

OPENLANE, Inc.
Third Quarter 2024 Supplemental Financial Information
November 6, 2024

OPENLANE, Inc.

EBITDA and Adjusted EBITDA Measures

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 ("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.

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. 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:

<i>(Dollars in millions), (Unaudited)</i>	Three Months Ended September 30, 2024		
	Marketplace	Finance	Consolidated
Income from continuing operations	\$ 4.8	\$ 23.6	\$ 28.4
Add back:			
Income taxes	5.0	8.1	13.1
Interest expense, net of interest income	4.2	30.7	34.9
Depreciation and amortization	20.6	3.2	23.8
EBITDA	34.6	65.6	100.2
Non-cash stock-based compensation	3.2	0.9	4.1
Securitization interest	—	(27.9)	(27.9)
Severance	1.4	0.1	1.5
Foreign currency (gains)/losses	(3.1)	(0.1)	(3.2)
Other	(0.3)	0.1	(0.2)
Total addbacks/(deductions)	1.2	(26.9)	(25.7)
Adjusted EBITDA	<u>\$ 35.8</u>	<u>\$ 38.7</u>	<u>\$ 74.5</u>

<i>(Dollars in millions), (Unaudited)</i>	Three Months Ended September 30, 2023		
	Marketplace	Finance	Consolidated
Income (loss) from continuing operations	\$ (19.3)	\$ 32.0	\$ 12.7
Add back:			
Income taxes	2.0	10.7	12.7
Interest expense, net of interest income	4.3	34.2	38.5
Depreciation and amortization	23.8	2.6	26.4
Intercompany interest	9.6	(9.6)	—
EBITDA	20.4	69.9	90.3
Non-cash stock-based compensation	3.5	1.0	4.5
Acquisition related costs	0.5	—	0.5
Securitization interest	—	(31.6)	(31.6)
Severance	1.7	0.2	1.9
Foreign currency (gains)/losses	(1.2)	—	(1.2)
Net change in unrealized (gains) losses on investment securities	—	0.5	0.5
Professional fees related to business improvement efforts	1.4	0.3	1.7
Other	0.5	0.4	0.9
Total addbacks/(deductions)	6.4	(29.2)	(22.8)
Adjusted EBITDA	\$ 26.8	\$ 40.7	\$ 67.5

<i>(Dollars in millions), (Unaudited)</i>	Nine Months Ended September 30, 2024		
	Marketplace	Finance	Consolidated
Income (loss) from continuing operations	\$ (24.2)	\$ 81.8	\$ 57.6
Add back:			
Income taxes	4.0	27.3	31.3
Interest expense, net of interest income	16.1	95.2	111.3
Depreciation and amortization	63.3	8.9	72.2
Intercompany interest	13.3	(13.3)	—
EBITDA	72.5	199.9	272.4
Non-cash stock-based compensation	12.0	2.8	14.8
Acquisition related costs	0.5	—	0.5
Securitization interest	—	(87.0)	(87.0)
Severance	8.2	1.0	9.2
Foreign currency (gains)/losses	(0.6)	(0.1)	(0.7)
Professional fees related to business improvement efforts	1.2	0.3	1.5
Impact for newly enacted Canadian DST related to prior years	10.0	—	10.0
Other	(0.2)	0.2	—
Total addbacks/(deductions)	31.1	(82.8)	(51.7)
Adjusted EBITDA	\$ 103.6	\$ 117.1	\$ 220.7

	Nine Months Ended September 30, 2023		
<i>(Dollars in millions), (Unaudited)</i>	Marketplace	Finance	Consolidated
Income (loss) from continuing operations	\$ (259.8)	\$ 91.4	\$ (168.4)
Add back:			
Income taxes	(37.9)	38.6	0.7
Interest expense, net of interest income	16.8	96.6	113.4
Depreciation and amortization	69.5	6.7	76.2
Intercompany interest	24.1	(24.1)	—
EBITDA	(187.3)	209.2	21.9
Non-cash stock-based compensation	10.5	3.3	13.8
Loss on extinguishment of debt	1.1	—	1.1
Acquisition related costs	1.1	—	1.1
Securitization interest	—	(89.0)	(89.0)
Severance	3.1	0.3	3.4
Foreign currency (gains)/losses	(0.8)	—	(0.8)
Goodwill and other intangibles impairment	250.8	—	250.8
Contingent consideration adjustment	1.3	—	1.3
Net change in unrealized (gains) losses on investment securities	—	0.4	0.4
Professional fees related to business improvement efforts	3.7	0.8	4.5
Other	1.1	0.6	1.7
Total addbacks/(deductions)	271.9	(83.6)	188.3
Adjusted EBITDA	<u>\$ 84.6</u>	<u>\$ 125.6</u>	<u>\$ 210.2</u>

Certain of our loan covenant calculations utilize financial results for the most recent four consecutive fiscal quarters. The following table reconciles EBITDA and Adjusted EBITDA to net income (loss) for the periods presented:

<i>(Dollars in millions), (Unaudited)</i>	Three Months Ended				Twelve Months Ended
	December 31, 2023	March 31, 2024	June 30, 2024	September 30, 2024	September 30, 2024
Net income	\$ 14.3	\$ 18.5	\$ 10.7	\$ 28.4	\$ 71.9
Less: Income from discontinued operations	0.7	—	—	—	0.7
Income from continuing operations	13.6	18.5	10.7	28.4	71.2
Add back:					
Income taxes	7.6	10.7	7.5	13.1	38.9
Interest expense, net of interest income	38.9	39.3	37.1	34.9	150.2
Depreciation and amortization	25.3	24.3	24.1	23.8	97.5
EBITDA	85.4	92.8	79.4	100.2	357.8
Non-cash stock-based compensation	3.6	7.0	3.7	4.1	18.4
Acquisition related costs	2.0	0.3	0.2	—	2.5
Securitization interest	(31.4)	(29.9)	(29.2)	(27.9)	(118.4)
Severance	2.1	1.7	6.0	1.5	11.3
Foreign currency (gains)/losses	(2.1)	2.0	0.5	(3.2)	(2.8)
Net change in unrealized (gains) losses on investment securities	(0.4)	—	—	—	(0.4)
Professional fees related to business improvement efforts	2.1	0.8	0.7	—	3.6
Impact for newly enacted Canadian DST related to prior years	—	—	10.0	—	10.0
Other	0.5	0.1	0.1	(0.2)	0.5
Total addbacks/(deductions)	(23.6)	(18.0)	(8.0)	(25.7)	(75.3)
Adjusted EBITDA from continuing operations	<u>\$ 61.8</u>	<u>\$ 74.8</u>	<u>\$ 71.4</u>	<u>\$ 74.5</u>	<u>\$ 282.5</u>

Results of Operations

OPENLANE Results

<i>(Dollars in millions except per share amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues from continuing operations				
Auction fees	\$ 113.2	\$ 102.1	\$ 331.8	\$ 305.3
Service revenue	148.1	153.9	445.4	475.2
Purchased vehicle sales	93.0	60.6	231.4	176.5
Finance-related revenue	94.1	99.7	287.9	296.8
Total revenues from continuing operations	448.4	416.3	1,296.5	1,253.8
Cost of services*	252.0	216.0	711.8	662.8
Gross profit*	196.4	200.3	584.7	591.0
Selling, general and administrative	99.4	107.4	314.1	326.6
Depreciation and amortization	23.8	26.4	72.2	76.2
Goodwill and other intangibles impairment	—	—	—	250.8
Operating profit (loss)	73.2	66.5	198.4	(62.6)
Interest expense	35.3	39.4	112.4	116.5
Other (income) expense, net	(3.6)	1.7	(2.9)	(12.5)
Loss on extinguishment of debt	—	—	—	1.1
Income (loss) from continuing operations before income taxes	41.5	25.4	88.9	(167.7)
Income taxes	13.1	12.7	31.3	0.7
Income (loss) from continuing operations	28.4	12.7	57.6	(168.4)
Income from discontinued operations, net of income taxes	—	—	—	—
Net income (loss)	\$ 28.4	\$ 12.7	\$ 57.6	\$ (168.4)
Income (loss) from continuing operations per share				
Basic	\$ 0.12	\$ 0.01	\$ 0.17	\$ (1.84)
Diluted	\$ 0.12	\$ 0.01	\$ 0.17	\$ (1.84)

* Exclusive of depreciation and amortization

Overview of OPENLANE Results for the Three Months Ended September 30, 2024 and 2023

Overview

For the three months ended September 30, 2024, we had revenue of \$448.4 million compared with revenue of \$416.3 million for the three months ended September 30, 2023, an increase of 8%. 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 \$2.6 million, or 10%, to \$23.8 million for the three months ended September 30, 2024, compared with \$26.4 million for the three months ended September 30, 2023. The decrease in depreciation and amortization was primarily the result of assets that have become fully amortized.

Interest Expense

Interest expense decreased \$4.1 million, or 10%, to \$35.3 million for the three months ended September 30, 2024, compared with \$39.4 million for the three months ended September 30, 2023. The decrease was attributable to a decrease in the average balance on the AFC securitization obligations, resulting in a decrease in interest expense of \$3.5 million at AFC (to \$30.7 million from \$34.2 million).

Other (Income) Expense, Net

For the three months ended September 30, 2024, we had other income of \$3.6 million compared with other expense of \$1.7 million for the three months ended September 30, 2023. The increase in other income was primarily attributable to an increase in foreign currency gains on intercompany balances of \$2.0 million, a decrease in unrealized losses on investment securities of \$0.5 million and a net decrease in other miscellaneous expense aggregating \$2.8 million.

Income Taxes

We had an effective tax rate of 31.6% for the three months ended September 30, 2024, compared with an effective tax rate of 50.0% for the three months ended September 30, 2023. The effective tax rate for the three months ended September 30, 2024 was unfavorably impacted by an increase in the valuation allowance related to current year movement of the adjusted U.S. net deferred tax asset. The effective tax rate for the three months ended September 30, 2023 was unfavorably impacted by an increase in the valuation allowance related to 2023 current year movement of the adjusted U.S. net deferred tax asset.

We recorded a \$42.9 million and \$36.4 million valuation allowance against the U.S. net deferred tax asset at September 30, 2024 and December 31, 2023, respectively. The realization of the net deferred tax assets is dependent on our ability to generate sufficient future taxable income to utilize these assets. Depending on our current and anticipated future earnings, we may release a significant portion of our valuation allowance in a future period if there is sufficient positive evidence which would result in a corresponding decrease to income tax expense in such period. The actual timing and amount of the valuation allowance to be released is uncertain.

Impact of Foreign Currency

For the three months ended September 30, 2024 compared with the three months ended September 30, 2023, the change in the Canadian dollar exchange rate decreased revenue by \$1.6 million, operating profit by \$0.3 million and had no impact on net income. For the three months ended September 30, 2024 compared with the three months ended September 30, 2023, the change in the euro exchange rate increased revenue by \$0.8 million, operating profit by \$0.1 million and had no impact on net income.

Overview of OPENLANE Results for the Nine Months Ended September 30, 2024 and 2023

Overview

For the nine months ended September 30, 2024, we had revenue of \$1,296.5 million compared with revenue of \$1,253.8 million for the nine months ended September 30, 2023, an increase of 3%. 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 \$4.0 million, or 5%, to \$72.2 million for the nine months ended September 30, 2024, compared with \$76.2 million for the nine months ended September 30, 2023. The decrease in depreciation and amortization was primarily the result of assets that have become fully amortized.

Goodwill and Other Intangibles Impairment

In the second quarter of 2023 the Company recorded non-cash goodwill impairment charges totaling \$218.9 million related to our U.S. Dealer-to-Dealer reporting unit and \$6.4 million related to our Europe reporting unit (both within the Marketplace segment). The goodwill impairment related to our U.S. Dealer-to-Dealer reporting unit was primarily driven by lower near-term and long-term revenue growth associated with a slower overall recovery in vehicle volumes. The goodwill impairment related to our Europe reporting unit was driven by combining two previously separate reporting units (ADESA U.K. and ADESA Europe) into a single reporting unit. Including ADESA U.K. in the reporting unit resulted in a reduction in the overall fair value of the combined reporting unit, resulting in an impairment charge. The impairment charges were reported as a component of "Goodwill and other intangibles impairment" in the consolidated statements of income (loss).

In addition, the second quarter 2023 announcement of the rebrand to an OPENLANE branded marketplace from the ADESA branded marketplaces resulted in a non-cash impairment charge totaling \$25.5 million (within the Marketplace segment). The impairment charge was reported as a component of "Goodwill and other intangibles impairment" in the consolidated statements of income (loss).

The deferred tax benefits of \$52.5 million and \$6.5 million associated with the goodwill and tradename impairments in the second quarter of 2023, respectively, resulted in the U.S. being in a net deferred tax asset position. Due to the three-year cumulative loss related to U.S. operations, we recorded a \$42.9 million and \$36.4 million valuation allowance against the U.S. net deferred tax asset at September 30, 2024 and December 31, 2023, respectively.

Interest Expense

Interest expense decreased \$4.1 million, or 4%, to \$112.4 million for the nine months ended September 30, 2024, compared with \$116.5 million for the nine months ended September 30, 2023. Interest expense decreased as a result of the partial repayment of senior note debt in 2023. In addition, AFC had a \$1.4 million decrease in interest expense (to \$95.2 million from \$96.6 million) attributable to a decrease in the average balance on the AFC securitization obligations.

Other (Income) Expense, Net

For the nine months ended September 30, 2024, we had other income of \$2.9 million compared with \$12.5 million for the nine months ended September 30, 2023. The decrease in other income was primarily attributable to the receipt of \$20.0 million in connection with the early termination of a contractual arrangement that occurred during the second quarter of 2023 and a net decrease in other miscellaneous income aggregating \$1.9 million, partially offset by the 2023 impairment of an equity security and note receivable with the same investee aggregating \$11.0 million and a \$1.3 million contingent consideration valuation adjustment in 2023.

Loss on Extinguishment of Debt

In June 2023, we prepaid \$140 million of the senior notes at par with proceeds from the Transaction. We incurred a loss on the extinguishment of the senior notes of \$0.7 million in the second quarter of 2023 primarily representative of the write-off of unamortized debt issuance costs associated with the portion of the senior notes repaid, as well as purchase offer expenses. In June 2023, we also entered into the Revolving Credit Facility and incurred a loss on extinguishment of approximately \$0.4 million for the debt issuance costs associated with certain banks that are no longer a part of the facility.

Income Taxes

We had an effective tax rate of 35.2% for the nine months ended September 30, 2024, compared with an effective tax rate of -0.4% resulting in expense on a pre-tax loss for the nine months ended September 30, 2023. The effective tax rate for the nine months ended September 30, 2024 was unfavorably impacted by an increase in the valuation allowance related to current year movement of the adjusted U.S. net deferred tax asset. The effective tax rate for the nine months ended September 30, 2023 was impacted by the goodwill and other intangibles impairment charges and resulting \$59.0 million deferred tax benefit recorded with respect to the impairment of tax deductible goodwill and the impairment of other intangibles, partially offset by the \$34.2 million deferred tax expense associated with the recording of valuation allowance against the U.S. net deferred tax asset.

We recorded a \$42.9 million and \$36.4 million valuation allowance against the U.S. net deferred tax asset at September 30, 2024 and December 31, 2023, respectively. The realization of the net deferred tax assets is dependent on our ability to generate sufficient future taxable income to utilize these assets. Depending on our current and anticipated future earnings, we may release a significant portion of our valuation allowance in a future period if there is sufficient positive evidence which would result in a corresponding decrease to income tax expense in such period. The actual timing and amount of the valuation allowance to be released is uncertain.

Impact of Foreign Currency

For the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023, the change in the Canadian dollar exchange rate decreased revenue by \$2.9 million, operating profit by \$0.7 million and net income by \$0.2 million. For the nine months ended September 30, 2024 compared with the nine months ended September 30, 2023, the change in the euro exchange rate increased revenue by \$0.8 million and had no impact on operating profit and net income.

Marketplace Results

(Dollars in millions, except volumes)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Auction fees	\$ 113.2	\$ 102.1	\$ 331.8	\$ 305.3
Service revenue	148.1	153.9	445.4	475.2
Purchased vehicle sales	93.0	60.6	231.4	176.5
Total Marketplace revenue from continuing operations	354.3	316.6	1,008.6	957.0
Cost of services*	235.2	199.3	661.4	613.2
Gross profit*	119.1	117.3	347.2	343.8
Selling, general and administrative	87.7	94.8	276.5	288.9
Depreciation and amortization	20.6	23.8	63.3	69.5
Goodwill and other intangibles impairment	—	—	—	250.8
Operating profit (loss)	\$ 10.8	\$ (1.3)	\$ 7.4	\$ (265.4)
Commercial vehicles sold	195,000	180,000	634,000	527,000
Dealer consignment vehicles sold	164,000	159,000	465,000	486,000
Total vehicles sold	359,000	339,000	1,099,000	1,013,000
Gross profit percentage, excluding purchased vehicles*	45.6%	45.8%	44.7%	44.0%

* Exclusive of depreciation and amortization

Overview of Marketplace Results for the Three Months Ended September 30, 2024 and 2023

Total Marketplace Revenue

Revenue from the Marketplace segment increased \$37.7 million, or 12%, to \$354.3 million for the three months ended September 30, 2024, compared with \$316.6 million for the three months ended September 30, 2023. The increase in revenue was primarily attributable to the 6% increase in the number of vehicles sold. For the three months ended September 30, 2024, there was an increase in purchased vehicle sales and an increase in auction fees, partially offset by a decrease in service revenue (discussed below). The change in revenue included the impact of a decrease in revenue of \$1.3 million due to fluctuations in the Canadian dollar exchange rate and an increase of \$0.8 million due to fluctuations in the euro exchange rate.

The 6% increase in the number of vehicles sold was comprised of an 8% increase in commercial volumes and a 3% increase in dealer consignment volumes. The gross merchandise value ("GMV") of vehicles sold for the three months ended September 30, 2024 and 2023 was approximately \$6.7 billion and \$6.0 billion, respectively.

Auction Fees

Auction fees increased \$11.1 million, or 11%, to \$113.2 million for the three months ended September 30, 2024, compared with \$102.1 million for the three months ended September 30, 2023. The number of vehicles sold increased 6%. Auction fees per vehicle sold for the three months ended September 30, 2024 increased \$14, or 5%, to \$315, compared with \$301 for the three months ended September 30, 2023. The increase in auction fees per vehicle sold reflects the mix of vehicles sold in the third quarter of 2024 and the impact of price increases.

Service Revenue

Service revenue decreased \$5.8 million, or 4%, to \$148.1 million for the three months ended September 30, 2024, compared with \$153.9 million for the three months ended September 30, 2023, primarily as a result of a decrease in transportation revenue of \$6.4 million, of which \$12.6 million related to a change in a key customer contract that resulted in the customer's third quarter of 2024 revenue being recorded on a net commission basis instead of a gross basis, as it was recorded in the third quarter of 2023. In addition, there was a net decrease in other miscellaneous service revenues aggregating \$3.8 million, partially offset by increases in inspection service revenue of \$2.8 million and reconditioning revenue of \$1.6 million.

Purchased Vehicle Sales

The entire selling and purchase price of the vehicle is recorded as revenue and cost of services for purchased vehicles sold, which represent approximately 2% of total vehicles sold. Purchased vehicle sales increased \$32.4 million, or 53%, to \$93.0 million for the three months ended September 30, 2024, compared with \$60.6 million for the three months ended September 30, 2023, primarily as a result of an increase in purchased vehicles sold in Europe.

Gross Profit

For the three months ended September 30, 2024, gross profit from the Marketplace segment increased \$1.8 million, or 2%, to \$119.1 million, compared with \$117.3 million for the three months ended September 30, 2023. Gross profit improvements were driven by a \$10.8 million increase in auction and service volumes and \$0.4 million from pricing. These improvements were partially offset by a \$9.4 million decrease in gross profit resulting from a higher mix of commercial volumes.

Gross profit from the Marketplace segment was 33.6% of revenue for the three months ended September 30, 2024, compared with 37.0% of revenue for the three months ended September 30, 2023. Excluding purchased vehicle sales, gross profit as a percentage of revenue was 45.6% and 45.8% for the three months ended September 30, 2024 and 2023, respectively.

On June 28, 2024, Canada enacted a new 3% Digital Services Tax ("Canadian DST") on certain online revenues, including online marketplace service revenues, of companies with consolidated revenues of at least €750 million. The Company recorded \$1.2 million of Canadian DST to cost of services in the third quarter of 2024, which was partially mitigated by corresponding price increases during the quarter.

Selling, General and Administrative

Selling, general and administrative expenses from the Marketplace segment decreased \$7.1 million, or 7%, to \$87.7 million for the three months ended September 30, 2024, compared with \$94.8 million for the three months ended September 30, 2023, primarily as a result of decreases in information technology costs of \$3.1 million, professional fees of \$1.7 million, compensation expense of \$1.2 million and miscellaneous expenses aggregating \$1.1 million.

Overview of Marketplace Results for the Nine Months Ended September 30, 2024 and 2023

Total Marketplace Revenue

Revenue from the Marketplace segment increased \$51.6 million, or 5%, to \$1,008.6 million for the nine months ended September 30, 2024, compared with \$957.0 million for the nine months ended September 30, 2023. The increase in revenue was primarily attributable to the 8% increase in the number of vehicles sold. For the nine months ended September 30, 2024, there was an increase in purchased vehicle sales and auction fees, partially offset by the decrease in service revenue (discussed below). The change in revenue included the impact of a decrease in revenue of \$2.3 million due to fluctuations in the Canadian dollar exchange rate and an increase of \$0.8 million due to fluctuations in the euro exchange rate.

The 8% increase in the number of vehicles sold was comprised of a 20% increase in commercial volumes and a 4% decrease in dealer consignment volumes. The gross merchandise value ("GMV") of vehicles sold for the nine months ended September 30, 2024 and 2023 was approximately \$20.5 billion and \$18.4 billion, respectively.

Auction Fees

Auction fees increased \$26.5 million, or 9%, to \$331.8 million for the nine months ended September 30, 2024, compared with \$305.3 million for the nine months ended September 30, 2023. The number of vehicles sold increased 8%. Auction fees per vehicle sold for the nine months ended September 30, 2024 increased \$1, or 0%, to \$302, compared with \$301 for the nine months ended September 30, 2023.

Service Revenue

Service revenue decreased \$29.8 million, or 6%, to \$445.4 million for the nine months ended September 30, 2024, compared with \$475.2 million for the nine months ended September 30, 2023, primarily as a result of a decrease in transportation revenue of \$47.2 million, of which \$55.0 million related to a change in a key customer contract that resulted in the customer's revenue for the first nine months of 2024 being recorded on a net commission basis instead of a gross basis, as it was recorded in the first nine months of 2023. In addition, there was a net decrease in other miscellaneous service revenues aggregating approximately \$1.8 million, partially offset by increases in

inspection service revenue of \$8.2 million, repossession and remarketing fees of \$4.9 million, reconditioning revenue of \$3.4 million and key service revenue of \$2.7 million.

Purchased Vehicle Sales

The entire selling and purchase price of the vehicle is recorded as revenue and cost of services for purchased vehicles sold, which represent approximately 2% of total vehicles sold. Purchased vehicle sales increased \$54.9 million, or 31%, to \$231.4 million for the nine months ended September 30, 2024, compared with \$176.5 million for the nine months ended September 30, 2023, primarily as a result of an increase in purchased vehicles sold in Europe.

Gross Profit

For the nine months ended September 30, 2024, gross profit from the Marketplace segment increased \$3.4 million, or 1%, to \$347.2 million, compared with \$343.8 million for the nine months ended September 30, 2023. Gross profit improvements were driven by a \$24.2 million increase in auction and service volumes and \$4.8 million from pricing. These improvements were partially offset by the Canadian DST, which represented a decrease of \$13.2 million and a \$12.4 million decrease in gross profit resulting from a higher mix of commercial volumes.

Gross profit from the Marketplace segment was 34.4% of revenue for the nine months ended September 30, 2024, compared with 35.9% of revenue for the nine months ended September 30, 2023. The Canadian DST decreased gross profit as a percentage of revenue by 130 basis points for the nine months ended September 30, 2024. Excluding purchased vehicle sales, gross profit as a percentage of revenue was 44.7% and 44.0% for the nine months ended September 30, 2024 and 2023, respectively. Excluding purchased vehicle sales, gross profit as a percentage of revenue increased for the nine months ended September 30, 2024 as compared with the nine months ended September 30, 2023, primarily due to a change in a key customer contract (see discussion in "Service revenue" above), increased volumes, increased prices and cost savings initiatives, partially offset by the Canadian DST.

As a result of the Canadian DST being retroactive to January 1, 2022, the Company recorded \$13.2 million of Canadian DST to cost of services for the nine months ended September 30, 2024. Approximately \$3.2 million, \$5 million and \$5 million relates to Canadian DST for the nine months ended September 30, 2024 and the years ended December 31, 2023 and 2022, respectively. During the third quarter of 2024, the Company increased its prices to prospectively mitigate the Canadian DST.

Selling, General and Administrative

Selling, general and administrative expenses from the Marketplace segment decreased \$12.4 million, or 4%, to \$276.5 million for the nine months ended September 30, 2024, compared with \$288.9 million for the nine months ended September 30, 2023, primarily as a result of decreases in compensation expense of \$7.8 million, incentive-based compensation of \$5.0 million, professional fees of \$2.9 million, information technology costs of \$1.8 million and other miscellaneous expenses aggregating \$1.9 million, partially offset by increases in severance of \$4.1 million, marketing costs of \$1.5 million and stock-based compensation expense of \$1.4 million.

Goodwill and Other Intangibles Impairment

See the above discussion of goodwill and other intangibles impairment in the consolidated results of operations for OPENLANE, Inc.

Finance Results

<i>(Dollars in millions, except volumes and per loan amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Finance-related revenue				
Interest income	\$ 56.1	\$ 63.0	\$ 176.6	\$ 185.5
Fee income	47.1	45.6	141.5	137.3
Other revenue	2.3	2.7	6.8	9.8
Provision for credit losses	(11.4)	(11.6)	(37.0)	(35.8)
Total Finance revenue	94.1	99.7	287.9	296.8
Cost of services*	16.8	16.7	50.4	49.6
Gross profit*	77.3	83.0	237.5	247.2
Selling, general and administrative	11.7	12.6	37.6	37.7
Depreciation and amortization	3.2	2.6	8.9	6.7
Operating profit	\$ 62.4	\$ 67.8	\$ 191.0	\$ 202.8
Loan transactions	406,000	406,000	1,243,000	1,228,000
Revenue per loan transaction	\$ 232	\$ 246	\$ 232	\$ 242

* Exclusive of depreciation and amortization

Overview of Finance Results for the Three Months Ended September 30, 2024 and 2023

Revenue

For the three months ended September 30, 2024, the Finance segment revenue decreased \$5.6 million, or 6%, to \$94.1 million, compared with \$99.7 million for the three months ended September 30, 2023. The decrease in revenue was primarily the result of a 6% decrease in revenue per loan transaction. Revenue per loan transaction, which includes both loans paid off and loans curtailed, decreased \$14, or 6%, primarily as a result of a decrease in interest yields and a decrease in vehicle values, partially offset by an increase in floorplan fee per unit and an increase in average portfolio duration.

The provision for credit losses increased to 2.1% of the average managed receivables for the three months ended September 30, 2024 from 2.0% for the three months ended September 30, 2023. The provision for credit losses is expected to be approximately 2% or under, on a long-term basis, of the average managed receivables balance. However, the actual losses in any particular quarter or year could deviate from this range.

Gross Profit

For the three months ended September 30, 2024, gross profit for the Finance segment decreased \$5.7 million, or 7%, to \$77.3 million, or 82.1% of revenue, compared with \$83.0 million, or 83.2% of revenue, for the three months ended September 30, 2023. The decrease in gross profit as a percent of revenue was primarily the result of the 6% decrease in revenue and a less than 1% increase in cost of services.

Selling, General and Administrative

Selling, general and administrative expenses for the Finance segment decreased \$0.9 million, or 7%, to \$11.7 million for the three months ended September 30, 2024, compared with \$12.6 million for the three months ended September 30, 2023 primarily as a result of decreases in information technology costs of \$1.1 million and incentive-based compensation of \$0.3 million, partially offset by increases in title handling costs of \$0.3 million and other miscellaneous expenses aggregating \$0.2 million.

Overview of Finance Results for the Nine Months Ended September 30, 2024 and 2023

Revenue

For the nine months ended September 30, 2024, the Finance segment revenue decreased \$8.9 million, or 3%, to \$287.9 million, compared with \$296.8 million for the nine months ended September 30, 2023. The decrease in revenue was primarily the result of a 4% decrease in revenue per loan transaction, partially offset by a 1% increase in loan transactions. Revenue per loan transaction, which includes both loans paid off and loans curtailed, decreased \$10, or 4%, primarily as a result of a decrease in vehicle values, partially offset by an increase in interest yields and an increase in floorplan fee per unit.

The provision for credit losses increased to 2.2% of the average managed receivables for the nine months ended September 30, 2024 from 2.0% for the nine months ended September 30, 2023. The provision for credit losses is expected to be approximately 2% or under, on a long-term basis, of the average managed receivables balance. However, the actual losses in any particular quarter or year could deviate from this range.

Gross Profit

For the nine months September 30, 2024, gross profit for the Finance segment decreased \$9.7 million, or 4%, to \$237.5 million, or 82.5% of revenue, compared with \$247.2 million, or 83.3% of revenue, for the nine months ended September 30, 2023. The decrease in gross profit as a percent of revenue was primarily the result of a 2% increase in cost of services and the 3% decrease in revenue. The increase in cost of services of \$0.8 million was primarily the result of increases in professional fees of \$0.5 million, travel expenses of \$0.4 million and other miscellaneous expenses aggregating \$0.7 million, partially offset by a decrease in lot check expenses of \$0.8 million.

Selling, General and Administrative

Selling, general and administrative expenses for the Finance segment decreased \$0.1 million, or 0%, to \$37.6 million for the nine months ended September 30, 2024, compared with \$37.7 million for the nine months ended September 30, 2023.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2024, our sources of liquidity consisted of cash on hand, working capital and amounts available under our Revolving Credit Facilities. Our principal ongoing sources of liquidity consist of cash generated by operations and borrowings under our Revolving Credit Facilities.

<i>(Dollars in millions)</i>	September 30, 2024	December 31, 2023	September 30, 2023
Cash and cash equivalents	\$ 132.1	\$ 93.5	\$ 110.3
Working capital	199.5	363.1	432.1
Amounts available under the Revolving Credit Facilities	349.3	133.3	247.3
Cash provided by operating activities for the nine months ended	260.1		216.2

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.

Summary of Cash Flows

<i>(Dollars in millions)</i>	Nine Months Ended September 30,	
	2024	2023
Net cash provided by (used by):		
Operating activities - continuing operations	\$ 260.1	\$ 216.2
Operating activities - discontinued operations	(1.4)	(0.1)
Investing activities - continuing operations	10.4	(39.2)
Investing activities - discontinued operations	—	7.0
Financing activities - continuing operations	(264.3)	(312.1)
Financing activities - discontinued operations	—	—
Net change in cash balances of discontinued operations	—	—
Effect of exchange rate on cash	(3.1)	2.6
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 1.7	\$ (125.6)

Cash flow from operating activities (continuing operations) Net cash provided by operating activities (continuing operations) was \$260.1 million for the nine months ended September 30, 2024, compared with \$216.2 million for the nine months ended September 30, 2023. Cash provided by continuing operations for the nine months ended September 30, 2024 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. Cash provided by continuing operations for the nine months ended September 30, 2023 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 increase 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.

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 \$10.4 million for the nine months ended September 30, 2024, compared with net cash used by investing activities of \$39.2 million for the nine months ended September 30, 2023. The cash provided by investing activities for the nine months ended September 30, 2024 was primarily from a decrease in finance receivables held for investment, partially offset by purchases of property and equipment. The cash used by investing activities for the nine months ended September 30, 2023 was primarily from purchases of property and equipment.

Cash flow from financing activities (continuing operations) Net cash used by financing activities (continuing operations) was \$264.3 million for the nine months ended September 30, 2024, compared with \$312.1 million for the nine months ended September 30, 2023. The cash used by financing activities for the nine months ended September 30, 2024 was primarily due to a net decrease in obligations collateralized by finance receivables,

repayments on lines of credit, dividends paid on the Series A Preferred Stock, repurchases and retirement of common stock and payments for debt issuance costs. The cash used by financing activities for the nine months ended September 30, 2023 was primarily due to the early repayment of senior notes, repayments on lines of credit, dividends paid on the Series A Preferred Stock, repurchases and retirement of common stock, payments of contingent consideration and payments for debt issuance costs, partially offset by a net increase in obligations collateralized by finance receivables.

Cash flow from operating activities (discontinued operations) Net cash used by operating activities (discontinued operations) was \$1.4 million for the nine months ended September 30, 2024 compared with \$0.1 million for the nine months ended September 30, 2023. The cash used by operating activities for the nine months ended September 30, 2024 was primarily attributable to the payment of an accrued obligation.

Cash flow from investing activities (discontinued operations) There were no investing activities (discontinued operations) for the nine months ended September 30, 2024, compared with net cash provided by investing activities of \$7.0 million for the nine months ended September 30, 2023. The cash provided by investing activities for the nine months ended September 30, 2023 was attributable to the final proceeds from the sale of the ADESA U.S. physical auction business.

Cash flow from financing activities (discontinued operations) There were no financing activities (discontinued operations) for the nine months ended September 30, 2024 and 2023.