill to the new reporting unit structure. As such, we reviewed goodwill for impairment again in the fourth quarter of 2022 before and after the realignment. This review concluded that the fair value of each reporting unit was substantially in excess of its carrying value, with the exception of our U.S. Dealer-to-Dealer reporting unit within the Marketplace segment, which exceeded its carrying value by approximately 4%. Significant assumptions used in the determination of the estimated fair value of this reporting unit were the revenues and earnings growth rates and the discount rate. The revenues and expense growth rates are dependent on wholesale used vehicle supply, the competitive environment, inflation and our ability to pass price increases along to our customers, and business activities that impact market share. As a result, the revenues growth rate could be adversely impacted by market conditions, macroeconomic factors or an increased competitive environment. The discount rate, which is consistent with a weighted average cost of capital that is likely to be expected by a market participant, is based upon the Company's required rates of return, including consideration of both debt and equity components of the capital structure. Our discount rate may be impacted in the future by adverse changes in the macroeconomic environment, volatility in the equity markets and the interest rate environment. While management can and has implemented strategies to address these events, changes in operating plans or adverse changes in the future could reduce the underlying cash flows used to estimate fair values and could result in a decline in fair value that would trigger future impairment charges of the goodwill within the U.S. Dealer-to-Dealer reporting unit described above. As of December 31, 2022, the carrying value of this reporting unit's goodwill was $306.2 million.

As with goodwill, we assess indefinite-lived tradenames for impairment annually during the second quarter or more frequently if events or changes in circumstances indicate that impairment may exist. When assessing indefinite-lived tradenames for impairment using a qualitative assessment, we evaluate if changes in events or circumstances have occurred that indicate that impairment may exist and whether the tradenames continue to have an indefinite life. If we do not perform a qualitative impairment assessment or if changes in events and circumstances indicate that a quantitative assessment should be performed, management is required to calculate the fair value of the tradename asset group. The fair value calculation includes estimates of revenue growth, which are based on past performance and internal projections for the tradename asset group's forecasted growth, and royalty rates, which are adjusted for our particular facts and circumstances. The discount rate is selected based on the estimated cost of capital that reflects the risk profile of the related assets. These estimates are highly subjective, and our ability to achieve the forecasted cash flows used in our fair value calculations is affected by factors such as the success of strategic initiatives, changes in economic conditions, changes in our operating performance and changes in our business strategies. In connection with the sale of the ADESA U.S. physical auction business in 2022, we performed a quantitative impairment test on the ADESA tradename and concluded that the fair value was substantially in excess of carrying value.

We review other intangible assets for possible impairment whenever circumstances indicate that their carrying amount may not be recoverable. If it is determined that the carrying amount of an other intangible asset exceeds the total amount of the estimated undiscounted future cash flows from that asset, we would recognize a loss to the extent that the carrying amount exceeds the fair value of the asset. Management judgment is involved in both deciding if testing for recovery is necessary and in estimating undiscounted cash flows. Our impairment analysis is based on the current business strategy, expected growth rates and estimated future economic conditions. In 2020, this analysis resulted in the impairment of customer relationships of approximately $4.3 million in our ADESA Remarketing Limited reporting unit (doing business as ADESA U.K.). For additional information, see Note 9 of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

New Accounting Standards

For a description of new accounting standards that could affect the Company, reference the "New Accounting Standards" section of Note 2 of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency

Our foreign currency exposure is limited and arises from transactions denominated in foreign currencies, particularly intercompany loans, as well as from translation of the results of operations from our Canadian and, to a lesser extent, United Kingdom, Continental Europe and Mexican subsidiaries. However, fluctuations between U.S. and non-U.S. currency values may adversely affect our results of operations and financial position. We have not entered into any foreign exchange contracts to hedge changes in the Canadian dollar, British pound, euro or Mexican peso. Foreign currency losses on intercompany loans were approximately $2.5 million and $3.8 million for the years ended December 31, 2022 and 2021, respectively. Canadian currency translation negatively affected net income by approximately $2.8 million for the year ended December 31, 2022 and positively affected net income by approximately $3.6 million for the year ended December 31, 2021. A 1% change in the month-end Canadian dollar exchange rate for December 31, 2022 would have impacted foreign currency losses on intercompany loans by $0.1 million and net income by $0.1 million. A 1% change in the month-end euro exchange rate for December 31, 2022 would have impacted foreign currency losses on intercompany loans by $0.7 million and net income by $0.5 million. A 1% change in the average Canadian dollar exchange rate for the year ended December 31, 2022 would have impacted net income by approximately $1.0 million. Currency exposure of our U.K., European and Mexican operations is not material to the results of operations.

Interest Rates

We are exposed to interest rate risk on our variable rate borrowings. Accordingly, interest rate fluctuations affect the amount of interest expense we are obligated to pay. We most recently used interest rate swap agreements to manage our exposure to interest rate changes. We originally designated the interest rate swaps as cash flow hedges for accounting purposes. Accordingly, the earnings impact of the derivatives designated as cash flow hedges are recorded upon the recognition of the interest related to the hedged debt.

In January 2020, we entered into three pay-fixed interest rate swaps with an aggregate notional amount of $500 million to swap variable rate interest payments under our term loan for fixed interest payments bearing a weighted average interest rate of 1.44%. The interest rate swaps had a five-year term, each maturing on January 23, 2025.

In February 2022, we discontinued hedge accounting as we concluded that the forecasted interest rate payments were no longer probable of occurring in consideration of the Transaction and expected repayment of Term Loan B-6. In connection with the repayment of Term Loan B-6 in May 2022, we entered into swap termination agreements. We received $16.7 million to settle and terminate the swaps, which was recognized as a realized gain in "Interest expense" in the consolidated statement of income.

A sensitivity analysis of the impact on our variable rate corporate debt instruments to a hypothetical 100 basis point increase in short-term rates (LIBOR) for the year ended December 31, 2022 would have resulted in an increase in interest expense of approximately $2.2 million.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
KAR Auction Services, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of KAR Auction Services, Inc and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 9, 2023 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for credit losses as of January 1, 2020 due to the adoption of Financial Accounting Standards Board Accounting Standards Codification Topic 326: Financial Instruments - Credit Losses.

Basis for Opinions

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Assessment of qualitative risk factors in the allowance for credit losses

As discussed in Notes 2 and 7 to the consolidated financial statements, the Company's allowance for credit losses as of December 31, 2022 was $21.5 million (the ACL). The Company estimates the ACL using a methodology that first considers quantitative models that calculate historical loss rates using recorded charge-offs and recoveries over a historical period as well as identified potential loss events as the primary quantitative factors. The Company's methodology is also based on management's evaluation of the receivables portfolio under current economic conditions, the size of the portfolio, overall portfolio credit quality, review of specific collection matters and such other factors which, in management's judgment, deserve recognition in estimating losses (qualitative risk factors).

We identified the assessment of qualitative risk factors used in the ACL estimate as a critical audit matter. Due to significant measurement uncertainty, such assessment required complex and subjective auditor judgment, including specialized skill and knowledge. This assessment involved evaluating the qualitative framework and related risk factors. These factors increase the likelihood that qualitative risk factors were necessary in order to capture estimated credit losses not captured through the quantitative models.

The following are the primary procedures we performed to address the critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the measurement of the ACL estimate, including controls over the (1) development and approval of the overall allowance for credit losses methodology, which includes the qualitative framework and related risk factors and (2) determination of the qualitative risk factors. We evaluated the Company's process to develop the qualitative framework and related risk factors including testing the sources of data, factors, and assumptions that the Company used and considering whether they are relevant and reliable. We evaluated credit metric trends impacting the ACL estimate, including the qualitative risk factors, for consistency with trends in the Company's historical loan portfolio growth and credit performance. We involved credit risk professionals with specialized skills and knowledge, who assisted in evaluating (1) the Company's ACL methodology, which included the qualitative framework and related risk factors, for compliance with U.S. generally accepted accounting principles and (2) the qualitative risk factors and their relationship to the quantitative models and whether additional or alternative sources of data, factors or assumptions should be used.

Fair value of reporting units

As discussed in Notes 2 and 4 to the consolidated financial statements, the Company sold the ADESA U.S. physical auction business (ADESA U.S.) in May 2022. The Company allocated goodwill of approximately $1.1 billion to ADESA U.S. based on the relative fair value of ADESA U.S. and its remaining reporting units. Following the sale of ADESA U.S., the Company made certain changes to its reporting structure within the Marketplace segment and realigned its reporting units as of November 30, 2022. This change required goodwill in the Marketplace segment to be allocated to the new reporting units based on their relative fair value. The Company tested goodwill of the new reporting units for impairment following the change in reporting unit structure as of November 30, 2022, by comparing the fair values of the reporting units to their carrying values. The Company estimates the fair value of its reporting units using discounted cash flows.

We identified the evaluation of the fair values of the Company's reporting units, which were utilized in the allocation of goodwill and the assessment of goodwill for impairment, as a critical audit matter. Specifically, subjective and complex auditor judgement was required to evaluate the projected revenue growth rates and the discount rates used within the discounted cash flow model to determine the reporting units' fair values. Changes in these assumptions could have had a significant impact on the fair values of the Company's reporting units. Additionally, we involved valuation professionals with specialized skills and knowledge to evaluate the discount rates used in the valuations.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's fair value determination of the reporting units. This included controls related to development of the projected revenue growth rates and discount rates used in determination of the fair values. We evaluated the reasonableness of the Company's projected revenue growth rates by comparing them to publicly available market data for the industry as well as the Company's historical results. We also involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the Company's discount rates by comparing them to discount rates that were independently developed using publicly available market data for comparable entities.

/s/ KPMG LLP

We have served as the Company's auditor since 2007.

Indianapolis, Indiana
March 9, 2023

KAR Auction Services, Inc.
Consolidated Statements of Income
(In millions, except per share data)

	Year Ended December 31,		
	2022	**2021**	**2020**
Operating revenues			
Auction fees	**$ 370.3**	$ 399.2	$ 343.3
Service revenue	**590.3**	541.3	554.6
Purchased vehicle sales	**182.9**	220.9	161.4
Finance-related revenue	**375.9**	289.2	267.6
Total operating revenues	**1,519.4**	1,450.6	1,326.9
Operating expenses			
Cost of services (exclusive of depreciation and amortization)	**834.3**	792.5	744.3
Selling, general and administrative	**445.1**	420.7	374.5
Depreciation and amortization	**100.2**	109.9	109.1
Gain on sale of property	**(33.9)**	—	—
Goodwill and other intangibles impairment	**—**	—	29.8
Total operating expenses	**1,345.7**	1,323.1	1,257.7
Operating profit	**173.7**	127.5	69.2
Interest expense	**119.2**	125.7	128.2
Other (income) expense, net	**(1.3)**	(12.5)	5.8
Loss on extinguishment of debt	**17.2**	—	—
Income (loss) from continuing operations before income taxes	**38.6**	14.3	(64.8)
Income taxes	**10.0**	15.1	(11.2)
Income (loss) from continuing operations	**28.6**	(0.8)	(53.6)
Income from discontinued operations, net of income taxes	**212.6**	67.3	54.1
Net income	**$ 241.2**	$ 66.5	$ 0.5
Net income (loss) per share - basic			
Income (loss) from continuing operations	**$ (0.10)**	$ (0.27)	$ (0.77)
Income from discontinued operations	**1.40**	0.43	0.42
Net income (loss) per share - basic	**$ 1.30**	$ 0.16	$ (0.35)
Net income (loss) per share - diluted			
Income (loss) from continuing operations	**$ (0.10)**	$ (0.27)	$ (0.77)
Income from discontinued operations	**1.40**	0.43	0.42
Net income (loss) per share - diluted	**$ 1.30**	$ 0.16	$ (0.35)
Dividends declared per common share	**$ —**	$ —	$ 0.19

See accompanying notes to consolidated financial statements

KAR Auction Services, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(In millions)

	Year Ended December 31,		
	2022	**2021**	**2020**
Net income	**$ 241.2**	$ 66.5	$ 0.5
Other comprehensive income (loss), net of tax			
Foreign currency translation gain (loss)	**(30.5)**	(5.8)	17.8
Unrealized gain (loss) on interest rate derivatives, net of tax	**5.7**	13.8	(19.5)
Total other comprehensive income (loss), net of tax	**(24.8)**	8.0	(1.7)
Comprehensive income (loss)	**$ 216.4**	$ 74.5	$ (1.2)

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See accompanying notes to consolidated financial statements

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

	December 31,	
	2022	**2021**
Assets		
Current assets		
Cash and cash equivalents	**$ 225.7**	$ 177.6
Restricted cash	**52.0**	25.8
Trade receivables, net of allowances of $15.8 and $9.5	**270.7**	381.3
Finance receivables, net of allowances of $21.5 and $23.0	**2,395.1**	2,506.0
Other current assets	**78.9**	87.9
Current assets of discontinued operations	**—**	213.2
Total current assets	**3,022.4**	3,391.8
Other assets		
Goodwill	**1,464.5**	1,598.0
Customer relationships, net of accumulated amortization of $417.3 and $401.5	**135.9**	159.1
Other intangible assets, net of accumulated amortization of $406.0 and $350.0	**231.3**	243.3
Operating lease right-of-use assets	**84.8**	94.7
Property and equipment, net of accumulated depreciation of $197.7 and $201.6	**123.6**	143.5
Other assets	**57.3**	53.7
Non-current assets of discontinued operations	**—**	1,766.6
Total other assets	**2,097.4**	4,058.9
Total assets	**$ 5,119.8**	$ 7,450.7

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See accompanying notes to consolidated financial statements

KAR Auction Services, Inc.
Consolidated Balance Sheets
(In millions, except share and per share data)

	December 31,	
	2022	**2021**
Liabilities, Temporary Equity and Stockholders' Equity		
Current liabilities		
Accounts payable	**$ 551.2**	$ 785.3
Accrued employee benefits and compensation expenses	**31.9**	32.3
Accrued interest	**7.8**	6.1
Other accrued expenses	**79.1**	107.4
Income taxes payable	**6.9**	7.9
Obligations collateralized by finance receivables	**1,677.6**	1,692.3
Current maturities of long-term debt	**288.7**	16.3
Current liabilities of discontinued operations	**—**	361.7
Total current liabilities	**2,643.2**	3,009.3
Non-current liabilities		
Long-term debt	**205.3**	1,849.7
Deferred income tax liabilities	**54.0**	138.4
Operating lease liabilities	**79.7**	88.1
Other liabilities	**6.8**	30.0
Non-current liabilities of discontinued operations	**—**	231.3
Total non-current liabilities	**345.8**	2,337.5
Commitments and contingencies (Note 19)		
Temporary equity		
Series A convertible preferred stock (Note 15)	**612.5**	590.9
Stockholders' equity		
Common stock, $0.01 par value:		
Authorized shares: 400,000,000		
Issued and outstanding shares:		
108,914,678 (2022)		
121,163,050 (2021)	**1.1**	1.2
Additional paid-in capital	**743.8**	910.8
Retained earnings	**822.9**	625.7
Accumulated other comprehensive loss	**(49.5)**	(24.7)
Total stockholders' equity	**1,518.3**	1,513.0
Total liabilities, temporary equity and stockholders' equity	**$ 5,119.8**	$ 7,450.7

See accompanying notes to consolidated financial statements

KAR Auction Services, Inc.
Consolidated Statements of Stockholders' Equity
(In millions)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2019	128.8	$ 1.3	$ 1,028.9	$ 651.0	$ (31.0)	$1,650.2
Cumulative effect adjustment for adoption of ASC Topic 326, net of tax				(3.8)		(3.8)
Net income				0.5		0.5
Other comprehensive loss					(1.7)	(1.7)
Issuance of common stock under stock plans	0.8		2.1			2.1
Issuance of common stock - private placement	0.9		15.0			15.0
Surrender of RSUs for taxes	(0.2)		(4.0)			(4.0)
Stock-based compensation expense			14.0			14.0
Repurchase and retirement of common stock	(0.6)		(10.2)			(10.2)
Dividends earned under stock plans			0.7	(0.9)		(0.2)
Cash dividends declared to stockholders ($0.19 per share)				(24.5)		(24.5)
Dividends on preferred stock				(21.6)		(21.6)
Balance at December 31, 2020	129.7	1.3	1,046.5	600.7	(32.7)	1,615.8
Net income				66.5		66.5
Other comprehensive income					8.0	8.0
Issuance of common stock under stock plans	0.5		1.5			1.5
Issuance of common stock - private placement	2.0		30.0			30.0
Surrender of RSUs for taxes	(0.2)		(2.2)			(2.2)
Stock-based compensation expense			15.6			15.6
Repurchase and retirement of common stock	(10.8)	(0.1)	(180.8)			(180.9)
Dividends earned under stock plans			0.2	(0.4)		(0.2)
Dividends on preferred stock				(41.1)		(41.1)
Balance at December 31, 2021	121.2	1.2	910.8	625.7	(24.7)	1,513.0
Net income				241.2		241.2
Other comprehensive loss					(24.8)	(24.8)
Issuance of common stock under stock plans	0.5		1.4			1.4
Surrender of RSUs for taxes	(0.2)		(2.7)			(2.7)
Stock-based compensation expense			16.3			16.3
Repurchase and retirement of common stock	(12.6)	(0.1)	(182.1)			(182.2)
Dividends earned under stock plans			0.1	(0.2)		(0.1)
Dividends on preferred stock				(43.8)		(43.8)
Balance at December 31, 2022	**108.9**	**$ 1.1**	**$ 743.8**	**$ 822.9**	**$ (49.5)**	**$1,518.3**

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See accompanying notes to consolidated financial statements

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

	Year Ended December 31,		
	2022	**2021**	**2020**
Operating activities			
Net income	**$ 241.2**	$ 66.5	$ 0.5
Net income from discontinued operations	**(212.6)**	(67.3)	(54.1)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	**100.2**	109.9	109.1
Provision for credit losses	**18.6**	7.2	40.1
Deferred income taxes	**(2.3)**	4.4	(0.5)
Amortization of debt issuance costs	**10.7**	12.1	11.7
Stock-based compensation	**16.6**	13.2	11.8
Contingent consideration adjustment	**—**	24.3	6.8
Net change in unrealized (gain) loss on investment securities	**7.1**	(1.4)	—
Gain on sale of property	**(33.9)**	—	—
Goodwill and other intangibles impairment	**—**	—	29.8
Loss on extinguishment of debt	**17.2**	—	—
Other non-cash, net	**0.5**	2.1	3.3
Changes in operating assets and liabilities, net of acquisitions:			
Trade receivables and other assets	**107.7**	(81.0)	42.6
Accounts payable and accrued expenses	**(240.8)**	143.9	(22.0)
Payments of contingent consideration in excess of acquisition-date fair value	**(26.1)**	—	—
Net cash provided by operating activities - continuing operations	**4.1**	233.9	179.1
Net cash (used by) provided by operating activities - discontinued operations	**(459.1)**	179.3	205.3
Investing activities			
Net (increase) decrease in finance receivables held for investment	**97.9**	(618.6)	170.6
Acquisition of businesses (net of cash acquired)	**(0.4)**	(521.8)	(421.0)
Purchases of property, equipment and computer software	**(60.9)**	(64.2)	(62.8)
Investments in securities	**(6.7)**	(22.5)	—
Proceeds from sale of investments	**0.3**	38.5	—
Proceeds from the sale of PWI	**—**	2.2	24.3
Proceeds from the sale of property and equipment	**39.8**	—	—
Net cash provided by (used by) investing activities - continuing operations	**70.0**	(1,186.4)	(288.9)
Net cash provided by (used by) investing activities - discontinued operations	**2,077.4**	(32.2)	(37.7)
Financing activities			
Net (decrease) increase in book overdrafts	**(5.7)**	(8.0)	3.2
Net increase (decrease) in borrowings from lines of credit	**141.9**	(8.0)	(14.0)
Net increase (decrease) in obligations collateralized by finance receivables	**1.5**	424.4	(191.1)
Proceeds from issuance of Series A Preferred Stock	**—**	—	550.1
Payments for issuance costs of Series A Preferred Stock	**—**	—	(21.9)
Payments for debt issuance costs/amendments	**(11.6)**	(0.6)	(18.5)
Payments on long-term debt	**(928.6)**	(9.5)	(9.5)
Payment for early extinguishment of debt	**(606.3)**	—	—
Payments on finance leases	**(3.9)**	(5.6)	(7.4)
Payments of contingent consideration and deferred acquisition costs	**(3.5)**	(37.1)	(31.2)
Issuance of common stock under stock plans	**1.4**	1.5	2.1
Issuance of common stock - private placement	**—**	30.0	15.0
Tax withholding payments for vested RSUs	**(2.7)**	(2.2)	(4.0)
Repurchase and retirement of common stock	**(182.2)**	(180.9)	(10.2)
Dividends paid on common stock	**—**	—	(49.0)
Dividends paid on Series A Preferred Stock	**(22.2)**	—	—
Net cash (used by) provided by financing activities - continuing operations	**(1,621.9)**	204.0	213.6
Net cash provided by (used by) financing activities - discontinued operations	**10.8**	6.4	(18.8)
Less: Net change in cash balances of discontinued operations	**12.4**	15.6	79.5
Effect of exchange rate changes on cash	**(19.4)**	(1.5)	(1.2)
Net increase (decrease) in cash, cash equivalents and restricted cash	**74.3**	(580.9)	330.9
Cash, cash equivalents and restricted cash at beginning of period	**203.4**	784.3	453.4
Cash, cash equivalents and restricted cash at end of period	**$ 277.7**	$ 203.4	$ 784.3

See accompanying notes to consolidated financial statements

Supplemental Disclosure of Cash Flow Information

(In millions)	Year Ended December 31,		
	2022	2021	2020
Cash paid for interest, net of proceeds from interest rate derivatives	**$ 106.4**	$ 112.7	$ 116.6
Cash paid for taxes, net of refunds - continuing operations	**$ 25.6**	$ 24.8	$ 16.6
Cash paid for taxes, net of refunds - discontinued operations	**$ 378.1**	$ 1.2	$ —

Form 10-K

See accompanying notes to consolidated financial statements

Note 1—Organization and Other Matters

KAR Auction Services, Inc., doing business as KAR Global, was organized in the State of Delaware on November 9, 2006.

Defined Terms

Unless otherwise indicated or unless the context otherwise requires, the following terms used herein shall have the following meanings:

- "we," "us," "our," "KAR" and "the Company" refer, collectively, to KAR Auction Services, Inc. and all of its subsidiaries;
- "ADESA" or "ADESA Auctions" refer, collectively, to ADESA, Inc., a wholly-owned subsidiary of KAR Auction Services, and ADESA, Inc.'s subsidiaries, including Openlane, Inc. (together with Openlane, Inc.'s subsidiaries, "OPENLANE"), BacklotCars, Inc. ("BacklotCars"), CARWAVE LLC ("CARWAVE"), Nth Gen Software Inc. ("TradeRev"), ADESA Remarketing Limited ("ADESA U.K.") and ADESA Europe NV and its subsidiaries ("ADESA Europe");
- "ADESA U.S. physical auction business," "ADESA U.S. physical auctions" and "ADESA U.S." refer to the auction sales, operations and staff at ADESA's U.S. vehicle logistics centers, which were sold to Carvana Group, LLC (together with Carvana Co. and its subsidiaries, "Carvana") in May 2022;
- "AFC" refers, collectively, to Automotive Finance Corporation, a wholly-owned subsidiary of ADESA, and Automotive Finance Corporation's subsidiaries and other related entities, including PWI Holdings, Inc. (which was sold on December 1, 2020);
- "Credit Agreement" refers to the Amended and Restated Credit Agreement, dated March 11, 2014 (as amended, amended and restated, modified or supplemented from time to time), among KAR Auction Services, Inc., as the borrower, the several banks and other financial institutions or entities from time to time parties thereto and JPMorgan Chase Bank N.A., as administrative agent;
- "Credit Facility" refers to the $950 million, senior secured term loan B-6 facility due September 19, 2026 ("Term Loan B-6"), of which the outstanding amount was fully repaid in 2022, and the $325 million, senior secured revolving credit facility due September 19, 2024 (the "Revolving Credit Facility"), the terms of which are set forth in the Credit Agreement;
- "IAA" refers, collectively, to Insurance Auto Auctions, Inc., formerly a wholly-owned subsidiary of KAR Auction Services, and Insurance Auto Auctions, Inc.'s subsidiaries and other related entities;
- "KAR Auction Services" refers to KAR Auction Services, Inc. and not to its subsidiaries;
- "Senior notes" refers to the 5.125% senior notes due 2025 ($350 million aggregate principal was outstanding at December 31, 2022); and
- "Series A Preferred Stock" refers to the Series A Convertible Preferred Stock, par value $0.01 per share (634,305 and 612,676 shares of Series A Preferred Stock were outstanding at December 31, 2022 and 2021, respectively).

Business and Nature of Operations

KAR is a leading digital marketplace for used vehicles, connecting sellers and buyers across North America and Europe to facilitate fast, easy and transparent transactions. Our portfolio of integrated technology, data analytics, financing, logistics, reconditioning and other remarketing solutions, combined with our vehicle logistics centers in Canada, help advance our purpose: to make wholesale easy so our customers can be more successful. As of December 31, 2022, the Marketplace segment (formerly referenced as ADESA Auctions) serves a domestic and international customer base through digital marketplaces and 14 vehicle logistics center locations across Canada.

For our commercial sellers, our OPENLANE software platform supports private label digital remarketing sites and provides comprehensive solutions to our automobile manufacturer, captive finance company and other commercial customers.

For dealer customers, the Company also operates BacklotCars and TradeRev digital marketplace platforms that facilitate real-time transactions between automotive dealers, coast-to-coast in the United States and Canada. The CARWAVE digital auction platform was integrated with BacklotCars in the fourth quarter of 2022, adding additional features and functionality to the BacklotCars marketplace, including a live auction format that allows dealers to sell and source inventory in a fast-paced, head-to-head bidding environment.

Internationally, our digital marketplaces also include ADESA U.K., an online wholesale used vehicle remarketing business in the United Kingdom and ADESA Europe, an online wholesale used vehicle marketplace in Continental Europe.

Remarketing services include a variety of activities designed to facilitate the transfer of used vehicles between sellers and buyers throughout the vehicle life cycle. We facilitate the exchange of these vehicles through our marketplaces, which aligns sellers and buyers. As an agent for customers, the Company generally does not take title to or ownership of vehicles sold through our marketplaces. Generally, fees are earned from the seller and buyer on each successful marketplace transaction in addition to fees earned for ancillary services. We also sell vehicles that have been purchased, for which we do take title and record the gross selling price of the vehicle sold through our marketplaces as revenue.

We also provide services such as inbound and outbound transportation logistics, reconditioning, vehicle inspection and certification, titling, administrative and collateral recovery services. We are able to serve the diverse and multi-faceted needs of our customers through the wide range of services offered.

AFC is a leading provider of floorplan financing primarily to independent used vehicle dealers and this financing is provided through approximately 100 locations throughout the United States and Canada as of December 31, 2022. Floorplan financing supports independent used vehicle dealers in North America who purchase vehicles at ADESA, BacklotCars (including CARWAVE), TradeRev, and other used vehicle and salvage auctions. In addition, AFC provides financing for dealer inventory purchased directly from wholesalers, other dealers and directly from consumers, as well as providing liquidity for customer trade-ins which encompasses settling lien holder payoffs. AFC also provides title services for their customers.

Prior to December 2020, in addition to floorplan financing, AFC also provided independent used vehicle dealers with vehicle service contracts. In October 2020, a subsidiary of ADESA signed a definitive agreement to sell all of the issued and outstanding shares of capital stock of PWI Holdings, Inc., the Company's extended vehicle service contract business ("PWI"), to certain subsidiaries of Kingsway Financial Services Inc. for a purchase price of approximately $24.3 million in cash and deferred payments of approximately $2.2 million. The sale was completed on December 1, 2020.

Note 2—Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of KAR Auction Services and all of its majority owned subsidiaries. Significant intercompany transactions and balances have been eliminated.

Reclassifications

Beginning in 2022, the Company has classified the ADESA U.S. physical auctions (vehicle logistics centers) as discontinued operations. Certain amounts reported in the consolidated financial statements and related notes as of and for the years ended December 31, 2021 and 2020 have been reclassified to discontinued operations to reflect the sale of the Company's ADESA U.S. physical auction business. The assets and liabilities of the ADESA U.S. physical auctions have been reclassified to "Current assets of discontinued operations," "Non-current assets of discontinued operations," "Current liabilities of discontinued operations" and "Non-current liabilities of discontinued operations" in the consolidated balance sheets for all periods presented. Likewise, certain amounts reported for segment results in the consolidated financial statements as of and for the years ended December 31, 2021 and 2020 have been reclassified to conform to the discontinued operations presentation. See Note 4 for a further discussion.

In addition, KAR provided transportation services of $73.6 million, $80.3 million and $89.4 million to the ADESA U.S. physical auctions for the years ended December 31, 2022, 2021 and 2020, respectively. The transportation amount noted for 2022 includes transactions before and after the sale. The revenue and cost of services for these transportation services provided to the ADESA U.S. physical auctions was previously eliminated in consolidation, but this revenue and the related costs are now included in the Company's consolidated statements of income.

AFC also had accounts payable to customers of the ADESA U.S. physical auctions related to auction proceeds financed. Previously, these accounts were eliminated in consolidation, but are now included in "Current assets of discontinued operations" on the consolidated balance sheet and were $33.5 million at December 31, 2021.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates based in part on assumptions about current, and for some estimates, future economic and market conditions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Although the current estimates contemplate current conditions and expected future changes, as appropriate, it is reasonably possible that future conditions could differ from these estimates, which could materially affect our results of operations and financial position. Among other effects, such changes could result in future impairments of goodwill, intangible assets and long-lived assets, incremental losses on finance receivables, additional allowances on accounts receivable and deferred tax assets and changes in litigation and other loss contingencies.

Business Segments

Our operations are grouped into two operating segments: Marketplace (formerly referenced as ADESA Auctions) and Finance (formerly referenced as AFC). The two operating segments also serve as our reportable business segments. Operations are measured through detailed budgeting and monitoring of contributions to consolidated income by each business segment.

Derivative Instruments and Hedging Activity

We recognize all derivative financial instruments in the consolidated financial statements at fair value in accordance with Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*. We most recently used interest rate swaps that were designated and qualified as cash flow hedges to manage the variability of cash flows to be paid due to interest rate movements on our variable rate debt. The fair values of the interest rate derivatives are based on quoted market prices for similar instruments from commercial banks. The fair value of the derivatives were recorded in "Other liabilities" on the consolidated balance sheet. Changes in the fair value of the interest rate derivatives designated as cash flow hedges were recorded as a component of "Accumulated other comprehensive income." The earnings impact of the interest rate derivatives designated as cash flow hedges were recorded upon the recognition of the interest related to the hedged debt.

Foreign Currency Translation

The local currency is the functional currency for each of our foreign entities. Revenues and expenses denominated in foreign currencies are translated into U.S. dollars at average exchange rates in effect during the year. Assets and liabilities of foreign operations are translated using the exchange rates in effect at year end. Foreign currency transaction gains and losses on intercompany balances are included in the consolidated statements of income within "Other (income) expense, net" and resulted in a loss of $2.5 million for the year ended December 31, 2022, a loss of $3.8 million for the year ended December 31, 2021 and a loss of $4.9 million for the year ended December 31, 2020. Adjustments arising from the translation of net assets located outside the U.S. (gains and losses) are shown as a component of "Accumulated other comprehensive income."

Cash Equivalents

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. These investments are valued at cost, which approximates fair value.

Restricted Cash

AFC Funding Corporation, a wholly-owned, bankruptcy remote, consolidated, special purpose subsidiary of AFC, is required to maintain a minimum cash reserve of 1 or 3 percent of total receivables sold to the group of bank purchasers as security for the receivables sold. Automotive Finance Canada Inc. ("AFCI") is also required to maintain a minimum cash reserve of 1 or 3 percent of total receivables sold to its securitization facilities. The amount of the cash reserve depends on circumstances which are set forth in the securitization agreements. Such reserves are presented as "Restricted cash" on the consolidated balance sheets.

Receivables

Trade receivables include the unremitted purchase price of vehicles purchased by third parties through our marketplaces, fees to be collected from those buyers and amounts due for services provided by us related to certain consigned vehicles in our possession. The amounts due with respect to the services provided by us related to certain consigned vehicles are generally deducted from the sales proceeds upon the eventual marketplace sale or other disposition of the related vehicles.

Finance receivables include floorplan receivables created by financing dealer purchases of vehicles in exchange for a security interest in those vehicles and special purpose loans. Floorplan receivables become due at the earlier of the dealer subsequently selling the vehicle or a predetermined time period (generally 30 to 90 days). Special purpose loans relate to loans that are either line of credit loans or working capital loans that can be either secured or unsecured based on the facts and circumstances of the specific loans.

Due to the nature of our business, substantially all trade and finance receivables are due from vehicle dealers and commercial sellers. We have possession of vehicles or vehicle titles collateralizing a significant portion of the trade and finance receivables.

Trade receivables are reported net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's evaluation of the receivables under current conditions, the aging of the receivables, review of specific collection issues and such other factors which in management's judgment deserve recognition in estimating losses.

We also maintain an allowance for credit losses for estimated losses resulting from the inability of customers to make required payments. AFC’s finance receivables represent revolving line of credit arrangements extended to used car dealers and are secured by collateral which is a key credit quality indicator monitored by the Company. Delinquencies and losses are monitored on an ongoing basis and this historical experience provides the primary basis for estimating the allowance which is estimated using a loss-rate method. We estimate the allowance for credit losses using a methodology that first considers historical loss rates calculated using recorded charge-offs and recoveries over a historical period as well as identified potential loss events as the primary quantitative factors. The allowance for credit losses is also based on management's evaluation of the receivables portfolio under current economic conditions, the size of the portfolio, overall portfolio credit quality, review of specific collection matters and such other factors which, in management's judgment, deserve recognition in estimating losses. Specific collection matters can be impacted by the outcome of negotiations, litigation and bankruptcy proceedings with individual customers.

AFC controls credit risk through credit approvals, credit limits, underwriting and collateral management monitoring procedures, including lot audits and holding vehicle titles where permitted. The estimates are based on management’s evaluation of many factors, including AFC’s historical credit loss experience, the value of the underlying collateral, delinquency trends and economic conditions. The estimates are based on information available as of each reporting date and reflect the expected credit losses over the entire expected term of the receivables. Actual losses may differ from the original estimates due to actual results varying from those assumed in our estimates.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The update changed the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. We adopted Topic 326 in the first quarter of 2020 and the change in methodology for measuring credit losses resulted in an increase in the allowance for credit losses of approximately $5.0 million. The cumulative effect of this change was recognized, net of tax, as a $3.8 million adjustment to retained earnings on January 1, 2020.

Other Current Assets

Other current assets consist of inventories, prepaid expenses, taxes receivable and other miscellaneous assets. The inventories, which consist of vehicles, supplies and parts, are accounted for on the specific identification method and are stated at the lower of cost or net realizable value.

Goodwill

Goodwill represents the excess of cost over fair value of identifiable net assets of businesses acquired. Goodwill is tested for impairment annually in the second quarter, or more frequently as impairment indicators arise. ASC 350, *Intangibles—Goodwill* *and Other*, permits an entity to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before applying the goodwill impairment model. If it is determined through the qualitative assessment that a reporting unit's fair value is more likely than not greater than its carrying value, the remaining impairment steps would be unnecessary. The qualitative assessment is optional, allowing companies to go directly to the quantitative assessment. Under the quantitative assessment for goodwill impairment, the fair value of each reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the fair value of that goodwill, not to exceed the carrying amount of goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis.

Customer Relationships and Other Intangible Assets

Customer relationships are amortized on a straight-line basis over the life determined at the time of acquisition. Other intangible assets generally consist of tradenames, computer software and non-compete agreements, which if amortized, are amortized using the straight-line method over their estimated useful lives. Tradenames with indefinite lives are not amortized. Costs incurred related to software developed or obtained for internal use are capitalized during the application development stage of software development and amortized over their estimated useful lives. The non-compete agreements are amortized over the life of the agreements. The amortization periods of finite-lived intangible assets are re-evaluated periodically when facts and circumstances indicate that revised estimates of useful lives may be warranted. Indefinite-lived tradenames are assessed for impairment, in accordance with ASC 350, annually in the second quarter or more frequently as impairment indicators arise. At the end of each assessment, a determination is made as to whether the tradenames still have an indefinite life.

Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is computed using the straight-line method at rates intended to depreciate the costs of assets over their estimated useful lives. Upon retirement or sale of property and equipment, the cost of the disposed assets and related accumulated depreciation is removed from the accounts and any resulting gain or loss is credited or charged to selling, general and administrative expenses. Expenditures for normal repairs and maintenance are charged to expense as incurred. Additions and expenditures for improving or rebuilding existing assets that extend the useful life are capitalized. Leasehold improvements made either at the inception of the lease or during the lease term are amortized over the shorter of their economic lives or the lease term including any renewals that are reasonably assured.

Unamortized Debt Issuance Costs

Debt issuance costs reflect the expenditures incurred in conjunction with term loan debt, the revolving credit facility, the senior notes and the U.S. and Canadian receivables purchase agreements. The debt issuance costs are being amortized to interest expense using the effective interest method or the straight-line method, as applicable, over the lives of the related debt issues. Debt issuance costs are presented as a direct reduction from the carrying amount of the related debt liability.

Other Assets

Other assets consist of investments, deposits, notes receivable, foreign deferred taxes and other long-term assets.

Long-Lived Assets

Management reviews our property and equipment, customer relationships and other intangible assets for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The determination includes evaluation of factors such as current market value, future asset utilization, business climate and future cash flows expected to result from the use of the related assets. If the carrying amount of a long-lived asset exceeds the total amount of the estimated undiscounted future cash flows from that asset, a loss is recognized in the period to the extent that the carrying amount exceeds the fair value of the asset. The impairment analysis is based on our current business strategy, expected growth rates and estimated future economic and regulatory conditions.

Leases

The Company accounts for leases under ASC 842, *Leases*. We determine if an arrangement is a lease at inception. Operating leases are included in "Operating lease right-of-use assets," "Other accrued expenses" and "Operating lease liabilities" in our consolidated balance sheets. Finance leases are included in "Property and equipment, net," "Other accrued expenses" and "Other liabilities" in our consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and operating lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. We use the implicit rate when readily determinable. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and exclude lease incentives and initial direct costs incurred. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which are generally accounted for separately. For certain equipment leases, we account for the lease and non-lease components as a single lease component.

Accounts Payable

Accounts payable include amounts due sellers from the proceeds of the sale of their consigned vehicles less any fees, as well as trade payables and outstanding checks to sellers and vendors. Book overdrafts, representing outstanding checks in excess of funds on deposit, are recorded in "Accounts payable" and amounted to $20.2 million and $25.9 million at December 31, 2022 and 2021, respectively.

Self-Insurance Reserves

We self-insure our employee medical benefits, as well as a portion of our automobile, general liability and workers' compensation claims. We have insurance coverage that limits the exposure on individual claims. The cost of the insurance is expensed over the contract periods. We record an accrual for the claims related to our employee medical benefits, automobile, general liability and workers' compensation claims based upon the expected amount of all such claims. Accrued medical benefits and workers' compensation expenses are included in "Accrued employee benefits and compensation expenses" while accrued automobile and general liability expenses are included in "Other accrued expenses."

Environmental Liabilities

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. These accruals are adjusted periodically as assessment and remediation efforts progress, or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in "Other accrued expenses" at undiscounted amounts and exclude claims for recoveries from insurance or other third parties.

Temporary Equity

The Company records shares of convertible preferred stock at their respective fair values on the date of issuance, net of issuance costs. The convertible preferred stock is recorded outside of stockholders' equity on the consolidated balance sheet because the shares contain liquidation features that are not solely within the Company's control. The Company has elected not to adjust the carrying values of the convertible preferred stock to the liquidation preferences of such shares because of the uncertainty of whether or when such an event would occur. Subsequent adjustments to increase the carrying value to the liquidation preferences will be made only when it becomes probable that such a liquidation event will occur. See Note 15 for a discussion of the convertible preferred stock.

Revenue Recognition

The Company accounts for revenue under ASC 606, *Revenue from Contracts with Customers*, except for AFC interest and fee income, which is described under AFC below. Revenue is recognized when control of the promised goods or services are transferred to customers in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company generates its revenues from contracts with customers. In contracts with multiple performance obligations, the Company identifies each performance obligation and evaluates whether the performance obligations are distinct within the context of the contract at contract inception. Performance obligations that are not distinct at contract inception are combined. The Company allocates the transaction price to each distinct performance obligation proportionately based on the estimated standalone selling price for each performance obligation. The Company then determines how the goods or services are transferred to the customer in order to determine the timing of revenue recognition.

There were no material contract assets, contract liabilities or deferred contract costs recorded on the consolidated balance sheet as of December 31, 2022. For each of our primary revenue streams, cash flows are consistent with the timing of revenue recognition.

For the year ended December 31, 2022, revenue recognized from performance obligations related to prior periods was not material. Revenue expected to be recognized in any future year related to remaining performance obligations, excluding revenue pertaining to contracts that have an original expected duration of one year or less and contracts where revenue is recognized as invoiced, is not material.

Marketplace

The performance obligation contained within the marketplace contracts for sellers is facilitating the remarketing of vehicles, including titling, administration and sale through our marketplaces. The remarketing performance obligation is satisfied at the point in time the vehicle is sold through our marketplaces. The ancillary services contracts include services such as inbound and outbound transportation logistics, reconditioning, vehicle inspection and certification, collateral recovery services and technology solutions. The performance obligations related to these services are subject to separate contracts and are satisfied at the point in time the services are completed.

Contracts with buyers are generally established via purchase through our marketplaces, subject to standard terms and conditions. These contracts contain a single performance obligation, which is satisfied at a point in time when the vehicle is purchased through our marketplaces.

The vehicles sold on our marketplaces generate auction fees from buyers and sellers. The Company generally does not take title to these consigned vehicles and records only its auction fees as revenue ("Auction fees" in the consolidated statement of income) because it has no influence on the vehicle marketplace selling price agreed to by the seller and the buyer. The Company does not record the gross selling price of the consigned vehicles sold through our marketplaces as revenue. Our buyer fees are typically based on a tiered structure with fees increasing with the sale price of the vehicle, while seller fees are typically fixed. The Company generally enforces its rights to payment for seller transactions through net settlement provisions following the sale of a vehicle. Marketplace services such as inbound and outbound transportation logistics, reconditioning, vehicle inspection and certification, collateral recovery services and technology solutions are generally recognized at the time of service ("Service revenue" in the consolidated statement of income). The Company also sells vehicles that have been purchased, which represent approximately 1% of the total volume of vehicles sold. For these types of sales, the Company does record the gross selling price of purchased vehicles sold through our marketplaces as revenue ("Purchased vehicle sales" in the consolidated statement of income) and the gross purchase price of the vehicles as "Cost of services," at the completion of each sale to a third party.

Finance

AFC's revenue ("Finance-related revenue" in the consolidated statement of income) is comprised of interest and fee income, provision for credit losses and other revenues associated with our finance receivables, as well as warranty contract revenue prior to 2021. The following table summarizes the primary components of AFC's finance-related revenue:

	Year Ended December 31,		
AFC Revenue (in millions)	**2022**	**2021**	**2020**
Interest income	**$ 202.8**	$ 139.7	$ 117.5
Fee income	**171.9**	144.4	148.6
Other revenue	**11.0**	8.6	8.7
Provision for credit losses	**(9.8)**	(3.5)	(38.6)
Warranty contract revenue	**—**	—	31.4
	$ 375.9	$ 289.2	$ 267.6

Interest and fee income

Revenues associated with interest and fee income are accounted for in accordance with ASC 310-20, *Nonrefundable Fees and Other Costs,* and therefore are not subject to evaluation under Topic 606. Interest on finance receivables is recognized based on the number of days the vehicle remains financed. AFC ceases recognition of interest on finance receivables when the loans become delinquent, which is generally 31 days past due. Dealers are also charged a fee to floorplan a vehicle ("floorplan fee"), to extend the terms of the receivable ("curtailment fee") and a document processing fee. AFC fee income including floorplan and curtailment fees is recognized over the estimated life of the finance receivable.

Other revenue

Other revenue includes lot check fees, filing fees, lien holder payoff services and other related program fees, each of which are charged to and collected from AFC's customers.

Warranty contract revenue

Warranty contract revenue represents the revenue generated by Preferred Warranties, Inc. PWI receives advance payments for vehicle service contracts and unearned revenue is deferred and recognized over the terms of the contracts utilizing a historical earnings curve. PWI was sold on December 1, 2020.

Income Taxes

We file federal, state and foreign income tax returns in accordance with the applicable rules of each jurisdiction. We account for income taxes under the asset and liability method in accordance with ASC 740, *Income Taxes*. The provision for income taxes includes federal, foreign, state and local income taxes payable, as well as deferred taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable amounts in periods in which those temporary differences are expected to be recovered or settled. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

Income (Loss) from Continuing Operations per Share

The Company includes participating securities (Series A Preferred Stock) in the computation of income from continuing operations per share pursuant to the two-class method. The two-class method of calculating income from continuing operations per share is an allocation method that calculates earnings per share for common stock and participating securities. Under the two-class method, total dividends provided to the holders of the Series A Preferred Stock and undistributed earnings allocated to participating securities are subtracted from income from continuing operations in determining income attributable to common stockholders.

The effect of stock options and restricted stock on income from continuing operations per share-diluted is determined through the application of the treasury stock method, whereby net proceeds received by the Company based on assumed exercises are hypothetically used to repurchase our common stock at the average market price during the period. Stock options that would have an anti-dilutive effect on income from continuing operations per diluted share, unexercisable market options and PRSUs subject to performance conditions which have not yet been satisfied are excluded from the calculations.

Accounting for Stock-Based Compensation

The Company accounts for stock-based compensation under ASC 718, *Compensation—Stock Compensation*. We recognize all stock-based compensation as expense in the financial statements over the vesting period and that cost is measured as the fair value of the award at the grant date for equity-classified awards. We also recognize the impact of forfeitures as they occur and excess tax benefits and tax deficiencies related to employee stock-based compensation within income tax expense.

New Accounting Standards

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity,* which simplifies the accounting for convertible debt instruments and convertible preferred stock by reducing the number of accounting models and the number of embedded conversion features that could be recognized separately from the primary contract. The update also requires the application of the if-converted method to calculate the impact of convertible instruments on diluted earnings per share. The new guidance was effective for annual periods beginning after December 15, 2021, including interim periods within those fiscal years. This update can be adopted on either a fully retrospective or a modified retrospective basis. The adoption of ASU 2020-06 did not have a material impact on the consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,* which simplifies the accounting for income taxes, eliminates certain exceptions within Topic 740 and clarifies certain aspects of the current guidance to promote consistency among reporting entities. The new guidance was effective for annual periods beginning after December 15, 2020, including interim periods within those fiscal years. The adoption of ASU 2019-12 did not have a material impact on the consolidated financial statements.

Note 3—Acquisitions

Contingent Payments Related to Prior Year Acquisitions

Some of the purchase agreements related to prior year acquisitions included additional payments over a specified period, including contingent payments based on certain conditions and performance. At December 31, 2022, we had estimated contingent consideration with a fair value of approximately $13.5 million (based on Level 3 inputs), which is reported in "Other accrued expenses" in the accompanying consolidated balance sheet. At December 31, 2022, the maximum potential payment for undiscounted contingent payments could approximate $15.0 million. For the year ended December 31, 2022, we made contingent consideration payments related to the CarsOnTheWeb acquisition of $29.6 million.

2021 Acquisitions

CARWAVE Holdings LLC

In October 2021, ADESA acquired CARWAVE Holdings LLC ("CARWAVE"). CARWAVE is an online dealer-to-dealer marketplace featuring certified mechanical inspections, buyer guarantees and a 24/7, direct offer trading format with live buyer bidding. The acquisition is expected to build on KAR's growth in the dealer-to-dealer space, enhance KAR's position in the highly fragmented wholesale used vehicle market and accelerate the Company's overall transformation to a digital marketplace company.

The purchased assets included accounts receivable, other current assets, property and equipment, software, customer relationships and tradenames. Financial results for CARWAVE have been included in our consolidated financial statements from the date of acquisition.

The purchase price for CARWAVE, net of cash acquired, was approximately $442.0 million. The acquired assets and assumed liabilities of CARWAVE were recorded at fair value, including $67.5 million to intangible assets, representing the fair value of acquired customer relationships of $62.5 million, software of $4.6 million and tradenames of $0.4 million, which are being amortized over their expected useful lives. The acquired software and tradenames are reported in "Other intangible assets" in the accompanying consolidated balance sheet. The excess earnings method was used to value the customer relationships and the relief from royalty method was used to value the software and tradenames. Both of these methods require forward looking estimates to determine fair value, including among other assumptions, forecasted revenue growth, estimated customer attrition rates and estimated royalty and license rates. The acquisition resulted in $373.4 million of goodwill. The factors contributing to the recognition of goodwill were strategic and synergistic benefits that are expected to be realized from the acquisition. The goodwill is recorded in the Marketplace reportable segment (formerly referenced as ADESA Auctions) and most of it is expected to be deductible for tax purposes. The financial impact of this acquisition, including pro forma financial results, was immaterial to the Company's consolidated results for the year ended December 31, 2021. Acquisition costs are included in the consolidated statement of income within "Selling, general and administrative."

Auction Frontier, LLC

In May 2021, ADESA acquired Auction Frontier, LLC ("Auction Frontier"). Auction Frontier is the owner and operator of the cloud-based auction simulcast solution Velocicast®. The acquisition is aligned with KAR's strategy, as Velocicast powers ADESA Simulcast and Simulcast+ technologies, as well as other wholesale and retail auctions across North America and Australia.

The purchased assets included accounts receivable, software, customer relationships and tradenames. The purchase agreement also included additional payments contingent on certain terms and conditions. Financial results for Auction Frontier have been included in our consolidated financial statements from the date of acquisition.

The purchase price for Auction Frontier, net of cash acquired, was approximately $92.2 million, which included a net cash payment of $79.8 million and estimated contingent payments with a fair value of $12.4 million based on a probability model (based on Level 3 inputs). The maximum amount of undiscounted contingent payment related to this acquisition could approximate $15.0 million. The acquired assets and assumed liabilities of Auction Frontier were recorded at fair value, including $17.9 million to intangible assets, representing the fair value of acquired customer relationships of $10.0 million, software of $7.6 million and tradenames of $0.3 million, which are being amortized over their expected useful lives. The acquired software and tradenames are reported in "Other intangible assets" in the accompanying consolidated balance sheet. The excess earnings method was used to value the customer relationships and the relief from royalty method was used to value the software and tradenames. Both of these methods require forward looking estimates to determine fair value, including among other assumptions, forecasted revenue growth and estimated royalty and license rates. A probability model, based on the expected retention of significant customers, was used to value the estimated contingent consideration. The acquisition resulted in $73.8 million of goodwill. The factors contributing to the recognition of goodwill were strategic and synergistic benefits that are expected to be realized from the acquisition. The goodwill is recorded in the Marketplace reportable segment (formerly referenced as ADESA Auctions) and all of it is expected to be deductible for tax purposes. The financial impact of this acquisition, including pro forma financial results, was immaterial to the Company's consolidated results for the year ended December 31, 2021. Acquisition costs are included in the consolidated statement of income within "Selling, general and administrative."

2020 Acquisition

In November 2020, ADESA completed the acquisition of BacklotCars for approximately $421.0 million, net of cash acquired. BacklotCars is an app and web-based dealer-to-dealer wholesale platform featuring a 24/7 "bid-ask" marketplace offering vehicles with comprehensive inspections performed by automobile mechanics. The acquisition is expected to further diversify the Company's broad portfolio of digital capabilities and accelerate the Company's strategy to be a leading digital dealer-to-dealer marketplace provider.

The purchased assets included accounts receivable, property and equipment, software, customer relationships and tradenames. Financial results for BacklotCars have been included in our consolidated financial statements from the date of acquisition. In addition, as part of the acquisition of BacklotCars, we assumed line-of-credit debt of approximately $9.5 million which was paid off in the fourth quarter of 2020.

The acquired assets and assumed liabilities of BacklotCars were recorded at fair value, including $78.8 million to intangible assets, representing the fair value of acquired customer relationships of $66.4 million, software of $8.3 million and tradenames of $4.1 million, which are being amortized over their expected useful lives. The multi-period excess earnings method was used to value the customer relationships and the relief from royalty method was used to value the software and tradenames. Both of these methods require forward looking estimates to determine fair value, including among other assumptions, forecasted revenue growth and estimated royalty rates. The acquisition resulted in $354.8 million of goodwill. The goodwill is recorded in the Marketplace reportable segment (formerly referenced as ADESA Auctions) and none of it is expected to be deductible for tax purposes. The financial impact of this acquisition, including pro forma financial results, was immaterial to the Company's consolidated results for the year ended December 31, 2020. Acquisition costs are included in the consolidated statement of income within "Selling, general and administrative."

Note 4—Sale of ADESA U.S. Physical Auction Business and Discontinued Operations

In February 2022, the Company announced that it had entered into a definitive agreement with Carvana, pursuant to which Carvana would acquire the ADESA U.S. physical auction business from KAR (the "Transaction"). The Transaction was completed in May 2022 for approximately $2.2 billion in cash and included all auction sales, operations and staff at ADESA's U.S. vehicle logistics centers and use of the ADESA.com marketplace in the U.S. The net proceeds received in connection with the Transaction are included in "Net cash provided by investing activities - discontinued operations" in the consolidated statement of cash flow. In connection with the Transaction, the Company and Carvana entered into various agreements to provide a framework for their relationship after the Transaction, including a transition services agreement for a transitional period and a commercial agreement for a term of 7 years that provides for platform and other fees for services rendered. In addition, KAR will continue to own the ADESA tradename and the ADESA U.S. physical auctions will continue to utilize the tradename, which has an indefinite life. The tradename continues to generate cash flows from our continuing operations and, pursuant to the purchase and commercial agreements with Carvana and its affiliates, Carvana now pays a fee to the Company for use of the tradename for the ADESA U.S. physical auctions for a defined period. In addition, the Company expects to utilize the ADESA tradename to generate revenue and cash flows indefinitely from its remaining operations. From the completion of the Transaction through December 31, 2022, KAR has received a net cash inflow from the commercial agreement and transition services agreement of approximately $57.4 million.

The financial results of the ADESA U.S. physical auction business have been accounted for as discontinued operations for all periods presented. The business was formerly included in the Company's Marketplace reportable segment (formerly referenced as ADESA Auctions). The "Goodwill" shown in the balance sheet below was allocated to the ADESA U.S. physical auctions based on relative fair value. Discontinued operations included transaction costs of approximately $37.1 million for the year ended December 31, 2022, in connection with the Transaction. These costs consisted of consulting and professional fees associated with the Transaction. As shown below, the Transaction resulted in a pretax gain on disposal of approximately $521.8 million. The effective tax rate for discontinued operations was approximately 60% primarily due to non-deductible goodwill recognized in the Transaction.

The following table presents the results of operations for the ADESA U.S. physical auction business that have been reclassified to discontinued operations for all periods presented *(in millions)*:

	Year Ended December 31,		
	2022	**2021**	**2020**
Operating revenues	**$ 305.9**	$ 881.3	$ 950.2
Operating expenses			
Cost of services (exclusive of depreciation and amortization)	**224.9**	582.4	624.6
Selling, general and administrative	**67.8**	148.7	182.2
Depreciation and amortization	**11.2**	73.0	82.1
Total operating expenses	**303.9**	804.1	888.9
Operating profit (loss)	**2.0**	77.2	61.3
Interest expense	**0.1**	0.9	0.7
Other (income) expense, net	**(8.4)**	(11.0)	(9.7)
Income (loss) from discontinued operations before gain on disposal and income taxes	**10.3**	87.3	70.3
Pretax gain on disposal of discontinued operations	**521.8**	—	—
Income taxes	**319.5**	20.0	16.2
Income from discontinued operations	**$ 212.6**	$ 67.3	$ 54.1

In preparing our 2022 annual consolidated financial statements, we identified an error in the December 31, 2021 comparative balance sheet that had been recasted and presented in our Form 10-Qs filed during 2022 to reflect the classification of the ADESA U.S. physical auctions as discontinued operations. In the December 31, 2021 balance sheet included in those filings, liabilities of discontinued operations were overstated by $82.5 million with a corresponding understatement of deferred income tax liabilities. The error was determined to be immaterial and has been corrected in the December 31, 2021 balance sheet presented herein. There was no impact to the consolidated statements of income, statements of comprehensive income, statements of stockholders' equity and statements of cash flows for the year ended December 31, 2021. The following table summarizes the major classes of assets and liabilities of the ADESA U.S. physical auction business that have been classified as discontinued operations for the periods presented *(in millions)*:

	May 8, 2022	December 31, 2021
Assets		
Cash and cash equivalents	$ 68.6	$ 12.4
Trade receivables, net of allowances	206.3	179.3
Inventory	15.5	15.7
Other current assets	9.3	5.8
Current assets of discontinued operations	299.7	213.2
Goodwill	1,099.7	980.5
Customer relationships, net of accumulated amortization	81.4	84.2
Other intangible assets, net of accumulated amortization	30.7	32.6
Operating lease right-of-use assets	223.7	231.0
Property and equipment, net of accumulated depreciation	440.1	435.7
Other assets	2.4	2.6
Non-current assets of discontinued operations	1,878.0	1,766.6
Total assets of discontinued operations	$ 2,177.7	$ 1,979.8
Liabilities		
Accounts payable	$ 249.5	$ 271.7
Accrued employee benefits and compensation expenses	10.2	27.2
Other accrued expenses	28.2	35.3
Current portion of operating lease liabilities	27.7	27.5
Current liabilities of discontinued operations	315.6	361.7
Operating lease liabilities	216.8	229.0
Other liabilities	2.0	2.3
Non-current liabilities of discontinued operations	218.8	231.3
Total liabilities of discontinued operations	$ 534.4	$ 593.0

Note 5—Stock and Stock-Based Compensation Plans

Our stock-based compensation expense has included expense associated with KAR Auction Services service-based options ("service options"), market-based options ("market options"), performance-based restricted stock units ("PRSUs") and service-based restricted stock units ("RSUs"). We have determined that the KAR Auction Services service options, market options, PRSUs and RSUs should be classified as equity awards. In addition, as further discussed below, holders of some of these awards received an equivalent number of PRSUs, RSUs and options in IAA as they had in KAR at June 28, 2019. These awards were scheduled to vest over the period from February 2020 to March 2022.

In connection with the spin-off of IAA, the Company modified its stock-based compensation awards under the "equitable adjustments" clause in the Omnibus Plan, which provides anti-dilution protection. Generally, the award adjustments were intended to maintain the economic value of the awards before and after the separation date. The post-spin KAR awards and post-spin IAA awards are generally subject to the same terms and conditions, and continued to vest on the same schedule as the pre-spin KAR awards, except as noted in the equity-conversion related provisions of the employee matters agreement. There was no incremental compensation expense recorded as a result of these modifications. The post-spin expense is comprised of the combined KAR and IAA awards held by KAR employees and did not change as a result of the spin-off.

In connection with the sale of the ADESA U.S. physical auction business, the ADESA U.S. employees terminated from KAR and became employees of Carvana. For those employees with stock-based compensation awards, all unvested options were forfeited, most of the unvested RSUs were forfeited and unvested PRSUs received pro-rated vesting based on tenure over the measurement periods and achievement of performance. The stock-based compensation expense and adjustments for these awards were recorded as "Selling, general and administrative" within discontinued operations.

The compensation cost that was charged against income for all stock-based compensation plans was $16.6 million, $13.2 million and $11.8 million for the years ended December 31, 2022, 2021 and 2020, respectively, and the total income tax benefit recognized in the consolidated statement of income for options, PRSUs and RSUs was approximately $1.5 million, $1.6 million and $1.7 million for the years ended December 31, 2022, 2021 and 2020, respectively. We did not capitalize any stock-based compensation cost in the years ended December 31, 2022, 2021 or 2020.

The following table summarizes our stock-based compensation expense by type of award *(in millions)*:

	Year Ended December 31,		
	2022	**2021**	**2020**
PRSUs	**$ 3.4**	$ 1.6	$ 4.1
RSUs	**8.0**	5.0	7.7
Service options	**0.9**	1.0	—
Market options	**4.3**	5.6	—
Total stock-based compensation expense	**$ 16.6**	$ 13.2	$ 11.8

KAR Auction Services, Inc. Amended and Restated 2009 Omnibus Stock and Incentive Plan - PRSUs, RSUs, Service Options and Market Options

The KAR Auction Services, Inc. Amended and Restated 2009 Omnibus Stock and Incentive Plan ("Omnibus Plan") is intended to provide equity and/or cash-based awards to our executive officers and key employees. The maximum number of shares of the Company's common stock that may be issued pursuant to awards under the Omnibus Plan is approximately 7.3 million, of which approximately 3.6 million shares remained available for future grants as of December 31, 2022. The Omnibus Plan provides for the grant of stock options, restricted stock, stock appreciation rights, other stock-based awards and cash-based awards. The grants described below were made pursuant to the Company's Policy on Granting Equity Awards.

PRSUs

In the years ended December 31, 2022, 2021 and 2020 we granted a target amount of approximately 0.5 million, 0.7 million and 0.4 million, respectively, PRSUs to certain executive officers and other employees of the Company. The PRSUs granted in 2022 were set to vest if and to the extent that the Company's three-year cumulative operating adjusted net income per share attains certain specified goals. Following the Transaction, in September 2022 the performance targets and the related award agreements for the 2022 PRSUs were amended to modify the performance metric from operating adjusted net income per share to Adjusted EBITDA. The modification of the 2022 PRSUs affected 13 participants and there was no incremental compensation cost resulting from the modification.

Approximately 0.5 million of the PRSUs granted in 2021 and all of the PRSUs granted in 2020 vest if and to the extent that the Company's three-year cumulative operating adjusted net income per share attains certain specified goals. Approximately 0.2 million of the PRSUs granted in 2021 vest if and to the extent that certain operational goals are attained by year-end 2023 or 2024. The weighted average grant date fair value of the PRSUs was $18.46 per share, $15.37 per share and $22.24 per share in 2022, 2021 and 2020, respectively, which was determined using the closing price of the Company's common stock on the dates of grant. Dividend equivalents accrue on the PRSUs, as applicable, and are subject to the same vesting and forfeiture terms as the PRSUs.

The following table summarizes PRSU activity, including dividend equivalents, under the Omnibus Plan for the year ended December 31, 2022:

Performance Restricted Stock Units	Number	Weighted Average Grant Date Fair Value
PRSUs at January 1, 2022	1,254,632	$ 18.10
Granted	476,540	18.46
Vested	(148,496)	17.95
Forfeited	(125,940)	17.94
PRSUs at December 31, 2022	1,456,736	$ 18.24

KAR employees hold all of the non-vested PRSUs at December 31, 2022. The fair value of shares that vested during the years ended December 31, 2022 and 2021 was $2.1 million and $2.7 million, respectively. As of December 31, 2022, an estimated $4.3 million of unrecognized compensation expense related to non-vested PRSUs is expected to be recognized over a weighted average term of approximately 1.4 years.

RSUs

In the years ended December 31, 2022, 2021 and 2020, approximately 1.2 million, 0.5 million and 0.4 million RSUs were granted to certain executive officers and management members of the Company. The RSUs are contingent upon continued employment and generally vest in three equal annual installments. The fair value of RSUs is the value of the Company's common stock at the date of grant and the weighted average grant date fair value of the RSUs was $14.82 per share, $13.93 per share and $22.24 per share in 2022, 2021 and 2020, respectively. Dividend equivalents accrue on the RSUs, as applicable, and are subject to the same vesting and forfeiture terms as the RSUs.

The following table summarizes RSU activity (held by KAR and IAA employees), including dividend equivalents, under the Omnibus Plan for the year ended December 31, 2022:

Restricted Stock Units	Number	Weighted Average Grant Date Fair Value
RSUs at January 1, 2022	747,615	$ 16.81
Granted	1,196,126	14.82
Vested	(337,952)	17.51
Forfeited	(239,907)	16.93
RSUs at December 31, 2022	1,365,882	$ 14.88

KAR employees hold all of the non-vested RSUs at December 31, 2022. The fair value of shares that vested during the years ended December 31, 2022, 2021 and 2020 was $5.3 million, $3.8 million and $6.0 million, respectively. As of December 31, 2022, there was approximately $12.1 million of unrecognized compensation expense related to non-vested RSUs which is expected to be recognized over a weighted average term of 2.1 years.

Service Options

For the year ended December 31, 2021, we granted approximately 1.1 million service options with a weighted average exercise price of $16.15 per share to certain executive officers of the Company. The service options have a life of ten years and vest in equal annual installments on each of the first four anniversaries of the grant dates.

Service options have been accounted for as equity awards and, as such, compensation expense was measured based on the fair value of the award at the date of grant and is being recognized ratably over the four year service period. The weighted average fair value of the service options granted was $3.98 per share for the year ended December 31, 2021. The fair values of the service options granted were estimated on the dates of grant using the Black-Scholes option pricing model with an expected life of 6.25 years, a weighted average expected volatility of 36.55%, a weighted average expected dividend yield of 3.8% and a weighted average risk free interest rate of 1.06%.

The expected life of the service options was calculated in accordance with Staff Accounting Bulletin No. 107, which allows for the use of a simplified method. Under the simplified method, the expected life is based on the midpoint of the average time to vest and the full contractual term of the time-vested options. The computation of expected volatility was based on historical stock volatility. The expected dividend yield is based upon an anticipated return to historical dividends during the life of the time-vested options. The risk free interest rate is based upon observed interest rates appropriate for the term of the options.

The following table summarizes service option activity under the Omnibus Plan for the year ended December 31, 2022:

Service Options	**Number**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value (in millions)**
Outstanding at January 1, 2022	1,503,327	$ 14.70		
Granted	—	N/A		
Exercised	(56,471)	8.57		
Forfeited	(158,759)	16.70		
Canceled	(2,000)	8.11		
Outstanding at December 31, 2022	1,286,097	$ 14.71	6.2 years	$ 0.6
Exercisable at December 31, 2022	619,133	$ 13.26	3.9 years	$ 0.6

The intrinsic value presented in the table above represents the amount by which the market value of the underlying stock exceeds the exercise price of the option at December 31, 2022. The intrinsic value changes continuously based on the fair value of our stock. The market value is based on KAR Auction Services' closing stock price of $13.05 on December 31, 2022. The total intrinsic value of service options exercised during the years ended December 31, 2022, 2021 and 2020 was $0.5 million, $0.5 million and $2.8 million, respectively. The fair market value of all vested and exercisable service options at December 31, 2022 and 2021 was $8.1 million and $6.7 million, respectively. As of December 31, 2022, there was approximately $1.7 million of unrecognized compensation expense related to non-vested service options which is expected to be recognized over a weighted average term of 2.5 years.

Market Options

For the year ended December 31, 2021, we granted approximately 4.3 million market options with a weighted average exercise price of $16.15 per share to certain executive officers of the Company. The market options have a life of ten years and have a service component along with an additional market component. The market options become eligible to vest and become exercisable in equal increments, each upon the later to occur of (i) the first four anniversaries of the grant dates, respectively, and (ii) for each respective 25% increment, the attainment of KAR's closing stock price at or above $5, $10, $15 and $20 over each respective exercise price, for 20 consecutive trading days.

The weighted average fair value of the market options granted for the year ended December 31, 2021 was $3.91 per share. The fair value and requisite service period of the market options was developed with a Monte Carlo simulation using a multivariate Geometric Brownian Motion with a drift equal to the risk free rate.

The following table summarizes market option activity under the Omnibus Plan for the year ended December 31, 2022:

Market Options	Number	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2022	4,286,426	$ 16.15		
Granted	—	N/A		
Exercised	—	N/A		
Forfeited	(729,292)	16.45		
Canceled	—	N/A		
Outstanding at December 31, 2022	3,557,134	$ 16.09	8.4 years	$ —
Exercisable at December 31, 2022	—	N/A	N/A	N/A

The intrinsic value presented in the table above represents the amount by which the market value of the underlying stock exceeds the exercise price of the option at December 31, 2022. The intrinsic value changes continuously based on the fair value of our stock. The market value is based on KAR Auction Services' closing stock price of $13.05 on December 31, 2022. As of December 31, 2022, there was approximately $3.9 million of unrecognized compensation expense related to non-vested market options which is expected to be recognized over a weighted average term of 2.7 years.

KAR Auction Services, Inc. Employee Stock Purchase Plan

We adopted the KAR Auction Services, Inc. Employee Stock Purchase Plan ("ESPP") in December 2009. The ESPP, which was approved by our stockholders, is designed to provide an incentive to attract, retain and reward eligible employees and is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code of 1986, as amended. At the Company's annual meeting of stockholders in June 2020, the stockholders approved an amendment to the ESPP. As a result, the maximum number of shares reserved for issuance under the ESPP was increased from 1,000,000 shares to 2,500,000 shares, of which 1,068,045 shares remained available for future ESPP purchases as of December 31, 2022. The ESPP provides for one month offering periods with a 15% discount from the fair market value of a share on the date of purchase. A participant's annual contribution to the ESPP may not exceed $25,000 per year. Unless terminated earlier, the ESPP will terminate on December 31, 2028. In accordance with ASC 718, *Compensation—Stock Compensation*, the entire 15% purchase discount is recorded as compensation expense.

Share Repurchase Program

In October 2019, the board of directors authorized a repurchase of up to $300 million of the Company's outstanding common stock, par value $0.01 per share, through October 30, 2021. In October 2021, the board of directors authorized an extension of the October 2019 share repurchase program through December 31, 2022. On April 27, 2022, the board of directors authorized an increase in the size of the Company’s $300 million share repurchase program by an additional $200 million and an extension of the share repurchase program through December 31, 2023. At December 31, 2022, approximately $126.9 million of the Company's outstanding common stock remained available for repurchase under the 2019 share repurchase program. Repurchases may be made in the open market or through privately negotiated transactions, in accordance with applicable securities laws and regulations, including pursuant to repurchase plans designed to comply with Rule 10b5-1 of the Securities Exchange Act of 1934, as amended. The timing and amount of any repurchases is subject to market and other conditions. This program does not oblige the Company to repurchase any dollar amount or any number of shares under the authorization, and the program may be suspended, discontinued or modified at any time, for any reason and without notice. In 2022, 2021 and 2020, we repurchased and retired 12,649,722 shares, 10,847,800 shares and 585,086 shares of common stock, respectively, in the open market at a weighted average price of $14.39 per share, $16.66 per share and $17.50 per share, respectively.

Note 6—Income (Loss) from Continuing Operations Per Share

The following table sets forth the computation of income (loss) from continuing operations per share *(in millions except per share amounts)*:

	Year Ended December 31,		
	2022	**2021**	**2020**
Income (loss) from continuing operations	**$ 28.6**	$ (0.8)	$ (53.6)
Common stock dividends	**—**	—	(24.5)
Series A Preferred Stock dividends	**(43.8)**	(41.1)	(21.6)
Loss from continuing operations attributable to participating securities	**3.6**	9.0	—
Income (loss) from continuing operations attributable to common stockholders	**$ (11.6)**	$ (32.9)	$ (99.7)
Weighted average common shares outstanding	**116.3**	123.0	129.3
Effect of dilutive stock options and restricted stock awards	**—**	—	—
Weighted average common shares outstanding and potential common shares	**116.3**	123.0	129.3
Income (loss) from continuing operations per share			
Basic	**$ (0.10)**	$ (0.27)	$ (0.77)
Diluted	**$ (0.10)**	$ (0.27)	$ (0.77)

The Company includes participating securities (Series A Preferred Stock) in the computation of income from continuing operations per share pursuant to the two-class method. The two-class method of calculating income from continuing operations per share is an allocation method that calculates earnings per share for common stock and participating securities. Under the two-class method, total dividends provided to the holders of the Series A Preferred Stock and undistributed earnings allocated to participating securities are subtracted from income from continuing operations in determining income attributable to common stockholders.

The effect of stock options and restricted stock on income from continuing operations per share-diluted is determined through the application of the treasury stock method, whereby net proceeds received by the Company based on assumed exercises are hypothetically used to repurchase our common stock at the average market price during the period. As a result of the spin-off, there are IAA employees who hold KAR equity awards included in the calculation. Stock options that would have an anti-dilutive effect on income from continuing operations per diluted share, unexercisable market options and PRSUs subject to performance conditions which have not yet been satisfied are excluded from the calculations. In accordance with U.S. GAAP, no potential common shares were included in the computation of diluted income from continuing operations per share for the years ended December 31, 2022, 2021 and 2020, because to do so would have been anti-dilutive based on the period undistributed loss from continuing operations. Total options outstanding at December 31, 2022, 2021 and 2020 were 4.8 million, 5.8 million and 0.5 million, respectively.

Note 7—Allowance for Credit Losses and Doubtful Accounts

The following is a summary of the changes in the allowance for credit losses related to finance receivables (*in millions*):

	Year Ended December 31,		
	2022	**2021**	**2020**
Allowance for Credit Losses			
Balance at beginning of period	**$ 23.0**	$ 22.0	$ 15.0
Opening balance adjustment for adoption of ASC Topic 326	**—**	—	5.0
Provision for credit losses	**9.8**	3.5	38.6
Recoveries	**9.0**	12.6	10.0
Less charge-offs	**(20.1)**	(15.1)	(46.6)
Other	**(0.2)**	—	—
Balance at end of period	**$ 21.5**	$ 23.0	$ 22.0

AFC's allowance for credit losses includes estimated losses for finance receivables currently held on the balance sheet of AFC and its subsidiaries.

The following is a summary of changes in the allowance for doubtful accounts related to trade receivables (*in millions*):

	Year Ended December 31,		
	2022	**2021**	**2020**
Allowance for Doubtful Accounts			
Balance at beginning of period	**$ 9.5**	$ 7.1	$ 4.4
Increase for acquisition activity	**—**	—	3.7
Provision for credit losses	**8.8**	3.7	1.5
Less net charge-offs	**(2.5)**	(1.3)	(2.5)
Balance at end of period	**$ 15.8**	$ 9.5	$ 7.1

Recoveries of trade receivables were netted with charge-offs, as they were not material. Changes in the Canadian dollar exchange rate did not have a material effect on the allowance for doubtful accounts.

Note 8—Finance Receivables and Obligations Collateralized by Finance Receivables

AFC sells the majority of its U.S. dollar denominated finance receivables on a revolving basis and without recourse to a wholly-owned, bankruptcy remote, consolidated, special purpose subsidiary ("AFC Funding Corporation"), established for the purpose of purchasing AFC's finance receivables. A securitization agreement allows for the revolving sale by AFC Funding Corporation to a group of bank purchasers of undivided interests in certain finance receivables subject to committed liquidity. AFC Funding Corporation had committed liquidity of $2.0 billion for U.S. finance receivables at December 31, 2022.

In September 2022, AFC and AFC Funding Corporation entered into the Tenth Amended and Restated Receivables Purchase Agreement (the "Receivables Purchase Agreement"). The Receivables Purchase Agreement increased AFC Funding's U.S. committed liquidity from $1.70 billion to $2.0 billion and extended the facility's maturity date from January 31, 2024 to January 31, 2026. In addition, the discount rate is now based on the SOFR reference rate, provisions designed to provide additional lending and operational flexibility were modified or added and provisions providing for a mechanism for determining an alternative rate of interest were modified. We capitalized approximately $10.5 million of costs in connection with the Receivables Purchase Agreement.

In September 2020, AFC and AFC Funding Corporation entered into the Ninth Amended and Restated Receivables Purchase Agreement (the "Ninth Receivables Purchase Agreement"). The Ninth Receivables Purchase Agreement decreased AFC Funding's U.S. committed liquidity from $1.70 billion to $1.60 billion and extended the facility's maturity. In addition, provisions designed to provide additional credit enhancement to the purchasers upon the occurrence of the certain events related to the payment rate and net spread on the receivables portfolio were added, certain portfolio performance metrics that could result in a requirement to increase the cash reserve or constitute a termination event were amended to the benefit of AFC Funding and provisions providing for a mechanism for determining an alternative rate of interest were added. We capitalized approximately $12.3 million of costs in connection with the Ninth Receivables Purchase Agreement.

We also have an agreement for the securitization of AFCI's receivables. AFCI's committed facility is provided through a third-party conduit (separate from the U.S. facility) and was C$225 million on December 31, 2022. In September 2022, AFCI entered into the Sixth Amended and Restated Receivables Purchase Agreement (the "Canadian Receivables Purchase Agreement"). The Canadian Receivables Purchase Agreement extended the facility's maturity date from January 31, 2024 to January 31, 2026. In addition, provisions designed to provide additional lending and operational flexibility were modified or added. We capitalized approximately $1.1 million of costs in connection with the Canadian Receivables Purchase Agreement. The receivables sold pursuant to both the U.S. and Canadian securitization agreements are accounted for as secured borrowings.

In September 2020, AFCI entered into the Fifth Amended and Restated Receivables Purchase Agreement (the "Canadian Fifth Receivables Purchase Agreement"). The Canadian Fifth Receivables Purchase Agreement extended the facility's maturity date. In addition, provisions designed to provide additional credit enhancement to the purchasers upon the occurrence of the certain events related to the payment rate and net spread on the receivables portfolio were added, certain portfolio performance metrics that could result in a requirement to increase the cash reserve or constitute a termination event were amended to the benefit of AFC Funding and provisions providing for a mechanism for determining an alternative rate of interest were added. We capitalized approximately $1.0 million of costs in connection with the Canadian Fifth Receivables Purchase Agreement.

The following tables present quantitative information about delinquencies, credit loss charge-offs less recoveries ("net credit losses") and components of securitized financial assets and other related assets managed. For purposes of this illustration, delinquent receivables are defined as receivables 31 days or more past due.

	December 31, 2022		
	Total Amount of:		Net Credit
(in millions)	**Receivables**	**Receivables Delinquent**	**Losses During 2022**
Floorplan receivables	**$ 2,409.9**	**$ 17.5**	**$ 11.1**
Other loans	**6.7**	**—**	**—**
Total receivables managed	**$ 2,416.6**	**$ 17.5**	**$ 11.1**

	December 31, 2021		
	Total Amount of:		Net Credit
(in millions)	**Receivables**	**Receivables Delinquent**	**Losses During 2021**
Floorplan receivables	$ 2,519.7	$ 7.3	$ 2.5
Other loans	9.3	—	—
Total receivables managed	$ 2,529.0	$ 7.3	$ 2.5

AFC's allowance for losses was $21.5 million and $23.0 million at December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, $2,396.6 million and $2,482.2 million, respectively, of finance receivables and a cash reserve of 1 or 3 percent of the obligations collateralized by finance receivables served as security for the obligations collateralized by finance receivables. The amount of the cash reserve depends on circumstances which are set forth in the securitization agreements. Obligations collateralized by finance receivables consisted of the following:

	December 31,	
	2022	**2021**
Obligations collateralized by finance receivables, gross	**$ 1,697.0**	$ 1,707.4
Unamortized securitization issuance costs	**(19.4)**	(15.1)
Obligations collateralized by finance receivables	**$ 1,677.6**	$ 1,692.3

Proceeds from the revolving sale of receivables to the bank facilities are used to fund new loans to customers. AFC, AFC Funding Corporation and AFCI must maintain certain financial covenants including, among others, limits on the amount of debt AFC and AFCI can incur, minimum levels of tangible net worth, and other covenants tied to the performance of the finance receivables portfolio. The securitization agreements also incorporate the financial covenants of our Credit Facility. At December 31, 2022, we were in compliance with the covenants in the securitization agreements.

Note 9—Goodwill and Other Intangible Assets

Goodwill consisted of the following (*in millions*):

	Marketplace	Finance	Total
Balance at December 31, 2020	$ 918.8	$ 240.9	$ 1,159.7
Increase for acquisition activity	447.2	—	447.2
Foreign currency	(8.9)	—	(8.9)
Balance at December 31, 2021	$ 1,357.1	$ 240.9	$ 1,598.0
Decrease for disposition activity	(119.2)	—	(119.2)
Foreign currency	(14.3)	—	(14.3)
Balance at December 31, 2022	**$ 1,223.6**	**$ 240.9**	**$ 1,464.5**

Goodwill represents the excess cost over fair value of identifiable net assets of businesses acquired. Goodwill decreased in 2022 primarily as a result of the sale of the ADESA U.S. physical auction business, as well as foreign currency changes. As a result of the sale of the ADESA U.S. physical auction business in 2022, we allocated approximately $1.1 billion of goodwill related to the ADESA Auctions operating segment to the disposal group in connection with the disposition of ADESA U.S. The goodwill was initially allocated to the disposal group at the held-for-sale date, and updated at the sale date, based on the relative fair value of ADESA U.S. compared to the fair value of the remainder of the operating segment at both dates, respectively. Goodwill increased in 2021 primarily as a result of acquisitions. Most of the goodwill resulting from the businesses acquired in 2021 is expected to be deductible for tax purposes.

The Company tests goodwill for impairment at the reporting unit level annually in the second quarter, or more frequently as impairment indicators arise. Goodwill was tested for impairment in all of the Company's reporting units in the second quarter of 2022 and 2021 and no impairment was identified in either year. Following the sale of ADESA U.S., the Company made certain changes to its reporting structure within the Marketplace segment and realigned its reporting units as of November 30, 2022. This change required goodwill in the Marketplace segment to be allocated to the new reporting units based on their relative fair value. The Company tested goodwill of the new reporting units for impairment both before and following the change in reporting unit structure as of November 30, 2022, by comparing the fair values of the reporting units to their carrying values and no impairment was identified.

In light of the impact that the COVID-19 pandemic had on the economy, forecasts for all reporting units were revised in the second quarter of 2020. These economic circumstances contributed to lower sales, operating profits and cash flows at ADESA Remarketing Limited (doing business as ADESA U.K.) through the first part of 2020 as compared to 2019, and the outlook for the business was significantly reduced. As a result of the updated forecasts, an impairment analysis of goodwill and intangibles was conducted. The change in circumstances resulted in the impairment of the goodwill balance totaling $25.5 million in our ADESA Remarketing Limited reporting unit and a non-cash goodwill impairment charge was recorded for this amount in the second quarter of 2020. The fair value of that reporting unit was estimated using the expected present value of future cash flows (Level 3 inputs).

A summary of customer relationships is as follows (*in millions*):

		December 31, 2022			December 31, 2021		
	Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Carrying Value	Gross Carrying Amount	Accumulated Amortization	Carrying Value
Customer relationships	5 - 19	**$ 553.2**	**$ (417.3)**	**$ 135.9**	$ 560.6	$ (401.5)	$ 159.1

The decrease in customer relationships in 2022 was primarily related to the amortization of existing customer relationships. The increase in customer relationships in 2021 was primarily related to customer relationships acquired, partially offset by the amortization of existing customer relationships.

As discussed above, ADESA Remarketing Limited was negatively impacted in light of the COVID-19 pandemic and the economy. As a result, in the second quarter of 2020, a non-cash customer relationship impairment charge of approximately $4.3 million was also recorded in the ADESA Remarketing Limited reporting unit, representing the impairment in the value of this reporting unit's customer relationships. The fair value of the customer relationships was estimated using the expected present value of future cash flows (Level 3 inputs).

A summary of other intangibles is as follows (*in millions*):

		December 31, 2022			December 31, 2021		
	Useful Lives (in years)	Gross Carrying Amount	Accumulated Amortization	Carrying Value	Gross Carrying Amount	Accumulated Amortization	Carrying Value
Tradenames	1 - Indefinite	**$ 148.6**	**$ (15.2)**	**$ 133.4**	$ 148.9	$ (12.8)	$ 136.1
Computer software & technology	3 - 13	**488.7**	**(390.8)**	**97.9**	444.4	(337.2)	107.2
Total		**$ 637.3**	**$ (406.0)**	**$ 231.3**	$ 593.3	$ (350.0)	$ 243.3

Other intangibles decreased in 2022 and 2021 primarily as a result of the amortization of existing intangibles, partially offset by acquisitions and computer software additions. The carrying amount of tradenames with an indefinite life was approximately $131.5 million at December 31, 2022 and 2021.

Amortization expense for customer relationships and other intangibles was $83.6 million, $89.9 million and $83.7 million for the years ended December 31, 2022, 2021 and 2020, respectively. Estimated amortization expense on existing intangible assets for the next five years is $65.5 million for 2023, $41.0 million for 2024, $22.7 million for 2025, $14.4 million for 2026 and $13.7 million for 2027.

Note 10—Property and Equipment

Property and equipment consisted of the following (*in millions*):

	Useful Lives (in years)	December 31, 2022	December 31, 2021
Land		**$ 40.1**	$ 50.2
Buildings	5 - 40	**46.0**	49.6
Land improvements	5 - 20	**33.2**	34.9
Building and leasehold improvements	3 - 33	**37.0**	37.7
Furniture, fixtures and equipment	1 - 15	**143.6**	153.9
Vehicles	3 - 10	**16.0**	11.7
Construction in progress		**5.4**	7.1
		321.3	345.1
Accumulated depreciation		**(197.7)**	(201.6)
Property and equipment, net		**$ 123.6**	$ 143.5

Depreciation expense for the years ended December 31, 2022, 2021 and 2020 was $16.6 million, $20.0 million and $25.4 million, respectively.

Note 11—Self-Insurance and Retained Loss Reserves

We self-insure our employee medical benefits, as well as a portion of our automobile, general liability and workers' compensation claims. We have insurance coverage that limits the exposure on individual claims. The cost of the insurance is expensed over the contract periods. Utilizing historical claims experience, we record an accrual for the claims based upon the expected amount of all such claims, which includes the cost of claims that have been incurred but not reported. Accrued medical benefits and workers' compensation expenses are included in "Accrued employee benefits and compensation expenses" while accrued automobile and general liability expenses are included in "Other accrued expenses."

The following is a summary of the changes in the reserves for self-insurance and the retained losses (*in millions)*:

	Year Ended December 31, 2022	2021	2020
Balance at beginning of period	**$ 10.4**	$ 10.0	$ 10.1
Net payments	**(27.8)**	(33.5)	(29.7)
Expense	**29.9**	33.9	29.6
Balance at end of period	**$ 12.5**	$ 10.4	$ 10.0

Individual stop-loss coverage for medical benefits was $0.5 million in 2022, 2021 and 2020. There was no aggregate policy limit for medical benefits for the Company in the last three years. The retention for automobile and general liability claims was $1.0 million per occurrence and the retention for workers' compensation claims was $0.5 million per occurrence with a $1.0 million corridor deductible in the 2022, 2021 and 2020 policy years. Once the $1.0 million corridor deductible is met for workers' compensation claims, the deductible reverts back to $0.5 million per occurrence. These retentions are aggregated for workers’ compensation, automobile and general liability claims at approximately $28.5 million in 2022, $28.5 million in 2021 and $35.9 million in 2020. If these aggregates are met, the insurance company would pay the next $7.5 million.

Note 12—Long-Term Debt

Long-term debt consisted of the following *(in millions)*:

	Interest Rate*		Maturity	December 31, 2022	December 31, 2021
Term Loan B-6	Adjusted LIBOR	+ 2.25%	September 19, 2026	$ —	$ 928.6
Revolving Credit Facility	Adjusted LIBOR	+ 1.75%	September 19, 2024	**145.0**	—
Senior notes		5.125%	June 1, 2025	**350.0**	950.0
European lines of credit	Euribor	+ 1.25%	Repayable upon demand	**3.7**	6.8
Total debt				**498.7**	1,885.4
Unamortized debt issuance costs/discounts				**(4.7)**	(19.4)
Current portion of long-term debt				**(288.7)**	(16.3)
Long-term debt				**$ 205.3**	$ 1,849.7

*The interest rates presented in the table above represent the rates in place at December 31, 2022. The weighted average interest rate on our variable rate debt was 6.54% and 2.37% at December 31, 2022 and 2021, respectively.

Credit Facilities

On September 2, 2020, we entered into the Fifth Amendment Agreement (the "Fifth Amendment") to the Credit Agreement. The Fifth Amendment (1) eliminated the financial covenant “holiday” provided by the Fourth Amendment Agreement, dated as of May 29, 2020 (the “Fourth Amendment”); (2) eliminated the changes to the calculation of Consolidated EBITDA for the purposes of the financial covenant compliance for the fiscal quarters ending September 30, 2021 and December 31, 2021, as provided by the Fourth Amendment; (3) removed the monthly minimum liquidity covenant provided by the Fourth Amendment; and (4) eliminated the limitations imposed by the Fourth Amendment on the Company’s ability to make certain investments, junior debt repayments, acquisitions and restricted payments and to incur additional secured indebtedness.

On May 29, 2020, we entered into the Fourth Amendment to the Credit Agreement (the "Fourth Amendment"). The Fourth Amendment (1) provided a financial covenant “holiday” through and including June 30, 2021; (2) for purposes of determining compliance with the financial covenant for the fiscal quarters ending September 30, 2021 and December 31, 2021, permitted the Consolidated EBITDA for the applicable test period to be calculated on an annualized basis, excluding results prior to April 1, 2021; (3) established a monthly minimum liquidity covenant of $225.0 million through and including September 30, 2021; and (4) effectively placed certain limitations on the ability to make certain investments, junior debt repayments, acquisitions and restricted payments and to incur additional secured indebtedness until October 1, 2021.

On September 19, 2019, we entered into the Third Amendment Agreement (the "Third Amendment") to the Credit Agreement. The Third Amendment provided for, among other things, the seven-year, $950 million Term Loan B-6, and the $325 million, five-year Revolving Credit Facility. In May 2022, the Company prepaid the $926.2 million outstanding balance on Term Loan B-6 with proceeds from the Transaction. As a result of the prepayment, we incurred a non-cash loss on the extinguishment of debt of $7.7 million in the second quarter of 2022. The loss was primarily a result of the write-off of unamortized debt issuance costs/discounts associated with Term Loan B-6.

The Revolving Credit Facility is available for letters of credit, working capital, permitted acquisitions and general corporate purposes. The Revolving Credit Facility also includes a $50 million sub-limit for issuance of letters of credit and a $60 million sub-limit for swingline loans.

The obligations of the Company under the Credit Facilities are guaranteed by certain of our domestic subsidiaries (the "Subsidiary Guarantors") and are secured by substantially all of the assets of the Company and the Subsidiary Guarantors, including but not limited to: (a) pledges of and first priority security interests in 100% of the equity interests of certain of the Company's and the Subsidiary Guarantors' domestic subsidiaries and 65% of the equity interests of certain of the Company's and the Subsidiary Guarantors' first tier foreign subsidiaries and (b) first priority security interests in substantially all other tangible and intangible assets of the Company and each Subsidiary Guarantor, subject to certain exceptions. The Credit Agreement contains affirmative and negative covenants that we believe are usual and customary for a senior secured credit agreement. The negative covenants include, among other things, limitations on asset sales, mergers and acquisitions, indebtedness, liens, dividends, investments and transactions with our affiliates. The Credit Agreement also requires us to maintain a Consolidated Senior Secured Net Leverage Ratio (as defined in the Credit Agreement), not to exceed 3.5 as of the last day of each fiscal quarter, if there are revolving loans outstanding. We were in compliance with the applicable covenants in the Credit Agreement at December 31, 2022.

As set forth in the Credit Agreement, loans under the Revolving Credit Facility will bear interest at a rate calculated based on the type of borrowing (either adjusted LIBOR or Base Rate) and the Company's Consolidated Senior Secured Net Leverage Ratio (as defined in the Credit Agreement), with such rate ranging from 2.25% to 1.75% for adjusted LIBOR loans and from 1.25% to 0.75% for Base Rate loans. The Company also pays a commitment fee between 25 to 35 basis points, payable quarterly, on the average daily unused amount of the Revolving Facility based on the Company's Consolidated Senior Secured Net Leverage Ratio, from time to time.

As of December 31, 2022, $145.0 million was drawn on the Revolving Credit Facility and there were no borrowings on the Revolving Credit Facility at December 31, 2021. In addition, we had related outstanding letters of credit in the aggregate amount of $19.0 million and $27.6 million at December 31, 2022 and 2021, respectively, which reduce the amount available for borrowings under the Revolving Credit Facility.

Senior Notes

On May 31, 2017, we issued $950 million of 5.125% senior notes due June 1, 2025. The Company pays interest on the senior notes semi-annually in arrears on June 1 and December 1 of each year. The senior notes may be redeemed at 101.281% currently and at par as of June 1, 2023. The senior notes are guaranteed by the Subsidiary Guarantors. In August 2022, we conducted a cash tender offer to purchase up to $600 million principal amount of the senior notes. The tender offer was oversubscribed and as such, $600 million of the senior notes were accepted for prepayment and were prepaid in August 2022 with proceeds from the Transaction. We incurred a loss on the extinguishment of the senior notes of $9.5 million in 2022 primarily representative of the early repayment premium and the write-off of unamortized debt issuance costs associated with the portion of the senior notes repaid.

The Company expects to use the remaining proceeds from the Transaction after the repayment of Term Loan B-6 to redeem or repay a portion of the senior notes within 365 days of the close of the Transaction. The terms of the senior notes specify that excess proceeds must be reinvested or used to pay down a portion of the senior notes. Therefore, at December 31, 2022, $140.0 million of the remaining senior notes are classified as current debt.

European Lines of Credit

ADESA Europe has lines of credit aggregating $32.1 million (€30 million). The lines of credit have an aggregate $3.7 million and $6.8 million of borrowings outstanding at December 31, 2022 and 2021, respectively. The lines of credit are secured by certain inventory and receivables at ADESA Europe subsidiaries.

Future Principal Payments

At December 31, 2022, aggregate future principal payments on long-term debt are as follows (*in millions*):

2023	$ 288.7
2024	—
2025	210.0
2026	—
2027	—
Thereafter	—
	$ 498.7

The Company has historically included the Revolving Credit Facility in current debt based on its intent to repay the amount outstanding within one year; however, the Company is not contractually obligated to repay the borrowings until the maturity of the Revolving Credit Facility (September 2024).

Note 13—Financial Instruments

Our derivative activities are initiated within the guidelines of documented corporate risk management policies. We do not enter into any derivative transactions for speculative or trading purposes.

Interest Rate Risk Management

We are exposed to interest rate risk on our variable rate borrowings. Accordingly, interest rate fluctuations affect the amount of interest expense we are obligated to pay. We have used interest rate derivatives with the objective of managing exposure to interest rate movements, thereby reducing the effect of interest rate changes and the effect they could have on future cash flows. Most recently, interest rate swap agreements have been used to accomplish this objective, and we have used interest rate cap agreements to accomplish this objective in prior years.

In January 2020, we entered into three pay-fixed interest rate swaps with an aggregate notional amount of $500 million to swap variable rate interest payments under our term loan for fixed interest payments bearing a weighted average interest rate of 1.44%, for a total interest rate of 3.69%. The interest rate swaps had a five-year term, each maturing on January 23, 2025.

We originally designated the interest rate swaps as cash flow hedges. The changes in the fair value of the interest rate swaps that are included in the assessment of hedge effectiveness are recorded as a component of "Accumulated other comprehensive income." For the year ended December 31, 2022, the Company recorded an unrealized gain on the interest rate swaps of $5.7 million, net of tax of $1.8 million in "Accumulated other comprehensive income." For the year ended December 31, 2021, the Company recorded an unrealized gain on the interest rate swaps of $13.8 million, net of tax of $4.6 million in "Accumulated other comprehensive income." The earnings impact of the interest rate derivatives designated as cash flow hedges is recorded upon the recognition of the interest related to the hedged debt. In February 2022, we discontinued hedge accounting as we concluded that the forecasted interest rate payments were no longer probable of occurring in consideration of the Transaction and expected repayment of Term Loan B-6. As a result, the increase in the fair value of the swaps from the time of hedge accounting discontinuance to March 31, 2022 was recognized as an $8.7 million unrealized gain in "Interest expense" in the consolidated statement of income for the three months ended March 31, 2022. In connection with the repayment of Term Loan B-6 in May 2022, we entered into swap termination agreements. We received $16.7 million to settle and terminate the swaps, which was recognized as a realized gain in "Interest expense" in the consolidated statement of income for the three months ended June 30, 2022.

When derivatives are used, we are exposed to credit loss in the event of non-performance by the counterparties; however, non-performance is not anticipated and was considered immaterial to the fair value estimates. ASC 815, *Derivatives and Hedging*, requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the balance sheet. The fair values of the interest rate derivatives are based on quoted market prices for similar instruments from commercial banks (based on significant observable inputs - Level 2 inputs). The following table presents the fair value of our interest rate derivatives included in the consolidated balance sheets for the periods presented (*in millions*):

	Asset/Liability Derivatives			
	December 31, 2022		December 31, 2021	
Derivatives Designated as Hedging Instruments	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
2020 Interest rate swaps	Other assets	**N/A**	Other liabilities	$ 7.5

Concentrations of Credit Risk

Financial instruments that potentially subject us to credit risk consist principally of interest-bearing investments, finance receivables, trade receivables and interest rate derivatives. We maintain cash and cash equivalents, short-term investments, and certain other financial instruments with various major financial institutions. We perform periodic evaluations of the relative credit standing of these financial institutions and companies and limit the amount of credit exposure with any one institution. Cash and cash equivalents include interest-bearing investments with maturities of three months or less. Due to the nature of our business, substantially all trade and finance receivables are due from vehicle dealers and commercial sellers. We have possession of vehicles or vehicle titles collateralizing a significant portion of the trade and finance receivables. The risk associated with this concentration is limited due to the large number of accounts and their geographic dispersion. We monitor the creditworthiness of customers to which we grant credit terms in the normal course of business. In the event of non-performance by counterparties to financial instruments we are exposed to credit-related losses, but management believes this credit risk is limited by periodically reviewing the creditworthiness of the counterparties to the transactions.

Financial Instruments

The carrying amounts of trade receivables, finance receivables, other current assets, accounts payable, accrued expenses and borrowings under our short-term revolving line of credit facilities approximate fair value because of the short-term nature of those instruments.

As of December 31, 2022 and 2021, the estimated fair value of our long-term debt amounted to $490.9 million and $1,878.7 million, respectively. The estimates of fair value were based on broker-dealer quotes (Level 2 inputs) for our debt as of December 31, 2022 and 2021. The estimates presented on long-term financial instruments are not necessarily indicative of the amounts that would be realized in a current market exchange.

Note 14—Other (Income) Expense, Net

Other (income) expense, net consisted of the following (*in millions*):

	December 31,		
	2022	**2021**	**2020**
Change in realized and unrealized (gains) losses on investment securities, net	**$ 7.1**	$ (33.4)	$ —
Contingent consideration valuation	**—**	24.3	6.8
Foreign currency (gains) losses	**2.5**	3.8	4.9
Other	**(10.9)**	(7.2)	(5.9)
Other (income) expense, net	**$ (1.3)**	$ (12.5)	$ 5.8

Fair Value Measurement of Investments

The Company invests in certain early-stage automotive companies and funds that relate to the automotive industry. We believe these investments have resulted in the expansion of relationships in the vehicle remarketing industry. There were no realized gains on these investments for the year ended December 31, 2022. Realized gains on these investments were $32.0 million for the year ended December 31, 2021. The Company had unrealized losses of $7.1 million for the year ended December 31, 2022 and unrealized gains of $1.4 million for the year ended December 31, 2021.

ASC 820, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A small portion of finance receivables for one entity were converted to investment securities during the first quarter of 2021. This entity became publicly traded during the first quarter of 2021 and as a result has a readily determinable fair value. As of December 31, 2022, the fair value of investment securities are based on quoted market prices for identical assets (Level 1 of the fair value hierarchy) and approximated $0.3 million. The net unrealized loss on these investment securities was $7.1 million for the year ended December 31, 2022. The remaining investments held of $28.8 million do not have readily determinable fair values and the Company has elected to apply the measurement alternative to these investments and present them at cost. Investments are reported in "Other assets" in the accompanying consolidated balance sheets. Realized and unrealized gains and losses are reported in "Other (income) expense, net" in the consolidated statements of income.

Note 15—Convertible Preferred Stock

In June 2020, KAR completed the issuance and sale of an aggregate of 550,000 shares of the Company's Series A Convertible Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock"), in two closings at a purchase price of $1,000 per share (for the second closing, plus accumulated dividends from and including the first closing date to but excluding June 29, 2020) for an aggregate purchase price of approximately $550 million to an affiliate of Ignition Parent LP ("Apax") and an affiliate of Periphas Capital GP, LLC ("Periphas").

The Company has authorized 1,500,000 shares of Series A Preferred Stock. The Series A Preferred Stock ranks senior to the shares of the Company's common stock, par value $0.01 per share, with respect to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company. The Series A

Preferred Stock has a liquidation preference of $1,000 per share. The holders of the Series A Preferred Stock are entitled to a cumulative dividend at the rate of 7% per annum, payable quarterly in arrears. Dividends were payable in kind through the issuance of additional shares of Series A Preferred Stock for the first eight dividend payments (through June 30, 2022), and thereafter, in cash or in kind, or in any combination of both, at the option of the Company. For the year ended December 31, 2022, the holders of the Series A Preferred Stock received cash dividends aggregating $22.2 million and for the years ended December 31, 2022 and 2021, the holders of the Series A Preferred Stock received dividends in kind with a value in the aggregate of approximately $21.6 million and $41.1 million, respectively. The holders of the Series A Preferred Stock are also entitled to participate in dividends declared or paid on our common stock on an as-converted basis.

The Series A Preferred Stock will be convertible at the option of the holders thereof at any time after one year into shares of common stock at a conversion price of $17.75 per share of Series A Preferred Stock and a conversion rate of 56.3380 shares of common stock per share of Series A Preferred Stock, subject to certain anti-dilution adjustments. At any time after three years, if the closing price of the common stock exceeds $31.0625 per share, as may be adjusted pursuant to the Certificate of Designations, for at least 20 trading days in any period of 30 consecutive trading days, at the election of the Company, all or any portion of the Series A Preferred Stock will be convertible into the relevant number of shares of common stock.

The holders of the Series A Preferred Stock are entitled to vote with the holders of the Company's common stock as a single class on all matters submitted to a vote of the holders of the Company's common stock.

At any time after six years, the Company may redeem some or all of the Series A Preferred Stock for a per share amount in cash equal to: (i) the sum of (x) the liquidation preference thereof, *plus* (y) all accrued and unpaid dividends, *multiplied by* (ii) (A) 105% if the redemption occurs at any time after the six-year anniversary of June 10, 2020 (the "Initial Closing Date") and prior to the seven-year anniversary of the Initial Closing Date or (B) 100% if the redemption occurs after the seven-year anniversary of the Initial Closing Date.

Upon certain change of control events involving the Company, and subject to certain limitations set forth in the Certificate of Designations, each holder of the Series A Preferred Stock will either (i) receive such number of shares of common stock into which such holder is entitled to convert all or a portion of such holder’s shares of Series A Preferred Stock at the then current conversion price, (ii) receive, in respect of all or a portion of such holder’s shares of Series A Preferred Stock, the greater of (x) the amount per share of Series A Preferred Stock that such holder would have received had such holder, immediately prior to such change of control, converted such share of Series A Preferred Stock into common stock and (y) a purchase price per share of Series A Preferred Stock, payable in cash, equal to the product of (A) 105% *multiplied by* (B) the sum of the liquidation preference and accrued dividends with respect to such share of Series A Preferred Stock, or (iii) unless the consideration in such change of control event is payable entirely in cash, retain all or a portion of such holder’s shares of Series A Preferred Stock.

For so long as Apax or its affiliates beneficially own a certain percentage of the shares of Series A Preferred Stock purchased in the Apax issuance on an as-converted basis, Apax will continue to have the right to appoint one individual to the board of directors. Additionally, so long as Apax or its affiliates beneficially own a certain percentage of the shares of Series A Preferred Stock purchased in the Apax issuance on an as-converted basis, Apax will have the right to appoint one non-voting observer to the board of directors. Likewise, so long as Periphas beneficially owns a certain percentage of the shares of Series A Preferred Stock purchased in the Periphas issuance on an as-converted basis, Periphas will have the right to appoint one non-voting observer to the board of directors.

Apax is subject to certain standstill restrictions, until the later of three years and the date on which Apax no longer owns 25% of the shares of Series A Preferred Stock purchased in the Apax issuance on an as-converted basis. Periphas is also subject to certain standstill restrictions, until the later of three years and the date on which Periphas no longer owns 50% of the shares of Series A Preferred Stock purchased in the Periphas issuance on an as-converted basis. Subject to certain customary exceptions, Apax and Periphas are restricted from transferring the Series A Preferred Stock for one year.

Apax, its affiliates and Periphas have certain customary registration rights with respect to shares of the Series A Preferred Stock and the shares of the common stock held by it issued upon any future conversion of the Series A Preferred Stock.

Note 16—Leases

We lease property, software, automobiles, trucks and trailers pursuant to operating lease agreements. We also lease furniture, fixtures and equipment under finance leases. Our leases have varying remaining lease terms with leases expiring through 2034, some of which include options to extend the leases.

The components of lease expense were as follows (*in millions*):

	Year Ended December 31,		
	2022	**2021**	**2020**
Operating lease cost	**$ 17.7**	$ 18.6	$ 18.5
Finance lease cost:			
Amortization of right-of-use assets	**$ 2.9**	$ 7.4	$ 6.6
Interest on lease liabilities	**0.3**	0.6	0.8
Total finance lease cost	**$ 3.2**	$ 8.0	$ 7.4

Supplemental cash flow information related to leases was as follows (*in millions*):

	Year Ended December 31,		
	2022	**2021**	**2020**
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows related to operating leases	**$ 17.5**	$ 18.2	$ 17.8
Operating cash flows related to finance leases	**0.3**	0.6	0.8
Financing cash flows related to finance leases	**3.9**	5.6	7.4
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	**4.0**	6.7	3.1
Finance leases	**—**	3.7	3.1

Form 10-K

Supplemental balance sheet information related to leases was as follows (*in millions, except lease term and discount rate*):

	December 31, 2022	December 31, 2021
Operating Leases		
Operating lease right-of-use assets	**$ 84.8**	$ 94.7
Other accrued expenses	**$ 10.5**	$ 12.1
Operating lease liabilities	**79.7**	88.1
Total operating lease liabilities	**$ 90.2**	$ 100.2
Finance Leases		
Property and equipment, gross	**$ 48.6**	$ 52.3
Accumulated depreciation	**(47.1)**	(47.7)
Property and equipment, net	**$ 1.5**	$ 4.6
Other accrued expenses	**$ 1.9**	$ 3.6
Other liabilities	**0.9**	3.0
Total finance lease liabilities	**$ 2.8**	$ 6.6
Weighted Average Remaining Lease Term		
Operating leases	9.0 years	9.6 years
Finance leases	1.6 years	1.5 years
Weighted Average Discount Rate		
Operating leases	5.9 %	5.7 %
Finance leases	4.4 %	4.7 %

Maturities of lease liabilities as of December 31, 2022 were as follows (*in millions*):

	Operating Leases	Finance Leases
2023	$ 15.4	$ 2.0
2024	14.7	0.9
2025	14.1	—
2026	11.4	—
2027	10.6	—
Thereafter	51.0	—
Total lease payments	117.2	2.9
Less imputed interest	(27.0)	(0.1)
Total	$ 90.2	$ 2.8

Note 17—Income Taxes

The components of our income (loss) from continuing operations before income taxes and the provision for income taxes are as follows (*in millions*):

	Year Ended December 31,		
	2022	**2021**	**2020**
Income (loss) from continuing operations before income taxes:			
Domestic	**$ (59.7)**	$ (55.8)	$ (79.2)
Foreign	**98.3**	70.1	14.4
Total	**$ 38.6**	$ 14.3	$ (64.8)
Income tax expense (benefit):			
Current:			
Federal	**$ (9.2)**	$ (16.6)	$ (27.2)
Foreign	**23.1**	27.7	20.5
State	**(1.6)**	(0.4)	(4.0)
Total current provision	**12.3**	10.7	(10.7)
Deferred:			
Federal	**(2.9)**	4.6	4.9
Foreign	**0.9**	0.4	(4.9)
State	**(0.3)**	(0.6)	(0.5)
Total deferred provision	**(2.3)**	4.4	(0.5)
Income tax expense	**$ 10.0**	$ 15.1	$ (11.2)

The provision for income taxes was different from the U.S. federal statutory rate applied to income before taxes, and is reconciled as follows:

	Year Ended December 31,		
	2022	**2021**	**2020**
Statutory rate	**21.0 %**	21.0 %	21.0 %
State and local income taxes, net	**(4.8)%**	1.3 %	2.5 %
Reserves for tax exposures	**0.4 %**	(1.2)%	0.3 %
Change in valuation allowance	**8.5 %**	9.5 %	(1.9)%
International operations	**2.9 %**	56.2 %	(6.5)%
Stock-based compensation	**— %**	(5.3)%	7.3 %
Impact of law and rate change	**(5.6)%**	1.5 %	4.5 %
Excess officer's compensation	**5.5 %**	7.9 %	(1.4)%
Transaction costs	**(0.2)%**	2.5 %	(0.8)%
Refund claims	**— %**	(19.2)%	— %
Goodwill and other intangibles impairment	**— %**	— %	(9.7)%
Impact of acquisition and divestiture adjustments	**— %**	34.3 %	2.2 %
Other, net	**(1.8)%**	(2.9)%	(0.2)%
Effective rate	**25.9 %**	105.6 %	17.3 %

The effective tax rate in 2021 was unfavorably impacted by earnings mix between domestic and foreign, and by the expense for the increase in the estimated value of contingent consideration for which no tax benefit was recorded.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. We believe that it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets. The valuation allowance as of December 31, 2022 primarily relates to net operating losses, tax credits and capital loss carryforwards that are not more likely than not to be utilized prior to their expiration.

We offset all deferred tax assets and liabilities by jurisdiction, as well as any related valuation allowance, and present them as a non-current deferred income tax asset or liability (as applicable). Deferred tax assets (liabilities) are comprised of the following (*in millions*):

	December 31,	
	2022	**2021**
Gross deferred tax assets:		
Allowances for trade and finance receivables	**$ 9.0**	$ 9.2
Accruals and liabilities	**3.9**	6.5
Employee benefits and compensation	**7.1**	14.4
Net operating loss carryforwards	**19.5**	52.8
Right of use lease liability	**22.4**	87.8
Other	**5.3**	7.8
Total deferred tax assets	**67.2**	178.5
Deferred tax asset valuation allowance	**(25.3)**	(45.7)
Total	**41.9**	132.8
Gross deferred tax liabilities:		
Property and equipment	**(16.1)**	(77.2)
Goodwill and intangible assets	**(49.9)**	(102.2)
Right of use lease asset	**(21.0)**	(80.2)
Other	**(2.6)**	(3.0)
Total	**(89.6)**	(262.6)
Net deferred tax liabilities	**$ (47.7)**	$ (129.8)

The tax benefit from state and federal net operating loss carryforwards expires as follows (*in millions*):

2023	$ —
2024	—
2025	0.2
2026	0.1
2027	—
2028 to 2042	19.2
	$ 19.5

Permanently reinvested undistributed earnings of our foreign subsidiaries were approximately $528.6 million at December 31, 2022. Because these amounts have been or will be permanently reinvested in properties and working capital, we have not recorded the deferred taxes associated with these earnings. If the undistributed earnings of foreign subsidiaries were to be remitted, state and local income tax expense and withholding tax expense would need to be recognized, net of any applicable foreign tax credits. It is not practical for us to determine the additional tax that would be incurred upon remittance of these earnings.

We made federal income tax payments, related to continuing operations and net of federal income tax refunds, of $0.0 million, $0.0 million and $0.0 million in 2022, 2021 and 2020, respectively. State and foreign income taxes paid by us, net of refunds, totaled $25.6 million, $24.8 million and $16.6 million in 2022, 2021 and 2020, respectively.

We apply the provisions of ASC 740, *Income Taxes*. ASC 740 clarifies the accounting and reporting for uncertainty in income taxes recognized in an enterprise's financial statements. These provisions prescribe a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken on income tax returns.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (*in millions*):

	December 31,	
	2022	**2021**
Balance at beginning of period	**$ 5.0**	$ 5.4
Increase in prior year tax positions	**0.4**	—
Decrease in prior year tax positions	**—**	(0.2)
Increase in current year tax positions	**1.4**	0.6
Lapse in statute of limitations	**(1.0)**	(0.8)
Balance at end of period	**$ 5.8**	$ 5.0

The total amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate was $4.2 million and $4.0 million at December 31, 2022 and 2021, respectively.

We record interest and penalties associated with the uncertain tax positions within our provision for income taxes on the income statement. We had reserves totaling $0.4 million and $0.4 million at December 31, 2022 and December 31, 2021 associated with interest and penalties, net of tax.

The provision for income taxes involves management judgment regarding interpretation of relevant facts and laws in the jurisdictions in which the Company operates. Future changes in applicable laws, projected levels of taxable income and tax planning could change the effective tax rate and tax balances recorded by us. In addition, U.S. and non-U.S. tax authorities periodically review income tax returns filed by us and can raise issues regarding our filing positions, timing and amount of income or deductions and the allocation of income among the jurisdictions in which we operate. A significant period of time may elapse between the filing of an income tax return and the ultimate resolution of an issue raised by a revenue authority with respect to that return. In the normal course of business we are subject to examination by taxing authorities in the U.S., Canada, Western Europe, United Kingdom, Mexico, Uruguay and the Philippines. In general, the examination of our material tax returns is completed for the years prior to 2019.

Based on the potential outcome of the Company's tax examinations and the expiration of the statute of limitations for specific jurisdictions, it is reasonably possible that the currently remaining unrecognized tax benefits will change within the next 12 months. The associated net tax impact on the reserve balance is estimated to be in the range of a $0.5 million to $1.0 million decrease.

Note 18—Employee Benefit Plans

401(k) Plan

We maintain a defined contribution 401(k) plan that covers substantially all U.S. employees. Participants are generally allowed to make non-forfeitable contributions up to the annual IRS limits. The Company matches 100 percent of the amounts contributed by each individual participant up to 4 percent of the participant's compensation. Participants are 100 percent vested in the Company's contributions. For the years ended December 31, 2022, 2021 and 2020 we contributed $6.3 million, $6.6 million and $6.1 million, respectively.

Note 19—Commitments and Contingencies

We are involved in litigation and disputes arising in the ordinary course of business, such as actions related to injuries; property damage; handling, storage or disposal of vehicles; environmental laws and regulations; and other litigation incidental to the business such as employment matters and dealer disputes. Management considers the likelihood of loss or the incurrence of a liability, as well as the ability to reasonably estimate the amount of loss, in determining loss contingencies. We accrue an estimated loss contingency when it is probable that a liability has been incurred and the amount of loss (or range of possible losses) can be reasonably estimated. Management regularly evaluates current information available to determine whether accrual amounts should be adjusted. Accruals for contingencies including litigation and environmental matters are included in "Other accrued expenses" at undiscounted amounts and exclude claims for recoveries from insurance or other third parties. These accruals are adjusted periodically as assessment and remediation efforts progress, or as additional technical or legal information becomes available. If the amount of an actual loss is greater than the amount accrued, this could have an adverse impact on our operating results in that period. Legal fees are expensed as incurred.

We have accrued, as appropriate, for environmental remediation costs anticipated to be incurred at certain of our vehicle logistics center facilities. There were no liabilities for environmental matters included in "Other accrued expenses" at December 31, 2022 or 2021.

We store a significant number of vehicles owned by various customers that are consigned to us to be sold through our marketplaces. We are contingently liable for each consigned vehicle until the eventual sale or other disposition, subject to certain natural disaster exceptions. Individual stop loss and aggregate insurance coverage is maintained on the consigned vehicles. These consigned vehicles are not included in the consolidated balance sheets.

In the normal course of business, we also enter into various other guarantees and indemnities in our relationships with suppliers, service providers, customers and others. These guarantees and indemnifications do not materially impact our financial condition or results of operations, but indemnifications associated with our actions generally have no dollar limitations and historically have been inconsequential.

As noted above, we are involved in litigation and disputes arising in the ordinary course of business. Although the outcome of litigation cannot be accurately predicted, based on evaluation of information presently available, our management does not currently believe that the ultimate resolution of these actions will have a material adverse effect on our financial condition, results of operations or cash flows.

Note 20—Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consisted of the following (*in millions*):

	December 31, 2022	December 31, 2021
Foreign currency translation loss	**$ (49.5)**	$ (19.0)
Unrealized gain (loss) on interest rate derivatives, net of tax	**—**	(5.7)
Accumulated other comprehensive loss	**$ (49.5)**	$ (24.7)

Note 21—Segment Information

ASC 280, *Segment Reporting*, requires reporting of segment information that is consistent with the manner in which the chief operating decision maker operates and views the Company.

Our operations are grouped into two operating segments: Marketplace (formerly referenced as ADESA Auctions) and Finance (formerly referenced as AFC), which also serve as our reportable business segments. These reportable business segments offer different services and have fundamental differences in their operations. Beginning in the first quarter of 2022, results of the ADESA U.S. physical auctions are now reported as discontinued operations (see Note 4). Segment results for prior periods have been reclassified to conform with the new presentation.

Marketplace encompasses all wholesale marketplaces throughout North America (U.S., Canada and Mexico) and Europe. Beginning in October 2021, the Marketplace segment includes CARWAVE, an online dealer-to-dealer marketplace that was integrated with BacklotCars in the fourth quarter of 2022. Beginning in November 2020, the Marketplace segment includes BacklotCars, an app and web-based dealer-to-dealer wholesale vehicle platform. The Marketplace segment relates to used vehicle remarketing, including marketplace services, remarketing, or make ready services and all are interrelated, synergistic elements along the auto remarketing chain.

The Finance segment (through AFC) is primarily engaged in the business of providing short-term, inventory-secured financing to independent, used vehicle dealers. Prior to December 2020, AFC also included providing independent used vehicle dealer customers with vehicle service contracts. AFC conducts business primarily at or near wholesale used vehicle auctions in the U.S. and Canada and other areas where there is a concentration of AFC customers.

Financial information regarding our reportable segments is set forth below as of and for the year ended December 31, 2022 *(in millions)*:

	Marketplace	Finance	Consolidated
Operating revenues	$ 1,143.5	$ 375.9	$ 1,519.4
Operating expenses			
Cost of services (exclusive of depreciation and amortization)	771.2	63.1	834.3
Selling, general and administrative	398.6	46.5	445.1
Depreciation and amortization	92.3	7.9	100.2
Gain on sale of property	(33.9)	—	(33.9)
Total operating expenses	1,228.2	117.5	1,345.7
Operating profit (loss)	(84.7)	258.4	173.7
Interest expense	40.2	79.0	119.2
Other (income) expense, net	(8.4)	7.1	(1.3)
Loss on extinguishment of debt	17.2	—	17.2
Intercompany expense (income)	8.4	(8.4)	—
Income (loss) from continuing operations before income taxes	(142.1)	180.7	38.6
Income taxes	(36.4)	46.4	10.0
Income (loss) from continuing operations	$ (105.7)	$ 134.3	$ 28.6
Total assets	$ 2,297.8	$ 2,822.0	$ 5,119.8
Capital expenditures	$ 55.7	$ 5.2	$ 60.9

Financial information regarding our reportable segments is set forth below as of and for the year ended December 31, 2021 *(in millions)*:

	Marketplace	Finance	Consolidated
Operating revenues	$ 1,161.4	$ 289.2	$ 1,450.6
Operating expenses			
Cost of services (exclusive of depreciation and amortization)	737.1	55.4	792.5
Selling, general and administrative	385.5	35.2	420.7
Depreciation and amortization	100.5	9.4	109.9
Total operating expenses	1,223.1	100.0	1,323.1
Operating profit (loss)	(61.7)	189.2	127.5
Interest expense	86.2	39.5	125.7
Other (income) expense, net	4.5	(17.0)	(12.5)
Intercompany expense (income)	0.2	(0.2)	—
Income (loss) from continuing operations before income taxes	(152.6)	166.9	14.3
Income taxes	(26.4)	41.5	15.1
Income (loss) from continuing operations	$ (126.2)	$ 125.4	$ (0.8)
Total assets	$ 2,562.0	$ 2,908.9	$ 5,470.9
Capital expenditures	$ 59.6	$ 4.6	$ 64.2

Financial information regarding our reportable segments is set forth below as of and for the year ended December 31, 2020 *(in millions)*:

	Marketplace	Finance	Consolidated
Operating revenues	$ 1,059.3	$ 267.6	$ 1,326.9
Operating expenses			
Cost of services (exclusive of depreciation and amortization)	665.2	79.1	744.3
Selling, general and administrative	337.9	36.6	374.5
Depreciation and amortization	96.6	12.5	109.1
Goodwill and other intangibles impairment	29.8	—	29.8
Total operating expenses	1,129.5	128.2	1,257.7
Operating profit (loss)	(70.2)	139.4	69.2
Interest expense	89.1	39.1	128.2
Other (income) expense, net	5.9	(0.1)	5.8
Intercompany expense (income)	1.1	(1.1)	—
Income (loss) from continuing operations before income taxes	(166.3)	101.5	(64.8)
Income taxes	(33.1)	21.9	(11.2)
Income (loss) from continuing operations	$ (133.2)	$ 79.6	$ (53.6)
Total assets	$ 2,508.2	$ 2,282.9	$ 4,791.1
Capital expenditures	$ 56.9	$ 5.9	$ 62.8

Geographic Information

Our foreign operations include Canada, Mexico, Continental Europe and the U.K. Approximately 62%, 56% and 58% of our foreign operating revenues were from Canada for the years ended December 31, 2022, 2021 and 2020, respectively. Most of the remaining foreign operating revenues were generated from Continental Europe. Information regarding the geographic areas of our operations is set forth below *(in millions)*:

	Year Ended December 31,		
	2022	2021	2020
Operating revenues			
U.S.	**$ 992.9**	$ 847.9	$ 858.4
Foreign	**526.5**	602.7	468.5
	$ 1,519.4	$ 1,450.6	$ 1,326.9

	December 31,	
	2022	2021
Long-lived assets		
U.S.	**$ 1,787.4**	$ 1,900.2
Foreign	**310.0**	392.1
	$ 2,097.4	$ 2,292.3

No single customer accounted for more than ten percent of our total revenues in any fiscal year presented.

Note 22—Quarterly Financial Data (Unaudited)

Information for any one quarterly period is not necessarily indicative of the results that may be expected for the year.

2022 Quarter Ended	March 31	June 30	Sept. 30	Dec. 31
Operating revenues	$ 369.4	$ 384.2	$ 393.0	$ 372.8
Operating expenses				
Cost of services (exclusive of depreciation and amortization)	210.8	211.9	209.6	202.0
Selling, general, and administrative	118.9	124.1	109.1	93.0
Depreciation and amortization	26.0	25.9	24.3	24.0
Gain on sale of property	—	—	—	(33.9)
Total operating expenses	355.7	361.9	343.0	285.1
Operating profit	13.7	22.3	50.0	87.7
Interest expense	25.6	25.9	32.3	35.4
Other (income) expense, net	1.2	4.0	1.2	(7.7)
Loss on extinguishment of debt	—	7.7	9.3	0.2
Income (loss) from continuing operations before income taxes	(13.1)	(15.3)	7.2	59.8
Income taxes	(4.7)	(9.9)	6.7	17.9
Income (loss) from continuing operations	$ (8.4)	$ (5.4)	$ 0.5	$ 41.9
Income (loss) from continuing operations per share				
Basic	$ (0.16)	$ (0.10)	$ (0.09)	$ 0.21
Diluted	$ (0.16)	$ (0.10)	$ (0.09)	$ 0.21

2021 Quarter Ended	March 31	June 30	Sept. 30	Dec. 31
Operating revenues	$ 369.8	$ 376.0	$ 347.1	$ 357.7
Operating expenses				
Cost of services (exclusive of depreciation and amortization)	203.8	208.8	185.7	194.2
Selling, general, and administrative	107.3	106.4	104.8	102.2
Depreciation and amortization	26.9	27.4	27.4	28.2
Total operating expenses	338.0	342.6	317.9	324.6
Operating profit (loss)	31.8	33.4	29.2	33.1
Interest expense	30.8	31.0	31.9	32.0
Other (income) expense, net	(49.7)	15.3	13.9	8.0
Income (loss) from continuing operations before income taxes	50.7	(12.9)	(16.6)	(6.9)
Income taxes	24.5	2.4	10.3	(22.1)
Income (loss) from continuing operations	$ 26.2	$ (15.3)	$ (26.9)	$ 15.2
Income (loss) from continuing operations per share				
Basic	$ 0.10	$ (0.16)	$ (0.31)	$ 0.04
Diluted	$ 0.10	$ (0.16)	$ (0.31)	$ 0.04

Form 10-K

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer, principal financial officer and principal accounting officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, as a result of the material weakness in internal control over financial reporting that is described below in "Management's Report on Internal Control Over Financial Reporting," our principal executive officer, principal financial officer and principal accounting officer determined that, as of December 31, 2022, our disclosure controls and procedures were not effective.

Notwithstanding the identified material weakness, management, including our principal executive officer, principal financial officer and principal accounting officer, believes the consolidated financial statements included in this Annual Report on Form 10-K fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. Generally Accepted Accounting Principles ("U.S. GAAP").

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed under the supervision of our principal executive officer, principal financial officer and principal accounting officer, and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and include those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and the dispositions of our assets;
- Provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and Board of Directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our principal executive officer, principal financial officer and principal accounting officer, and under the oversight of our Board of Directors, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2022, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013)*.

Based on this evaluation, management concluded that we did not maintain effective internal control over financial reporting as of December 31, 2022 due to a material weakness related to ineffective process level controls over the review of the statement of cash flows as it relates to operating cash flows related to discontinued operations and operating and financing cash flows related to contingent consideration paid resulting from ineffective risk assessment associated with changes in our business operations related to the acquisition and disposition of businesses.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements could occur but will not be prevented or detected on a timely basis.

Misstatements of operating cash flows between continuing and discontinued operations and between operating and financing cash flows for payment of contingent consideration were corrected for the year-ended December 31, 2022 prior to the issuance of this Annual Report on Form 10-K. Misstatements of quarterly periods in 2022 are in the process of being restated and there was no impact on prior years' financial statements as a result of these control deficiencies.

KPMG LLP, the independent registered public accounting firm that has audited the consolidated financial statements included in this Annual Report on Form 10-K, has issued an adverse opinion on our internal control over financial reporting as of December 31, 2022, included in their report under Item 8 "Financial Statements and Supplementary Data."

Remediation Plan for the Material Weakness

In order to remediate the material weakness, management has implemented a remediation plan to perform appropriate risk assessment over cash flow presentation, which includes assessment of controls designed to identify all accounts and transactions impacting the classification of cash flows related to the acquisition and disposition of businesses to ensure that the presentation in the statement of cash flows of transactions that do not relate to normal operations are complete and accurate. Management may determine to take additional measures to address the material weakness or modify the remediation efforts described above. The material weakness will be considered remediated after the applicable controls operate for a sufficient period of time and management has concluded, through testing, that the controls are operating effectively.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the fiscal quarter ended December 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
KAR Auction Services, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited KAR Auction Services, Inc.'s and subsidiaries (the Company) internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weakness, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements), and our report dated March 9, 2023 expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to ineffective process level controls over the statement of cash flows has been identified and included in management's assessment. The material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2022 consolidated financial statements, and this report does not affect our report on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Indianapolis, Indiana
March 9, 2023

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information relating to our directors and nominees will be included in our Definitive Proxy Statement for our 2023 Annual Meeting of Stockholders and such information will be incorporated by reference herein. Our executive officers are as follows:

Name	Age	Position
Peter J. Kelly	54	Chief Executive Officer
Scott A. Anderson	57	Interim Chief Financial Officer and Chief Accounting Officer
Charles S. Coleman	51	Executive Vice President, Chief Legal Officer and Secretary
James P. Coyle	42	Executive Vice President, Chief Digital Officer
Justin T. Davis	37	President of BacklotCars
James P. Hallett	69	Executive Chairman and Chairman of the Board of Directors
James E. Money	60	President of AFC
Lisa A. Price	48	Executive Vice President, Chief People Officer
Sriram Subrahmanyam	53	President, KAR Services Group and Executive Vice President, Operations

Peter J. Kelly, 54, Chief Executive Officer. Mr. Kelly has been Chief Executive Officer of the Company since April 2021. Previously, Mr. Kelly served as the Company's President from January 2019 to March 2021, the President of Digital Services from December 2014 to January 2019 and the Chief Technology Officer from June 2013 to January 2019. Mr. Kelly was the President and Chief Executive Officer of OPENLANE from February 2011 to June 2013. Prior to that, Mr. Kelly was President and Chief Financial Officer of OPENLANE from February 2010 to February 2011. Mr. Kelly was a co-founder of OPENLANE in 1999 and served in a number of executive roles at OPENLANE from 1999 to 2010.

Scott A. Anderson, 57, Interim Chief Financial Officer and Chief Accounting Officer. Mr. Anderson has been Interim Chief Financial Officer of the Company since January 1, 2023 and Chief Accounting Officer of the Company since March 2021. Previously, Mr. Anderson served as Vice President and Controller of the Company from 2007 to February 2021, and as Controller of ADESA, Inc. from 2001 to 2007. Prior to joining the Company, Mr. Anderson served as senior manager of assurance and business advisory services at PricewaterhouseCoopers LLP from 1997 to 2001, and held various positions at PricewaterhouseCoopers LLP from 1988 to 1997.

Charles S. Coleman, 51, Executive Vice President, Chief Legal Officer and Secretary. Mr. Coleman has served as the Company's Executive Vice President and Chief Legal Officer since November 2020, and as Secretary since October 2019. Mr. Coleman previously served as Senior Vice President and General Counsel from October 2017 to October 2020, Assistant Secretary from April 2015 to October 2019, and as Vice President and Assistant General Counsel from April 2015 to October 2017. Prior to joining the Company, Mr. Coleman practiced corporate law as an associate attorney and then partner with Krieg DeVault in Indianapolis from 1999 to March 2015 and as an associate attorney with Baker Donelson (formerly Berkowitz, Lefkovits, Isom & Kushner) in Birmingham from 1996 to 1999.

James P. Coyle, 42, Executive Vice President, Chief Digital Officer. Mr. Coyle has served as the Company's Executive Vice President, Chief Digital Officer since October 2021. Mr. Coyle was the Chief Executive Officer and member of the Board of Directors of RealSelf, Inc. from September 2020 to October 2021 and Chief Operating Officer from April 2019 to September 2020. Prior to that, Mr. Coyle served as Chief Customer Officer of Varsity Tutors LLC from August 2016 to April 2019, President, Home Appliances, Commercial Sales and Monark Appliances of Sears Holdings Corporation from June 2014 to June 2016, and served in several positions at Amazon.com, Inc. from 2007 to 2014, his last role being Director, Category leader of Electronics.

Justin T. Davis, 37, President of BacklotCars. Mr. Davis has served as President of BacklotCars since April 2015. Prior to co-founding BacklotCars, Mr. Davis spent a decade in the wholesale used vehicle industry, including as a remarketing manager at Ally Financial Inc. from March 2013 to April 2014 and as a field sales representative at Manheim, Inc. from December 2009 to March 2013.

James P. Hallett, 69, Executive Chairman and Chairman of the Board of Directors. Mr. Hallett has served as the Executive Chairman since April 2021 and the Chairman of the Board of Directors since December 2014. Mr. Hallett served as the Company's Chief Executive Officer from September 2009 to March 2021 and President and Chief Executive Officer of ADESA from April 2007 to September 2009. Mr. Hallett served as: Executive Vice President of ADESA, Inc. from May 2004 to May 2005; President of ADESA Corporation, LLC from March 2004 to May 2005; President of ADESA Corporation between August 1996 and October 2001 and again between January 2003 and March 2004; Chief Executive Officer of ADESA

Corporation from August 1996 to July 2003; ADESA Corporation's Chairman from October 2001 to July 2003; Chairman, President and Chief Executive Officer of ALLETE Automotive Services, Inc. from January 2001 to January 2003 and Executive Vice President from August 1996 to May 2004. Mr. Hallett left ADESA in May 2005 and thereafter served as President of the Columbus Fair Auto Auction until April 2007.

James E. Money, 60, President of AFC. Mr. Money has been President of AFC since June 2016. Mr. Money joined AFC in 1999 as Controller and was later promoted to Vice President of Finance in 2006 and to Chief Financial Officer in 2009. Prior to joining AFC, Mr. Money served as Chief Financial Officer of Fundex Games, LTD from 1998 to 1999. Mr. Money is a certified public accountant (inactive).

Lisa A. Price, 48, Executive Vice President, Chief People Officer. Ms. Price has served as the Company's Executive Vice President, Chief People Officer since January 2020. Ms. Price previously served as the Executive Vice President of Human Resources from June 2013 to January 2020. Prior to that, Ms. Price served as the Vice President of Employment and Litigation Counsel of the Company from January 2008 to June 2013 and Senior Corporate Counsel from November 2005 to January 2008. Prior to joining ADESA, Ms. Price practiced employment law with Stewart & Irwin in Indianapolis from November 2000 to November 2005.

Sriram Subrahmanyam, Ph.D., 53, President, KAR Services Group and Executive Vice President, Operations. Mr. Subrahmanyam has served as the Company's President, KAR Services Group and Executive Vice President, Operations since May 2022. Mr. Subrahmanyam previously served as the Chief Operating Officer of ADESA from March 2018 to May 2022. Prior to that, Mr. Subrahmanyam served as the Company's Senior Vice President, Business Transformation from January 2017 to March 2018. Prior to joining the Company, Mr. Subrahmanyam served as Global Vice President, Engineering of Ingram Micro Inc. from January 2013 to January 2017, Executive Vice President and Chief Operations Officer, Brightpoint Americas of Brightpoint, Inc. (which was acquired by Ingram Micro Inc.) from February 2012 to January 2013, Principal of Orchard Group from January 2011 to February 2012, Senior Vice President and Chief Procurement Officer of Career Education Corporation from December 2008 to January 2011, and held various positions of increased responsibility at United Airlines, Inc. from 1999 to 2008, including Vice President, Continuous Improvement from 2006 to 2008.

Delinquent Section 16(a) Reports

The information required by this item is incorporated by reference herein from our Definitive Proxy Statement for our 2023 Annual Meeting of Stockholders to be filed with the SEC as set forth under the caption "Documents Incorporated by Reference."

Code of Business Conduct and Ethics

We have adopted the Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. In addition, we have adopted the Code of Ethics for Principal Executive and Senior Financial Officers that applies to the Company's principal executive officer, principal financial and accounting officer and such other persons who are designated by our board of directors. Both codes are available on our website at www.karglobal.com and available in print to any stockholder who requests it. Information on, or accessible through, our website is not part of this Form 10-K. We expect that any amendments to these codes, or any waivers of their requirements, will be disclosed on our website.

Item 11. Executive Compensation

The information required by this Item 11 is incorporated by reference herein from our Definitive Proxy Statement for our 2023 Annual Meeting of Stockholders to be filed with the SEC as set forth under the caption "Documents Incorporated by Reference."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 403 of Regulation S-K will be included in our Definitive Proxy Statement for our 2023 Annual Meeting and such information will be incorporated by reference herein.

Equity Compensation Plan Information

The following table sets forth the aggregate information of our equity compensation plans in effect as of December 31, 2022.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights(2)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)(3)
Equity compensation plans approved by security holder(s)	7,939,626	$ 15.71	4,637,525
Equity compensation plans not approved by security holders	—	—	—
Total	7,939,626	$ 15.71	4,637,525

(1) Includes service options, market options, performance-based restricted stock units ("PRSUs") and restricted stock units ("RSUs") issued under the KAR Auction Services, Inc. 2009 Omnibus Stock and Incentive Plan (including dividend equivalents). PRSUs have been included at target.

(2) Option awards issued by KAR Auction Services, Inc. have exercise prices ranging from $8.11 to $18.23. The weighted-average price in the table above only reflects the weighted-average exercise price of outstanding options. The weighted-average exercise price does not include the PRSUs or RSUs.

(3) The number of securities available for future issuance includes (a) 3,569,480 shares of common stock that may be issued under the KAR Auction Services, Inc. 2009 Omnibus Stock and Incentive Plan; and (b) 1,068,045 shares of common stock that may be issued under the KAR Auction Services, Inc. Employee Stock Purchase Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item 13 is incorporated by reference herein from our Definitive Proxy Statement for our 2023 Annual Meeting of Stockholders to be filed with the SEC as set forth under the caption "Documents Incorporated by Reference."

Item 14. Principal Accountant Fees and Services

The information required by this Item 14 is incorporated by reference herein from our Definitive Proxy Statement for our 2023 Annual Meeting of Stockholders to be filed with the SEC as set forth under the caption "Documents Incorporated by Reference."

PART IV

Item 15. Exhibit and Financial Statement Schedules

a) The following documents have been filed as part of this report or, where noted, incorporated by reference:

1) Financial Statements—the consolidated financial statements of KAR Auction Services, Inc. and its consolidated subsidiaries are filed as part of this report under Item 8.

2) Financial Statement Schedules—all schedules have been omitted because the matter or conditions are not present or the information required to be set forth therein is included in the consolidated financial statements and related notes thereto.

3) Exhibits—the exhibit index below is incorporated herein by reference as the list of exhibits required as part of this report.

In reviewing the agreements included as exhibits to this report, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company and its subsidiaries or other parties to the agreements.

The agreements included or incorporated by reference as exhibits to this report contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties were made solely for the benefit of the other parties to the applicable agreement and (i) were not intended to be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate; (ii) may have been qualified in such agreement by disclosures that were made to the other party in connection with the negotiation of the applicable agreement; (iii) may apply contract standards of "materiality" that are different from "materiality" under the applicable securities laws; and (iv) were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this report and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov. See Item 1, "Business—Available Information."

EXHIBIT INDEX

			Incorporated by Reference				
Exhibit No.		**Exhibit Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed Herewith**
2.1	+	Separation and Distribution Agreement, dated as of June 27, 2019, by and between KAR Auction Services, Inc. and IAA, Inc.	8-K	001-34568	2.1	6/28/2019	
2.2		Agreement and Plan of Merger dated as of September 4, 2020 by and among ADESA, Inc., Showroom Merger Sub, Inc., KAR Auction Services, Inc., BacklotCars, Inc. and Shareholder Representative Services LLC, as the securityholders representative	8-K	001-34568	2.1	9/8/2020	
2.3		Securities Purchase Agreement, by and among ADESA, Inc., Carwave Holdings LLC, KKR Chevy Aggregator L.P., John Lauer, William Lauer, Joseph Lauer, Lauer Holdings Inc., KKR Chevy Blocker, LLC, KKR-Milton Strategic Partners L.P., KKR DAF Private Assets Fund Designated Activity Company, KKR NGT II (Chevy) Blocker L.P. and KKR NGT II (Chevy) Blocker Parent L.P.	8-K	001-34568	2.1	8/23/2021	
2.4		Securities and Asset Purchase Agreement, dated as of February 24, 2022, by and among KAR Auction Services, Inc., Carvana Group, LLC and Carvana Co. solely for purposes of Section 10.15 thereof as guarantor	8-K	001-34568	2.1	2/24/2022	

		Incorporated by Reference				
Exhibit No.	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation of KAR Auction Services, Inc.	10-Q	001-34568	3.1	8/3/2016	
3.2	Second Amended and Restated By-Laws of KAR Auction Services, Inc.	8-K	001-34568	3.1	11/4/2014	
3.3	Certificate of Designations Designating the Series A Convertible Preferred Stock	8-K	001-34568	3.1	6/10/2020	
4.1	Indenture, dated as of May 31, 2017, among KAR Auction Services, Inc., the guarantors party thereto and U.S. Bank National Association, as trustee, including the form of the Notes	8-K	001-34568	4.1	5/31/2017	
4.2	Form of common stock certificate	S-1/A	333-161907	4.15	12/10/2009	
4.3	Description of the Company's securities	10-K	001-34568	4.3	2/19/2020	
10.1a	Amendment and Restatement Agreement, dated March 11, 2014, among KAR Auction Services, Inc. and certain of its subsidiaries and JPMorgan Chase Bank, N.A., as administrative agent, swingline lender and issuing lender (the Amended and Restated Credit Agreement and the Amended and Restated Guarantee and Collateral Agreement are included as Exhibits A and B thereto, respectively)	8-K	001-34568	10.1	3/12/2014	
10.1b	Incremental Commitment Agreement and First Amendment, dated as of March 9, 2016, among KAR Auction Services, Inc., JPMorgan Chase Bank, N.A., as administrative agent, certain subsidiaries of the Company party thereto and the several lenders party thereto	8-K	001-34568	10.1	3/9/2016	
10.1c	Incremental Commitment Agreement and Second Amendment, dated as of May 31, 2017, among KAR Auction Services, Inc., JPMorgan Chase Bank, N.A., as administrative agent, the guarantors party thereto and the several lenders party thereto	8-K	001-34568	10.1	5/31/2017	
10.1d	Third Amendment Agreement, dated as of September 19, 2019, by and among KAR Auction Services, Inc., JPMorgan Chase Bank, N.A., as administrative agent, certain subsidiaries of KAR Auction Services, Inc. party thereto and the several lenders party thereto	8-K	001-34568	10.1	9/20/2019	
10.1e	Technical Amendment, dated as of May 28, 2020, by and between KAR Auction Services, Inc., and JPMorgan Chase Bank, N.A., as administrative agent	10-K	001-34568	10.1e	2/18/2021	
10.1f	Fourth Amendment Agreement, dated as of May 29, 2020, by and among KAR Auction Services, Inc., JPMorgan Chase Bank, N.A., as administrative agent, certain subsidiaries of the Company party thereto and the certain revolving lenders party thereto	8-K	001-34568	10.1	6/1/2020	
10.1g	Fifth Amendment Agreement, dated September 2, 2020, by and among KAR Auction Services, Inc., JPMorgan Chase Bank, N.A., as administrative agent, certain subsidiaries of KAR Auction Services, Inc. party thereto and the certain revolving lenders party thereto	8-K	001-34568	10.1	9/8/2020	
10.2 *	Employment Agreement, dated March 1, 2021, between KAR Auction Services, Inc. and James P. Hallett	8-K	001-34568	10.1	3/2/2021	

Exhibit No.		Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
10.3a	*	Employment Agreement, dated March 9, 2020, between KAR Auction Services, Inc. and Eric M. Loughmiller	8-K	001-34568	10.2	3/13/2020	
10.3b	*	Letter Agreement, dated January 1, 2023, between KAR Auction Services, Inc. and Eric M. Loughmiller					X
10.4	*	Employment Agreement, dated March 9, 2020, between KAR Auction Services, Inc. and John C. Hammer	8-K	001-34568	10.1	3/13/2020	
10.5a	*	Employment Agreement, dated March 9, 2020, between KAR Auction Services, Inc. and Peter J. Kelly	10-Q	001-34568	10.9	5/7/2020	
10.5b	*	Amendment No. 1 to Employment Agreement, dated March 1, 2021, between KAR Auction Services Inc. and Peter J. Kelly	8-K	001-34568	10.2	3/2/2021	
10.6	*	Employment Agreement, dated October 26, 2021, between KAR Auction Services, Inc. and James Coyle	10-K	001-34568	10.6	2/23/2022	
10.7a	*	Employment Agreement, dated March 9, 2020, between KAR Auction Services, Inc. and Sriram Subrahmanyam					X
10.7b	*	Amendment No. 1 to Employment Agreement, dated May 9, 2022, between KAR Auction Services, Inc. and Sriram Subrahmanyam					X
10.8a	*	Employment Agreement, dated March 9, 2020, between KAR Auction Services, Inc. and Thomas J. Fisher	10-K	001-34568	10.6	2/18/2021	
10.8b	*	Engagement Letter, dated August 1, 2022, between KAR Auction Services, Inc. and Tack Iron, LLC (Thomas J. Fisher)					X
10.9	*	KAR Auction Services, Inc. Annual Incentive Program Summary of Terms 2022	10-K	001-34568	10.8	2/23/2022	
10.10	*	KAR Auction Services, Inc. Annual Incentive Program Summary of Terms 2023					X
10.11a	^	Amended and Restated Purchase and Sale Agreement, dated May 31, 2002, between AFC Funding Corporation and Automotive Finance Corporation	S-4	333-148847	10.32	1/25/2008	
10.11b		Amendment No. 1 to Amended and Restated Purchase and Sale Agreement, dated June 15, 2004	S-4	333-148847	10.33	1/25/2008	
10.11c		Amendment No. 2 to Amended and Restated Purchase and Sale Agreement, dated January 18, 2007	S-4	333-148847	10.34	1/25/2008	
10.11d	^	Amendment No. 3 to Amended and Restated Purchase and Sale Agreement, dated April 20, 2007	S-4	333-148847	10.35	1/25/2008	
10.11e		Amendment No. 4 to Amended and Restated Purchase and Sale Agreement, dated January 30, 2009	10-K	001-34568	10.19e	2/28/2012	
10.11f		Amendment No. 5 to Amended and Restated Purchase and Sale Agreement, dated April 25, 2011	10-K	001-34568	10.19f	2/28/2012	

Exhibit No.		Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
10.12	+	Tenth Amended and Restated Receivables Purchase Agreement, dated September 28, 2022, by and among Automotive Finance Corporation, AFC Funding Corporation, Fairway Finance Company, LLC, Fifth Third Bank, National Association, Chariot Funding LLC, PNC Bank, National Association, Thunder Bay Funding, LLC, Truist Bank, BMO Capital Markets Corp., JPMorgan Chase Bank, N.A., Royal Bank of Canada and Bank of Montreal	10-Q	001-34568	10.11	11/2/2022	
10.13	+	Sixth Amended and Restated Receivables Purchase Agreement, dated September 28, 2022, between Automotive Finance Canada Inc., KAR Auction Services, Inc. and BNY Trust Company of Canada	10-Q	001-34568	10.12	11/2/2022	
10.14		Form of Indemnification Agreement	8-K	001-34568	10.1	12/17/2013	
10.15a	*	KAR Auction Services, Inc. 2009 Omnibus Stock and Incentive Plan, as Amended June 10, 2014	DEF 14A	001-34568	Appendix A	4/29/2014	
10.15b	*	First Amendment to the KAR Auction Services, Inc. 2009 Omnibus Stock and Incentive Plan	10-K	001-34568	10.24b	2/18/2016	
10.15c	*	KAR Auction Services, Inc. Amended and Restated 2009 Omnibus Stock and Incentive Plan, as Amended and Restated June 4, 2021	DEF 14A	001-34568	Annex I	4/23/2021	
10.16	*	KAR Auction Services, Inc. Amended and Restated Employee Stock Purchase Plan	10-Q	001-34568	10.27	8/5/2020	
10.17a	*	KAR Auction Services, Inc. Directors Deferred Compensation Plan, effective December 10, 2009	10-Q	001-34568	10.62	8/4/2010	
10.17b	*	Amendment No. 1 to the KAR Auction Services, Inc. Directors Deferred Compensation Plan, dated as of June 28, 2019	10-Q	001-34568	10.28b	11/6/2019	
10.18	*	Director Restricted Share Agreement	10-Q	001-34568	10.29	8/7/2019	
10.19	*	Form of Nonqualified Stock Option Agreement	S-1/A	333-161907	10.65	12/4/2009	
10.20	*	Form of 2019 Restricted Stock Unit Award Agreement for Section 16 Officers	10-K	001-34568	10.35	2/21/2019	
10.21	*	Form of 2020 Restricted Stock Unit Award Agreement for Section 16 Officers	10-K	001-34568	10.35	2/19/2020	
10.22	*	Form of 2022 Restricted Stock Unit Award Agreement					X
10.23	*	Form of Non-Qualified Stock Option Award Agreement	10-K	001-34568	10.30	2/18/2021	
10.24	*	Form of 2019 Performance-Based Restricted Stock Unit Agreement (Cumulative Operating Adjusted Net Income Per Share)	10-K	001-34568	10.38	2/24/2017	
10.25	*	Form of 2020, 2021 and 2022 Performance-Based Restricted Stock Unit Agreement (Cumulative Operating Adjusted Net Income Per Share)	10-K	001-34568	10.38	2/19/2020	
10.26	*	Form of 2022 Amended and Restated Performance-Based Restricted Stock Unit Agreement (Cumulative Adjusted EBITDA)	10-Q	001-34568	10.25	11/2/2022	
10.27	*	Form of 2023 Performance-Based Restricted Stock Unit Agreement (Cumulative Adjusted EBITDA and Relative Total Shareholder Return)					X

Exhibit No.	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date	Filed Herewith
10.28	Transition Services Agreement, dated as of June 27, 2019, by and between KAR Auction Services, Inc. and IAA, Inc.	8-K	001-34568	10.1	6/28/2019	
10.29	Tax Matters Agreement, dated as of June 27, 2019, by and between KAR Auction Services, Inc. and IAA, Inc.	8-K	001-34568	10.2	6/28/2019	
10.30	Employee Matters Agreement, dated as of June 27, 2019, by and between KAR Auction Services, Inc. and IAA, Inc.	8-K	001-34568	10.3	6/28/2019	
10.31	Investment Agreement, dated as of May 26, 2020, by and between KAR Auction Services, Inc. and Ignition Parent LP	8-K	001-34568	10.1	5/27/2020	
10.32a	Investment Agreement, dated as of May 26, 2020, by and between KAR Auction Services, Inc. and Periphas Capital GP, LLC	8-K	001-34568	10.2	5/27/2020	
10.32b	Assignment and Assumption Agreement, dated as of June 9, 2020, by and between Periphas Capital GP, LLC and Periphas Kanga Holdings, L.P.	10-K	001-34568	10.37b	2/18/2021	
10.33	Registration Rights Agreement, dated as of June 10, 2020, by and among KAR Auction Services, Inc. and Ignition Parent LP	8-K	001-34568	10.1	6/10/2020	
10.34	Registration Rights Agreement, dated as of June 29, 2020, by and between KAR Auction Services, Inc. and Periphas Kanga Holdings, LP	8-K	001-34568	10.1	6/29/2020	
21.1	Subsidiaries of KAR Auction Services, Inc.					X
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm					X
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101	The following materials from KAR Auction Services, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2022 formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Consolidated Statements of Income for the year ended December 31, 2022, 2021 and 2020; (ii) the Consolidated Statements of Comprehensive Income for the year ended December 31, 2022, 2021 and 2020; (iii) the Consolidated Balance Sheets as of December 31, 2022 and 2021; (iv) the Consolidated Statements of Stockholders' Equity for the year ended December 31, 2022, 2021 and 2020; (v) the Consolidated Statements of Cash Flows for the year ended December 31, 2022, 2021 and 2020; and (vi) the Notes to Consolidated Financial Statements.					X
104	Cover page Interactive Data File, formatted in iXBRL (contained in Exhibit 101).					X

+ Certain information has been excluded from this exhibit because it is not material and would likely cause competitive harm to the registrant if publicly disclosed.

^ Portions of this exhibit have been redacted pursuant to a request for confidential treatment filed separately with the Secretary of the Securities and Exchange Commission pursuant to Rule 406 under the Securities Act of 1933, as amended.

* Denotes management contract or compensation plan, contract or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KAR Auction Services, Inc.

By: /s/ PETER J. KELLY

Peter J. Kelly
Chief Executive Officer

March 9, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ PETER J. KELLY Peter J. Kelly	Chief Executive Officer and Director (Principal Executive Officer)	March 9, 2023
/s/ SCOTT A. ANDERSON Scott A. Anderson	Interim Chief Financial Officer and Chief Accounting Officer (Principal Financial and Accounting Officer)	March 9, 2023
/s/ CARMEL GALVIN Carmel Galvin	Director	March 9, 2023
/s/ JAMES P. HALLETT James P. Hallett	Executive Chairman and Chairman of the Board	March 9, 2023
/s/ MARK E. HILL Mark E. Hill	Director	March 9, 2023
/s/ J. MARK HOWELL J. Mark Howell	Director	March 9, 2023
/s/ STEFAN JACOBY Stefan Jacoby	Director	March 9, 2023
/s/ MICHAEL T. KESTNER Michael T. Kestner	Lead Independent Director	March 9, 2023
/s/ ROY MACKENZIE Roy Mackenzie	Director	March 9, 2023
/s/ SANJEEV MEHRA Sanjeev Mehra	Director	March 9, 2023
/s/ MARY ELLEN SMITH Mary Ellen Smith	Director	March 9, 2023

EXHIBIT 21.1

Subsidiaries of KAR Auction Services, Inc.

The following is a list of subsidiaries of KAR Auction Services, Inc. (a Delaware corporation) as of December 31, 2022:

Name	State or Jurisdiction of Incorporation or Organization
ADESA, Inc.	Delaware
ADESA Corporation, LLC	Indiana
ADESA Dealer Services, LLC	Indiana
ADESA Mexico, LLC	Indiana
AFC CAL, LLC	California
Automotive Finance Consumer Division, LLC	Indiana
Automotive Finance Corporation	Indiana
Autoniq, LLC	Virginia
AutoVIN, Inc.	Indiana
MobileTrac LLC	Delaware
PAR, Inc.	Indiana
High Tech National, LLC	Indiana
HT Locksmiths, Inc.	Indiana
AFC Funding Corporation	Indiana
AuctionTrac, LLC	Indiana
OPENLANE, Inc.	Delaware
CarsArrive Network, Inc.	Georgia
Recovery Database Network, Inc.	Delaware
OPENLANE Canada Co.	Nova Scotia
OPENLANE Canada Inc.	Ontario
NEPO Auto Centre, Inc.	Ontario
Auction Vehicles of Mexico, S. de R.L. de C.V.	Federal District of Mexico
2540-0714 Quebec Inc.	Quebec
504811 NB Ltd.	New Brunswick
51937 Newfoundland & Labrador Limited	Newfoundland
79378 Manitoba Inc.	Manitoba
ADESA Auctions Canada Corporation	Nova Scotia
ADESA Montreal Corporation	Nova Scotia
ADESA Quebec Corporation	Quebec
ADESA Remarketing Services Inc.	Ontario
AutoVIN Canada Inc.	Nova Scotia
Automotive Finance Canada Inc.	Ontario
Automotive Key Controls, LLC	Indiana
KAR Auction Services International Limited	United Kingdom
ADESA Remarketing Limited	United Kingdom
CarCo Technologies, LLC	Illinois
Nth Gen Software, Inc.	Ontario
Nth Gen Software (Florida) LLC	Florida
TradeRev USA LLC	Florida
TradeRev Motors Inc.	Ontario
TradeRev Technologies Inc.	Ontario
STRATIM Systems Incorporated	Delaware

Name	State or Jurisdiction of Incorporation or Organization
Clearplan, LLC	Delaware
ADESA Belgium NV	Belgium
ADESA Deutschland GmbH	Germany
ADESA Europe Holding NV	Belgium
ADESA Europe NV	Belgium
ADESA France SAS	France
ADESA Italia S.R.L.	Italy
ADESA Nederland B.V.	The Netherlands
ADESA Subastas España, S.L.	Spain
Car Quality Services GmbH	Germany
CarsArrive Europe GmbH	Germany
BacklotCars, Inc.	Delaware
BacklotCars UY, S.R.L.	Uruguay
BLC UY Quota Holdings, LLC	Delaware
BacklotCars Uruguay S.A.S.	Uruguay
Auction Frontier, LLC	California
CARWAVE, LLC	Delaware
Saperium, Inc.	Philippines

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements (Nos. 333-164032, 333-168523, 333-196668, 333-250085, 333-256782) on Form S-8 and (No. 333-253238) on Form S-3 of our report dated March 9, 2023, with respect to the consolidated financial statements of KAR Auction Services, Inc. and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

Indianapolis, Indiana
March 9, 2023

EXHIBIT 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Peter J. Kelly, certify that:

1) I have reviewed this Annual Report on Form 10-K of KAR Auction Services, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ PETER J. KELLY

Peter J. Kelly
Chief Executive Officer

Date: March 9, 2023

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Scott A. Anderson, certify that:

1) I have reviewed this Annual Report on Form 10-K of KAR Auction Services, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ SCOTT A. ANDERSON

Scott A. Anderson
Interim Chief Financial Officer and Chief Accounting Officer

Date: March 9, 2023

EXHIBIT 32.1

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of KAR Auction Services, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Peter J. Kelly, as Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ PETER J. KELLY

Peter J. Kelly
Chief Executive Officer

Date: March 9, 2023

EXHIBIT 32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of KAR Auction Services, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott A. Anderson, as Interim Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ SCOTT A. ANDERSON

Scott A. Anderson
Interim Chief Financial Officer and Chief Accounting Officer

Date: March 9, 2023

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Corporate headquarters

KAR Global
11299 N. Illinois St.
Carmel, IN 46032
800-923-3725
karglobal.com

Independent registered public accounting firm

KPMG LLP
111 Monument Circle
Suite 3600
Indianapolis, IN 46204
317-636-5592

Stock listing

New York Stock Exchange
Ticker Symbol: KAR

Transfer agent

Inquiries and changes to stockholder accounts should be directed to our transfer agent:

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
800-937-5449
718-921-8124
https://secure.amstock.com/shareholder/sh_login.asp

Investor relations

The following information is available without charge to stockholders and other interested parties:

- Annual Report to Stockholders
- Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the Securities and Exchange Commission

To request these documents, or if you have any questions about KAR, please contact:

KAR Global
Investor Relations
11299 N. Illinois St.
Carmel, IN 46032
800-923-3725
investor_relations@karglobal.com

The annual report and related documents can be downloaded on the Investor Relations section of the KAR website.

This annual report contains forward-looking statements. For details on the uncertainties that may cause our actual results to be materially different than those expressed in our forward-looking statements, refer to our SEC filings.

KAR GLOBAL

11299 N. Illinois St., Carmel, IN 46032