




KAR Auction Services, Inc.
Corporate Update

February 2014

KAR AUCTION SERVICES℠





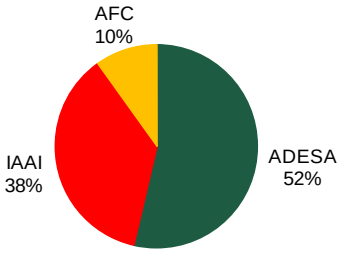


Forward-Looking Statements

This presentation includes forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward looking statements are subject to certain risks, trends, and uncertainties that could cause actual results to differ materially from those projected, expressed or implied by such forward-looking statements. Many of these risk factors are outside of the company's control, and as such, they involve risks which are not currently known to the company that could cause actual results to differ materially from forecasted results. Factors that could cause or contribute to such differences include those matters disclosed in the company's Securities and Exchange Commission filings. The forward-looking statements in this document are made as of the date hereof and the company does not undertake to update its forward-looking statements.

Leading Provider of Vehicle Auction Services in North America

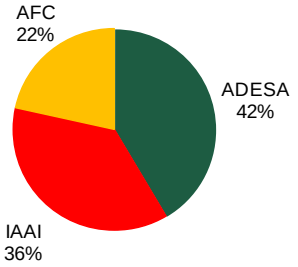
2013 Revenue by Segment



3.7mm vehicles sold in 2013

Revenue	$2,173mm
Adj. EBITDA	$538mm
% margin	*24.8%*

2013 Adj. EBITDA by Segment(1)



Whole Car Auctions

- 2013 Revenue: $1,118mm
- 2013 Adj. EBITDA: $256mm
- Adj. EBITDA margin: 22.9%

Salvage Vehicle Auctions

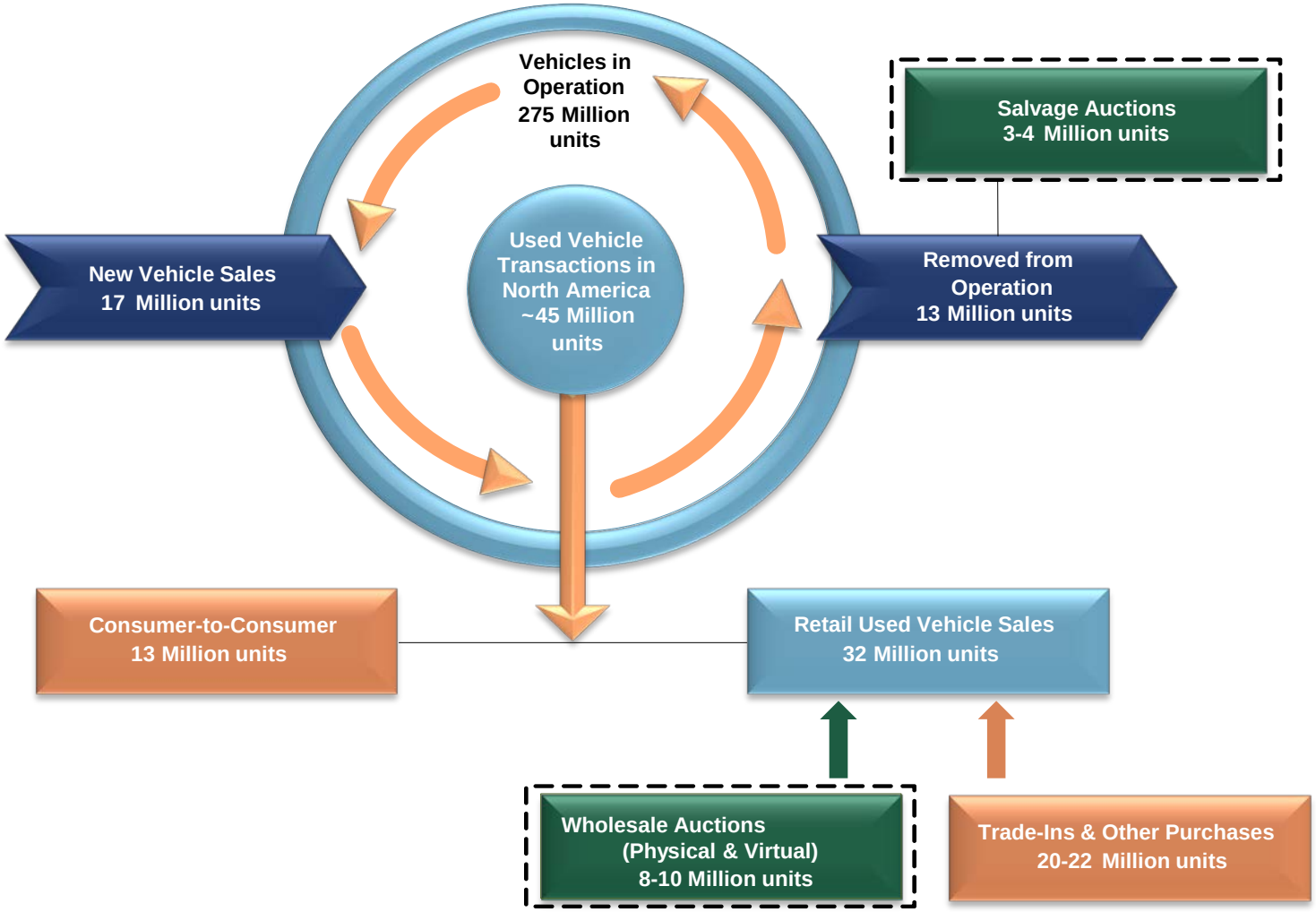
- 2013 Revenue: $830mm
- 2013 Adj. EBITDA: $219mm
- Adj. EBITDA margin: 26.4%(2)

Vehicle Floorplan Financing

- 2013 Revenue: $225mm
- 2013 Adj. EBITDA: $134mm
- Adj. EBITDA margin: 59.5%(3)

(1) Excludes $71mm of holding company costs.
(2) 27.4% excluding $30.1mm in revenue associated with processing Superstorm Sandy vehicles in 2013.
(3) 62.3% excluding $12.5mm in revenue and $1.3mm in adjusted EBITDA of "other service revenue generated by Preferred Warranties Inc. (PWI) which was acquired in June 2013.

The North American Car Parc: Vehicle Remarketing is a Large and Growing Market



Source: National Auto Auction Association, R.L. Polk & Co., CNW Marketing, DesRosiers Automotive Consultants.

Vehicle Flow – Whole Car and Salvage Markets

Whole Car Consignors

- Dealers
- OEMs and their Captive Finance Arms
- Commercial Fleet Customers
- Financial Institutions
- Rental Car Companies

ADESA

Revenue:
~$545 / vehicle*

AA INSURANCE AUTO AUCTIONS

Revenue:
~$460 / vehicle

Whole Car Buyers

- Franchised Dealers
- Independent Dealers
- Wholesale Dealers

Seller

Auction Fee



Auction Fee

Buyer

Salvage Vehicle Consignors

- Insurance Companies
- Charities
- Used Vehicle Dealers
- Financial Institutions

AFC Automotive Finance Corporation

Revenue:
~$160 / LTU**

Value-Added Ancillary Services

Salvage Vehicle Buyers

- Dismantlers
- Rebuilders & Resellers
- Recyclers
- International Buyers

* Includes online only
**Excludes Other service revenue

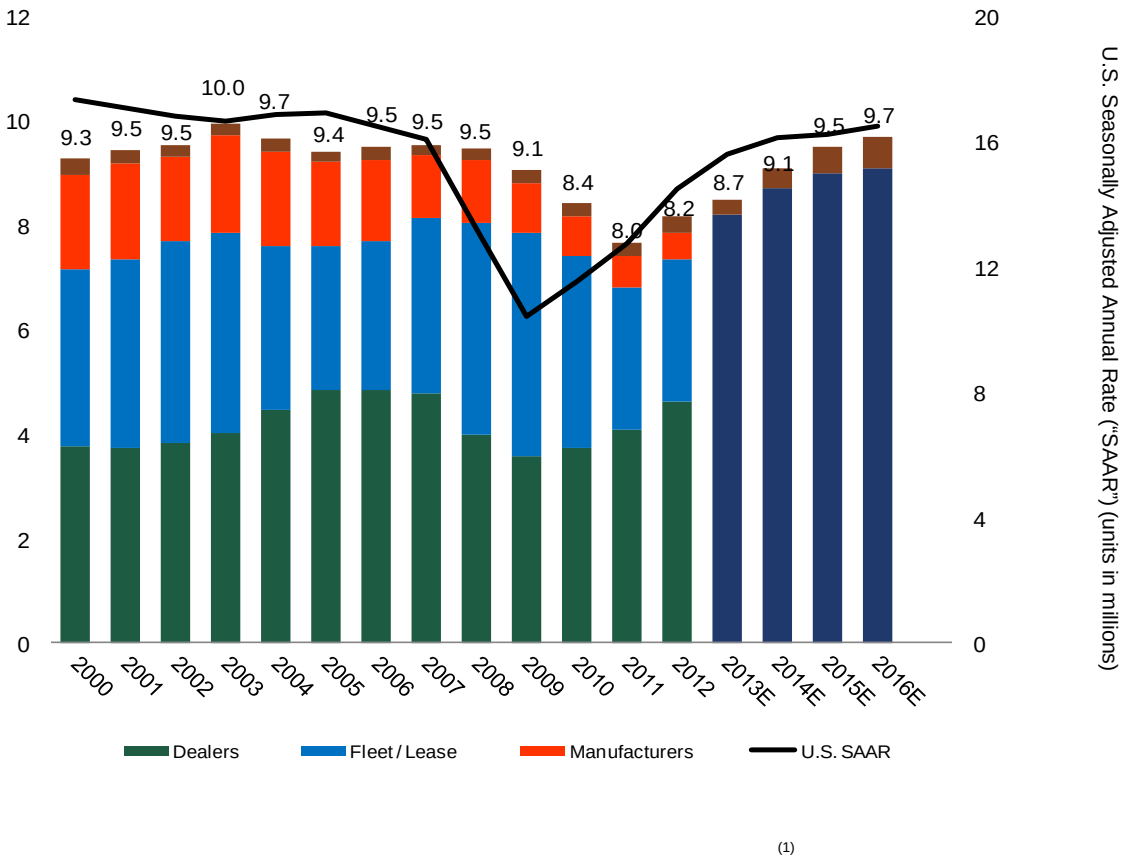
Poised to Benefit from Volume Recovery in Whole Car

Positive Demand Drivers

- 2013 was inflection point for whole car auction volumes
  - Average 2-4 year lag between whole car volumes and new car sales
- New vehicle sales continue to grow
- Significant increase in lease penetration since the 2008-2009 financial crisis
  - With higher retail sales overall, off-lease volumes expected to show continued growth in 2014-2016 and beyond

North American Whole Car Auction Volume & New Vehicle Sales

(Units in millions)



(1)

Source: BEA, IHS Automotive, Kontos Total Market Estimates, NAAA 2012 Annual Review and Management estimates.
(1) Includes OPENLANE.

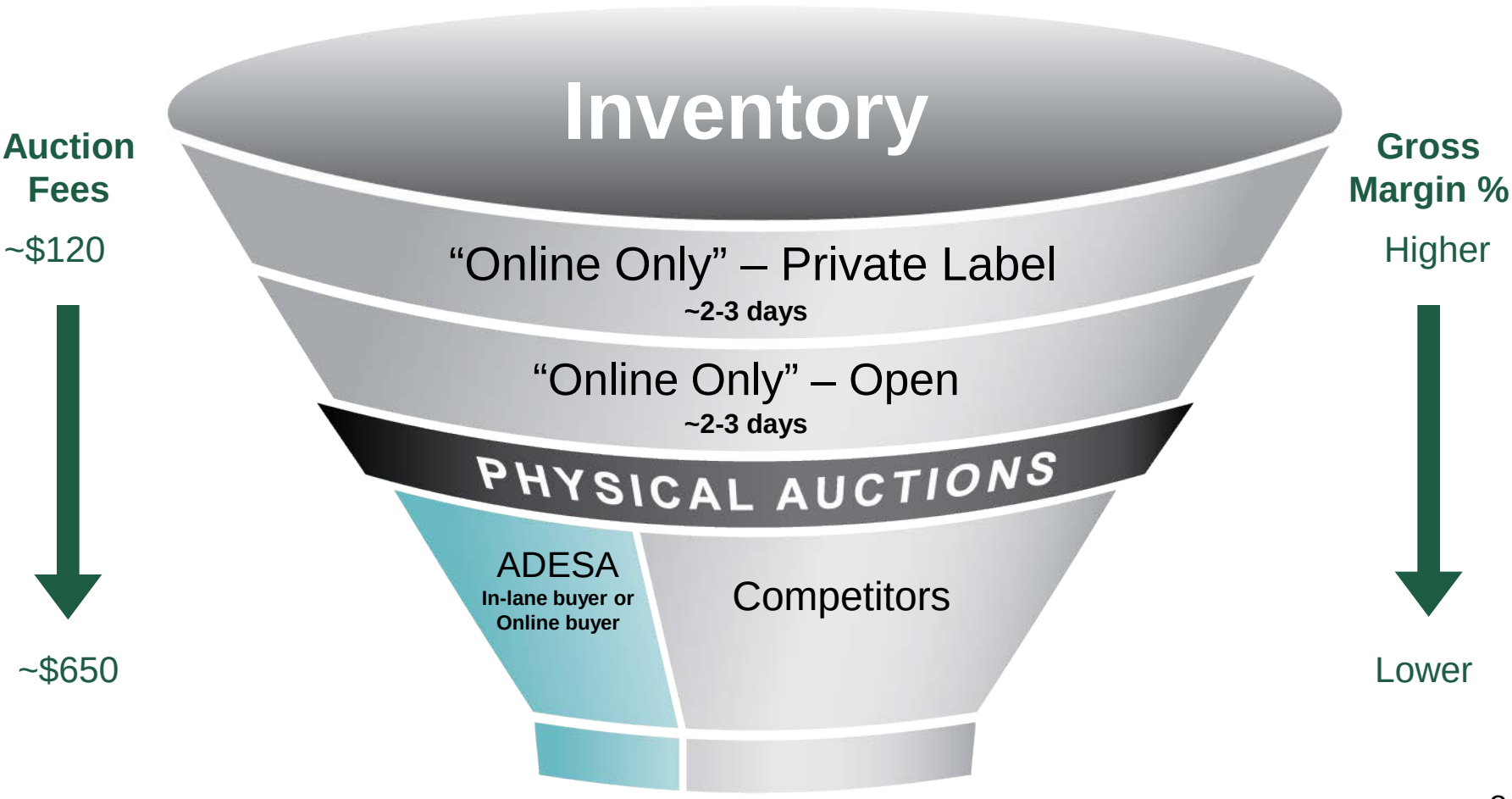
OPENLANE & ADESA: Clear Leader in Private Label Sales[(1)] for Manufacturers

Current Private Label Sales



(1) Private label sales held by manufacturers are limited to franchised dealers.

Off-lease “Auction Funnel”

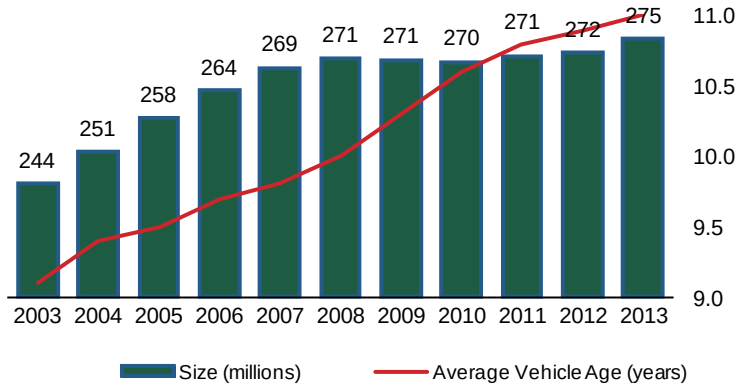


Continued Positive Salvage Market Fundamentals

Positive Demand Drivers

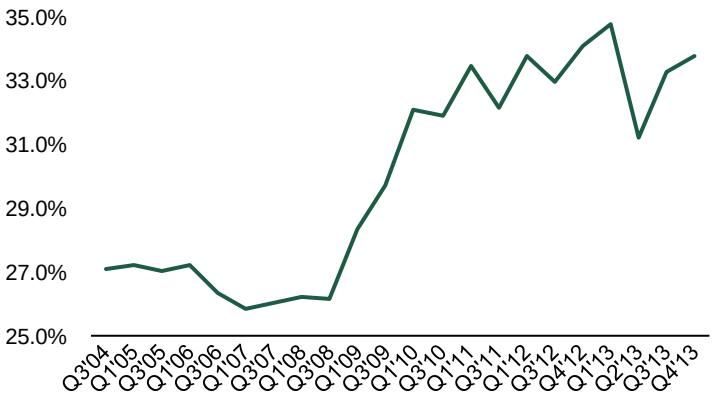
- Increased use of alternative parts in collision repair
- Increasing vehicle complexity and technology content
- Increase in non-insurance supply, including charity, direct-to-consumer and dealer sales
- International demand

Large Aging North American Car Parc



Alternative Parts Utilization

(% of total parts dollars)



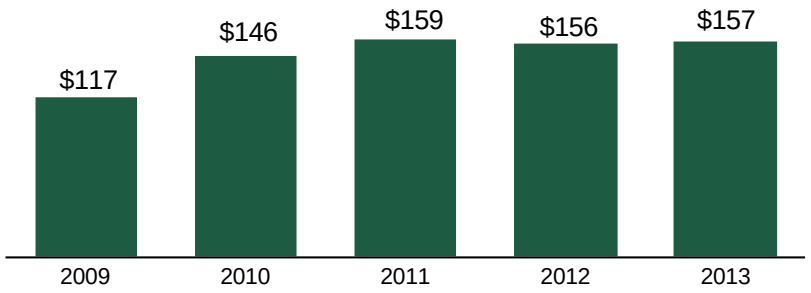
Source: Polk and Mitchell International.

AFC Presents a Significant Competitive Advantage for KAR

AFC Highlights

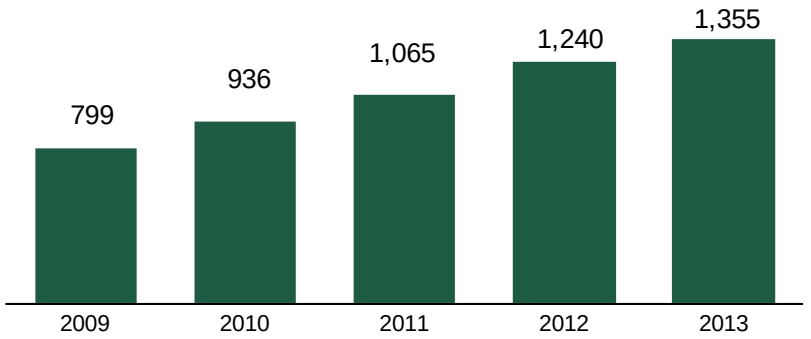
- Portfolio managed to short duration with strong underwriting and control environment
  - Short-term (30-60 days) secured financing
- Grow portfolio
- Consistent credit standards
- Sufficient liquidity
  - Low cost debt, unfunded revolver and strong cash balance
  - AFC funding in place through June 2016
  - US$800 million and C$100 million committed liquidity(1) ($772 million drawn as of 12/31/13)
- Experienced management team
- Ability to expand service offerings
  - Preferred Warranties, Inc.

Revenue Per Loan Transaction(2)



Loan Transaction Units

(Units in thousands)



(1) USD & CAD facility commitments through June 2016.
(2) Reflects GAAP revenue which includes a deduction for bad debt expense. Prior to 2010, GAAP revenue includes a deduction for interest expense of $6 / loan transaction. 2013 excludes "Other service revenue."

Key Investment Highlights

- Poised to Benefit from Positive Cyclical Trends – Expected Increases in Forward Volumes
- Established Market Leader Across Core Businesses
- Proven and Resilient Growth through a Diversified Business Mix
- Attractive Financial Model Generating Significant Free Cash Flow for Debt Repayment and Dividend Payments
- Multiple Avenues for Continued Organic and Acquisition Expansion
- Experienced Management Team with Proven Track Record






Financial Overview

KAR AUCTION SERVICES™

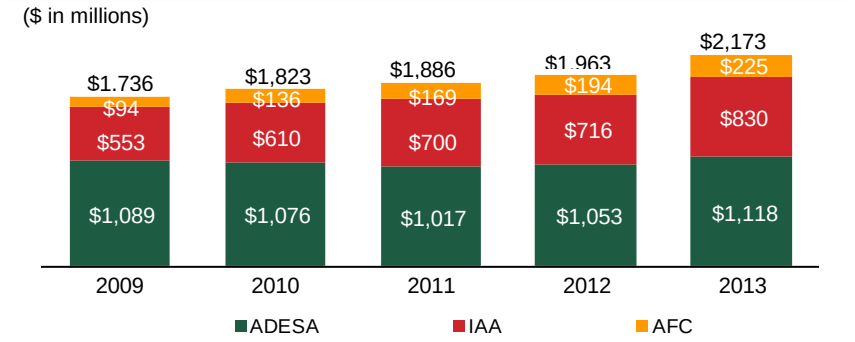






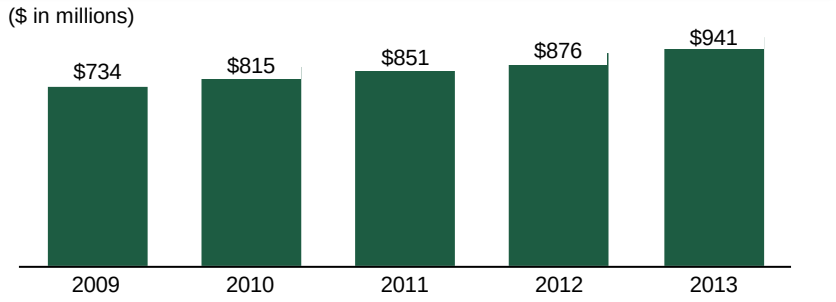
Historical Financial Performance

Revenue



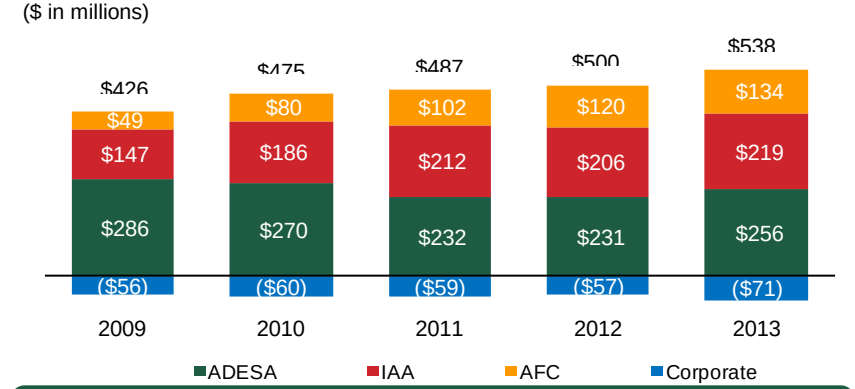
Visible and predictable top line growth

Gross Profit



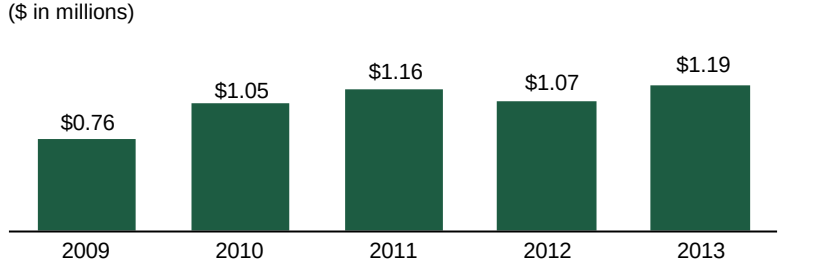
History of growing profitability

Adjusted EBITDA



Diversified segment mix

Adjusted Net Income Per Share



History of bottom line growth

Note: Please see appendix for EBITDA adjustments.

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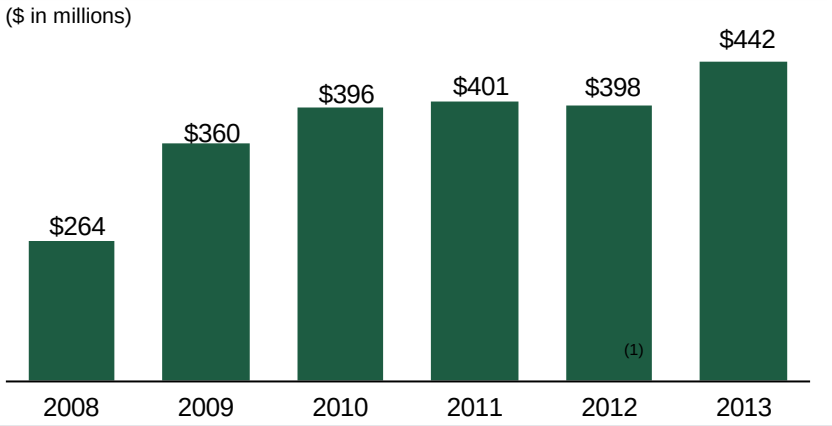
December 31, 2013 Leverage (US$ in millions)

	12/31/2013	Maturity
Term Loan Facilities *	$1,767.2	2017
Revolving Credit Facility	0.0	2016
Capital Leases	30.7	**
Total	1,797.9	
Less: Available Cash	(145.3)	
Net Debt	$1,652.6	
Net Debt /Adjusted EBITDA	**3.07X**	

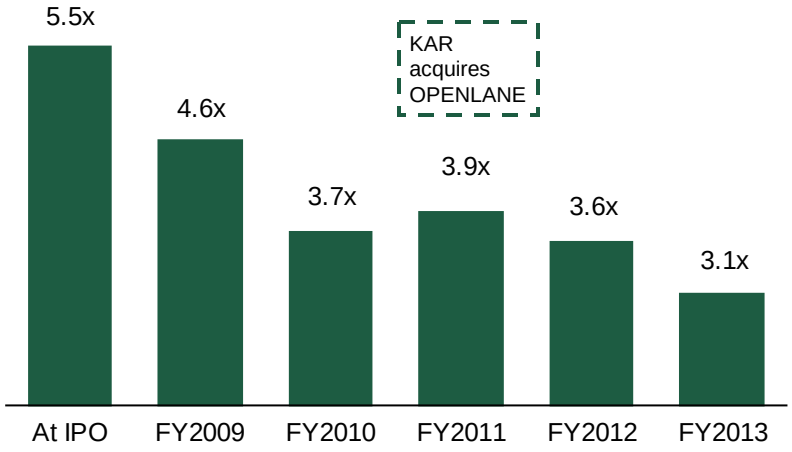
* Includes unamortized debt discount
** Various maturities

Attractive Financial Model Generating Significant Free Cash Flow for Debt Repayment and Dividend Payments

Adjusted EBITDA less Capital Expenditures



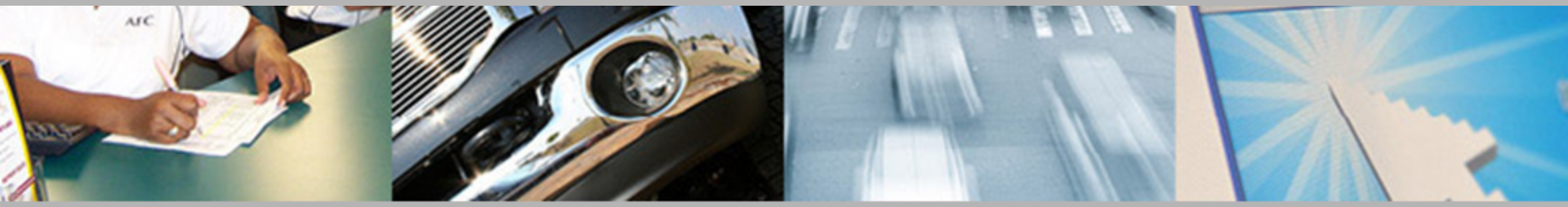
Net Debt / Adjusted EBITDA



Key Takeaways

- Significant free cash flow available to reduce leverage and return cash to shareholders
- High margin and low capital intensity business model
- Successfully deleveraged the business since IPO
- Target leverage of 3.0x or less
- Quarterly dividend of $0.25

Note: Please see appendix for EBITDA adjustments.
(1) Additional capital expenditures of $7 million related to Superstorm Sandy.



Appendix


ADESA
Password:
NOTIFY ME
RUN LISTS
BID / BUY
HOME
Search by Auction
Search by Consignor
Search All Inventory

Non-GAAP Financial Measures

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

Free cash flow is defined as Adjusted EBITDA minus cash paid for capital expenditures, taxes (net) and interest on corporate debt. Management believes that free cash flow is useful to investors and other users of our financial information because management regularly reviews free cash flow as an indicator of how much cash is generated by normal business operations.

The revaluation of certain assets of the company, and resultant increase in depreciation and amortization expense which resulted from the 2007 merger, as well as stock-based compensation expense incurred in connection with service and exit options tied to the 2007 merger, have had a continuing effect on the company's reported results. Non-GAAP measures of adjusted net income and adjusted net income per share, in the opinion of the company, provide comparability to other companies that may have not incurred these types of noncash expenses. In addition, net income and net income per share have been adjusted for certain other charges, as seen in the reconciliations that follow.

EBITDA, Adjusted EBITDA, free cash flow, adjusted net income and adjusted net income 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.

2008 Adjusted EBITDA Reconciliation

($ in millions)

	Year ended December 31, 2008				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$52.5**	**$9.2**	**($151.3)**	**($126.6)**	**($216.2)**
Add back:					
Income taxes	33.7	6.3	10.2	(81.6)	(31.4)
Interest expense, net of interest income	–	0.2	–	213.2	213.4
Depreciation and amortization	93.2	61.6	25.3	2.7	182.8
Intercompany interest	35.5	38.4	(0.7)	(73.2)	–
EBITDA	**$214.9**	**$115.7**	**($116.5)**	**($65.5)**	**$148.6**
Adjustments per the Credit Agreement	50.2	17.5	166.9	10.3	244.9
Adjusted EBITDA	**$265.1**	**$133.2**	**$50.4**	**($55.2)**	**$393.5**
Revenue	$1,123.4	$550.3	$102.3	–	$1,776.0
Adjusted EBITDA % margin	23.6%	24.2%	49.3%		22.2%

2009 Adjusted EBITDA Reconciliation

($ in millions)

	Year ended December 31, 2009				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$94.4**	**$25.8**	**$19.1**	**($116.1)**	**$23.2**
Add back:					
Income taxes	56.0	16.2	8.4	(69.5)	11.1
Interest expense, net of interest income	0.5	1.4	–	170.3	172.2
Depreciation and amortization	88.4	58.3	24.7	1.0	172.4
Intercompany interest	25.6	35.7	(6.8)	(54.5)	–
EBITDA	**$264.9**	**$137.4**	**$45.4**	**($68.8)**	**$378.9**
Adjustments per the Credit Agreement	21.4	9.2	3.8	12.6	47.0
Adjusted EBITDA	**$286.3**	**$146.6**	**$49.2**	**($56.2)**	**$425.9**
Revenue	$1,088.5	$553.1	$93.9	–	$1,735.5
Adjusted EBITDA % margin	26.3%	26.5%	52.4%		24.5%

2010 Adjusted EBITDA Reconciliation

($ in millions)

	Year ended December 31, 2010				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$80.1**	**$44.7**	**$38.4**	**($93.6)**	**$69.6**
Add back:					
Income taxes	43.6	26.7	21.1	(64.2)	27.2
Interest expense, net of interest income	0.9	2.3	7.2	130.9	141.3
Depreciation and amortization	86.9	58.9	25.0	0.5	171.3
Intercompany interest	36.7	37.8	(11.7)	(62.8)	–
EBITDA	**$248.2**	**$170.4**	**$80.0**	**($89.2)**	**$409.4**
Adjustments per the Credit Agreement	21.6	15.6	(0.4)	29.0	65.8
Adjusted EBITDA	**$269.8**	**$186.0**	**$79.6**	**($60.2)**	**$475.2**
Cash paid for capital expenditures					(78.9)
Cash paid for taxes, net of refunds					(36.3)
Cash paid for interest, as adjusted[(1)]					(121.8)
Free Cash Flow					**$238.2**
Revenue	$1,075.9	$610.4	$136.3	–	$1,822.6
Adjusted EBITDA % margin	25.1%	30.5%	58.4%		26.1%
Free cash flow as a % of revenue					13.1%

(1) Cash paid for interest excludes interest paid for standby letters of credit and securitization interest paid on obligations for securitization receivables of $0.8 million and $6.8 million, respectively, for the year ended December 31, 2010.

2011 Adjusted EBITDA Reconciliation

($ in millions)

	Year ended December 31, 2011				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$55.8**	**$65.5**	**$57.2**	**($106.3)**	**$72.2**
Add back:					
Income taxes	17.9	36.1	29.6	(65.8)	17.8
Interest expense, net of interest income	0.7	2.1	12.0	128.0	142.8
Depreciation and amortization	88.1	65.8	24.7	1.2	179.8
Intercompany interest	46.9	37.8	(14.4)	(70.3)	–
EBITDA	**$209.4**	**$207.3**	**$109.1**	**($113.2)**	**$412.6**
Adjustments per the Credit Agreement	22.8	4.4	(7.2)	54.6	74.6
Adjusted EBITDA	**$232.2**	**$211.7**	**$101.9**	**($58.6)**	**$487.2**
Cash paid for capital expenditures					(85.8)
Cash paid for taxes, net of refunds					(36.5)
Cash paid for interest, as adjusted[(1)]					(111.6)
Free Cash Flow					**$253.3**
Revenue	$1,017.4	$700.1	$168.8	–	$1,886.3
Adjusted EBITDA % margin	22.8%	30.2%	60.4%		25.8%
Free cash flow as a % of revenue					13.4%

(1) Cash paid for interest excludes interest paid for standby letters of credit and securitization interest paid on obligations for securitization receivables of $0.6 million and $10.1 million, respectively, for the year ended December 31, 2011. Cash paid for interest in 2011 also excludes $14.5 million related to the early termination and settlement of an interest rate swap agreement.

2012 Adjusted EBITDA Reconciliation

($ in millions)

	Year ended December 31, 2012				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$38.4**	**$56.5**	**$64.1**	**($67.0)**	**$92.0**
Add back:					
Income taxes	14.5	33.7	46.0	(34.6)	59.6
Interest expense, net of interest income	0.8	1.4	15.0	101.9	119.1
Depreciation and amortization	96.9	68.1	23.3	1.9	190.2
Intercompany interest	54.3	37.8	(17.8)	(74.3)	–
EBITDA	**$204.9**	**$197.5**	**$130.6**	**($72.1)**	**$460.9**
Adjustments per the Credit Agreement	26.2	(0.2)	(10.4)	14.6	30.2
Superstorm Sandy	–	9.1	–	–	9.1
Adjusted EBITDA	**$231.1**	**$206.4**	**$120.2**	**($57.5)**	**$500.2**
Cash paid for capital expenditures					(102.0)
Cash paid for taxes, net of refunds					(65.3)
Cash paid for interest, as adjusted[(1)]					(94.8)
Free Cash Flow					**$238.1**
Revenue	$1,053.5	$716.1	$193.8	–	$1,963.4
Adjusted EBITDA % margin	21.9%	28.8%	62.0%		25.5%
Free cash flow as a % of revenue					12.1%

(1) Cash paid for interest excludes interest paid for standby letters of credit and securitization interest paid on obligations for securitization receivables of $1.0 million and $12.8 million, respectively, for the year ended December 31, 2012. Cash paid for interest in 2012 also excludes $0.4 million related to interest on a tax audit and reassessment in Canada.

2013 Adjusted EBITDA Reconciliation

($ in millions)

	Year ended December 31, 2013				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$50.2**	**$56.6**	**$76.1**	**($115.2)**	**$67.7**
Add back:					
Income taxes	40.1	32.8	40.2	(31.6)	81.5
Interest expense, net of interest income	0.6	0.8	16.7	86.2	104.3
Depreciation and amortization	87.9	73.8	27.6	5.1	194.4
Intercompany interest	52.5	37.8	(19.9)	(70.4)	–
EBITDA	**$231.3**	**$201.8**	**$140.7**	**($125.9)**	**$447.9**
Adjustments per the Credit Agreement	24.7	3.9	(7.1)	55.3	76.8
Superstorm Sandy	–	13.5	–	–	13.5
Adjusted EBITDA	**$256.0**	**$219.2**	**$133.6**	**($70.6)**	**$538.2**
Cash paid for capital expenditures					(96.6)
Cash paid for taxes, net of refunds					(46.8)
Cash paid for interest, as adjusted[(1)]					(75.2)
Free Cash Flow					**$319.6**
Revenue	$1,118.6	$830.0	$224.7	–	$2,173.3
Adjusted EBITDA % margin	22.9%	26.4%	59.5%		24.8%
Free cash flow as a % of revenue					14.7%

(1) Cash paid for interest excludes interest paid for standby letters of credit and securitization interest paid on obligations for securitization receivables of $0.8 million and $13.8 million, respectively, for the year ended December 31, 2013.

LTM Adjusted EBITDA Reconciliation

($ in millions) (unaudited)

	Three months ended				Twelve months ended
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Net income (loss)	**$29.1**	**$33.4**	**$22.8**	**($17.6)**	**$67.7**
Add back:					
Income taxes	17.0	22.9	19.6	22.0	81.5
Interest expense, net of interest income	28.7	24.5	25.8	25.3	104.3
Depreciation and amortization	47.3	49.0	49.6	48.5	194.4
EBITDA	**$122.1**	**$129.8**	**$117.8**	**$78.2**	**$447.9**
Other adjustments per the Credit Agreement	6.1	3.1	2.9	3.4	15.5
Noncash charges	0.4	7.9	13.2	53.0	74.5
AFC interest expense	(3.2)	(3.3)	(3.3)	(3.4)	(13.2)
Superstorm Sandy	10.8	2.7	–	–	13.5
Adjusted EBITDA	**$136.2**	**$140.2**	**$130.6**	**$131.2**	**$538.2**

Adjusted Net Income Per Share Reconciliation

($ in millions, except per share amounts)

	Year ended December 31,				
	2013	**2012**	**2011**	**2010**	**2009**
Net income	$67.7	$92.0	$72.2	$69.6	$23.2
Loss on modification/extinguishment of debt, net of tax[1]	3.2	–	33.2	20.3	–
Swap termination, net of tax[2]	–	–	9.0	–	–
Stepped up depreciation and amortization expense, net of tax[3]	28.7	32.5	38.6	40.1	45.2
Stock-based compensation, net of tax[4]	60.2	18.2	10.4	13.2	13.4
Contingent consideration adjustment, net of tax[5]	–	0.7	(2.9)	–	–
Superstorm Sandy, net of tax[6]	8.0	5.4	–	–	–
Adjusted net income	**$167.8**	**$148.8**	**$160.5**	**$143.2**	**$81.8**
Net income per share – diluted	$0.48	$0.66	$0.52	$0.51	$0.21
Loss on modification/extinguishment of debt, net of tax	0.02	–	0.24	0.15	–
Swap termination, net of tax	–	–	0.07	–	–
Stepped up depreciation and amortization expense, net of tax	0.20	0.23	0.28	0.29	0.42
Stock-based compensation, net of tax	0.43	0.13	0.07	0.10	0.13
Contingent consideration adjustment, net of tax	–	0.01	(0.02)	–	–
Superstorm Sandy, net of tax	0.06	0.04	–	–	–
Adjusted net income per share – diluted	**$1.19**	**$1.07**	**$1.16**	**$1.05**	**$0.76**
Weighted average diluted shares	140.8	139.0	137.8	135.9	108.1

Adjusted Net Income – Explanatory Footnotes

(1) In 2010 and 2011, there were losses on extinguishments of debt totaling $32.7 million ($20.3 million net of tax) and $53.5 million ($33.2 million net of tax), respectively. We incurred a loss on the modification/extinguishment of debt totaling $5.4 million ($3.2 million net of tax) for the year ended December 31, 2013.

(2) In connection with our debt refinancing, in the second quarter of 2011 we de-designated our interest rate swap and entered into a swap termination agreement. We paid $14.5 million ($9.0 million net of tax) to settle and terminate the swap agreement.

(3) Increased depreciation and amortization expense was $45.8 million ($28.7 million net of tax), $51.8 million ($32.5 million net of tax), $61.4 million ($38.6 million net of tax), $63.6 million ($40.1 million net of tax) and $72.0 million ($45.2 million net of tax) for the year ended December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

(4) Stock-based compensation resulting from the 2007 merger was $64.5 million ($60.2 million net of tax), $20.9 million ($18.2 million net of tax), $16.1 million ($10.4 million net of tax), $19.8 million ($13.2 million net of tax) and $16.4 million ($13.4 million net of tax) for the year ended December 31, 2013, 2012, 2011, 2010 and 2009, respectively.

(5) We recorded and reversed accrued contingent consideration of approximately $1.1 million ($0.7 million net of tax) and $4.6 million ($2.9 million benefit net of tax) for the year ended December 31, 2012 and 2011, respectively.

(6) In the fourth quarter of 2012, we incurred a loss resulting from Superstorm Sandy of $9.1 million ($5.4 million net of tax). We incurred a loss resulting from Superstorm Sandy of approximately $13.5 million ($8.0 million net of tax) for the year ended December 31, 2013.