

KAR Auction Services, Inc.
Corporate Update

Fourth Quarter 2016



Forward-Looking Statements

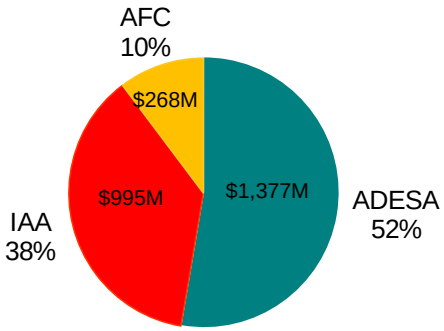
This presentation includes forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward looking statements are subject to certain risks, trends, and uncertainties that could cause actual results to differ materially from those projected, expressed 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.

Key Investment Highlights

- Attractive Financial Model Generating Growing and Consistent Free Cash Flow
- Physical and Technological Assets Differentiate KAR
- Established Market Leader Across Core Businesses
- Multiple Avenues for Continued Organic and Acquisition Expansion
- Proven and Resilient Growth through a Diversified Business Mix
- Experienced Management Team with Proven Track Record

Vehicle Auction Services Leader

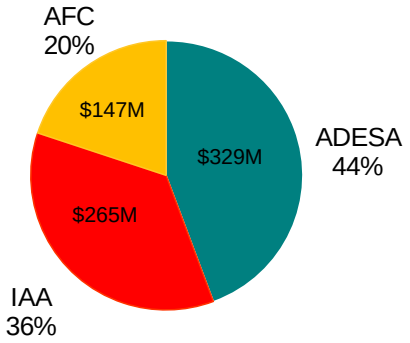
2015 Revenue by Segment



4.4mm vehicles sold in 2015

Revenue	$2,640mm
Adj. EBITDA	$650mm
% margin	*24.6%*

2015 Adj. EBITDA by Segment[(1)]



Whole Car Auctions

- Dealer and institutional vehicles (e.g., off-lease, repossessions)
- #2 North American market position
- ~40% vehicles sold online

Salvage Vehicle Auctions

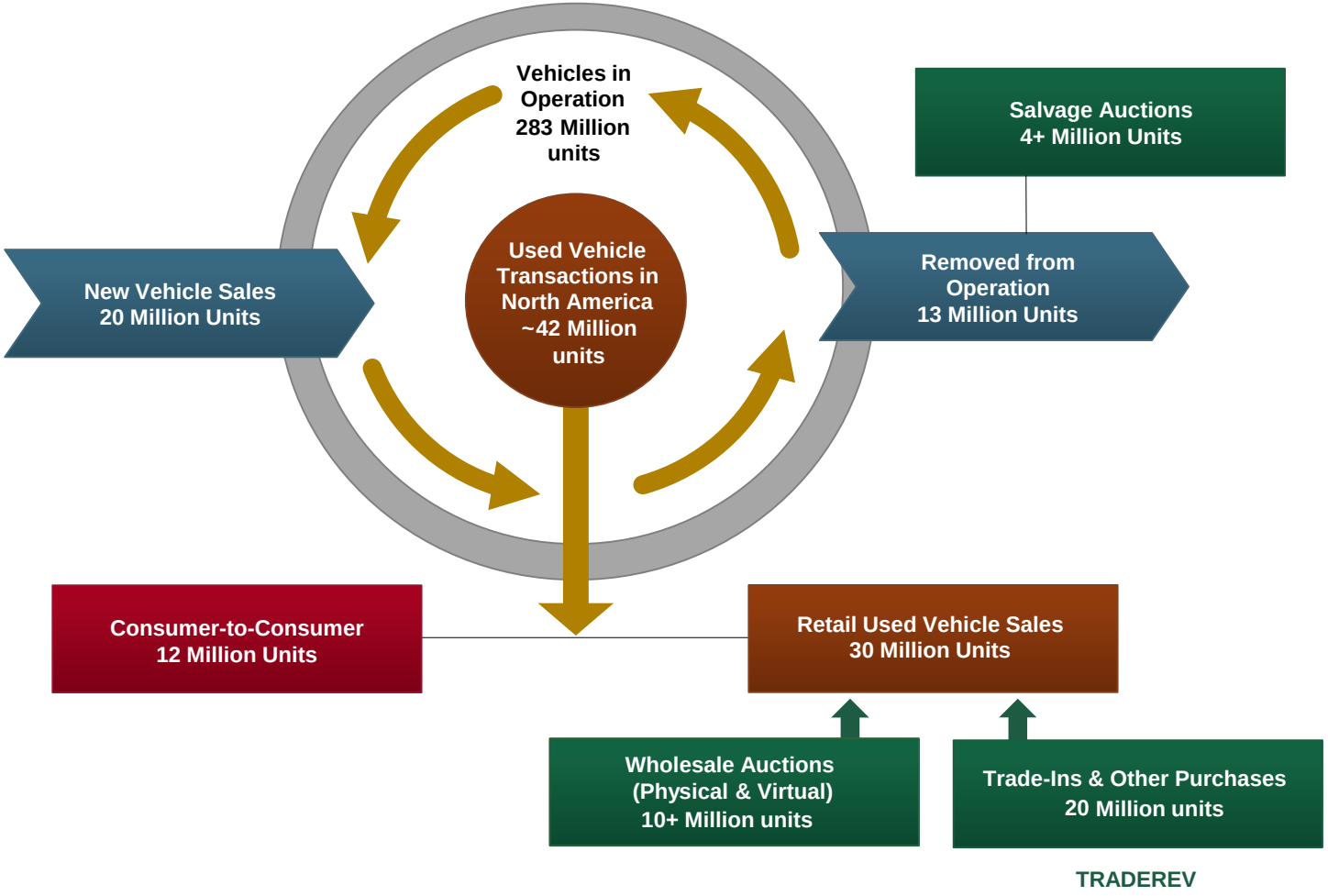
- Total loss and damaged vehicles
- Co-leader in North America
- ~50% vehicles sold online

Vehicle Floorplan Financing

- Independent dealer vehicle inventory (floorplan) finance
- #2 North American market position
- Short-term secured financing

(1) Excludes $91 million of holding company costs.

North American Car Parc



Source: National Auto Auction Association, R.L. Polk & Co., National Automobile Dealer's Association, DesRosiers Automotive Consultants and Management estimates

Consignment Revenue Model

Whole Car Consignors

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

ADESA

Revenue:
~$560 / vehicle(1)

Value-Added Ancillary Services

AFC Automotive Finance Corporation

Revenue:
~$150 / LTU(3)

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

AA

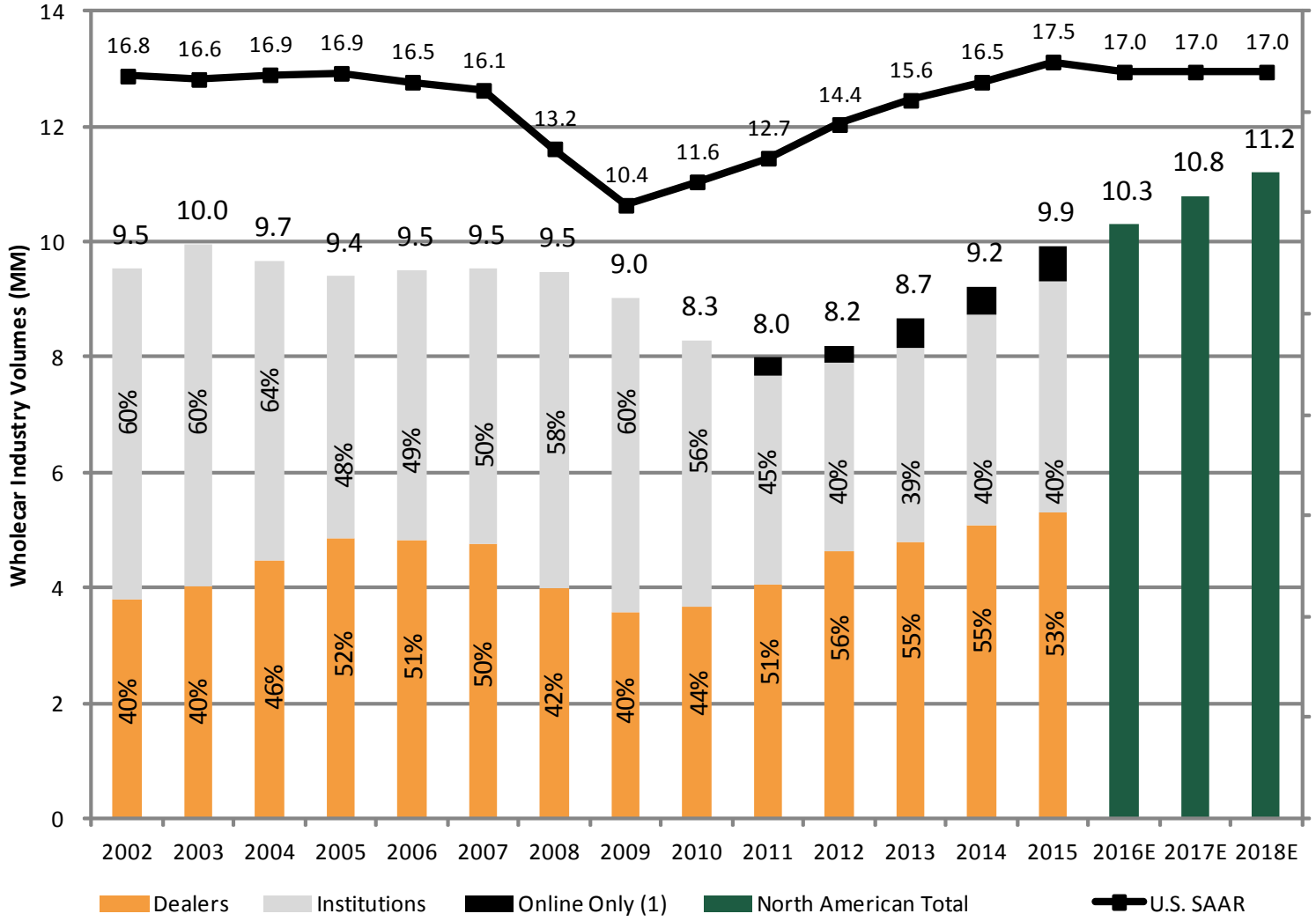
Revenue:
~$450 / vehicle(2)

Salvage Vehicle Buyers

- Dismantlers
- Rebuilders & Resellers
- Recyclers
- International Buyers

RPU as of 12/31/15
(1) Includes online only
(2) Excludes HBC Vehicle Services
(3) Excludes Other service revenue

North American Whole Car Auction Industry



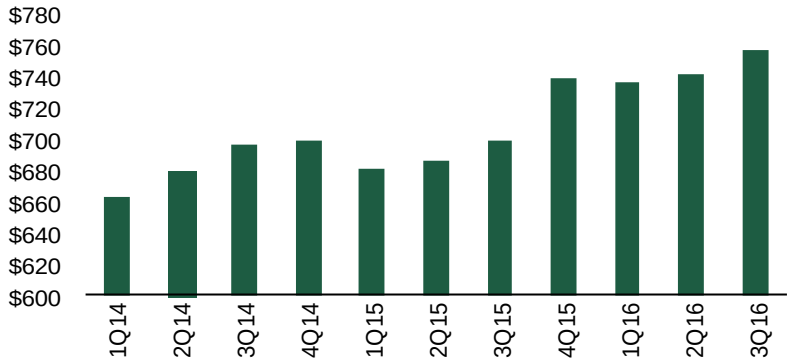
Source:BEA, IHS Automotive, Kontos Total Market Estimates, NAAA 2015 Annual Review and Management estimates. (1) Includes OPENLANE.

ADESA – Whole Car Market Fundamentals

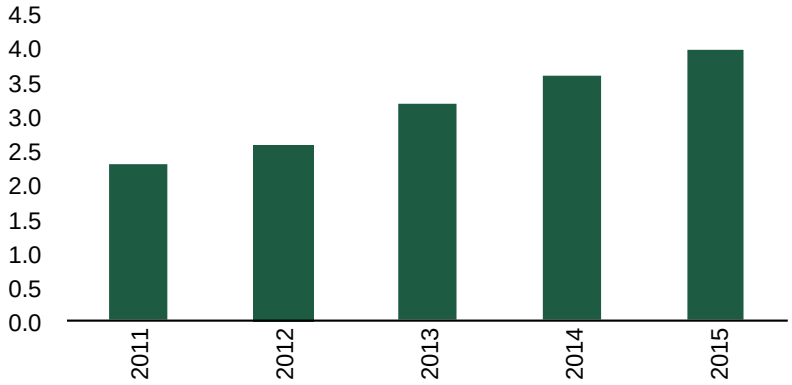
Positive Supply Drivers

- Increasing new vehicle leases
- Increasing supply of consumer credit leads to growing repossessions
- Dealer consignment displaced by growing institutional volumes

ADESA Physical Revenue Per Unit

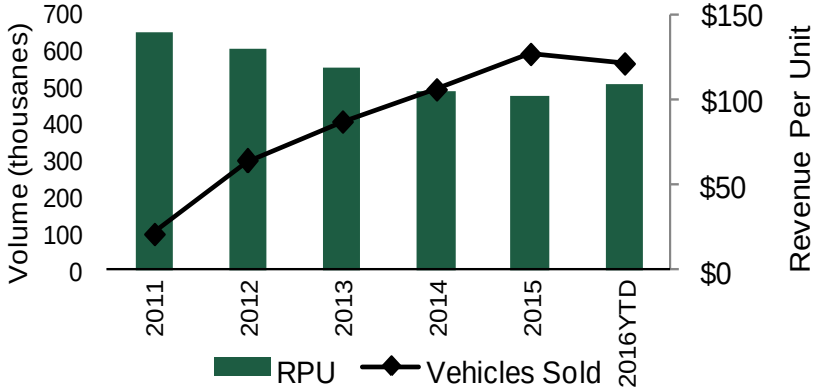


Industry Annual New Vehicle Leases



Source: Edmunds

ADESA Online Only Volumes & RPU



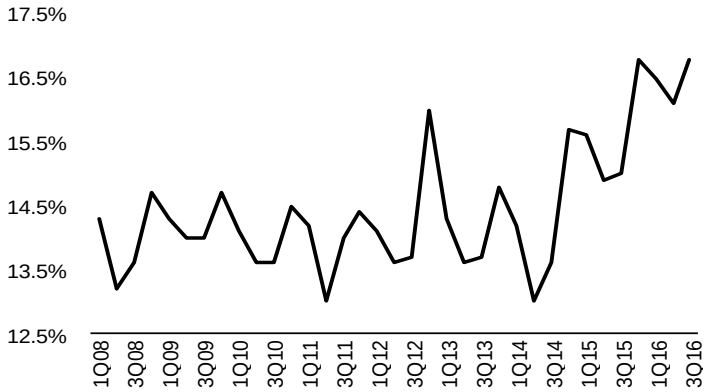
Note: OPENLANE acquired October 2011
Online Only RPU Excludes ADESA Assurance Effect 1Q15 to Present

IAA - Salvage Market Fundamentals

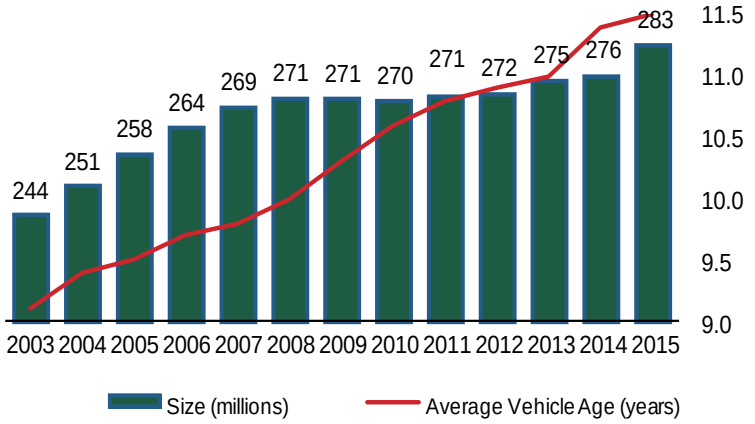
Positive Industry Drivers

- Increasing vehicle complexity and technology content
- Increase in non-insurance supply
- International demand

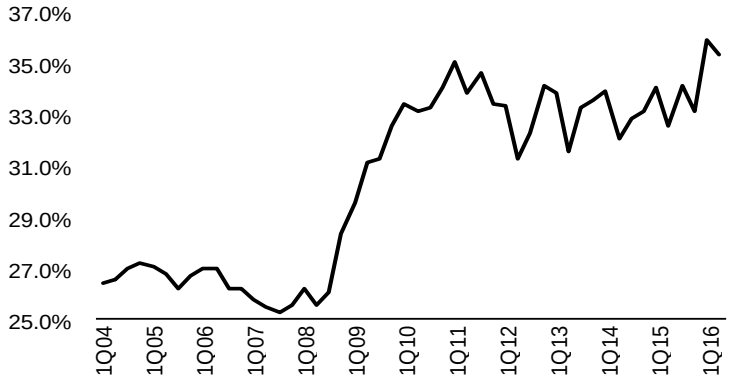
Increasing Total Loss % of Total Claims



Growing & Aging North American Car Parc



Increasing Alternative Parts Utilization



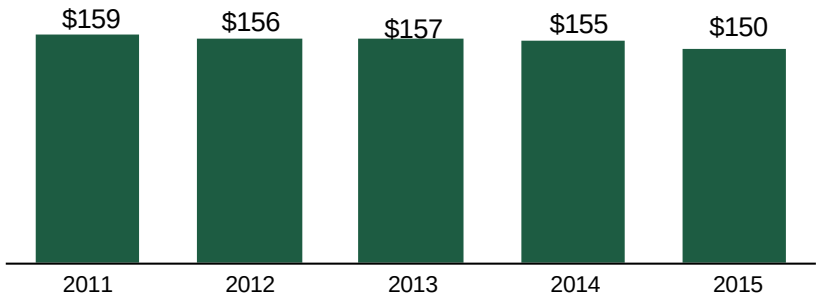
Source: CCC Information Services, Polk and Mitchell International.

AFC Provides Complementary Service to Buyers

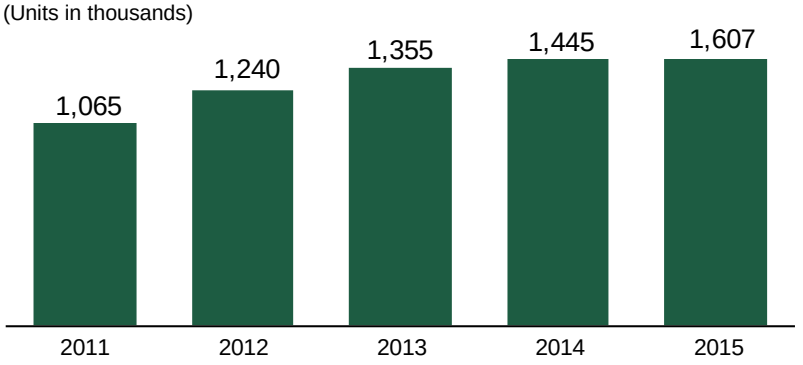
AFC Highlights

- Short-term (~60 day) secured financing to independent used car dealers
- Portfolio managed through disciplined underwriting and consistent credit standards
- Utilizes risk based pricing model
- Local presences mitigates risk and improves service
- Securitization provides liquidity
  - Low cost debt, unfunded revolver and strong cash balance
  - AFC funding in place through June 2018
  - US$1,250 million and C$125 million committed liquidity(1)
    ($1,284 million drawn as of 9/30/16)
- Ability to expand service offerings
  - Preferred Warranties, Inc.

Revenue Per Loan Transaction(2)



Loan Transaction Units



(1) USD & CAD facility commitments through June 2018.
(2) 2013 - 2015 excludes “Other service revenue.”

Long-term Outlook

Opportunities

- Whole car recovery through 2019
  - Institutional volumes grow from off-lease and repossession
  - Increasing physical auction RPU
- Salvage market growth
  - Total loss increase due to increased vehicle complexity and technology
  - Non-insurance volume opportunity
- Disciplined capital deployment provides long term accretive growth
- Expand in new markets

Challenges

- Industry
  - Retail vehicle sales
  - Availability of consumer credit
  - Competition and new entrants
- Revenues
  - Used vehicle values
  - Commodity pricing (scrap)
  - Foreign currency
- Margins
  - Increasing SG&A
  - Increased service level requirements



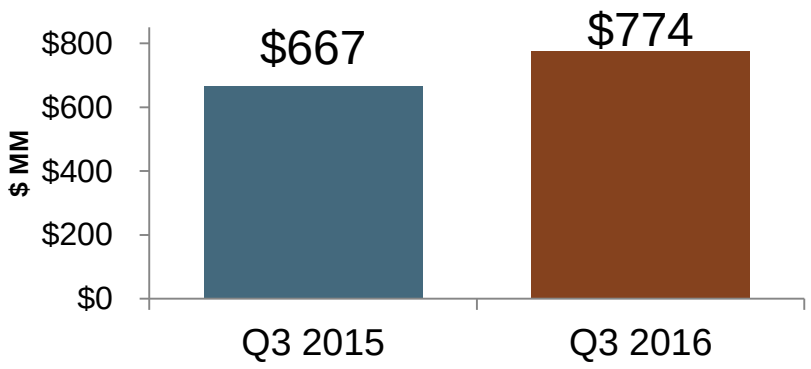
Financial Overview

KAR AUCTION SERVICES

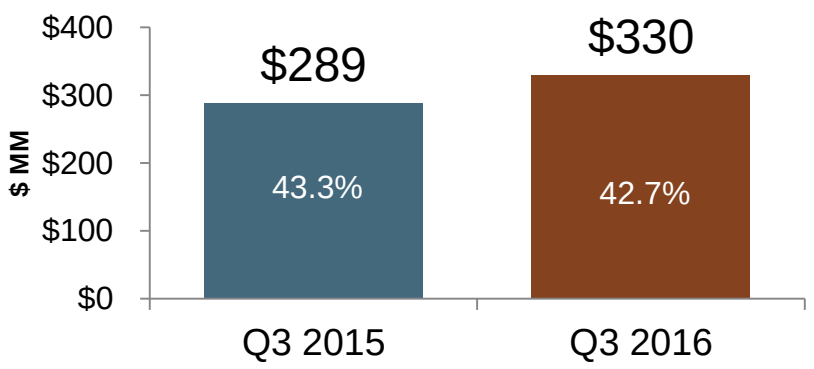


Third Quarter 2016 Performance

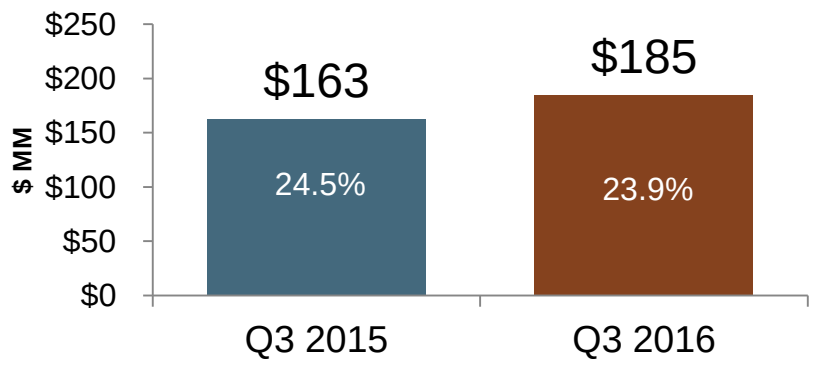
Revenue



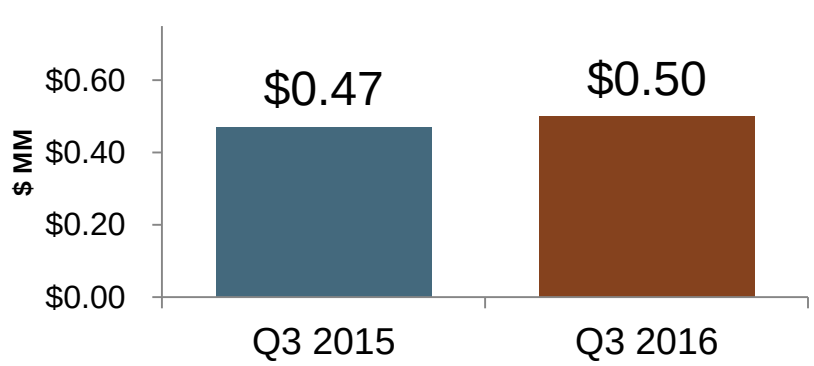
Gross Profit*



Adjusted EBITDA



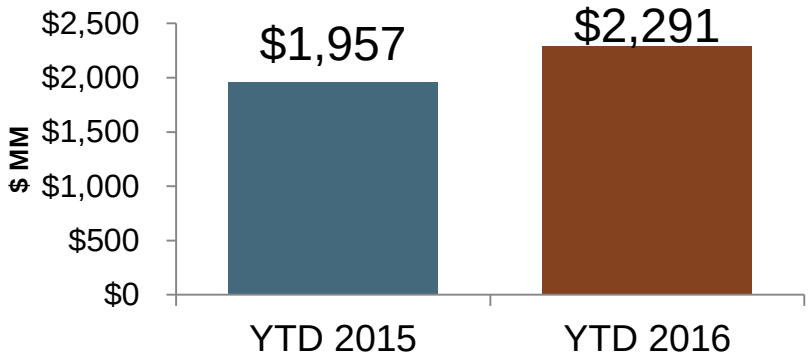
Operating Adjusted Net Income Per Share



* *Excludes depreciation and amortization expense*

2016 YTD Performance

Revenue



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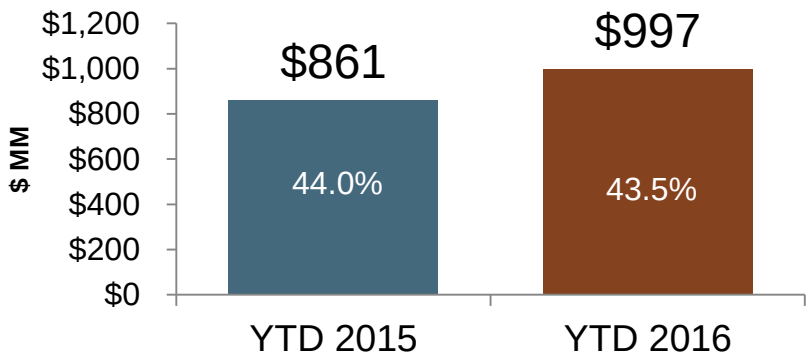
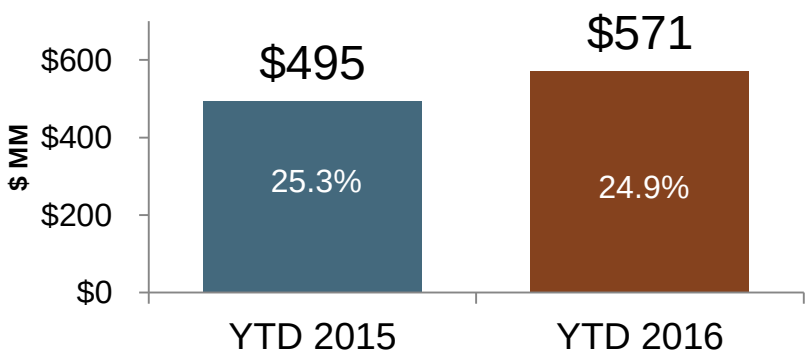


Adjusted EBITDA



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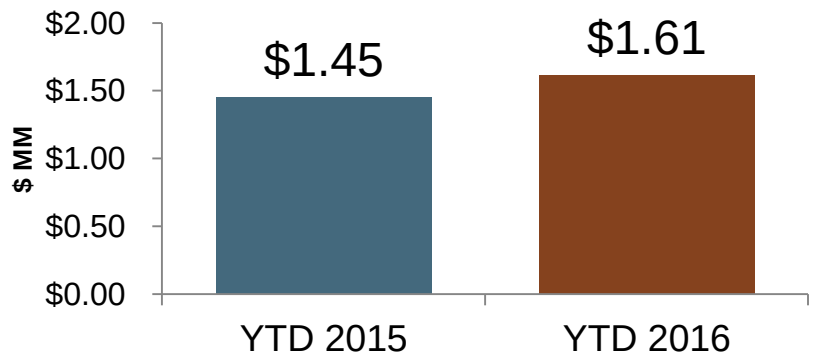

* *Excludes depreciation and amortization expense*

September 30, 2016 Leverage (US$ in millions)

	9/30/2016	Maturity
Term Loan B-2 (Adjusted LIBOR[(1)] + 3.1875%)	$1,088	2021
Term Loan B-3 (Adjusted LIBOR[(1)] + 3.50%)	1,343	2023
Revolving Credit Facility (Adj LIBOR[(1)] + 2.50%)	0	2021
Capital Leases	49	
Total	2,480	
Less: Available Cash	(228)	
Net Debt	$2,252	
Net Debt /Adjusted EBITDA	**3.10**	

The above calculation ignores any unamortized debt discount on the Term Loans
(1) Adjusted LIBOR includes 75 bp floor
Corporate Credit Ratings: S&P BB-, Moodys B1

Capital Allocation Framework

Dividends	Strategic Investments	Share Repurchase Program
■ Dividends have been 45% - 50% of FCF ■ Highlights consistency & strength of free cash flow	■ Acquisitions that leverage cyclical recovery (e.g., independent auctions) ■ Complementary technologies ■ New geographies	■ Tool for managing cash & leverage
2015		
■ Quarterly dividend increased from $0.27 per share to $0.29 per share for shareholders of record in December	■ $118M Aggregate Purchase Price ■ Pittsburgh (Independent Auction) ■ DataScan (Vehicle Inspections) ■ Autoniq (Price Guide Aggregator) ■ MobileTrac (Vehicle History & Title Reports) ■ HBC (UK Salvage)	■ $300M two year authorization approved in October 2014 ■ $228M repurchased in 2015
2016		
■ Quarterly dividend increased from $0.29 per share to $0.32 per share for shareholders of record in December	■ $355M YTD Aggregate Price ■ Brashers (8 Indep Auctions) ■ Orlando (Independent Auction) ■ GRS (UK Online Only)	■ $500M three year authorization approved in October 2016

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Appendix

KAR AUCTION SERVICES



Non-GAAP Financial Measures

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

Depreciation expense for property and equipment and amortization expense of capitalized internally developed software costs relate to ongoing capital expenditures; however, amortization expense associated with acquired intangible assets, such as customer relationships, software, tradenames and 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 and operating adjusted net income per share, in the opinion of the company, provide comparability to other companies that may not have incurred these types of non-cash expenses or that report a similar measure. In addition, net income and net income per share have been adjusted for certain other charges, as seen in the following reconciliation.

EBITDA, Adjusted EBITDA, operating adjusted net income and operating 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.

2015 Adjusted EBITDA Reconciliation

($ in millions)

	Year ended December 31, 2015				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$109.2**	**$92.8**	**$83.2**	**($70.6)**	**$214.6**
Add back:					
Income taxes	62.3	52.4	51.3	(40.1)	125.9
Interest expense, net of interest income	0.1	–	24.1	66.6	90.8
Depreciation and amortization	86.2	80.8	30.8	15.0	212.8
Intercompany interest	49.7	37.7	(25.3)	(62.1)	–
EBITDA	**$307.5**	**$263.7**	**$164.1**	**($91.2)**	**$644.1**
Intercompany charges	7.9	0.7	–	(8.6)	–
Non-cash stock-based compensation	3.8	1.1	1.3	6.5	12.7
Acquisition related costs	2.7	0.1	0.2	1.8	4.8
Securitization interest	–	–	(18.7)	–	(18.7)
Minority interest	0.8	(1.4)	–	–	(0.6)
Other	5.9	0.9	0.4	0.3	7.5
Total addbacks	21.1	1.4	(16.8)	–	5.7
Adjusted EBITDA	**$328.6**	**$265.1**	**$147.3**	**($91.2)**	**$649.8**
Revenue	$1,376.8	$994.4	$268.4	–	$2,639.6
Adjusted EBITDA % margin	23.9%	26.7%	54.9%		24.6%

Q3 2016 Adjusted EBITDA Reconciliation

($ in millions)

	Three Months ended September 30, 2016				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$43.5**	**$22.0**	**$21.6**	**($32.7)**	**$54.4**
Add back:					
Income taxes	26.3	12.5	13.2	(20.2)	31.8
Interest expense, net of interest income	(0.2)	–	8.7	27.6	36.1
Depreciation and amortization	25.3	21.9	7.8	5.5	60.5
Intercompany interest	9.4	9.4	(8.7)	(10.1)	–
EBITDA	**$104.3**	**$65.8**	**$42.6**	**($29.9)**	**$182.8**
Intercompany charges	2.3	–	–	(2.3)	–
Non-cash stock-based compensation	1.1	0.6	0.5	2.5	4.7
Acquisition related costs	1.2	0.1	–	–	1.3
Securitization interest	–	–	(7.2)	–	(7.2)
Minority interest	1.1	–	–	–	1.1
(Gain)/Loss on asset sales	0.4	0.1	–	0.8	1.3
Other	1.2	(0.4)	–	–	0.8
Total addbacks	7.3	0.4	(6.7)	1.0	2.0
Adjusted EBITDA	**$111.6**	**$66.2**	**$35.9**	**($28.9)**	**$184.8**
Revenue	$441.6	$261.0	$71.2	–	$773.8
Adjusted EBITDA % margin	25.3%	25.4%	50.4%		23.9%

Q3 2015 Adjusted EBITDA Reconciliation

($ in millions)

	Three Months ended September 30, 2015				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$29.6**	**$19.9**	**$22.1**	**($19.3)**	**$52.3**
Add back:					
Income taxes	16.0	11.4	13.6	(11.4)	29.6
Interest expense, net of interest income	0.1	–	6.6	17.6	24.3
Depreciation and amortization	22.3	20.1	7.7	4.0	54.1
Intercompany interest	12.2	9.4	(7.9)	(13.7)	–
EBITDA	**$80.2**	**$60.8**	**$42.1**	**($22.8)**	**$160.3**
Intercompany charges	1.8	0.2	–	(2.0)	–
Non-cash stock-based compensation	1.0	0.3	0.3	1.9	3.5
Acquisition related costs	0.4	–	–	0.3	0.7
Securitization interest	–	–	(5.1)	–	(5.1)
Minority interest	(0.1)	(0.1)	–	–	(0.2)
(Gain)/Loss on asset sales	1.8	–	–	–	1.8
Other	0.8	0.7	0.6	–	2.1
Total addbacks	5.7	1.1	(4.2)	0.2	2.8
Adjusted EBITDA	**$85.9**	**$61.9**	**$37.9**	**($22.6)**	**$163.1**
Revenue	$351.4	$246.2	$69.1	–	$666.7
Adjusted EBITDA % margin	24.4%	25.1%	54.8%		24.5%

Q3 YTD 2016 Adjusted EBITDA Reconciliation

($ in millions)

	Nine Months ended September 30, 2016				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$129.0**	**$72.1**	**$68.6**	**($92.8)**	**$176.9**
Add back:					
Income taxes	76.7	42.5	41.8	(54.8)	106.2
Interest expense, net of interest income	(0.1)	–	24.7	75.9	100.5
Depreciation and amortization	72.6	64.4	23.4	15.5	175.9
Intercompany interest	32.4	28.3	(25.1)	(35.6)	–
EBITDA	**$310.6**	**$207.3**	**$133.4**	**($91.8)**	**$559.5**
Intercompany charges	7.8	0.3	–	(8.1)	–
Non-cash stock-based compensation	3.4	1.9	1.4	8.4	15.1
Loss on extinguishment of debt	–	–	–	4.0	4.0
Acquisition related costs	3.6	0.2	0.1	3.3	7.2
Securitization interest	–	–	(20.3)	–	(20.3)
Minority interest	2.7	–	–	–	2.7
(Gain)/Loss on asset sales	1.1	0.2	–	0.8	2.1
Other	2.3	(1.2)	–	–	1.1
Total addbacks	20.9	1.4	(18.8)	8.4	11.9
Adjusted EBITDA	**$331.5**	**$208.7**	**$114.6**	**($83.4)**	**$571.4**
Revenue	$1,277.2	$795.4	$218.0	–	$2,290.6
Adjusted EBITDA % margin	26.0%	26.2%	52.6%		24.9%

Q3 YTD 2015 Adjusted EBITDA Reconciliation

($ in millions)

	Nine Months ended September 30, 2015				
	ADESA	IAA	AFC	Corporate	Consolidated
Net income (loss)	**$84.1**	**$69.5**	**$61.8**	**($49.1)**	**$166.3**
Add back:					
Income taxes	48.4	41.3	37.9	(28.6)	99.0
Interest expense, net of interest income	0.4	–	17.2	49.4	67.0
Depreciation and amortization	63.8	59.1	23.2	10.7	156.8
Intercompany interest	37.6	28.2	(17.4)	(48.4)	–
EBITDA	**$234.3**	**$198.1**	**$122.7**	**($66.0)**	**$489.1**
Intercompany charges	6.0	0.6	–	(6.6)	–
Non-cash stock-based compensation	2.9	0.8	1.0	5.1	9.8
Acquisition related costs	2.1	0.1	–	1.6	3.8
Securitization interest	–	–	(13.2)	–	(13.2)
Minority interest	0.6	(0.3)	–	–	0.3
(Gain)/Loss on asset sales	3.2	–	–	–	3.2
Other	1.9	0.2	0.1	0.1	2.3
Total addbacks	16.7	1.4	(12.1)	0.2	6.2
Adjusted EBITDA	**$251.0**	**$199.5**	**$110.6**	**($65.8)**	**$495.3**
Revenue	$1,024.4	$732.8	$200.2	–	$1,957.4
Adjusted EBITDA % margin	24.5%	27.2%	55.2%		25.3%

LTM Adjusted EBITDA Reconciliation

($ in millions) (unaudited)

	Three months ended				Twelve months ended
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	September 30, 2016
Net income (loss)	**$48.3**	**$60.7**	**$61.8**	**$54.4**	**$225.2**
Add back:					
Income taxes	26.9	36.7	37.7	31.8	133.1
Interest expense, net of interest income	23.8	28.7	35.7	36.1	124.3
Depreciation and amortization	56.0	56.4	59.0	60.5	231.9
EBITDA	**$155.0**	**$182.5**	**$194.2**	**$182.8**	**$714.5**
Non-cash stock-based compensation	2.9	5.5	4.9	4.7	18.0
Loss on extinguishment of debt	–	4.0	–	–	4.0
Acquisition related costs	1.0	2.6	3.3	1.3	8.2
Securitization interest	(5.5)	(6.4)	(6.7)	(7.2)	(25.8)
Minority interest	(0.9)	0.6	1.0	1.1	1.8
(Gain)/Loss on asset sales	0.3	0.4	0.4	1.3	2.4
Severance and retention	0.9	0.3	0.5	0.7	2.4
Other	0.8	–	(0.5)	0.1	0.4
Total addbacks	(0.5)	7.0	2.9	2.0	11.4
Adjusted EBITDA	**$154.5**	**$189.5**	**$197.1**	**$184.8**	**$725.9**

Operating Adjusted Net Income Per Share Reconciliation (Q3 2016 & Q3 2015)

($ in millions, except per share amounts)

	Three Months ended September 30,	
	2016	**2015**
Net income	$54.4	$52.3
Acquired amortization expense [1]	24.7	22.4
Income taxes [2]	(9.1)	(8.1)
Operating adjusted net income	**$70.0**	**$66.6**
Net income per share − diluted	$0.39	$0.37
Acquired amortization expense	0.18	0.16
Income taxes	(0.07)	(0.06)
Operating adjusted net income per share − diluted	**$0.50**	**$0.47**
Weighted average diluted shares	139.7	141.8

(1) Acquired amortization expense was $24.7 million ($15.6 million net of tax) and $22.4 million ($14.3 million net of tax) for the three months ended September 30, 2016 and 2015, respectively.

(2) The effective tax rate at the end of each period presented was used to determine the amount of income tax on the adjustments to net income.

Operating Adjusted Net Income Per Share Reconciliation (Q3 YTD 2016 & Q3 YTD 2015)

($ in millions, except per share amounts)

	Nine Months ended September 30,	
	2016	**2015**
Net income	$176.9	$166.3
Acquired amortization expense [(1)]	71.3	65.3
Loss on extinguishment of debt [(2)]	4.0	–
Income taxes [(3)]	(28.2)	(24.4)
Operating adjusted net income	**$224.0**	**$207.2**
Net income per share – diluted	$1.27	$1.16
Acquired amortization expense	0.51	0.46
Loss on extinguishment of debt	0.03	–
Income taxes	(0.20)	(0.17)
Operating adjusted net income per share – diluted	**$1.61**	**$1.45**
Weighted average diluted shares	139.4	143.2

(1) Acquired amortization expense was $71.3 million ($44.6 million net of tax) and $65.3 million ($40.9 million net of tax) for the nine months ended September 30, 2016 and 2015, respectively.
(2) We incurred a loss on the extinguishment of debt totaling $4.0 million ($2.5 million net of tax) for the nine months ended September 30, 2016.
(3) The effective tax rate at the end of each period presented was used to determine the amount of income tax on the adjustments to net income.

AFC Provision for Credit Losses

	2016 YTD	2015	2014	2013	2012	2011	2010	2009	2008	2007
Ending Managed Receivables	$1,785.4	$1,641.0	$1,371.1	$1,107.6	$1,004.2	$883.2	$771.6	$613.0	$506.6	$847.9
Average Managed Receivables	$1,717.6	$1,474.9	$1,208.4	$1,051.4	$925.8	$798.8	$688.6	$516.4	$744.4	$835.3
Provision for Credit Losses	$19.0	$16.0	$12.3	$9.6	$7.2	$6.1	$11.2	$17.1	$44.7	$25.0
% of Managed Receivables	1.47%*	1.08%	1.02%	0.91%	0.78%	0.76%	1.63%	3.31%	6.00%	2.99%

* Loss rate annualized