

EARNINGS RELEASE

**For Immediate Release****Analyst Inquiries:**

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KAR Auction Services, Inc. Reports Third Quarter 2022 Financial Results

- *Revenue, gross profit per vehicle sold, income from continuing operations and Adjusted EBITDA increased for the quarter despite a decrease in volumes*
- *Repurchased \$600 million principal amount of senior notes*
- *Repurchased \$50 million of common stock in the third quarter and an additional \$50 million of common stock in October 2022*

Carmel, IN, November 1, 2022 — KAR Auction Services, Inc. (NYSE: KAR) today reported its third quarter financial results for the period ended September 30, 2022.

"I am pleased with the results that we produced across the organization, especially given what continues to be a very challenging industry and economic environment," said Peter Kelly, CEO of KAR Global. "During the quarter, we increased revenue, total gross profit and Adjusted EBITDA. We are achieving our cost reduction targets ahead of our original timeline, and are re-investing in the platforms and technology that will accelerate KAR and our customers into the future. I am energized by the many opportunities ahead and believe our digital strategy and differentiated offerings position us well for the future."

Third Quarter 2022 Financial Highlights

- Total revenue was \$393.0 million, an increase of 13% for the third quarter of 2022, compared with \$347.1 million for the third quarter of 2021.
- Income from continuing operations of \$0.5 million, or \$(0.09) per diluted share, for the third quarter of 2022, compared with a loss from continuing operations of \$26.9 million, or \$(0.31) per diluted share, for the third quarter of 2021.
- Operating adjusted net income from continuing operations of \$13.7 million, or \$0.09 per diluted share, for the quarter ended September 30, 2022, compared with an operating adjusted net loss from continuing operations of \$16.5 million, or \$(0.11) per diluted share, for the quarter ended September 30, 2021.
- Adjusted EBITDA from continuing operations was \$69.5 million for the quarter ended September 30, 2022, compared with \$66.6 million, including a \$10 million gain from sale of investments, for the quarter ended September 30, 2021.
- Marketplace revenue, excluding purchased vehicle sales, was \$248.1 million, an increase of 14% for the third quarter of 2022, compared with \$217.8 million for the third quarter of 2021.
- Marketplace gross profit per vehicle sold increased 14% to \$320 for the quarter ended September 30, 2022, compared with \$280 for the quarter ended September 30, 2021.
- Finance segment's strong third quarter performance was driven by increased revenue per loan transaction of 16% and increased loan transactions of 13%.
- In the third quarter of 2022, KAR repurchased and retired 3,309,527 shares of common stock in the open market at a weighted average price of \$15.11 per share, aggregating \$50 million.

The company has classified the ADESA U.S. physical auction business as discontinued operations. As such, the results discussed herein refer to the continuing operations of KAR and do not include the results of the ADESA U.S. physical auction business.

Recent Share Repurchases

In October 2022, KAR repurchased and retired 3,909,406 shares of common stock in the open market at a weighted average price of \$12.79 per share, aggregating \$50 million. At October 31, 2022, approximately \$126.9 million of the company's outstanding common stock remained available for repurchase under the 2019 share repurchase program.

Earnings Conference Call Information

KAR will be hosting an earnings conference call and webcast on Wednesday, November 2, 2022 at 8:30 a.m. EDT. The call will be hosted by KAR's Chief Executive Officer, Peter Kelly and Executive Vice President and Chief Financial Officer, Eric Loughmiller. The conference call may be accessed by calling 1-833-634-2155 and entering participant passcode "KAR", while the live web cast will be available at the investors section of www.karglobal.com. Supplemental financial information for KAR's third quarter 2022 results is available at the investors section of www.karglobal.com.

The archive of the webcast will also be available following the call and will be available at the investors section of www.karglobal.com for a limited time.

About KAR

KAR Auction Services, Inc. d/b/a KAR Global (NYSE: KAR), provides sellers and buyers across the global wholesale used vehicle industry with innovative, technology-driven remarketing solutions. KAR Global's unique end-to-end platform supports whole car, financing, logistics and other ancillary and related services. Our integrated physical, online and mobile marketplaces reduce risk, improve transparency and streamline transactions for customers in about 75 countries. Headquartered in Carmel, Indiana, KAR Global has employees across the United States, Canada, Mexico, Uruguay, Europe and the Philippines. For more information and the latest KAR Global news, go to www.karglobal.com and follow us on Twitter @KARSpeaks.

Forward-Looking Statements

Certain statements contained in this release include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and which are subject to certain risks, trends and uncertainties. In particular, statements made that are not historical facts may be forward-looking statements. Words such as "should," "may," "will," "can," "of the opinion," "confident," "is set," "is on track," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "continues," "outlook," "initiatives," "goals," "opportunities," and similar expressions identify forward-looking statements. Such statements are based on management's current expectations, are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results projected, expressed or implied by these forward-looking statements. Factors that could cause or contribute to such differences include those risks and uncertainties regarding (i) the impact of the COVID-19 pandemic on our business and the economy generally; (ii) the impact of macroeconomic conditions and geopolitical events, including the conflict between Russia and Ukraine; (iii) the company's sale of the ADESA U.S. physical auction business to Carvana, including the ability of the company to execute on its strategy and achieve its goals and other expectations after the sale and the impact on the company's business and relationships with its customers; and (iv) those other matters disclosed in the company's Securities and Exchange Commission filings. The company does not undertake any obligation to update any forward-looking statements.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating revenues | | | | |
| Auction fees | \$ 88.9 | \$ 89.6 | \$ 289.5 | \$ 298.4 |
| Service revenue | 159.2 | 128.2 | 444.0 | 415.5 |
| Purchased vehicle sales | 45.8 | 53.7 | 137.9 | 169.0 |
| Finance-related revenue | 99.1 | 75.6 | 275.2 | 210.0 |
| Total operating revenues | 393.0 | 347.1 | 1,146.6 | 1,092.9 |
| Operating expenses | | | | |
| Cost of services (exclusive of depreciation and amortization) | 209.6 | 185.7 | 632.3 | 598.3 |
| Selling, general and administrative | 109.1 | 104.8 | 352.1 | 318.5 |
| Depreciation and amortization | 24.3 | 27.4 | 76.2 | 81.7 |
| Total operating expenses | 343.0 | 317.9 | 1,060.6 | 998.5 |
| Operating profit | 50.0 | 29.2 | 86.0 | 94.4 |
| Interest expense | 32.3 | 31.9 | 83.8 | 93.7 |
| Other (income) expense, net | 1.2 | 13.9 | 6.4 | (20.5) |
| Loss on extinguishment of debt | 9.3 | — | 17.0 | — |
| Income (loss) from continuing operations before income taxes | 7.2 | (16.6) | (21.2) | 21.2 |
| Income taxes | 6.7 | 10.3 | (7.9) | 37.2 |
| Income (loss) from continuing operations | 0.5 | (26.9) | (13.3) | (16.0) |
| Income (loss) from discontinued operations, net of income taxes | (6.3) | 25.9 | 217.4 | 77.4 |
| Net income (loss) | \$ (5.8) | \$ (1.0) | \$ 204.1 | \$ 61.4 |
| Net income (loss) per share - basic | | | | |
| Income (loss) from continuing operations | \$ (0.09) | \$ (0.31) | \$ (0.30) | \$ (0.30) |
| Income (loss) from discontinued operations | (0.06) | 0.21 | 1.41 | 0.50 |
| Net income (loss) per share - basic | \$ (0.15) | \$ (0.10) | \$ 1.11 | \$ 0.20 |
| Net income (loss) per share - diluted | | | | |
| Income (loss) from continuing operations | \$ (0.09) | \$ (0.31) | \$ (0.30) | \$ (0.30) |
| Income (loss) from discontinued operations | (0.06) | 0.21 | 1.41 | 0.50 |
| Net income (loss) per share - diluted | \$ (0.15) | \$ (0.10) | \$ 1.11 | \$ 0.20 |

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

| | September 30, 2022 | December 31, 2021 |
|---|-------------------------------|------------------------------|
| Cash and cash equivalents | \$ 148.7 | \$ 177.6 |
| Restricted cash | 28.9 | 25.8 |
| Trade receivables, net of allowances | 419.9 | 381.3 |
| Finance receivables, net of allowances | 2,533.6 | 2,506.0 |
| Other current assets | 71.8 | 87.9 |
| Current assets of discontinued operations | — | 213.2 |
| Total current assets | 3,202.9 | 3,391.8 |
| Goodwill | 1,452.3 | 1,598.0 |
| Customer relationships, net of accumulated amortization | 141.1 | 159.1 |
| Operating lease right-of-use assets | 85.9 | 94.7 |
| Property and equipment, net of accumulated depreciation | 131.3 | 143.5 |
| Intangible and other assets | 287.8 | 297.0 |
| Non-current assets of discontinued operations | — | 1,766.6 |
| Total assets | \$ 5,301.3 | \$ 7,450.7 |
| Current liabilities, excluding obligations collateralized by finance receivables, current maturities of debt and current liabilities of discontinued operations | \$ 829.0 | \$ 939.0 |
| Obligations collateralized by finance receivables | 1,707.8 | 1,692.3 |
| Current maturities of debt | 283.6 | 16.3 |
| Current liabilities of discontinued operations | — | 361.7 |
| Total current liabilities | 2,820.4 | 3,009.3 |
| Long-term debt | 194.7 | 1,849.7 |
| Operating lease liabilities | 80.7 | 88.1 |
| Other non-current liabilities | 58.6 | 85.9 |
| Non-current liabilities of discontinued operations | — | 313.8 |
| Temporary equity | 612.5 | 590.9 |
| Stockholders' equity | 1,534.4 | 1,513.0 |
| Total liabilities, temporary equity and stockholders' equity | \$ 5,301.3 | \$ 7,450.7 |

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

| | Nine Months Ended September 30, | |
|---|--|-----------------|
| | 2022 | 2021 |
| Operating activities | | |
| Net income | \$ 204.1 | \$ 61.4 |
| Net income from discontinued operations | (217.4) | (77.4) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 76.2 | 81.7 |
| Provision for credit losses | 9.7 | 6.5 |
| Deferred income taxes | (4.3) | 5.3 |
| Amortization of debt issuance costs | 8.5 | 9.1 |
| Stock-based compensation | 22.6 | 12.1 |
| Contingent consideration adjustment | — | 20.1 |
| Net change in unrealized (gain) loss on investment securities | 6.5 | (10.7) |
| Loss on extinguishment of debt | 17.0 | — |
| Other non-cash, net | 0.3 | 1.7 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Trade receivables and other assets | (23.2) | (180.5) |
| Accounts payable and accrued expenses | (86.5) | 283.8 |
| Net cash provided by operating activities - continuing operations | 13.5 | 213.1 |
| Net cash (used by) provided by operating activities - discontinued operations | (435.6) | 142.4 |
| Investing activities | | |
| Net increase in finance receivables held for investment | (34.9) | (281.4) |
| Acquisition of businesses (net of cash acquired) | (0.4) | (79.8) |
| Purchases of property, equipment and computer software | (45.8) | (47.6) |
| Investments in securities | (6.6) | (22.0) |
| Proceeds from sale of investments | 0.3 | 32.7 |
| Proceeds from the sale of business | — | 2.1 |
| Net cash used by investing activities - continuing operations | (87.4) | (396.0) |
| Net cash provided by (used by) investing activities - discontinued operations | 2,066.4 | (19.0) |
| Financing activities | | |
| Net decrease in book overdrafts | (5.8) | (2.7) |
| Net increase (decrease) in borrowings from lines of credit | 126.8 | (5.2) |
| Net increase in obligations collateralized by finance receivables | 36.6 | 119.6 |
| Payments for debt issuance costs/amendments | (11.6) | — |
| Payments on long-term debt | (928.6) | (7.1) |
| Payment for early extinguishment of debt | (606.1) | — |
| Payments on finance leases | (3.1) | (4.4) |
| Payments of contingent consideration and deferred acquisition costs | (29.6) | (21.3) |
| Issuance of common stock under stock plans | 1.1 | 1.2 |
| Tax withholding payments for vested RSUs | (2.5) | (2.2) |
| Repurchase and retirement of common stock | (132.2) | (180.9) |
| Dividends paid on Series A Preferred Stock | (11.1) | — |
| Net cash used by financing activities - continuing operations | (1,566.1) | (103.0) |
| Net cash provided by financing activities - discontinued operations | 10.8 | 40.2 |
| Effect of exchange rate changes on cash | (27.4) | (3.0) |
| Net decrease in cash, cash equivalents and restricted cash | (25.8) | (125.3) |
| Cash, cash equivalents and restricted cash at beginning of period | 203.4 | 784.3 |
| Cash, cash equivalents and restricted cash at end of period | \$ 177.6 | \$ 659.0 |
| Cash paid for interest, net of proceeds from interest rate derivatives | \$ 71.0 | \$ 71.6 |
| Cash paid for taxes, net of refunds | \$ 352.2 | \$ 22.1 |

KAR Auction Services, Inc.

Reconciliation of Non-GAAP Financial Measures

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

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

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

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

The following table reconciles EBITDA and Adjusted EBITDA to income (loss) from continuing operations for the periods presented:

| <i>(in millions), (unaudited)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|----------------|------------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Income (loss) from continuing operations | \$ 0.5 | \$ (26.9) | \$ (13.3) | \$ (16.0) |
| Add back: | | | | |
| Income taxes | 6.7 | 10.3 | (7.9) | 37.2 |
| Interest expense, net of interest income | 30.9 | 31.7 | 81.6 | 93.1 |
| Depreciation and amortization | 24.3 | 27.4 | 76.2 | 81.7 |
| EBITDA | 62.4 | 42.5 | 136.6 | 196.0 |
| Non-cash stock-based compensation | 3.5 | 3.6 | 23.2 | 13.0 |
| Loss on extinguishment of debt | 9.3 | — | 17.0 | — |
| Acquisition related costs | 0.3 | 2.1 | 0.9 | 5.0 |
| Securitization interest | (20.2) | (7.9) | (44.9) | (21.5) |
| (Gain)/Loss on asset sales | — | — | (0.1) | (0.8) |
| Severance | 1.5 | 0.8 | 8.2 | 1.8 |
| Foreign currency (gains)/losses | 4.1 | 0.1 | 8.6 | 2.7 |
| Contingent consideration adjustment | — | 4.4 | — | 20.1 |
| Net change in unrealized (gains) losses on investment securities | 0.3 | 20.9 | 6.5 | (10.7) |
| Professional fees related to business improvement efforts | 3.2 | — | 12.1 | — |
| Other | 5.1 | 0.1 | 6.6 | 0.3 |
| Total addbacks/(deductions) | 7.1 | 24.1 | 38.1 | 9.9 |
| Adjusted EBITDA | \$ 69.5 | <u>\$ 66.6</u> | <u>\$ 174.7</u> | <u>\$ 205.9</u> |

The following table reconciles operating adjusted net income (loss) and operating adjusted net income (loss) per diluted share to net income (loss) for the periods presented:

| <i>(in millions, except per share amounts), (unaudited)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------------|------------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income (loss) from continuing operations ⁽¹⁾ | \$ 0.5 | \$ (26.9) | \$ (13.3) | \$ (16.0) |
| Acquired amortization expense | 8.2 | 8.0 | 25.0 | 24.8 |
| Loss on extinguishment of debt | 9.3 | — | 17.0 | — |
| Contingent consideration adjustment | — | 4.4 | — | 20.1 |
| Income taxes ⁽²⁾ | (4.3) | (2.0) | (10.3) | (6.1) |
| Operating adjusted net income (loss) from continuing operations | \$ 13.7 | \$ (16.5) | \$ 18.4 | \$ 22.8 |
| Net income (loss) from discontinued operations | \$ (6.3) | \$ 25.9 | \$ 217.4 | \$ 77.4 |
| Acquired amortization expense | — | 4.4 | 8.8 | 16.8 |
| Income taxes ⁽²⁾ | — | (1.1) | (2.2) | (4.1) |
| Operating adjusted net income (loss) from discontinued operations | \$ (6.3) | \$ 29.2 | \$ 224.0 | \$ 90.1 |
| Operating adjusted net income | <u>\$ 7.4</u> | <u>\$ 12.7</u> | <u>\$ 242.4</u> | <u>\$ 112.9</u> |
| Operating adjusted net income (loss) from continuing operations per share - diluted | \$ 0.09 | \$ (0.11) | \$ 0.12 | \$ 0.15 |
| Operating adjusted net income (loss) from discontinued operations per share - diluted | (0.04) | 0.19 | 1.45 | 0.57 |
| Operating adjusted net income per share - diluted | <u>\$ 0.05</u> | <u>\$ 0.08</u> | <u>\$ 1.57</u> | <u>\$ 0.72</u> |
| Weighted average diluted shares | 150.3 | 153.2 | 154.0 | 157.0 |

- (1) The Series A Preferred Stock dividends and undistributed earnings allocated to participating securities have not been included in the calculation of operating adjusted net income (loss) and operating adjusted net income (loss) per diluted share.
- (2) An effective tax rate of 24.5% was used to determine the amount of income tax benefit on the acquired amortization expense and the loss on extinguishment of debt. There was no income tax benefit related to the contingent consideration adjustment because this item is not deductible for income tax purposes.